



1. ITEM NUMBER : 16 SUB 74/09/2017

2. SUBJECT

REVIEW AND AMENDMENT OF THE PREVIOUS RESOLUTION C23/05/16: PROPOSED GRANTING OF LONG-TERM RIGHTS TO USE, CONTROL AND/OR MANAGE, BY WAY OF PUBLIC COMPETITION, CITY-OWNED PROPERTY BEING ERF 2189, SITUATED AT GRANGER BAY BOULEVARD, GREEN POINT, FOR BUSINESS PURPOSES

ONDERWERP

HERSIENING EN WYSIGING VAN DIE VORIGE RESOLUSIE C23/05/16: VOORGESTELDE TOESTAAN VAN LANGTERMYNREGTE VIR DIE GEBRUIK, BEHEER EN/OF BESTUUR, PER OPENBARE MEDEDINGING, VAN EIENDOM IN STADSBESIT, NAAMLIK ERF 2189, GELEË TE GRANGERBAAI-BOULEVARD, GROENPUNT, VIR SAKEDOELEINDES

ISIHLOKO

UPHENGULULO NOKULUNGISWA KWESIGQIBO SANGAPHAMBILI ESINGU-C23/05/16: ISIPHAKAMISO SOKUVUNYELWA KWAMALUNGELO EXESHA ELIDE LOKUSEBENZISA, ULAWULO NOKUPHATHWA NGENDLELA YOKHUPHISWANO LOLUNTU, KWEPROPATI YESIXEKO ESISIZA-2189, ESISE-GRANGER BAY BOULEVARD, E-GREEN POINT, KULUNGISELELWA IMIBANDELA YEZOSHISHINO

[LSU: J0688]

3. DELEGATED AUTHORITY

This report is for decision by Council

The legal provision for this non-delegable authority can be found in regulations 34 and 36 of the Municipal Asset Transfer Regulations of 2008 (MATR).

- In terms of Regulation 34 (4) of the Municipal Asset Transfer Regulations, Council may approve the granting of long-term rights to use, control or manage municipal capital assets where the asset is valued at more than R10 million;
- Approval that the proposal complies with regulation 36 (a) of the Municipal Asset Transfer Regulations, in that relevant branches of Council have confirmed that the property is not required for municipal purposes during the period for which the right is to be granted.

In terms of the provisions of the Municipal Asset Transfer Regulations (MATR), the Council may grant a right to use, control or manage immovable property after (a) the Council has made a determination that the asset is not required for the provision of basic municipal purposes, during the period for which the right is to be granted, and has considered the fair market value of the asset and the economic and community value to be received in exchange for the granting of the right, and (b) approved in principle that the right may be granted.

4. FOR NOTING BY

This report is for noting by Subcouncil 16

5. EXECUTIVE SUMMARY

PURPOSE	<p>To inform Subcouncil 16 of the City's intention to amend in-principle approval previously obtained by resolution C23/05/16 (Annexure A) from Council for the granting of long-term rights to lease, control and/or manage by public competition, City-owned property being Erf 2189 Green Point, situated at Granger Bay Boulevard, in extent approximately 7 175 m², zoned General Business Subzone 5 (GB5), shown lettered ABCDEF on attached Plan LIS 1358v1 (Annexure B).</p> <p>The proposed lease duration is being amended to reflect a period of up to 100 years at a market-related rental for business purposes as compared to 25-year lease duration previously approved by Council in its resolution C23/05/16</p> <p>Previous Subcouncil resolution, 16 SUB18/02/16, attached as Annexure C</p>
Property description	Erf 2189, Green Point (formerly known as Portion 2 of Remainder Erf 1056 Green Point)
Lease area	7 175 m ²
Current zoning	General Business Subzone 5 (GB5)
Proposed usage	General Business Subzone 5 (GB5)
Market-related rental	<p>Proposed rental:</p> <p>R880 000 per month (excluding assessment rates and VAT); at 7% escalation per annum</p> <p>The proposed lease is envisaged to run for initial period of 40-year, escalated at 7% per annum, with an option to renew for a further two (2) periods of thirty (30) years each based on the land and building value at the time. (Annexure D)</p>
TOD Assessment	<p>It is understood that this property has already been put out to tender. It is important that the tender proposed a mix of uses to ensure its alignment with the TOD Strategic Framework. If the tender notice proposed a dominant commercial use, a tender notice should be issued to inform the public that a mix of land uses is required.</p>

DISCUSSION/CONTENTS

6. BACKGROUND

Erf 2189 previously known as Portion 2 of remainder erf 1056 Green Point, is a vacant portion located within Cape Town Stadium precinct, bounded by Fritz Sonnenberg Road to the east and Granger Bay Boulevard to the south. Measuring 7 175m², the property has a maximum permissible bulk of approximately 29,060m² with a height restriction of 25m (8 storeys). With General Business 5 (GB 5) zoning rights which permits various types of developments, Granger Bay Boulevard development is expected to create economic benefits for the City, add another exciting dimension to

the current commercial component, consumer and tourist offerings in the precinct. The site is currently utilized by Cape Town Stadium for overflow parking purposes. The property is easily accessible from major transport routes and situated in close proximity to the Cape Town CBD, making it extremely desirable to the investors.

On 26th May 2016, by resolution C23/05/16 (Annexure A), the Council recommended in-principle approval for granting of long-term rights to use, control and/or manage by way of public competition, Erf 2189 Green Point, for business purposes. The in-principle approval was granted subject to conditions which would be imposed by the Director: Property Management in terms of her delegated authority which inter alia included the following:

- a lease period of up to 25 years with rental annual escalation of 8%
- estimated monthly rental of R750 000. 00 (excluding VAT) or upfront rental payment of R100 000 000.00 (excluding VAT)

In line with the Municipal Asset Transfer Regulations R.878/2008, the Management of Certain of the City of Cape Town's Immovable Property Policy and the City of Cape Town Supply Chain Management Policy, tenders were invited for the proposed long-term lease of the subject property through advertisements appeared on Cape Argus and Die Burger newspapers on 9th and 17th September 2016. Furthermore, several advertorials regarding the development opportunity were advertised on Sunday Times and Die Burger mediums with the aim of reaching potential target market. An onsite signage board was erected in order to create awareness.

