



REPORT TO SUBCOUNCIL 1

442 3762

1 ITEM NUMBER 01SUB 11/11/2019

2 SUBJECT

PROPOSED LEASE OF CITY LAND BEING A PORTION OF ERF 154 MAMRE, SITUATED AT THE CORNER OF MAIN ROAD & LIEDEMAN STREET, MAMRE: SOUTH AFRICAN POST OFFICE

ONDERWERP

VOORGESTELDE VERHURING VAN STADSGROND NAAMLIK 'N GEDEELTE VAN ERF 154 MAMRE, GELEË OP DIE HOEK VAN HOOFWEG EN LIEDEMANSTRAAT, MAMRE: SUID-AFRIKAANSE POSKANTOOR

ISIHLOKO

ISIPHAKAMISO SENGQESHISO NGOMHLABA WESIXEKO OSISIQEPHU SESIZA 145 MAMRE, ESIME KWIKONA YE-MAIN ROAD NE-LIEDEMAN STREET, MAMRE: KWI-SOUTH AFRICAN POST OFFICE

L0329

130003060

File Ref No: BA14/3/6/1/2/68

(Category 6)

3 DELEGATED AUTHORITY

- ☒ The report is for comment by Subcouncil to the competent authority in terms of Part 24, Delegation 10(1).

"To comment to the competent authority on the granting of rights to use, manage or control City immovable assets such as land, property and buildings and to recommend conditions of approval where deemed necessary."

- ☒ Final decision lies with Council.

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EXECUTIVE SUMMARY

PURPOSE OF REPORT	To consider the proposed lease of land being portion of Erf 154, Mamre shown hatched on the attached sketch plan no TA 882v0 marked annexure A, in extent approximately 131m ² to the South African Post Office Ltd.		
Site extent	131 m ²		
Submission date	25-06-2015		
Current zoning	Local Business 2: Local Business		
Current usage	Office space		
Proposed usage	Office space		
Internal circulation date	23 February 2017		
Internal department comments	No objections received		
Public participation outcome summary	N/A as the Western Cape Government is an Organ of State as per clause 239 of The Constitution of the RSA, 1996.		
WARD CLLR	NOTICE DATE		WARD
Cynthia Clayton	n/a		29
Viable	Yes	No	x
	The property is deemed non-viable immovable and cannot be developed and function as a separate entity and cannot be registered as a separate entity by the Registrar of Deeds.		
Recommended decision	Approval	x	Refusal
Regulation 34(1) In-principle approval	Granted by Executive Director :Economic Opportunities and Asset Management in terms of delegated authority Part 27 (22)(7) between 7 July 2017 and 20 June 2018		
Factors motivating recommendation	<ul style="list-style-type: none"> The post office has been operating from this property since 2003 This is the only post office in Mamre and the services provided from this property is thus essential to the community of the greater Mamre area The renewal of the lease agreement will ensure the continued use of the property as a post office The City will receive rental and will not be responsible for the maintenance of the subject property 		

RECOMMENDATIONS FOR CONSIDERATION AND COMMENT BY THE RELEVANT SUBCOUNCIL

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Council resolve that, in terms of Regulation 41 (2)(e) of the Local Government: Municipal Asset Transfer Regulations, portion of Erf 154, Corner of Main Road and Liedeman Street, Mamre, in extent approximately 131m² is surplus to the requirements of the Municipality.

It is recommended that the proposed lease of a portion of city land, being Erf 154 Mamre shown lettered ABCDEF on the attached plan TA882v0, marked annexure A, in extent approximately 131m² to the South African Post Office Mamre be approved subject inter alia to the following conditions;

- a) A market related rental of R 5400.00 per month exclusive of VAT and inclusive of rates be payable;
- b) The monthly rental is to be adjusted on the basis of 8% per annum compounded annually commencing 2 months from date of this valuation. Accordingly, the above recommended rental is effective and payable as from 2019-01-01;
- c) The rental to escalate at 8% per annum for a period of 5 years;
- d) The lessee is responsible for all municipal services i.e water and electricity
- e) The lease will endure for a period of ten years, rental to be reviewed after 5 years;
- f) The property be used for office space purposes only;
- g) Subject to such further conditions to be imposed by the Director: Property Management in terms of her delegated authority;
- h) Subject to compliance with any other statutory requirements;
- i) No compensation will be payable for any improvement made to the property.
- j) All outstanding accounts with the City of Cape Town must be settled
- k) Access must be granted to the City of Cape Town employees upon request to perform maintenance/repair work.

