

7.

**A PORTION OF REMAINDER ERF 5462 KLEINMOND: LEASE OF MUNICIPAL PROPERTY TO GAPSPOT (PTY) LTD****A Le Roux  
1 July 2024****Divisional Manager: Property Administration****(028) 316 - 5623**

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**1. Executive Summary**

To obtain approval to enter into a lease agreement with Gapspot (Pty) Ltd in respect of municipal property, being a portion of Remainder Erf 5462 Kleinmond (±7,2 Hectares in extent) known as the Kleinmond Caravan Park, hereinafter referred to as “the Property”, for a period of 25 (TWENTY-FIVE) years for the lease, management and maintenance of municipal property as a public resort. See the locality maps attached hereto marked Annexure “A1 & A2”.

**2. Service Delivery and Budget Implementation Plan - IGNITE**

Planning and Development  
Property Management

**3. Compliance with Strategic Priorities**

Provision of democratic, accountable and ethical governance

**4. Delegated Authority**

Executive Mayor

**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 15 June 2020 the Accounting Officer (Municipal Manager) approved in principle the lease of the Property for the lease, management and maintenance of the municipal property as a public 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 21 June 2024 the tender was awarded to Gapspot (Pty) Ltd, hereinafter referred to as “the Applicant”, at a rental amount of R10,000.00 (TEN THOUSAND RAND) (VAT included) per month. The rental

amount is well above the indicative rental amount of R5,133.60 (FIVE THOUSAND ONE HUNDRED AND THIRTY-THREE RAND AND SIXTY CENTS) (VAT Included) which was obtained from a registered valuer.

The Applicant will take over the management as well as all the maintenance of the Property.

### **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 public 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. The Executive Mayor’s approval for the long-term lease is hereby sought.

**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 R10,000.00 (TEN THOUSAND RAND) (VAT included) per month.

## **7. Financial Implications**

The Municipality stands to gain rental in the amount of R10,000.00 (TEN THOUSAND RAND) (VAT excluded) per month such rental to escalate every year on the 1<sup>st</sup> 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**

**Divisional Manager: Expenditure, Fleet and Asset Management - 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:**

1. that the lease of municipal property, being a portion of Remainder Erf 5462 Kleinmond (7,2 Hectares in extent), to Gapspot (Pty) Ltd for the lease, management and maintenance of municipal property as a public resort at the rental amount of R10,000.00 (TEN THOUSAND RAND) (VAT included) per month for a rental period of 25 (TWENTY FIVE) years in terms of the Administration of Immoveable 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, the first escalation to be 1 July 2025; and
3. that Gapspot (Pty) Ltd be responsible for the costs of registering the lease agreement against the title deed of the Property and all associated processes.

**RESPONSIBLE OFFICIAL :**

**M ERASMUS**

**TARGET DATE FOR IMPLEMENTATION :**

**9 OCTOBER 2024**

**TARGET DATE TO INFORM APPLICANT :**

**9 OCTOBER 2024**

**TARGET DATE TO INFORM OBJECTOR :**

**N/A**