The tender briefing in respect of the proposed lease and envisaged development of the property was held on 22 September 2016 with only nine (9) attendees from various organisation in the private sector. During the tender advertising period, Property Management department received numerous enquiries from the potential investors which mostly indicated a concern regarding the probability of generating adequate return-on-investment based on the lease duration of 25 years. Therefore, the perception from the property investors inferred that, considering the envisaged initial capital and development funds required for the development, a proposed lease duration is relatively short to generate a healthy rate of return. The property was offered for lease by public tender in terms of tender number 62P/2016/17 on 09 September 2016. No tender offers were received, thus the proposed lease term and rental structure is intended to generate better return

on investment. The new tender process will be initiated subsequent to obtaining the amended Council approval.

7. LEGAL IMPLICATIONS

7.1.1 The proposal complies with regulation 36 (a) of the Municipal Asset Transfer Regulations, R.878, (MATR), in that relevant branches of Council have confirmed that the property is not required for municipal purposes during the period for which the right is to be granted.

7.1.2 The Municipal Asset Transfer Regulations (R.878) Chapter 4, Regulation 34, in effect from 1 September 2008 (the MATR), provide that Council may approve the granting of long-term rights to use, control or manage municipal capital assets where the asset is valued at more than R10 million;

7.1.3 In terms of Reg 36 of the Municipal Asset Transfer Regulations (R.878) (MATR), Council must, when considering approval for the granting of a right to use, control or manage a capital asset, take the following factors into account:

- **Factor A: Whether the capital asset may be required for the municipality's own use during the period for which the right is to be granted;**

The Council's service branches have confirmed that the property will not be required for the municipality's own use during the period for which the right is to be granted.

- **Factor 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 the right is granted will be required to make, will result in a significant economic or financial benefit to the municipality;**

By granting the rights to third parties, the City will receive a lease income from the use of the property. The property will furthermore generate economic activities within the precinct at completion of the development.

Council will not make a loss, but will gain a financial benefit in the form of a market-related rental once the building(s) on the site has been completed. The securing of a tenant by way of public competition and the enterprise/activity to be conducted on the site will maximise the potential use and return on investment on a strategic Council property. The lease of the asset will support the strategic objectives of Council to stimulate economic growth and/or enhance access to commercial facilities. Council will also benefit by retaining ownership of this strategic asset.

Estimated market valuation of the market rental of the property has concluded that based on the residual land value method, the estimated market rental value for the property is either an upfront payment of R110 million (excluding VAT) or a monthly rental of R880 000 (excluding VAT). This rental is valid for a proposed lease term of up to 100 years. The proposed lease is envisaged to run for initial period of 40-year with an option to renew for a further two (2) periods of thirty (30) years each based on the land and building value at the time, with an escalation of 7% per annum. (**Annexure D**).

- **Factor C: the risks and rewards associated with the use, control or management of the capital asset in relation to the municipality's interests;**

The expected benefits and gain is discussed in **Factor B** above. The property (asset) will be retained by the City after the rights have expired.

- **Factor D: any comments or representations on the proposed granting of the right received from the local community and other interested persons;**

Twelve objections were received prior to Council approval on 26 May 2016. The objections were successfully addressed and Council subsequently resolved to recommend the intention to lease the subject property by resolution **C23/05/16**.

- **Factor E: any written views and recommendations on the proposed granting of the right by the National Treasury and the relevant Provincial Treasury;**

No objectives received;

- **Factor F: the interests of any affected organ of state, the municipality's own strategic, legal and economic interests and the interests of the local community;**

None of these interests will be compromised through the letting of the asset - in fact they will be supported in that a City-owned asset will be developed, thereby increasing value creation in favour of the City.

- **Factor G: compliance with the legislative regime applicable to the proposed granting of the right;**

Granting the right to use, control or manage the asset is compliant with the Municipal Asset Transfer Regulations, R.878, promulgated on 22 August 2008 and Council's Policy on the Management of Certain of the City of Cape Town's Immovable Property (2010).

7.2 RECOMMENDATIONS

Not delegated: for decision by Council and noting by Subcouncil 16:

It is recommended that:

- a) Council review and amend the previous resolution **C23/05/16** (see **Annexure A**), obtained for granting of long-term rights to control, and/or manage by public competition, City-owned property being Portion 2 of remainder erf 1056 Green Point, situated at Granger Bay Boulevard, in extent approximately 7 385m², zoned General Business Subzone 5 (GB5), in order for recommendation (d) to read as follows:

- d) In terms of the provisions of Regulation 34(1)(b) of the Municipal Asset Transfer Regulations (R.878– promulgated on 22/08/2008), the right to use, control or manage by way of competitive process, a vacant land being Erf 2189, Green Point situated at Granger Bay Boulevard in extent approximately 7 175m², zoned General Business Subzone 5 (GB5), shown lettered ABCDEF on the attached Plan 1358v1 marked **Annexure B**, be granted in-principle subject to conditions to be imposed by the Director: Property Management in the exercise of her delegated authority, which will include inter alia the following conditions:
- (i) the lease will endure for a period up to 100 years;
 - (ii) monthly rental of R880 000 (excluding assessment rates and VAT) be charged for the initial 40-year period of the lease;
 - (iii) the rental will escalate at an escalation rate of 7% per annum for the initial 40-year period;
 - (iv) the renewal option for a further two period of 30 years each based on the then prevailing market value of the land and buildings;
 - (v) the Lessee/Developer will be responsible for bulk contributions subject to the relevant Council policies;
 - (vi) any improvements or upgrades to the site requested by the Lessee to fulfil its purpose will be carried out at the Lessee's cost;
 - (vii) rates and municipal charges, if applicable, will be levied;
 - (viii) the lease be subject to compliance with any applicable statutory requirements;
 - (ix) any municipal services on site will be protected at all times and no buildings or permanent structures may be constructed over the municipal services;
 - (x) any alterations to any municipal services requested by the Lessee/Developer will be carried out at the Lessee's cost;
 - (xii) the proposed development considers integrated operations with the existing Cape Town Stadium precinct from transport, infrastructural and/or service perspective including other related aspects imposed by the City.