AANBEVELINGS VIR OORWEGING EN KOMMENTAAR DEUR DIE BETROKKE SUBRAAD

Die Raad bepaal, ingevolge artikel 14 (2)(e) van die Wet op Plaaslike Regering: regulasies vir oordrag van munisipale bates, gedeelte van erf 154, hoek van Hoofweg en Liedemanstraat, Mamre, ongeveer 131 m² groot, 'n oorskot vir die vereistes van die munisipaliteit is.

Daar aanbeveel word dat die voorgestelde verhuring van 'n gedeelte van Stadsgrond, erf 154 Mamre, met die letters ABCDEF op die aangehegte plan, TA882v0, gemerk

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bylae A, ongeveer 131 m² groot, aan die Suid-Afrikaanse Poskantoor Mamre, goedgekeur word onderworpe aan, onder meer, die volgende voorwaardes:

- a) 'n Markverwante huurbedrag van R5 400 per maand (BTW uitgesluit en eiendomsbelasting ingesluit) betaal moet word;
- b) Die maandelikse huurbedrag jaarliks met 8% aangepas word, jaarliks saamgestel vanaf twee maande ná die datum van hierdie waardasie. Dienooreenkomstig is die bogenoemde aanbevole huurbedrag van krag en betaalbaar vanaf 2019-01-01;
- c) Die huurbedrag teen 8% per jaar sal styg vir 'n tydperk van vyf jaar;
- d) Die huurder is vir alle munisipale dienste verantwoordelik, d.w.s. water en elektrisiteit
- e) Die huurooreenkoms vir 'n tydperk van tien jaar duur, en die huurbedrag na vyf jaar hersien word;
- f) Die eiendom slegs vir kantoorruimte gebruik word;
- g) Onderworpe aan sodanige verdere voorwaardes opgelê deur die direkteur: eiendombestuur ingevolge haar gedelegeerde magtiging;
- h) Onderworpe aan die nakoming van enige ander statutêre vereistes;
- i) Geen vergoeding betaalbaar sal wees vir enige verbeteringe aan die eiendom nie.
- j) Alle uitstaande rekeninge met die Stad Kaapstad vereffen moet wees.
- k) Toegang moet toegestaan word aan die Stad Kaapstad-werknemers op versoek om instandhouding-/herstelwerk te doen.

**IZINDULULO ZOKUBA ZIQWALASELWE KWAYE KUHLONYULWE KUZO
LIBHUNGANA ELIFANELEKILEYO**

IBhunga malithabathe isigqibo sokuba, ngokoMgaqo-41 (2)(e) wobuRhulumente boMmandla ongeMigaqo yokuTshintshelwa kweMpahla kaMasipala, isiqephu sesiza-154, kwikona ye-Main Road ne-Liedeman Street, e-Mamre, esibukhulu obumalunga nama-131 m² siyintsalela kwiimfuno zikaMasipala.

Kundululwe ukuba makuphunyezwe isiphakamiso sengqeshiso ngesiqephu somhlaba wesixeko, osisiqephu sesiza-154 esiseMamre esibonakaliswe ngoonobumba ABCDEF kwiplani eqhotyoshelweyo engu-TA882v0, ephawulwe njengesihlomelo A, esibukhulu bumalunga ne-131m² kwi-South African Post Office Mamre ngokuxhomekeke phakathi kwezinye izinto kule miqathango ilandelayo;

