



**ORDINARY MEETING OF THE MAYORAL
COMMITTEE**

**GEWONE VERGADERING VAN DIE
BURGEMEESTERSKOMITEE**

**INTLANGANISO YESIQHELO YEKOMITI
KASODOLOPHU**

**A G E N D A
I-AJENDA**

**DATE / DATUM / UMHLA : 15 MAY / MEI / MEYI 2024
BANQUETING HALL,
CIVIC CENTRE
HERMANUS**

TIME / TYD / IXESHA : 10:00

MUNICIPALITY / MUNISIPALITEIT / UMASIPALA WE-OVERSTRAND

Office of the Municipal
Manager
Municipal Offices
HERMANUS

7 May 2024

NOTICE TO ALL ALDERMEN AND COUNCILLORS

NOTICE IS HEREBY GIVEN that an **ORDINARY MEETING** of the **MAYORAL COMMITTEE** will be held in the **BANQUETING HALL, CIVIC CENTRE, HERMANUS** on **WEDNESDAY, 15 MAY 2024** at **10:00** to consider the items set out in the attached agenda.

D O'NEILL
MUNICIPAL MANAGER

7 Mei 2024

KENNISGEWING AAN ALLE RAADSHERE EN RAADSLEDE

KENNIS WORD HIERMEE GEGEE dat 'n **GEWONE VERGADERING** van die **BURGEMEESTERSKOMITEE** gehou sal word in die **BANKETSAAL, BURGERSENTRUM, HERMANUS** op **WOENSDAG, 15 MEI 2024** om **10:00** vir oorweging van die items op die meegaande agenda.

D O'NEILL
MUNISIPALE BESTUURDER

7 Mei 2024

ISAZISO ESIYA KUBO BONKE OOCEBAKHULU NOOCEBA

INTLANGANISO YESIQHELO YEKOMITI KASODOLOPHU WE-OVERSTRAND

OKU KUKWAZISA ukuba intlanganiso **YESIQHELO yeKOMITI KASODOLOPHU**, iza kuba se **I-BANQUETING HALL, kwiZiko, eHERMANUS uLWESITHATHU UMHLA, 15 MEYI 2024** ngeye-**10:00** ukuqwalasela imicimbi ekule ajenda iqhotyoshelwe apha.

D O'NEILL
UMPHATHI KAMASIPALA

AGENDA/...

OVERSTRAND MUNICIPALITY

MAYORAL COMMITTEE MEETING

15 May 2024

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1. OPENING

2. APPLICATIONS FOR LEAVE OF ABSENCE

3. CONFIRMATION OF MINUTES

3.1 Minutes of an **Ordinary Meeting** of the **Mayoral Committee** held on **Wednesday, 10 April 2024 at 10:00**

4. STATEMENTS AND COMMUNICATIONS BROUGHT FORWARD BY THE EXECUTIVE MAYOR / DEPUTY EXECUTIVE MAYOR

SALGA Matters:

5.

A PORTION OF ERF 775 FISHERHAVEN: LEASE OF MUNICIPAL PROPERTY TO POINT CARAVAN RESORT (PTY) LTD

A Le Roux

Manager: Property Administration

13 March 2024

(028) 316 - 5623

1. Executive Summary

To obtain approval to enter into a lease agreement with Point Caravan Resort (Pty) Ltd in respect of municipal property, being a portion of Erf 775 Fisherhaven (2,1284 Hectares in extent) situated next to Riverside Drive, Fisherhaven, hereinafter referred to as "the Property", for a period of 25 (TWENTY-FIVE) years for the lease, development, management and maintenance of municipal property as holiday resort. See the locality plans attached hereto marked Annexure "A1 & A2".

2. Service Delivery and Budget Implementation Plan - IGNITE

Infrastructure and Planning
Property Administration

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance

4. Delegated Authority

None

5. Legal Requirements

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

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

On 24 October 2022 the Accounting Officer (Municipal Manager) approved in principle the lease of the Property for the lease, development, management and maintenance of the municipal property as a holiday resort by means of a competitive process at a market related rental amount for a lease period of 25 (TWENTY-FIVE) years.

Tenders were duly invited and on 8 March 2024 the tender was awarded to Point Caravan Resort (Pty) Ltd, hereinafter referred to as "the Applicant", at a

rental amount of R32,907.25 (THIRTY-TWO THOUSAND NINE HUNDRED AND SEVEN RAND AND TWENTY-FIVE CENTS) (VAT included) per month.

