

10.

A PORTION OF REMAINDER ERF 2332 HERMANUS: RENEWAL OF LEASE OF MUNICIPAL PROPERTY TO PREWAY INVESTMENTS CC t/a AUTHOHAVEN**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 Preway Investments CC t/a Autohaven, hereinafter referred to as "Autohaven", in respect of a portion of Remainder Erf 2332 Hermanus ($\pm 72\text{m}^2$ in extent), hereinafter referred to as "the Property", situated in Arum Street, Hermanus Industria for a period of 9 (NINE) years and 11 (ELEVEN) months for the purpose of displaying and parking vehicles for sale.

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**

Autohaven has been using the Property since 2010 for the parking and displaying of vehicles for sale.

The last lease agreement was for a period of 9 (NINE) years and 11 (ELEVEN) months from 1 December 2014 until 31 October 2024 and Autohaven has applied for the renewal of the lease of the Property for a further period of 9 (NINE) years and 11 (ELEVEN) months.

Although the renewal process was commenced with timeously one of the internal divisions requested a further motivation from Autohaven which prolonged the renewal process and leading to the lease agreement not being renewed before the expiration of the lease. Should the lease be approved, the agreement will however be signed with a commencement date of 1 November 2024. Autohaven has also continued to pay their monthly rental amount as they are still utilising the Property. Their municipal account is paid to date.

No complaints were received from the community during the previous lease period. The municipal account is paid up to date.

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).

The site is situated in the Hermanus Industria area opposite Autohaven and the Property forms part of a road reserve and therefore the Property will not be of any practical use to anyone else. The site is not classified as a business site and no other trading is allowed on the Property. It is therefore recommended that it be leased directly to Autohaven without following a competitive process.

No complaints have been received regarding the use of the Property by Autohaven.

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.”**

Autohaven 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 approved for the display and parking of vehicles for the 2024/2025 financial year is R6.96/m² (SIX RAND AND NINETY-SIX CENTS PER SQUARE METRE) (VAT excluded) per month which equals to an amount of R501.12 (FIVE HUNDRED AND ONE RAND AND TWELVE CENTS) (VAT excluded) per month.

The rental shall escalate annually on 1 July in terms of the approved amount in the financial budget of the Municipality. The next escalation to be on 1 July 2025.

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.”

Autohaven 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 Autohaven be approved for a further period of 9 (NINE) years and 11 (ELEVEN) months from 1 November 2024 at a rental amount of R501.12 (FIVE HUNDRED AND ONE RAND AND TWELVE CENTS) (VAT excluded) per month.

7. Financial Implications

The Municipality stands to gain rental in the amount of R501.12 (FIVE HUNDRED AND ONE RAND AND TWELVE CENTS) (VAT excluded) per month from 1 November 2024 where after the rental amount will escalate annually on 1 July in terms of the approved amount in the financial budget of the Municipality, the next escalation to be on 1 July 2025. All expenses pertaining to the proposed lease will be borne by Autohaven.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Senior Town Planner: Ms Hanneen van der Stoep

"In principle there is no objection provided that access for pedestrians remains and that Bishops need to indicate whether their heavy vehicles will be able to access and egress the site without any visual and physical obstructions."

No complaints have been received regarding heavy vehicles that are not able to access or egress the adjoining property.

Divisional Manager: Building Control: Mr. Louis Coetzee

"No objection. Any proposed structure on the leased area will require a building plan application"

Principal Technologist – Hermanus: Mr Tiaan Marx

"Do not have any objection to 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 2332 Hermanus ($\pm 72\text{m}^2$ in extent), to Preway Investments CC t/a Autohaven for the purpose of displaying and parking vehicles for sale at a rental amount of R501.12 (FIVE HUNDRED AND ONE RAND AND TWELVE CENTS) (VAT excluded) per month for a further period of 9 (NINE) years and 11 (ELEVEN) months from 1 November 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 terms of the approved amount in the financial budget of the Municipality, the 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