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- a) Makuhlawulwe ixabiso lerenti elihambelana nemarike elingama-R 5400.00 ngenyanga ngaphandle kweRhafu-ntengo kwaye kuquka iintlawulo zobuhlali;
- b) Irenti yenyang izakulungelelaniswa ngominge we-8% ngonyaka oqukaniswe rhoqo ngoqo ngonyaka ukususela kwinyanga ezi-2 ukusuka ngomhla woqingqo-maxabiso. Ngenxa yoko, ixabiso lerenti elikhankanywe ngentla apha liyasebenza kwaye liyakuthi lihlawulwe ukususela ngowama-2019-01-01;
- c) Irenti izakonyuka nge-8% rhoqo ngonyaka kwisithuba seminyaka elishumi;
- d) Lowo uqeshileyo uyakuthi abenoxanduva lwazo zonke iinkonzo zikamasipala, ezingamanzi nombane;
- e) Inggqeshiso iya kuhlala isithuba seminyaka elishumi, irenti iyakuhlaziywa emva kweminyaka emi-5;
- f) Ipropati iyakuthi isetyenziselwe imibandela yeendawo yee-ofisi kuphela;
- g) Ngokuxhomekeke kweminye imiqathango eyongeziweyo eyakuthi inyanzeliswe nguMlawuli: woLawulo lweePropati ngokwamagunya akhe awagunyaziselweyo;
- h) Ngokuxhomekeke ekuthotyelweni kwayo nayiphina imimiselo yomthetho engeminye;
- i) Akusayi kuhlawulwa mbuyekezo ngophuculo oluthe lwenziwa kwipropati.
- j) Makuhlawulwe onke amatyala asileleyo kwiSixeko saseKapa
- k) Kufuneka kunikezelwe ngemvume yokungena kubasebenzi beSixeko saseKapa xa baye bayicela belungiselela ukwenza umsebenzi wononophelo/wolungiso.

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DISCUSSION/CONTENTS

6.1 BACKGROUND:

The South African Post Office occupies the property described as portion of Erf 154 Mamre, situated at Corner of Main Road and Liedeman Street, Mamre as shown by the figure ABCDEF on the Plan No TA 882v0 attached and marked Annexure A, in extent approximately 131m². In order to regularize the property which is being used, the Post Office submitted an application to lease the subject property as they are currently occupying the property without any formal agreement between themselves and the City of Cape Town. This application is thus merely to conclude a formal agreement between the two parties.

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The property is used to operate the offices of the Mamre Post Office for the community of Mamre and the surrounding areas. The lease agreement has expired, but the lessee is currently still utilizing the property for the same purposes and the lease has been continuing on a tacit monthly basis.

The property is easily accessible and enjoys good exposure due to its location within the community. This in effect will enable the applicant to utilise the subject property more effectively and beneficially.

No objections have been received against the proposal to lease the subject property.

The property is registered in the name of Municipality of Mamre by Deed of Transfer No D/T 37811/1981.

6.2 CONSULTATION WITH INTERNAL BRANCHES:

The various Council Departments were consulted and have no objection to lease the subject to the conditions as set out in paragraph 5 above.

6.3 VALUATION

The application category does not fit within the tariff structure of the City approved on 30 May 2019;

The City's Professional Valuers assessed the rental value of the subject property at R 5400.00 per month, inclusive of rates and excluding VAT.

The monthly rental is to be adjusted on the basis of 8% per annum compounded annually commencing two months from date of this valuation. Accordingly, the above recommended rental is effective and payable as from 2019.01.01.

The lessee is responsible for all municipal services. i.e water and electricity.

The lease will be for a period of 10 years with a rental review after a period of 5 years.

The valuation synopsis is attached to the report as **Annexure B**

6.4 CONSTITUTIONAL AND POLICY IMPLICATIONS

- 6.4.1 The proposal complies with Section 14 of the Municipal Finance Management Act No.56 of 2003 in that the relevant branches of Council have confirmed that the land is not required for the provision of the minimum level of a basic municipal service.

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6.4.2 Chapter C of Council's policy relating to the Management of certain of the City of Cape Town's Immovable Property (approved 26 August 2010), permits the leasing of immovable property.

6.5 FINANCIAL IMPLICATIONS

All costs involved in this transaction will be for the Applicant's account.

6.6 TAX COMPLIANCE

Not applicable. A SARS Certificate of Good Standing is not obtained in respect of Organs of State, as per Clause 239 of the Constitution of the RSA, 1996.

6.7 FINANCIAL DUE DILIGENCE

Not applicable as the applicant is an organ of state.

6.8 SUSTAINABILITY IMPLICATIONS

Does the activity in this report have any sustainability implications for the City?	No <input checked="" type="checkbox"/>	Yes <input type="checkbox"/>
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6.9 LEGAL IMPLICATIONS

Regulation 36 of the MATR

In terms of the above Regulation, Council must take into account a number of factors (highlighted in bold) when considering any proposed granting of rights to use, control or manage municipal capital assets, and it is herewith confirmed that:

Whether asset may be required for the municipality's own use during the period for which the right is to be granted

Council's service branches confirmed that the asset is not required for own purposes.