As the current lease agreement with the Lake Marine Yacht and Boat Club will expire on 30 June 2024 the lease agreement with the Applicant will commence on 1 July 2024.

Evaluation

A. Administration of Immoveable Property Policy of the Overstrand Municipality

The following conditions of said policy apply:

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”.**

As (i) many parties are interested in managing a holiday resort from the Property, (ii) the Property is well situated, and (iii) the intended use of the Property will be for business purposes, the decision was made to make the Property available for leasing by means of a competitive bidding process at a market related rental. A competitive bidding process was therefore followed.

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 Accounting Officer (Municipal Manager) approved in principle the lease of the Property by means of a competitive process at a market related rental amount.

As a competitive process was followed there is no need for a public participation process as the tender was already a form of public participation. During the initial process to obtain the in principle approval to follow a competitive process, the expectation was that the income value for the period will be under R10 million. This was taking into account the market related rental amount of R12,749.12 (TWELVE THOUSAND SEVEN HUNDRED AND FORTY-NINE RAND AND TWELVE CENTS) (VAT included) per month as determined by the municipality's valuer (indicative rental in the tender document) with an estimated average CPI escalation of 6.5% per annum. With an estimated rental income for the period being under R10 million it is only necessary to obtain the final approval from the Executive Mayor.

However, with the submission of the tender, a much higher rental amount was offered. This had the effect that the estimated rental income for the period will be in excess of R10 million. This means that the final approval must be obtained from Council. Thus, the request will be for Council to approve the long term lease.

Paragraph 40: “Rental, except where it is decided otherwise by the Municipality, shall escalate on the 1st of July every year, by a percentage fixed in accordance with the prevailing consumer price index (all items).”

A clause to this effect will be included in the lease agreement.

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 Administration Department 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.

Conclusion

Considering the above discussion, it is recommended that the lease of the Property to the Applicant be approved for a lease period of 25 (TWENTY-FIVE) years at a rental amount of R32,907.25 (THIRTY-TWO THOUSAND NINE

HUNDRED AND SEVEN RAND AND TWENTY-FIVE CENTS) (VAT included) per month.

7. Financial Implications

The Municipality stands to gain rental in the amount of R32,907.25 (THIRTY-TWO THOUSAND NINE HUNDRED AND SEVEN RAND AND TWENTY-FIVE CENTS) (VAT excluded) per month from 1 July 2024 such rental to escalate every year on the 1st of July in accordance with the consumer price index (all items), the next escalation to be on 1 July 2025. All expenses pertaining to the proposed lease will be borne by the Applicant.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Senior Manager: Expenditure & Assets - Mr J Vorster

“As this is an income generating proposal, with no intention of selling the asset, there is no objection against the application”.

10. Annexures

Annexure A1 & A2: Locality Plans

RECOMMENDATION TO THE COUNCIL:

1. that the lease of municipal property, being a portion of Erf 775 Fisherhaven (2,1284 Hectares in extent), to Point Caravan Resort (Pty) Ltd for the lease, development, management and maintenance of municipal property for the purpose of a holiday resort at the rental amount of R32,907.25 (THIRTY-TWO THOUSAND NINE HUNDRED AND SEVEN RAND AND TWENTY-FIVE CENTS) (VAT excluded) per month for a rental period of 25 (TWENTY FIVE) years in terms of the Administration of Immovable Property Policy of the Overstrand Municipality, **be approved**;
2. that the rental amount mentioned in 1 above escalate every year on the 1st of July in accordance with the consumer price index (all items), the first escalation to be 1 July 2025;
3. that Point Caravan Resort (Pty) Ltd be responsible for all costs relating to the registering of the lease agreement against the title deed of the Property and all associated processes; and
4. that Point Caravan Resort (Pty) Ltd enters into a services agreement with the Municipality for the provision of services in terms of the tender, applicable legislation and Council policies.

| | |
|--|---------------------|
| RESPONSIBLE OFFICIAL : | M ERASMUS |
| TARGET DATE FOR IMPLEMENTATION : | 21 JUNE 2024 |
| TARGET DATE TO INFORM APPLICANT : | 21 JUNE 2024 |
| TARGET DATE TO INFORM OBJECTOR : | N/A |