AANBEVELINGS

Nie gedelepeer nie: for beluitneming deur die Raad en vir kennisname deur Subcouncil 16:

Daar word aanbeveel dat:

- a) Die Raad die vorige resoluëie **C23/05/16** (sien **bylae A**) vir die toestaan van langtermynregte vir die beheer en/of bestuur, per openbare mededinging, van eiendom in Stadsbesit, naamlik gedeelte 2 van restant erf 1056 Groenpunt, geleë te Grangerbaai-boulevard, ongeveer 7 385 m² groot, gesoneer as algemenesake-subsonne 5 (GB5) hersien en wysig sodat aanbeveeling (d) soos volg lui:
- d) Ingevolge die bepalings van regulasie 34 (1)(b) van die regulasies oor die oordrag van munisipale bates (R.878 – gepromulgeer op 22/08/2008), die reg vir die gebruik, beheer of bestuur, deur middel van 'n mededingende proses, van onbeboude grond, naamlik erf 2189, Groenpunt, geleë Grangerbaai-boulevard, ongeveer 7 175 m² groot en gesoneer as algemenesake-subsonne 5 (GB5), aangetoon deur die letters ABCDEF op die aangehegte plan 1358v1 gemerk bylae B, in beginsel toegestaan word, onderworpe aan voorwaardes opgelê deur die direkteur: eiendomsbestuur in die uitvoering van haar gedelegeerde bevoegdheid, wat onder meer die volgende voorwaardes sal insluit:
- (i) die huurkontrak vir 'n tydperk van tot 100 jaar sal duur;
 - (ii) maandelikse huurgeld van R880 000 (assesseringsfooie en BTW uitgesluit) vir die aanvanklike huurtermyn van 40 jaar gehef word;
 - (iii) die huurgeld vir die aanvanklike huurtermyn van 40 jaar teen 'n eskalasiekoers van 7% per jaar styg;
 - (iv) die hernuwingsopsie vir 'n verdere twee termyne van 30 jaar op die destydse heersende markwaarde van die grond en geboue gegrond word;
 - (v) die huurder/ontwikkelaar vir grootmaatbydraes verantwoordelik sal wees, onderworpe aan die toepaslike Raadsbeleide;
 - (vi) enige verbeteringe of opknappings aan die perseel wat deur die huurder versoek word ten einde sy doel te kan vervul, op die huurder se onkoste uitgevoer sal word;
 - (viii) eiendomsbelasting en munisipale gelde gehef word, indien van toepassing;
 - (viii) die huurkontrak onderworpe sal wees aan die nakoming van enige toepaslike statutêre vereistes;
 - (ix) enige munisipale dienste op die perseel te alle tye beskerm moet word en geen geboue of permanente strukture mag oor hierdie dienste gebou word nie;
 - (x) enige veranderinge aan enige munisipale dienste wat deur die huurder/ontwikkelaar versoek word, op die huurder se onkoste uitgevoer sal word;
 - (xi) die voorgestelde ontwikkeling geïntegreerde bedrywighede binne die bestaande Kaapstad-stadionomgewing vanuit 'n vervoers-, infrastruktuurs- en/of diensperspektief in ag neem, insluitende ander verwante aspekte waarvoor die Stad opdrag gee.

IZINDULULO

Azgunyaziswanga: isigqibo seseBhunga nokuba ziqwalaselwe libhungana-16:

Kundululwe ukuba:

- (a) IBhunga maliphengulule kwaye lilungise isigqibo salo sangaphambili esingu-**C23/05/16** (jonga **isihlomelo-A**) esifunyenwe ukuba kuvunyelwe amalungelo exesha elide lokulawula, ukuphatha ngokwendlela yokhuphiswano loluntu umhlaba weSixeko osisiqephu-2 sentsalela yesiza-1056 esise-Green Point, e-Granger Bay Boulevard, esibukhulu obumalunga nama-7 385 m², esicandwe njengommandlana-5 ongezoShishino ngokuphangaleleyo (GB5), ukuze isindululo (d) sifundeke ngale ndlela ilandelayo:
- (d) Ngokwemimiselo yoMgaqo-34 (1)(b) ongeMigaqo yeNkqubo yokuTshintshelwa kweMpahla kaMasipala (R.878- omiselwe ngowama-22/08/2008) makuvunyelwe ngokomthetho-siseko ilungelo lokusebenzisa, lokulawula okanye lokuphatha, ngokwenkqubo yokhuphiswano loluntu, komhlaba ovulelekileyo osisiza-2189 esise-Granger Bay Boulevard, esibukhulu obumalunga nama-7 175 m², esicandwe njengommandlalana-5 ongezoShishino ngokuphangaleleyo (GB5), obonakaliswe ngoonobumba abakhulu u-ABCDEF kwiplani engu-1358v1, eqhotyoshelwe yaphawulwa kwisihlomelo-A, ngokuxhomekeke kwimiqathango eyakuthi inyanzeliswe nguMlawuli woLawulo lwePropati, esebenzisa amagunya awagunyaziselweyo, apho ayakuthi aquke, phakathi kwezinye izinto, le miqathango ilandelayo, yokuba:
- (i) Uqeshiso olu luyakuthi luqhubekeke isithuba seminyaka eyokutsho kwikhulu (100) leminyaka;
- (ii) Kuyakuthi kuhlawuliswe irenti yarhoqo ngenyanga engama-R880 000 (ngaphandle kwamaxabiso ovavanyo neRhafu-ntengo) ngokwesithuba sokuqala seminyaka engama-40 soqeshiso;
- (iii) Irenti iyakuthi inyuke ngonyaka ngokomlinganiselo we-7%, ngokwesithuba sokuqala seminyaka engama-40;
- (iv) Ummiselo wokuhlaziywa wesinye sezithuba ezibini zokuqeshiswa zeminyaka engama-30, ngokubhekiselele kwixabiso lasemakethi lomhlaba nezakhiwo;
- (v) Umqeshiselwa/uMphuhlisi uyakuthi abenoxanduva lomthamo wamagalelo, ngokuxhomekeke kwimigaqo-nkqubo yeBhunga efanelekileyo;
- (vi) Naluphina uphuculo okanye ukuhlaziywa kwisiza olucelwe ngumqeshiselwa ngenjongo yokuzalisekisa injongo yalo, luyakuthi luqhutywe ngokwendleko zomqeshiselwa;
- (vii) Kufuneka kurhunywe iirhafu neentlawulo zikamasipala, ukuba kufanelekile;
- (viii) Uqeshiso malixhomekeke ekuthotyelweni kwayo nayiphina imimiselo efanelekileyo yomthetho;

