



REPORT TO SUBCOUNCIL 3

DATE

1. **ITEM NUMBER 03SUB 40/05/19**

2. **SUBJECT**

MATTERS RECEIVING ATTENTION: GALLERIA VELODROME STATUS REPORT

ONDERWERP

AANGELEENTHEDE WAT AANDAG GENIET: GALLERIA VELODROME STATUSVERSLAG

ISIHLOKO

INGXELO YEMIBANDELA ENGEKAGQITYWA: INGXELO YOKUBA I-GALLERIA VELODROME

3. **DELEGATED AUTHORITY**

This report is for noting by Subcouncil 3

4. **EXECUTIVE SUMMARY**

A request was received from Subcouncil 3 for an status report on the proposed Galleria development on portions of Erf 21750, Bellville. A report submitted to the Economic Opportunities and Asset Management Portfolio Committee in March 2019, is herewith attached (refer Annexure A) to Subcouncil 3 for noting.

5. **RECOMMENDATIONS**

That the content of this report be NOTED

AANBEVELING

Dat die verslag KENNIS van geneem word

IZINDULULO

Ukuba le ngxelo IQWALASELWE

ANNEXURES

Annexure A – Report submitted to the Economic Opportunities and Asset Management Portfolio Committee in March 2019.

FOR FURTHER DETAILS CONTACT:

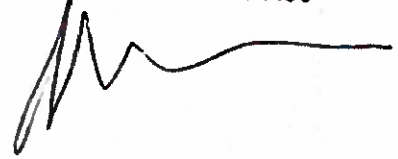
NAME ANDRE HUMAN CONTACT NUMBER 021 400 2366

E-MAIL ADDRESS JASON.DRUMMER@CAPETOWN.GOV.ZA

DIRECTORATE Economic Opportunities & Asset Management Property FILE REF NO

HO 14/3/4/3/475/A00

SIGNATURE MANAGER : PROPERTY ACQUISITIONS AND DISPOSALS ANDRE HUMAN



DIRECTOR: PROPERTY MANAGEMENT (IN HER CAPACITY AS NOMINEE FOR THE EXECUTIVE DIRECTOR – ECONOMIC OPPORTUNITIES & ASSET MANAGEMENT)

NAME Ruby Gelderbloem COMMENT:

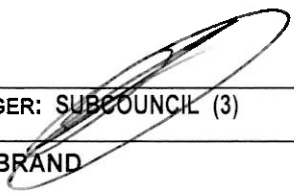
DATE 2019.05.07

SIGNATURE 

MANAGER: SUBCOUNCIL 3

DATE _____

06 MAY 2019 



MANAGER: SUBCOUNCIL (3)


JDJA BRAND

TEL NO (021)444-4862

DATE 14/5/2019

COMMENT:

1. Herewith confirm that the relevant delegation is quoted in item.
2. The recommendation is/are subject to Subcouncil decision.
3. Author of report was notified that item is on agenda and in terms of delegation 1(5) requested to attend the Subcouncil meeting.



SUBCOUNCIL CHAIRPERSON

COUNCILLOR HELEN CARSTENS

TEL NO (021) 444-4865

DATE 14 | 5 | 2019

COMMENT:



DATE:

**REPORT TO: ECONOMIC OPPORTUNITIES AND ASSET MANAGEMENT PORTFOLIO
COMMITTEE**

1. **ITEM NUMBER** EAM 19/03/19

2. **SUBJECT/ ONDERWEP/ ISIHLOKO**

MATTERS RECEIVING ATTENTION: GALLERIA VELODROME STATUS REPORT

**AANGELEENTHEDE WAT AANDAG GENIET: GALLERIA VELODROME
STATUSVERSLAG**

**INGXELO YEMIBANDELA ENGEKAGQITYWA: INGXELO YOKUBA I-GALLERIA
VELODROME**

3. **DELEGATED AUTHORITY**

This report is for Noting

Portfolio Committee: Economic Opportunities and Asset Management

4. **EXECUTIVE SUMMARY**

PURPOSE OF REPORT	To provide feedback on the developments regarding the Galleria Velodrome Project.				
PROPERTY DESCRIPTION	Erf 40819 is an unregistered portion of Remainder Erf 21750, Bellville and measures 11,7324 hectares in extent. (i) Lease Area 1 (Velodrome): 1,2221 hectares in extent (ii) Lease Area 2 (Athletics Stadium): 2,2263 hectares in extent (iii) Transfer Area (Vacant and Parking): 8,2840 hectares in extent				
PROPERTY LOCATION	Carl Cronje Drive, Bellville				
AREA	1	SUBCOUNCIL	3	WARD	70
SITE EXTENT	11,7324 hectares				
VIABLE	YES	x	NO		
CURRENT ZONING	General Business subzone GB3				
CURRENT USAGE	Velodrome, Athletics Stadium, Public Street/Parking and remainder vacant				
PROPOSED USAGE	Velodrome, Athletics Stadium, Mixed Use Development and Parking				

Making progress possible. Together.

5. DISCUSSION

5.1 BACKGROUND

In 2006 the City of Cape Town (the City) began a processes to sell, lease and develop the vacant municipal land together with its improvements and public facilities on a portion of Erf 21750, Bellville (the property). This includes the Velodrome and Bellville Athletic Stadium. It was agreed that the private sector would be able to better manage and utilise these facilities, while ensuring that an income is generated by the City from its improved use where appropriate. The project aimed to improve the facilities and optimise their utilisation for sporting, recreational activities, private events, concerts and exhibitions, and to unlock the value of an underutilised municipal capital asset for the benefit of the City and its people.