Extent to which any compensation to be received, estimated value of improvements or enhancements to party the right is granted to will be required to make, economic or financial benefit to the City

Council will receive a financial benefit in the form of a market rental to the amount of R 5400.00 excluding VAT per month. The rental will escalate at 8% compounded per annum.

Management of Risk

No operational or control risk to the City.

Stakeholder comments and recommendations

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The applicant is an Organ of State and a public participation process has not been concluded.

Views from National and Provincial Treasury

In terms of Regulation 34 of the MATR the subject property falls within the category of a capital asset in respect of which the proposed right to be granted has a value less than R10 million and a period exceeding 3 years (Non-Significant Property Right). National and Provincial Treasury have been notified. No comments were received.

Strategic, Legal and Economic Interests

None of these interests will be compromised through the granting of the right to use, control or manage the asset. In fact, they will be supported.

Compliance with Legislative Regime that is Applicable to Proposed granting of Rights

Granting of the right to use, control or manage the asset is compliant with the Municipal Finance Management Act, Municipal Asset Transfer Regulations and Council's policy on the management of certain of the City of Cape Town's immovable property.

In terms of the provisions of Regulation 41(4) of the MATR, the City is satisfied that the South African Post Office has demonstrated the ability to adequately maintain and safeguard the asset in question.

6.10 STAFF IMPLICATIONS

Does your report impact on staff resources, budget, grading, remuneration, allowances, designation, job description, location or your organisational structure?

No ☒

Yes ☐

ANNEXURES

Annexure A: Plan No TA882v0

Annexure B: Valuation Synopsis

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FOR FURTHER DETAILS CONTACT:

NAME	MELISSA VAN DER WESTHUIZEN
CONTACT NUMBERS	021 444 4977
E-MAIL ADDRESS	MELISSA.VANDERWESTHUIZEN@CAPETOWN.GOV.ZA
DIRECTORATE	ECONOMIC OPPORTUNITIES AND ASSET MANAGEMENT
FILE REF No	BA 14/3/6/1/2/68
MANAGER: PROPERTY HOLDING	RACHEL SCHNACKENBERG B. mali-Sweindana

Activity Director
 DIRECTOR : PROPERTY MANAGEMENT IN HER
 CAPACITY AS EXECUTIVE DIRECTOR : ECONOMIC
 OPPORTUNITIES AND ASSET MANAGEMENT
 NOMINEE
 NAME RUBY GELDERBLOEM
 RUBY GELDERBLOEM - MIKE SMITH
 DATE 2019-10-24

Comment:

Jacobus
 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 Jacobus Mari Holt
 TEL 021 400 2753
 DATE 05/11/2019

Comment:

Certified as legally compliant: JMH
Based on the contents of the report.


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CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

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Date


Mr W van der Westhuizen
SUBCOUNCIL 1 MANAGER

DATE

13/11/2019

Comment:


Ald C Clayton
SUBCOUNCIL 1 CHAIRPERSON

Date

13/11/2019

Comment:

CITY OF CAPE TOWN - PROPERTY MANAGEMENT

LOCALITY SKETCH

DIMENSIONS IN METRES

AB	= 2.2
BC	= 1.7
CD	= 8.8
DE	= 12.2
EF	= 11.1
FA	= 10.3

LEASE OF PORTION OF CITY LAND- CNR OF MAIN ROAD & LIEDEMAN STREET- MARMRE

The figure ABCDEF shown hatched represents a portion of City Land (Erf 154 Marmre) in extent approximately 131 square metres, available for lease to

SOUTH AFRICAN POST OFFICE

City Land (Erf 154 Marmre) shown bordered grey and zoned Local Business 2: Local Business

Note: Erf 154 Marmre is registered in the name of the Municipality of Marmre by DVT 37911 dated 1981-00-31.

WAND 29 SUBCOUNCIL 01 C Clayton

REVISION: LEASE

REFER TO	C.P. No. 1871
CASE NO.	190003060
PROP REF	
FILE NO.	D 14/3/6/1/2/88
MEMO	

PROPERTY HOLDING

SURVEYOR	B SLUSKE (2018/02/19)
SPIN TECH ASST	J WESTENBERG (2018/02/19)
CHECKED	A de Gooke

TA 882v0

Annexure

VALUATION SYNOPSIS: MARKET RENTAL VALUATION OF PORTION OF ERF 154 MAMRE, CORNER OF MAIN ROAD AND LIEDEMAN STREET, MAMRE: THE SOUTH AFRICAN POST OFFICE**Brief**

We were requested by the Tygerberg region to determine the market value of portion of Erf 154 Mamre (hereafter referred to as 'the subject property') for lease purposes. The subject property, measuring approximately 131m² is shown lettered ABCDEF on the plan TA 882v0 is to be leased to The South African Post office at R5 400 per month (inclusive of rates and exclusive of VAT).