- (ix) Kuyakuthi kukhuseleke naziphina iinkonzo zikamasipala kwisiza ngalo lonke ixesha kwaye akusayi kuvunyelwa ukuba kwakhiwe izakhiwo okanye izakheko ezisisigxina kwiinkonzo zikamasipala;
- (x) Naziphina iinguqulelo kwiinkonzo zikamasipala ezicelwe ngumqeshisela/umphuhlisi ziyakuthi ibeziindleko zaloo mqeshiselwa/mpuhlisi;
- (xi) Isiphakamiso sophuhliso sithi sithathele ingqalelo imisebenzi kunye nendawo esele imiselwe esiStediyam saseKapa ukususela kwezothuthi, izakheko ezingundoqo nembono engenkonzo kuquka eminye imibandela enxulumene noko enyanzeliswe siSixeko.

ANNEXURES

Annexure A: Council Resolution **(C23/05/16)**

Annexure B: Disposal Plan LIS **1358v1**

Annexure C: Subcouncil Resolution **(16 SUB18/02/16)**


Annexure D: Desktop valuation dated **2017-08-31**

FOR FURTHER DETAILS CONTACT:

NAME	SAMUKELISIWE HLENGWA	CONTACT NUMBER	021 400 2161
E-MAIL ADDRESS	SAMUKELISIWE.HLENGWA@CAPETOWN.GOV.ZA		
DIRECTORATE	ASSETS AND FACILITIES MANAGEMENT	FILE REF NO	HO 14/3/4/3/1123/A07
SIGNATURE	MANAGER : PROPERTY ACQUISITIONS AND DISPOSALS	ANDRE HUMAN	

2

DIRECTOR: PROPERTY MANAGEMENT (IN HER CAPACITY AS NOMINEE FOR THE EXECUTIVE MANAGER ASSETS AND FACILITIES)

NAME	André Human Ruby Gelderbloem	COMMENT:
DATE	Acting Director 14.09.2017	
SIGNATURE		

MANAGER: SUBCOUNCIL 16
MARIUS COETSEE

Comment:

DATE _____

COUNCIL MINUTES

26 MAY 2016

C 22/05/16 PROPOSED CLOSURE OF A PORTION OF PUBLIC PLACE BEING A PORTION OF ERF 36845 CAPE TOWN AT ATHLONE ADJOINING ERF 107897 AND SITUATED OFF DUINE STREET BELGRAVIA: DIRECTORATE UTILITY SERVICES (DEPARTMENT ELECTRICITY SERVICES)

RESOLVED that, in terms of Section 4(2)(f) of the City of Cape Town: Immovable Property By-Law, 2015, approval be granted that the City may, by Notice in the Provincial Gazette close a portion of Public Place being a Portion of Erf 36845, Cape Town at Athlone adjoining Erf 107897 and situated off Duine Street, Belgravia, measuring approximately 330 m² in extent, as depicted by the figure ABCD on Plan STC 2620 attached as Annexure A to the report on the agenda.

ACTION : S JACOBS, D GEYSMAN, R SCHNACKENBERG, R GELDERBLOEM, K JACOBY

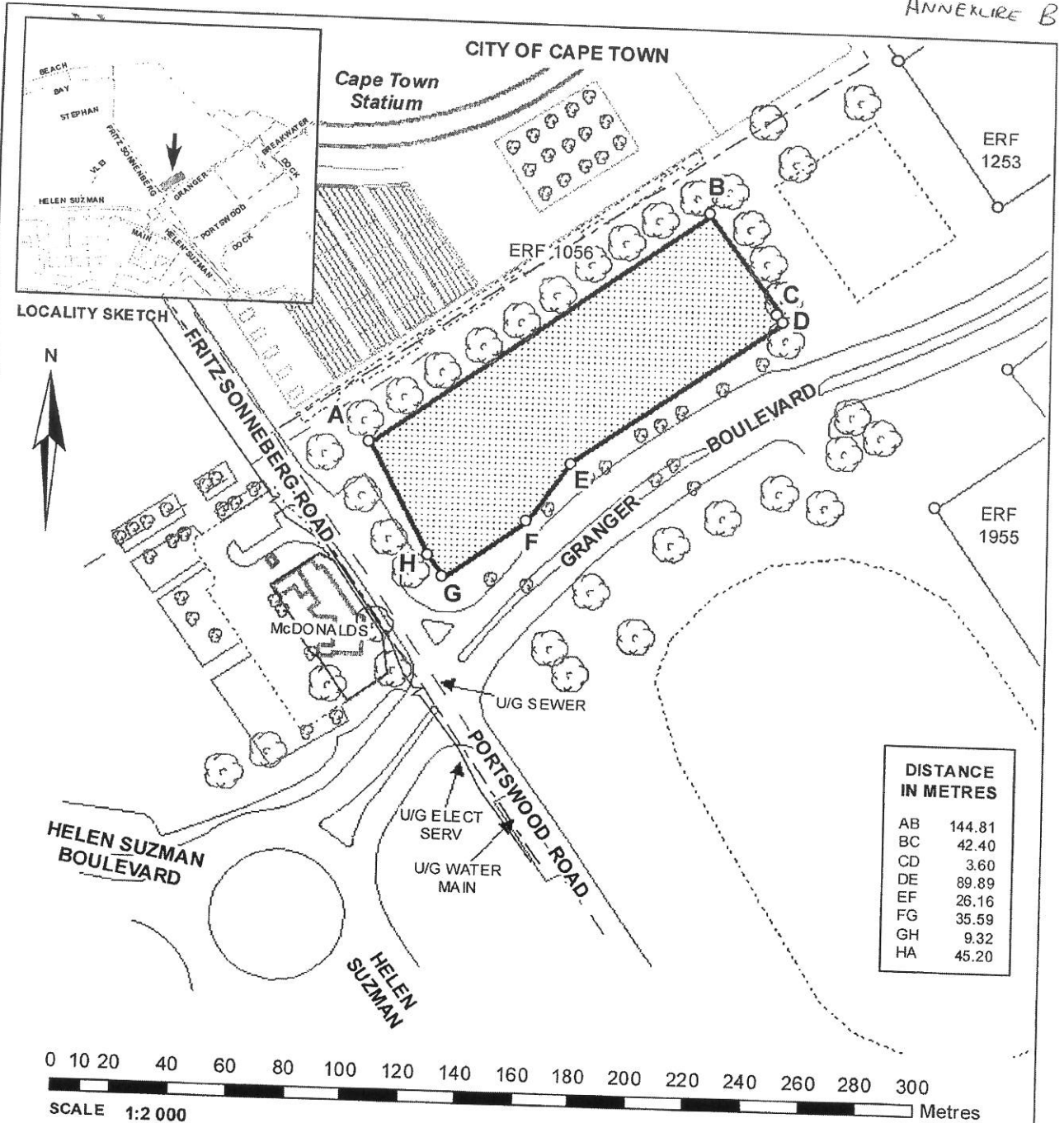
C 23/05/16 PROPOSED CLOSURE AND IN-PRINCIPLE APPROVAL FOR THE GRANTING OF LONG-TERM RIGHTS TO USE, CONTROL AND / OR MANAGE, BY WAY OF PUBLIC COMPETITION, CITY PROPERTY BEING PORTION 2 OF REMAINDER ERF 1056, GREEN POINT, SITUATED AT GRANGER BAY BOULEVARD, GREEN POINT, FOR BUSINESS PURPOSES

