

9.

A PORTION OF REMAINDER ERF 243 HERMANUS: RENEWAL OF LEASE OF MUNICIPAL PROPERTY TO HERMANUS MEDICAL SUITES BODY CORPORATE**A Le Roux
22 January 2025****Divisional Manager: Property Management****(028) 316 5623**

1. Executive Summary

To obtain approval to enter into a further lease agreement with Hermanus Medical Suites Body Corporate, hereinafter referred to as "Medical Suites", in respect of a portion of Remainder Erf 243 Hermanus ($\pm 500\text{m}^2$ in extent), hereinafter referred to as "the Property", situated in Ravenscroft Road, Westcliff, Hermanus for a period of 9 (NINE) years and 11 (ELEVEN) months for parking purposes.

The locality maps are attached hereto as Annexures "A1" and "A2".

2. Service Delivery and Budget Implementation Plan - IGNITE

Planning and Development
Property Management

3. Compliance with Strategic Priority

Provision of democratic, accountable and ethical governance

4. Delegated Authority

Executive Mayor

5. Legal Requirements

- Administration of Immovable Property Policy of the Overstrand Municipality (2015)
- Municipal Asset Transfer Regulations (R. 878 of 2008)

6. Background/Discussion/Evaluation/Conclusion**Background/ Discussion**

Medical Suites entered into an encroachment agreement in 2007 to use the Property for additional 31 parking bays. In 2015, Medical Suites applied for the renewal of the encroachment agreement, but as the Administration of Immovable Property Policy was amended in 2015, the process to enter into a lease agreement was followed.

The last lease agreement was for a period of 5 (FIVE) years from 1 December 2019 until 30 November 2024 for 31 additional parking bays.

Medical Suites applied for the renewal of the lease of the Property for a further period of 9 (NINE) years and 11 (ELEVEN) months. No complaints were received from the community during the previous lease period. The municipal account is paid up to date and the rental is still being levied.

Evaluation

A. Administration of Immoveable Property Policy of the Overstrand Municipality

The following conditions of said policy apply:

Paragraph 4: “No application for the purchase, lease of or encroachment on immovable property (save for the instances mentioned in paragraphs 58 to 62 and 64.1 below) shall be processed unless the prescribed application fee as per tariff approved in the annual budget for that financial year has been paid, nor shall any proposed lease or encroachment (save for the instances mentioned in paragraphs 58 to 62 and 64.1 below) be advertised unless the applicant has confirmed, in writing, that he/she will bear all costs involved in such transaction including – but not limited to – legal, survey, re-zoning, sub-division, consolidations, advertisement, relocation or provision of services and, where applicable, a deposit as per prescribed rate to cover incidental costs has been paid.”

As the application for renewal was received before the expiry of the last agreement there is no need for a formal application form to be completed and no application fee is payable.

Paragraph 17: “Taking into consideration the nature and duration of the lease to be entered into, the leasing of immovable property may be affected by means of either:

17.1 a competitive process, which may include a closed or public tender or proposal call, specifically in circumstances listed in paragraph 18 below; or

17.2 a direct lease”.

Paragraph 18: “A competitive process must at all times be followed in circumstances where:

18.1 the lease is for a long term with an income value in excess of R10 million;

18.2 the lease is for a formal business premises with a market related rental;

18.3 more than one party, in discretion of the municipality, is interested in the lease of the subject property; and/or

18.4 by discretion of the municipality, a competitive process will best serve the interests of the community”.

Although the proposed lease is for a long-term period the rental that will be received will not be in excess of R10 million (TEN MILLION RAND).

Currently the rental amount is set at a tariff of R6.96/m² (SIX RAND AND NINETY-SIX CENTS PER SQUARE METRE) (VAT excluded) which calculates to an amount of R3,480.00 (THREE THOUSAND FOUR HUNDRED AND EIGHTY RAND) (VAT excluded) per month.

Medical Suites delivers a very important service to the community of Hermanus in providing medical care to the public of not only Hermanus but the whole Overstrand area. The lease area applied for is ideally situated opposite this facility and therefore provides easy access for the public to the facility. The size and locality of the Property makes it impossible for any development or use on the Property by any other party. No complaints have been received regarding the use of the Property by Medical Suites.

Paragraph 20.1: “The Municipality may grant a long term lease of municipal immovable property with an income value of less than R10 million only after:

- a) The Accounting Officer has approved the lease in principle;***
- b) In the case of a direct lease, the proposed lease was advertised in terms of paragraph 10.1 and 10.2 above to invite the local community and other interested parties to submit comments or representations; and***
- c) The Executive Mayor, as delegated authority, has approved that the right may be granted.”***

The Applicant applied for the renewal of the lease agreement which process for renewal was approved in principle by the Municipal Manager on 2 October 2024 for a period of 9 (NINE) years and 11 (ELEVEN) months, subject to a public participation process being followed and further subject to the approval by the Executive Mayor as delegated authority of the long-term lease.