Our date of valuation is as at 2018-10-31.

Salient information of the subject property

Description	Portion of Erf 154 Mamre
Location	Corner of Main Road and Liedeman Street, Mamre
Lettable extent	±91m ²
Plan	TA 882v0
Zoning	Local Business 2 (LB2)
Branch Comments	The proposed lease has been circulated to the relevant municipal departments, whose conditions of approval are, for the most part, standard conditions pertaining to the leasing thereof.
Usage	Office use
Current rental	R242 per month (as per brief)
Improvements	Single storey, free standing building of cement plastered brick construction under pitched asbestos slate tile roof tile. The property is well maintained comprising of reception area, kitchenette, walk-in safe, toilet facilities, and secured store room including a storage area. The building is secured with light security bars and gate.

Approach to valuation

We have been tasked with determining the market value of the subject property, which, is defined by International Valuation Standards Committee (IVSC) as:

"The estimated amount which a property should be leased on the date of valuation, between a willing lessor and a willing lessee, in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Method of valuation

The most widely and accepted method of valuation used to determine the market rental is the Direct Comparison Method of valuation. This method takes into consideration rentals that can be compared to the Subject Property and after taking into account the various differences/value forming attributes between the subject property and those properties, an opinion of value derived based on market criteria is determined.

Market research

Market research of various commercial office rentals were looked at in the precinct of the subject property and further afield, with the necessary adjustments made accordingly.

The City concluded a lease with SAPS in Mamre situated on Erf 275 Mamre, measuring approximately 100m² of lettable space on the underlying basis of an escalated rate of R50/m², at the time of determining the rental the property was in a poor to fair condition compared to the subject property.

As per a 2018 rental valuation report, office space in Atlantis proposed to be leased to Home Affairs, measuring approximately 162m² was determined at a rate of R70/m².

Agents specialising in the Atlantis industrial and commercial property markets were consulted and indicated that commencement rental rates of commercial properties are generally in the region of R60/m²-R70/m² increasing with proximity to Atlantis shopping centre or CBD area.

In a report undertaken for the latest General Valuation, rentals for fair to good office space offering sufficient parking in the surrounds of the Atlantis CBD were estimated between R53/m² and R77/m², depending on extent, condition, location etc.

In addition, the following rentals currently listed on the open market were looked at as they provide an indication of asking rentals:

- ❖ Commercial/office space: Atlantis CBD, ground floor 75m² @ R80/m²
- ❖ Office space: Atlantis CBD, renovated, secure, 328m² @ R47.25/m²
- ❖ Office space: Atlantis CBD with Atlantis mall, 3 rooms, 160m² @ R49.69/m²
- ❖ Office space: Atlantis, secure complex, 298m² @ R55/m²
- ❖ Ground floor storage space at "Utilitas Building" in the Atlantis industrial area (located on the corner of Nell Hare Road & Tom Henshillwood Street), 130m² @ ±R85/m².

Conclusion

Based on the above market evidence, we deem a fair and reasonable gross market rental for the subject property to be in the order R55/m².


Based on the above, the rental is calculated as follows:


Lettable extent	91m ² @ R55	R5 000
Plus rates		<u>R 400</u>
Total (rounded)		R5 400

Recommendation

It is recommended that the City property, being portion of Erf 154 Mamre, shown by the hatched figure ABCDEF on plan TA 882v0, measuring in extent approximately 131m², be leased to The South African Post Office for an amount of R5 400 (inclusive of rates and exclusive of VAT) per month, subject to:

- i) The monthly rental is to be adjusted on the basis of 8% per annum compounded annually commencing 2 months from date of this valuation. Accordingly, the above recommended rental is effective and payable as from 2019-01-01.
- ii) The rental to escalate at 8% per annum for a period of 5 years.
- iii) The lessee is responsible for all municipal services i.e. water and electricity.


Anton Opperman
Professional Associated Valuer


Rosanna Potgieter
Principal Professional Valuer

Date: 2019-07-17

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