RESOLVED that:

- (a) in terms of the provisions of Regulation 36(a) of the Municipal Asset Transfer Regulations (R.878 - promulgated on 22/08/2008), Portion 2 of Remainder Erf 1056, Green Point, situated at Granger Bay Boulevard, in extent approximately 7385 m², zoned General Business Subzone 5 (GB5), shown lettered ABCDEF on Plan LIS 1358v0 attached as Annexure A to the report on the agenda, be regarded as not being required for the municipality's own use during the period for which the right is to be granted
- (b) Council confirmed in terms of Regulation 36(b) of the Municipal Asset Transfer Regulations (R.878 - promulgated on 22/08/2008), it has taken into account the extent to which any compensation to be received for the right together with the estimated value of any improvements or enhancements to be made to the property described in (a) above will result in a significant economic or financial benefit to the municipality
- (c) in terms of Section 4 of Council's Immovable Property By-law, 2015, the public place closure of Portion 2 of Remainder Erf 1056, Green Point, be approved

- (d) in terms of the provisions of Regulation 34(1)(b) of the Municipal Asset Transfer Regulations (R.878 - promulgated on 22/08/2008), the right to use, control or manage by way of public competition, vacant land being Portion 2 of Remainder Erf 1056, Green Point, situated at Granger Bay Boulevard, in extent approximately 7385 m², zoned General Business Subzone 5 (GB5), shown lettered ABCDEF on Plan 1358v0 attached as Annexure A to the report on the agenda, be granted in principle, subject to conditions to be imposed by the Director: Property Management in the exercise of her delegated authority, which will include *inter alia* the following conditions, that:
- (i) an upfront rental payment of R100 000 000 (excluding VAT) or a monthly rental of R750 000 (excluding VAT) is expected;
 - (ii) the lease will endure for a period of up to 25 years;
 - (iii) the rental will escalate at an escalation rate of 8% per annum;
 - (iv) rates and municipal charges, if applicable, will be levied;
 - (v) the lease be subject to compliance with any applicable statutory requirements;
 - (vi) any municipal services on site will be protected at all times and no buildings or permanent structures may be constructed over the municipal services;
 - (vii) any alterations to any municipal services requested by the lessee will be carried out at the lessee's cost;
 - (viii) any improvements or upgrades to the site requested by the lessee to fulfil its purpose will be carried out at the lessee's cost.
- (e) the objections submitted by the twelve parties or organisations as set out in paragraph 8.2 of the report on the agenda, not be upheld.


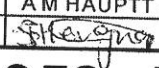
ACTION : J TOAY, R GELDERBLOEM, K JACOBY



LEASE OF ERF 2189 GREEN POINT - GRANGER BOULEVARD
GREEN POINT

FIGURES	ERF NO	AREA m ²	ZONING (CORPORATE ISIS)	D/T AND DATE	OWNERSHIP
ABCDEFGH (Shown Stippled)	Erf 2189 Green Point	7175	General Business subzone 5	CPF 31-281 dated 1023/09/23	City of Cape Town

WARD 54 SUBCOUNCIL 16

REFER TO	M3651, M3652; JOB NO 4933	 21.06.17 CIVIC CENTRE	Page 1 of 2	
	SG Dgm. 525/2016		SURVEYOR	
SOURCE	DEDUCTION PLAN. C60D (3274)		GIS OPERATOR	A M HAUPTT (2017/08/18)
FILE/REC.	HO14/3/4/3/1123/A07 (41178)		CHECKED	
MEMO			LIS 1358v1	

SUBCOUNCIL 16 MINUTES OF ORDINARY MEETING

15 FEBRUARY 2016

- (i) Council resolve that Erf 142717, Cape Town, situated at Rose Street, Schotschekloof, in extent approximately 140m², zoned Single Residential Zone 1: Conventional Housing (SR1), shown lettered ABCDEF on Plan LIS1430v0 attached to the report, not be required for the provision of the minimum level of basic municipal services;
- (ii) Council confirm that the fair market value of the asset described in (a)(i) and the economic and community value to be received in exchange for the asset described in (a)(i) have been considered;
- b) In terms of Regulation 5(1)(b) of the Municipal Asset Transfer Regulations (MATR) R.878 promulgated on 22 August 2008, Council approve in principle the disposal of Erf 142717, Cape Town, as described in (a)(i);
- c) Erf 142717, Cape Town, be disposed of by public competition, subject to conditions to be imposed by the Director: Property Management in the exercise of her delegated authority;
- d) Any gain or loss incurred by the municipality in respect of the transfer of the asset be included in the adjustment budget of the municipality (sections 28 and 87 of the MFMA), if not budgeted for in the approved annual budget.