In accordance with the delegations applicable on 17 May 2006, the City's Mayoral Committee (MC 22/05/06) approved the commencement of a two-stage proposal call to identify an appropriate development scenario and ultimately a preferred developer of the property. The first Request for Qualification (RFQ) stage required bidders to provide conceptual designs and performance specifications for the proposed development. The second Request for Proposals (RFP) stage, was only applicable to bidders whom qualified in terms of the RFQ stage, and required of them to submit detailed proposals including financial offers. The first stage of the bidding process was initiated on 14 September 2007, with the City issuing a proposal call RFQ with a closing date of 9 November 2007. From the 13 submissions received in stage one, the City shortlisted three applicants, and invited them to submit detailed RFPs including financial offers by 8 May 2009.

Devmet Property Developments (Devmet) provided an offer which was considered to provide the best development scenario which is physically possible, legally permissible, financially feasible, and that results in greatest benefit to the City and its inhabitants. Devmet offered R152.54m for the purchase of the land and R44.55m and R17.24m to upgrade the Velodrome and Sports facilities respectively. For the 30-year lease of the facilities, Devmet offered 5% of turnover, which had an estimated NPV in 2009 of R20.12m. The total of these values equates to R234.45m, was presented as the total income that will accrue to the City.

In a report to Council dated 12 October 2009 (SCMB 43/10/09), the Supply Chain Management Bid Adjudication Committee recommended the selection of Devmet. On 28 October 2009, Council resolved (C 46/10/09) that the property is not needed to provide the minimum level of basic municipal services, and that the Devmet offer was market related and provided the best financial, economic and community value in terms. Council authorised the negotiation and conclusion of the necessary agreements with Devmet provided that the financial offer for the sale, lease and

development is not lower than R234,45m. On 16 August 2012 the City entered into agreements with Devmet Property Developments (Pty) Ltd for the sale and lease of the property. These agreements were subject to several Conditions Precedent including that the necessary planning and other approvals be obtained to rezone and subdivide the property and permit the development.

The City granted planning approval on 30 October 2013 (C 11/10/13), subject to various conditions. However, Devmet opted to appeal the conditions of approval which required Devmet to pay an additional R25 Million for transport upgrades after already signing an acknowledgment of debt with the City based on the development contributions calculated for the proposed development. The Provincial Minister of Local Government, Environmental Affairs and Development Planning dismissed the appeal on 9 February 2015 in terms of s 44 of the Land Use Planning Ordinance 15 of 1985. Devmet subsequently served notice of its intention to seek an order to review and set aside the decision by to the City and the Provincial Government by the High Court on 12 August 2015. In November 2016, the City indicated its willingness to settle the review on the basis that the disputed condition is reviewed and set aside, with each party to pay their own costs. Formally, the review application is still pending. The final approval of the subdivision was obtained from the Surveyor General in May 2018. Devmet therefore regards all the Conditions Precedent as having been fulfilled, and began calling for transfer.

After seeking senior counsel opinion, the City was advised that the Municipal Asset Transfer Regulations, 2008 (MATR) requirements must be concluded before the City may transfer the property. Council is obliged to comply with Regulation 5 and 34 of the MATR which is applicable to the current transaction since its promulgation (01/09/2008) occurred after the initiation but before the award of the tender. The Property Management Department has initiated this process and will drive this project to its conclusion as per the projected plan below.

Public Participation	Activities	Duration
Request authority to advertise (high value assets R 50 mil and more)	Valuation, IPAC recommendation to MAYCO and Council *Resolution Required	3 Months FEB – APR 2019
Draft and place public notice	Media Office to publish advert in local newspapers	1 Month MAY 2019
Notify internal and external stakeholders (i.e. National and Provincial Treasury, Subcouncils, adjacent owners, etc.)	Notice to interested and affected parties to provide comment. *minimum 30 days Request input from internal services branches or other stakeholders	2 Months MAY- JUN 2019

In-principle Approval:	Activities	Duration
Report to Subcouncil for comment	Subcouncil agenda and obtain resolution	1 Month JUN 2019
Draft <u>In-principle</u> and <u>Final Approval</u> Report (subject to legal compliance)	Report to be placed on the IPAC, MAYCO and Council agenda	2 Months JUN –JUL 2019
Obtain minutes of the IPAC, Mayco and Council meetings	In-Principle authority granted	1 Month AUG 2019

5.2 RISK IMPLICATIONS

Yes No

If the contract of sale is valid but transfer fails as a consequence of non-compliance with MATR, and contrary to the contractual warranty which guarantee's compliance, then the City will be liable to contractual damages, the quantum of which will be the difference between the purchase price and the contract price. The City may similarly be liable under the lease.

6. RECOMMENDATIONS / AANBEVELING / IZINDULULO

That the contents of this report is **NOTED**.

Dat die verslag **KENNIS** van geneem word.

Ukuba le ngxelo **IQWALASELWE**

FOR FURTHER DETAILS CONTACT

DIRECTOR: PROPERTY MANAGEMENT

M

NAME	Ruby Gelderbloem	CONTACT NUMBER	021 400 1361
E-MAIL ADDRESS	Ruby.Gelderbloem@capetown.gov.za		
DIRECTORATE	Economic Opportunities and Asset Management	FILE REF NO	14/3/3/2/5/27/A48
SIGNATURE : DIRECTOR	<i>Acting: W. Boon</i>		

Making progress possible. Together.

EXECUTIVE DIRECTOR

NAME Kelcy Le Keur

COMMENT:

DATE 2019/02/20

SIGNATURE 

LEGAL COMPLIANCE

- REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION. NON-COMPLIANT

NAME Patricia Davis

COMMENT:

DATE 25.02.2019

SIGNATURE 

For information. 