

8.

A PORTION OF ERF 1772 PRINGLE BAY (SITUATED AT 3 BUFFELS ROAD, PRINGLE BAY): RENEWAL OF LEASE OF MUNICIPAL PROPERTY TO PRINGLE BAY RATEPAYERS ASSOCIATION

7/2/3/1

A Le Roux
6 May 2020

Manager : Property Administration

(028) 316 - 3724

1. Executive Summary

To obtain approval to enter into a further lease agreement with Pringle Bay Ratepayers Association for a period of 9 (NINE) years and 11 (ELEVEN) months in respect of municipal property, being a portion of Erf 1772 Pringle Bay ($\pm 3,000\text{m}^2$ in extent), situated at 3 Buffels Road, Pringle Bay, for the purpose of managing, leasing, supervising and maintaining the Pringle Bay Community Hall as a community project. See the locality plan attached hereto marked Annexure "A".

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
Creation and maintenance of a safe and healthy environment
Promotion of tourism, economic and social development

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**

Pringle Bay Ratepayers Association has successfully managed the Pringle Bay Community Hall on a portion of Erf 1772 Pringle Bay since 1 November 2010 for the purpose of managing, leasing, supervising and maintaining the hall. They are a well-established management committee and they manage the hall on behalf of the Municipality to the advantage of the community.

The current lease agreement is for a period of 9 (NINE) years and 11 (ELEVEN) months, which will expire on 30 September 2020.

The municipal account is paid up to date. The lease area has successfully been used by Pringle Bay Ratepayers Association to the advantage of the community without any problems and no complaints have been received regarding the use of the property by them.

The Pringle Bay Ratepayers Association applied for a further lease agreement of 9 (NINE) years and 11 (ELEVEN) months.

Evaluation

A: Administration of Immovable Property Policy of the Overstrand Municipality:

The following conditions of the said Policy will 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 the Pringle Bay Ratepayers Association is a well-established non-profit organization who delivers a service to the community of Pringle Bay and due to the fact that their account is up to date and no complaints have been received during their lease period, it is recommended that the property, which will not be used for business purposes, be leased directly to Pringle Bay Ratepayers Association without following a competitive process.

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 further lease of Erf 1772 Pringle Bay to the Pringle Bay Ratepayers Association, subject to a public participation process being followed and further subject to the approval from the Executive Mayor.

The proposed lease was advertised in the Overstrand Herald on 13 February 2020 for a 30 (THIRTY) day comment/objection period.

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.”

In this regard the rental charged will be in accordance with the tariff approved in the annual budget for non-profit organizations.

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.”

The Pringle Bay Ratepayers Association will be 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 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 with the Applicant.

B: Advertisement/Notification

An advertisement for the lease of Erf 1772 Pringle Bay (±3,000m² in extent) was placed in the Overstrand Herald on 13 February 2020 for a 30 (THIRTY) day objection/comment period. No objections/comments were received.

Conclusion

With reference to the above discussion, it is recommended that the lease agreement with the Pringle Bay Ratepayers Association be approved for a further period of 9 (NINE) years and 11 (ELEVEN) months from 1 October 2020 at a monthly rental amount as will be approved in the Annual Budget for the 2020/2021 financial year.

7. Financial Implications

The current monthly rental amount is R146.16 (ONE HUNDRED AND FORTY SIX RAND AND SIXTEEN CENTS) (VAT excluded). The Municipality stands to gain a monthly rental amount, as will be approved in the Annual Budget for the 2020/2021 financial year [approximately R156.52 (ONE HUNDRED AND FIFTY SIX RAND AND FIFTY TWO CENTS) (VAT excluded)], where after the rental amount will escalate every year on the 1st of July in accordance with the tariffs stipulated in the Annual Budget approved by Council for the specific financial year, the next escalation to be on 1 July 2021. All expenses pertaining to the proposed lease will be borne by Pringle Bay Ratepayers Association.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Senior Town Planner: Mrs H van der Stoep – (028) 313 8900

“The erf is zoned Community and the lease is recommended.”

Senior Manager: Expenditure and Assets, Mr J Vorster - (028) 313 8046

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

10. Annexures

Annexure A: Locality Map

RECOMMENDATION:

1. that the lease of municipal property, being a portion of Erf 1772 Pringle Bay, ($\pm 3,000\text{m}^2$ in extent), to Pringle Bay Ratepayers Association for the purpose of managing, leasing, supervising and maintaining the Pringle Bay Community Hall as a community project at the monthly rental amount as will be approved in the Annual Budget for the 2020/2021 financial year for a period of 9 (NINE) years and 11 (ELEVEN) months as from 1 October 2020 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 every year on the 1st of July in accordance with the tariffs stipulated in the Annual Budget as approved by Council, the next escalation to be on 1 July 2021.

RESPONSIBLE OFFICIAL:	N LIEBENBERG
TARGET DATE FOR IMPLEMENTATION:	30 JUNE 2020
TARGET DATE TO INFORM APPLICANT:	12 JUNE 2020
TARGET DATE TO INFORM OBJECTOR:	N/A