ACTION: J TOAY / B THIEM

16 SUB 18/02/16

PROPOSED CLOSURE AND IN-PRINCIPLE APPROVAL FOR THE GRANTING OF LONG-TERM RIGHTS TO USE, CONTROL AND/OR MANAGE, BY WAY OF PUBLIC COMPETITION, CITY PROPERTY BEING PORTION 2 OF REMAINDER ERF 1056, GREEN POINT, SITUATED AT GRANGER BAY BOULEVARD, GREEN POINT, FOR BUSINESS PURPOSES

On the 18/01/16 this matter was withdrawn from the agenda to allow further comments until the 03/02/16.

UNANIMOUSLY RESOLVED to RECOMMEND that:

- a) In terms of the provision of Regulation 36 (a) of the Municipal Asset Transfer Regulations (R.878-promulgated on

22/08/2008), portion 2 of remainder Erf 1056, Green Point, situated at Granger Bay Boulevard, in extent approximately 7385 m², zoned General Business Subzone 5 (GB5), shown lettered ABCDEF on Plan LIS 1358v0, attached to the report, marked annexure A attached to the report, be regarded as not being required for the municipality's own use during the period for which the right is to **BE GRANTED**;

- b) Council confirms in terms of Regulations 36 (b) of the Municipal Asset Transfer Regulations R.878-promulgated on 22/08/2008), that in making the determination in (a) above, it has taken into account the extent to which any compensation to be received for the right together with the estimated value of any improvements or enhancements to be made to the property described in (a) above will result in a significant economic or financial benefit to the municipality;
- c) In terms of section 137 of the Municipal Ordinance 20 of 1974, Council **APPROVE** the closure of Public Place;
- d) In terms of the provisions of Regulations 34 (b) of the Municipal Asset Transfer Regulations (R.878-promulgated on 22/08/2008), the right to use, control or manage by way of public competition, vacant land being portion 2 of remainder Erf 1056, Green Point, situated at Granger Bay Boulevard, in extent approximately 7385 m², zoned General Business Subzone 5 (GB5), shown lettered ACDEF on Plan 1358v0 attached to the report, marked annexure A attached to the report, **BE GRANTED** in principle, subject to conditions to be imposed by the Director: Property Management in the exercise of her delegated authority, which will include inter alia the conditions as reflected in the report.

ACTION: J TOAY / B ZOUTENBERG

**16 SUB 19/02/16 APPLICATION FOR COUNCIL'S CONSENT AND DEPARTURES
IN RESPECT OF ERF 936 ORANJEZICHT, 7 GLENCOE ROAD**

On the 18/01/16 this matter was deferred to allow an on-site inspection, which took place on the 21/01/16.

Mr Gregory September represented the Land Use Management Department.



DATE	2017-08-08
TO	Head: Property Disposals
ATTENTION	Tania Lewis

VALUATION REPORT

VALUATION OF ERF 2189 GREEN POINT (PORTSWOOD ROAD, GREEN POINT) FOR LEASING PURPOSES

1. Brief

We were requested by the Manager: Disposals and Acquisition, to provide a desktop estimate of the leasehold rental value of Erf 2189 Green Point in extent 7 175m² (hereafter referred as 'subject property'), which is located in the Stadium Precinct (refer Subdivision Plan in **Annexure A**).

2. Date of Valuation

2017-08-31

3. Caveats

The reader should note the following:

- (i) The valuation is for internal requirements only and must not be made available to the public without prior written consent from the Head: Market Valuations.
- (ii) All values in this report exclude VAT or transfer duty.
- (iii) This report has been prepared in conformity with recognized standard procedure regarding the sale/leasing of City land.
- (iv) We did not examine the title deed for possible restrictions that might influence value. Hence, we reserve the right to alter the valuations upon conducting a formal valuation.

4. Salient information of subject property

The most relevant title deed information is listed in **Table 1**.

Table 1: Salient information of subject property	
Description	Erf 2189, Green Point
Extent	7 175m ²
Zoning	General Business 5 (GB5)
Proposed usage	29 060m ² of bulk. The latter bulk area is slightly higher than that implied by the GB5 Floor Area Ratio (FAR) of 4.

5. Approach to valuation

We have been tasked with determining the **market value** of the subject property, which, is defined by International Valuation Standards Committee (IVSC) as:

The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties acted knowledgeably, prudently and without compulsion.

Implicit in the market value of a property is the notion of **highest and best use**, which the IVSC defines as:

The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

Note that the *highest and best use* of a property need not be related to its current or planned use, but is that use that is physically possible, legally permissible (e.g. by way of rezoning), and which results in the most profitable use of the property.

6. Highest and best use

Freehold

Assuming the subject property was sold freehold, its *highest and best use* is deemed for a mixed-use type development, i.e. probably some destination-type retail (e.g. showrooms, restaurants, etc.) at ground floor level, perhaps a few floors of office space, and the higher floors some combination of hotel suites and/or apartments/flats.

Leasehold

However, if the subject property was leased on a long term basis (leasehold), it's doubtful that a developer would contemplate building apartments/flats as buyers (end users) in the South African market are generally accustomed to owning immovable properties (i.e. freehold or sectional title). In such case the highest and best use would probably be tilted to a commercial application, i.e. most likely retail at ground floor (and possibly first floor level) with offices and/or hotel rooms/suites on the higher levels. However, from our discussions with various property experts, listed companies because of the significantly high returns on residential property, especially in this prime location, there might very well be keen interest.