The Executive Mayor’s approval is hereby sought, as the proposed lease was advertised in The Village News on 13 December 2024 for a 30 (THIRTY) day comment/objection period. No objections have been received.

Paragraph 26: “In cases where a rental amount has been approved in the annual budget of the Municipality for certain types of leases and encroachments, the approved amount will be used for purposes of determining the rental amount”.

The tariff for the lease of municipal property for parking purposes will be levied. The agreement will be from 1 December 2024 with a monthly rental amount of R6.96/m² (SIX RAND AND NINETY-SIX CENTS PER SQUARE METRE) (VAT excluded) per month. The agreement will stipulate that the rental amount will escalate annually in accordance with the tariff as approved in the Annual Budget.

Paragraph 36: “All costs pertaining to a transaction, e.g. survey, advertisements, valuation, relocation or provision of services where necessary, shall be borne by the Lessee. The Municipality may, however, waive its right to claim all or any portion of the costs. Where necessary a deposit to cover the costs may be required.”

Medical Suites is liable for the payment of all costs relating to the renewal of the lease agreement which in this case so far is only the advertisement costs.

Paragraph 47: “Subject to paragraph 46 above, immovable property let by the Municipality shall be inspected at least once a year by the Municipality to ensure compliance with the terms and conditions of the agreement of sale or lease.”

The Property will be inspected by the Property Management Division at least once a year.

It is further confirmed that the other Conditions of Lease as stipulated in paragraph 36 – 50 of the said policy will be included in the lease agreement.

B. Advertisement/Notification

An advertisement for the lease of the Property was published in The Village News on 13 December 2024 for a 30 (THIRTY) day objection/comment period. No objection/comment was received.

Conclusion

With reference to the above discussion, it is recommended that the lease of the Property to Medical Suites be approved for a further period of 9 (NINE) years and 11 (ELEVEN) months from 1 December 2024 at a rental amount of R6.96/m² (SIX RAND AND NINETY-SIX CENTS PER SQUARE METRE) (VAT excluded) per month for the 2024/2025 financial year.

7. Financial Implications

The Municipality stands to gain rental in the amount of R6.96/m² (SIX RAND AND NINETY-SIX CENTS PER SQUARE METRE) (VAT excluded) per month from 1 December 2024 where after the rental amount will escalate annually on 1 July in accordance with the tariff as approved in the Annual Budget, the

next escalation to be on 1 July 2025. All expenses pertaining to the proposed lease will be borne by Medical Suites.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations**Town Planner: Mr. Brady Minnaar**

Although, zoning is in order (Transport Zone 2: Road and Parking), the subject property has ample space on their property to accommodate the additional 31 parking bays. Additionally, a new application has been submitted which proposes additions and alterations. The parking bays provided for in the proposal submitted in 2025 will be able to comply with the parking requirements due to the layout of the proposal and the size of the subject property.

Therefore, the renewal of lease to accommodate additional parking along Ravenscroft Road is not supported by the Town & Spatial Planning Department.

Comments from the Property Management Division: The Hermanus Medical Suites is situated on Erf 7658 Hermanus and the Mediclinic on Erf 9879 Hermanus, with both properties owned by separate entities. Although this division does not have the necessary information as to whether the two properties are bound with regards to parking requirements, it seems as if the application referred to above is in relation to Erf 9879 Hermanus. This said, even if there is an open application on Erf 7658, the Applicant will still need the parking at the most until such time the said application has been finalised. At the least a clause can be included in the lease that it be re-evaluated after a specific period.

Divisional Manager: Building Control Services: Mr. Louis Coetzee

"No objection."

Principal Technologist: Hermanus: Mr Tiaan Marx

"Do not have any objection to this application."

Superintendent Special Operations: Traffic Services: Mr Philip de Gruchy

"The traffic department has not objection towards this application."

Acting Divisional Manager: Expenditure, Fleet & Assets Management: Mr C Oppelt

“As this is an income generating proposal involving an institution who delivers a service to the community of Hermanus, with no intention to dispose of the asset(s), there is no objection to the report.”

10. Annexures

Annexures A1 & A2: Locality maps

RECOMMENDATION:

1. that the lease of municipal property, being a portion of Remainder Erf 243 Hermanus ($\pm 500\text{m}^2$ in extent), to Hermanus Medical Suites Body Corporate for 31 additional parking bays at a rental amount of R6.96/m² (SIX RAND AND NINETY SIX CENTS PER SQUARE METRE) (VAT excluded) per month for a further period of 9 (NINE) years and 11 (ELEVEN) months from 1 December 2024 in terms of the Administration of Immovable Property Policy of the Overstrand Municipality, **be approved**, and
2. that the rental amount mentioned in 1 above escalate annually on 1 July in accordance with the tariff as approved in the Annual Budget., next escalation to be on 1 July 2025.

RESPONSIBLE OFFICIAL :	R OCTOBER
TARGET DATE FOR IMPLEMENTATION :	9 APRIL 2025
TARGET DATE TO INFORM APPLICANT :	9 APRIL 2025
TARGET DATE TO INFORM OBJECTOR :	N/A



