

**PORTFOLIO COMMITTEE :**

**INFRASTRUCTURE SERVICES**

**Chairperson :**

**Cllr C Lerm**

**Committee Members :**

**Ald R de Coning, Cllrs S Fourie,  
M Sihlahla & V Bandeza**

# INFRASTRUCTURE SERVICES PORTFOLIO COMMITTEE

18 November 2025

## I N D E X

ITEM  
NO

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NUMBER

APPLICATIONS FOR LEAVE OF ABSENCE

STATEMENTS AND COMMUNICATIONS BROUGHT FORWARD BY THE  
CHAIRPERSON

- |    |  |   |
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| 1. | A PORTION OF REMAINDER ERF 4565 HERMANUS – PROPOSED<br>CONFERENCE FACILITY | 1 |
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(Also the agenda for the Mayoral Committee Meeting: 28 November 2025)**

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democratic, accountable, and ethical governance while enhancing infrastructure to support socio-economic growth.

Hermanus is a growing hub of tourism and business, yet it lacks a large-scale, modern conference facility. Such a venue would draw regional national conferences, boosting local tourism and hospitality sectors. It would further provide a professional space for municipal and community events, reducing reliance on external venues. It would further stimulate economic development through job creation during construction and ongoing operations.

The proposed lease property currently includes offices for Councillors, Human Resources Division and the Socio-economic Programme Department. These facilities must be relocated before development can proceed.

The Municipality will incur expenses associated with the relocation of its offices. The rental income may be paused for up to two years to support the lessee in recovering their development expenses. This approach can facilitate the financial stability needed for successful project completion. Public participation may be necessary to ensure transparency and address any concerns or objections.

## **Evaluation**

### Administration of Immovable Property Policy of the Overstrand Municipality

**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 the proposed lease is to develop, maintain and manage a conference facility, as a business, a competitive process must be followed.

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**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.”**

Although the proposed lease classifies as a long-term lease, approval will be requested from Council to deviate from the requirement of a market related rental. This will entail that the total income received will be less than R10 million. This will be discussed further under “Paragraph 24” below.

The in-principle approval from the Municipal Manager to proceed with the competitive process will be obtained only if Council supports for the proposed lease and project. If needed, a public participation process can also be followed before the Municipal Manager approves in principle.

**Paragraph 24: “The fair market value for the alienation of, the rental amount for the leasing or compensation payable for a servitude over municipal immovable property shall be determined by an independent professional valuer or professional associated valuer registered in terms of the Property Valuers Profession Act, 2000 (Act 47 of 2000), or any ensuing act at the cost of the purchaser (in the case of a direct sale) or lessee (in the case of a direct lease)/servitude holder (in the case of a servitude”.**

In terms of the said Policy, a market related rental must be paid by the lessee. However, in this case, it must be considered that the lessee will have to develop a conference centre with related facilities on the Property at own cost. This development will vest in the Municipality on the date the lease agreement expires or is cancelled. After completion of the development, it will be required from the lessee to provide the total costs for the development in order to establish the amount rental to be paid, if any is payable. It is foreseen that at least and to a maximum the first two years must be exempted from the payment of rental.

**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 and applicable from date rental is payable, if payable.

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**Paragraph 44: “Where land is leased for development, a condition, taking into consideration the nature of the development, may be included in the lease agreement stipulating that such development must be completed within two years from date of conclusion of the lease agreement. Likewise a suspensive condition may be included in the lease agreement to provide for cancellation in the event that the development has not been completed, unless a written extension has been granted by the Municipality.”**

A clause to this effect will be included in the tender and lease agreement to ensure that the development is proceeded with and finalised urgently.

**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.”**

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

**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, if applicable.**

Municipal Asset Transfer Regulations (R. 878 of 2008)

The following regulations of the MATR are applicable:

- 34(1) *A municipality may grant a right to use, control or manage a capital asset only after –*
- (b) *the municipal council has approved in principle that the right may be granted.*
- 34(4) *A municipal council may delegate to the accounting officer its approval power referred to in subregulation (1)(b) excluding the power to grant long term rights to use, control or manage capital assets of a value in excess of R10 million.*
- 36 *The municipal council must, when considering in terms of regulation 34(1)(b) approval for any proposed granting of a right to use, control or manage a capital asset, take into account –*
- (a) *whether the capital asset may be required for the municipality’s own use during the period which the right is to be granted;*
  - (b) *the extent to which any compensation to be received for the right together with the estimated value of any improvements or enhancements to the capital asset that the private sector party or organ of state to whom such a right is granted will required to*

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- make, will result in a significant economic or financial benefit to the municipality;*
- (c) *the risks and rewards associated with the use, control or management of the capital asset in relation to the municipality's interests;*
- (d)-(g)"

The proposed lease area includes offices used by the Councillors, the Human Resources Division and the Socio-Economic Programme Department. This has the effect that a portion of the proposed lease area may not be made available until such time alternative office space and parking have been identified to move the officials to. Council is thus informed that land / buildings needed for own use may not be lease out or alienated in terms of the regulations.

The possible solutions to the above are:

- (a) Limit the lease area (Property) as to not include the municipal buildings used for office purposes (noting that the prefab buildings can most probably be relocated).
- (b) Make provision for the extension of the lease area (Property) in the future, once alternative office accommodation and parking are found or available to accommodate the relevant councillors and officials. It will then be a phased development approach.
- (c) To consider an integrated municipal office space with the conference facility to accommodate the councillors and officials.
- (d) The Council, considering using a modular or rented office during the construction of the facility, should the proposed office spaces be integrated with the conference facility.

### **Conclusion**

Considering the above discussion, it is recommended that Council supports/not support the proposal that a portion of Erf 4565 Hermanus be made available by means of a competitive process to be leased for the purpose of developing, maintaining and managing a conference facility at a nominal monthly rental amount for a period of 30 (THIRTY) years.

### **7. Financial Implications**

The Municipality will not receive any rental for the first maximum period of 2 (TWO) years, whereafter a nominal, negotiated rental will be charged. The Municipality will have considerable financial implications associated with the relocation / development of new offices for the affected municipal officials.

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**8. Staff Implications**

New offices for the Councillors, the Human Resources Division and the Socio-Economic Programme Department will have to be built or found if these buildings/structures are included in the lease area/Property.

**9. Comments from other Departments, Divisions and Administrations**

Not at this stage

**10. Annexures**

Annexure A: Locality map

**RECOMMENDATION TO THE COUNCIL:**

that the lease of a portion of Erf 4565 Hermanus, situated in Magnolia Avenue, Hermanus ( $\pm 5483\text{m}^2$  in extent), for a period of 30 (THIRTY) years for the development, maintenance and managing of a conference centre and related by means of a competitive process at a nominal monthly rental amount, **be supported/not supported.**

<b>RESPONSIBLE OFFICIAL :</b>	<b>D HENDRIKS</b>
<b>TARGET DATE FOR IMPLEMENTATION :</b>	<b>JANUARY 2026</b>
<b>TARGET DATE TO INFORM APPLICANT :</b>	<b>N/A</b>
<b>TARGET DATE TO INFORM OBJECTOR :</b>	<b>N/A</b>