7. Method of valuation

We used the *comparable sales method*, which method entails the following:

- Identifying recent sales transactions of similar properties in the same neighbourhood (or further afield if need be) for which information is available.
- Comparing the comparable properties' value-forming characteristics with those of the subject property, viz. location, stand size, town planning restrictions, etc.
- Adjusting the sale's price of the comparable properties for effluxion of time between their sale's date and valuation date (if deemed necessary).
- Deducing the market value of the subject property after taking due cognisance of all incomparable characteristics and their potential influence on the sale's price.

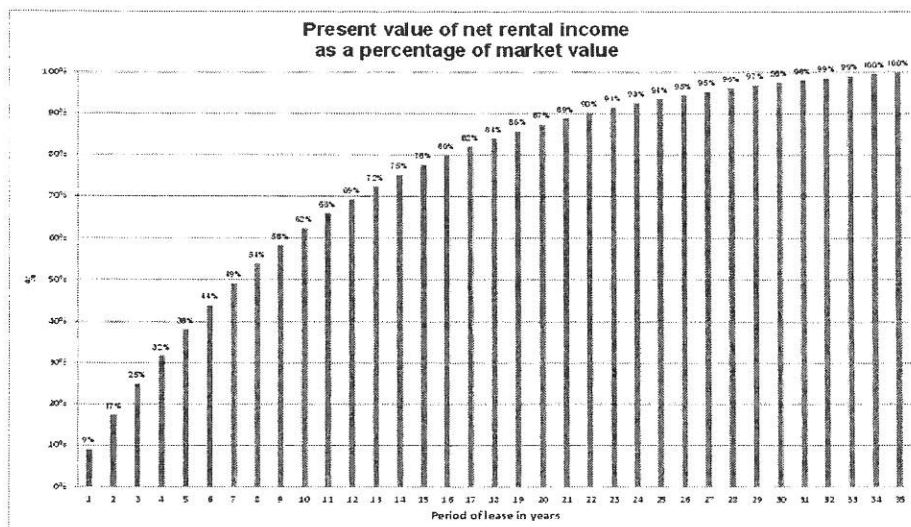
8. Leasehold vs Freehold

The choice between letting the subject property to a developer/investor on a long-term lease (i.e. leasehold) versus an outright sale (freehold) has got more to do with strategic than with financial considerations, although the financial aspect does play a significant role as the City would retain ownership/asset at the expiry of the lease.

Leasehold value vs freehold value: non-residential development (office, retail or hotel development)

From a non-residential property perspective, the market value of an income-generating property is estimated by adding the present value of its projected future net rental income, and because of the time value of money (i.e. the fact that a rand today is worth much more than a rand in, say, 10 years' time), the leasehold market value of the subject property would *theoretically* be the same as the freehold sale's value provided the leasehold period is of significant duration (say, 35 years or longer).

The following graph illustrates, for example, that the first 22 years' net rental income contributes roughly 90% to a properties freehold market value, whereas 35 years' income makes up roughly 100% of the freehold market value.



Hence a non-residential developer/investor who is focussed solely on net income/profit should feel indifferent to a leasehold and freehold-sale, provided the leasehold period is of significant duration. Based on an upfront "bullet rental" and a lease period of say 35 – 50 years, the leasehold value would be the same as the freehold value with the added benefit that the strategic asset is retained.

An example of such a transaction is the Tygerberg Hills office development, which is visible from the N1 freeway, just after the Platteklouf turnoff *en route* to Paarl, which is located in the Tygerberg Nature Reserve and was let to a developer for a ±40-year period. This is an example of a development where the City arguably felt that, being located in a conservation area, it would prefer to retain ownership (and, hence, control to some extent).

Leasehold value vs freehold value: residential development

As noted, in the case of residential developments anecdotal evidence suggests that the South African property market prefers ownership (unlike the citizens of some other countries), and are unlikely to acquire an apartment on a leasehold basis. In such cases a difference would exist between freehold and leasehold value. As suggested above a rental block is or at least part thereof is also not unlikely given the high returns.

9. Findings

In estimating the market value and rental of the subject property we had to be consistent with our summary of *highest and best use* and distinguish between mixed-use zoned land amenable to residential development and that which is not. With the latter in mind, we considered the following sales transactions involving commercial/mixed-use stands in the Cape Town CBD/Sea Point/Green Point area:

#	Description	Extent (m ²)		Sale's date	Sale's price	
		Land	Bulk		R	R/m ² (bulk)
1	Erf 142633 Cape Town (Strand Street)	2 335	14 934	2014-01	60 000 000	4 017
2	Erven 884 - 892 and 9983 Cape Town (Strand Street)	1 055	7 040	2014-06	26 000 000	3 694
3	Erf 171452, Cape Town (Site D)	3 500	15 500	2016-02	79 000 000	5 097
4	Erf 165639, Cape Town (Site B)	3 932	17 500	2016-11	86 500 000	4 942
5	Erf 1225, Sea Point West	7 546	11 319	2014-04	51 000 000	4 505
6	Erf 1245, Sea Point West	508	1 270	2016-12	11 325 000	8 917
7	Erven 505/6, Sea Point East	386	1 508	2016-06	7 000 000	4 641
8	Re Erf 9787 Cape Town	2 016	7 964	2017-05	51 000 000	6 400
9	Erven 896 and 897, Green Point	1 328	1992	2015-10 2015-09	16 250 000	8 157
10	Erf 1036, Sea Point West	1 036	3 249	2016-01	35 050 000	10 788
11	Erf 1244 Sea Point West	2 474	3 711	2015-01	33 940 500	9 145

Sale 1 and **Sale 2** were bought by the same entity, Ingenuity Property Investments (Pty) Ltd. The latter firm submitted an application for a mixed-use development. The properties were bought within 6 months from each other at a total purchase price of R86 000 000 for permissible bulk of 21 974m², which equates to approximately R3 900 per bulk m². The owner intends to establish an integrated mixed-use development and has applied for a departure for additional bulk and for the maximum permissible height from 38m to 60m. The property is improved and does generate an income; however, it is the intention of the applicant to redevelop the property. This property has a slightly better commercial address to the subject property. It should also be noted that the sale is somewhat dated.

Sale 3 was owned by the City of Cape Town and offered for sale via public tender on 2015-03-27 and the tender closed on 2015-06-02, to which six (6) offers were received, the highest offer being R79 000 000 (excluding VAT) by Southern Sun Hotels Interest (Pty) Ltd. The latter tender's documentation made specific reference to an allowable bulk of 15 500m². It is noted that the purchaser forms part of the Tsogo group and it is the writer's opinion that the purchaser paid a slight premium for the adjacent erf in order to protect its interest. This property has a much better commercial location than the subject property and it should also be noted that it is slightly dated.

Sale 4 was owned by the City of Cape Town and offered for sale via public auction on 2016-09-07. The highly attractive site made specific reference to an allowable bulk of 17 500m². Fierce bidding took place with the winning bid being R86 500 000 (excluding VAT) by Growthpoint properties. As per the previous sales, this property has a much better commercial location than the subject property.

Sale 5 was donated to *The Trustees for the time being of the Tramway Road Community Trust* (Registration Number: IT69/2001) by the City of Cape Town at no cost in 2001 in terms of the Restitution of Land Rights Act 22 of 1994. Since transfer in 2001, the Trust borrowed R204 000 000 (two hundred and four-million rand) from Investec bank and has been trying to develop this land without success. The trust owed Invest Bank around R14 000 000 (fourteen-million rand) which resulted from the development agreement entered into by the parties which also failed. Development never took place within the designated development timeframe stipulated in clause 6.9 of the said Agreement and the City may have legal grounds to reclaim the land. However, due to the debt owing by the Trust, it has requested that the City allow the sale of the property in order to settle its debt and share the balance among claimants. The sale took place and proceeds distributed. This property has a better location than the subject property from a residential point of view; it should also be noted that this sale is slightly dated.

Sale 6 was purchased for residential development of 5 larger units of over 100m². Generally, flats with larger extents would sell for around R5 million, however, depending on the location, views on offer and finishes, one could expect much higher sales (even as high as R10 million).

Sale 7 is located in Main Road and zoned GB5 and GB2 and earmarked for a mixed-use development (commercial and residential apartment) with 8 floors. Buildings plans have been submitted but not yet finalized, with various options being considered by the owner. Although the allowable bulk is 1 508m², approximately 1 200m² is to be used, equating to roughly R5 800 per bulk m². This site offers considerably less bulk compared to the subject property hence the high bulk rate although its residential potential is probably similar (i.e. in terms of achievable price for flats).

Sale 8 was bought by Angara Investment (Pty) Ltd for a mix use development. The property has a split zoning, portion measuring 25m² zoned Transport 2. The proposed bulk is based on an extent of 1 991m² (2 016m² – 25m²) and is 7 964m² (1 991m² x 4 FAR). The proposed development is 6 115m² of residential and 1 717m² of commercial/retail. This site enjoys a good location however inferior to that of a subject property.

Sale 9 comprises of two erven located adjacent each other and bought by the same entity for a residential development. The current buildings were demolished for a new block of flats consisting of 16 units and 33 parking bays, which will include 2 penthouse apartments on the 5th and 6th floors. This property is off High Level Road and enjoys an excellent location, albeit inferior to the subject property.

Sale 10 has a split zoning with a total bulk of 3 249m², General Business 5 (GB5) with a permissible floor area of 1 758m² and General Residential 5 (GR5) with a permissible floor area of 1 491m². The site is currently only using 1 740m² (GB5 of 918.9m² and GR5 of 821.3m²). This site is ideally located for redevelopment between Main and Beach Road and enjoys excellent frontage.

Sale 11 includes buildings that will be demolished to make way for a new residential development. The proposed 8-storey development will have 53 apartments, each with 2 parking bays. An increase in bulk has been applied for with the development to boast approximately 4 043m² of bulk. This property is located off Regent Road and considered inferiorly located to the subject property.

9. Conclusions

9.1. Market value

- (a) Freehold: In the case of a freehold sale the biggest component of development will in all likelihood be residential/apartments; what's more, because of relatively high price of residential to commercial space (commercial sectional title units for offices/retail within the Green Point/Sea Point vicinity generally sells for around R20 000/m² - R30 000/m² while residential sells well in excess of R50 000/m²), it follows that developers would pay more for freehold land than they would for leasehold land which will limit development potential.

Based on the evidence, we deem the freehold market value of the subject property to be in the order of:

$$29\,060\text{m}^2 \quad \times \quad \text{R}6\,000/\text{m}^2 \quad \approx \quad \text{R}175\,000\,000 \text{ (excluding VAT)}$$

- (b) Leasehold: As noted, the leasehold value would be less than the freehold value. Given the reduced potential of the subject property, our best estimate of the leasehold value is:

$$29\,060\text{m}^2 \quad \times \quad \text{R}3\,750/\text{m}^2 \quad \approx \quad \text{R}110\,000\,000 \text{ (excluding VAT)}$$

9.2. Rental income

One could require a once-off upfront rental for the entire period or a monthly rental:

- (i) Once-off upfront rental: Provided a lease of sufficient length is granted - say, a 40-year initial period with an option to renew for a further two periods of 30 years each based on

the land *and* building value at the time – a once-off rental equal to **R110 000 000 (excluding VAT)** is justifiable (for reasons outlined in section 8).

- (ii) Monthly rental: A monthly rental with the following parameters are reasonable (i.e. we applied an 8% income yield to the market value):

Net monthly rental	:	R880 000 (excluding assessment rates and VAT)
Escalation rate	:	7,0% per annum
Initial period	:	40 years
Renewal	:	The option to renew for a further two periods of 30-years each based on a market related rental on the then-prevailing market value of the land and buildings
Comment	:	Notwithstanding a lease period of 40 years, it is suggested that this period be broken up into an initial period of 30 years plus two 5-year option periods. The two 5-year options should be made subject to the building being well maintained and kept in a reasonable state of repair. This is merely to ensure that the buildings at expiry after 40 years are in a satisfactory condition.

Important: It should be noted that our conclusions assume that the developer would still be responsible for bulk contributions of roughly R16 000 000 or R550/m² of bulk developed.



Sirraaj Slamang
Professional Valuer (Reg. no. 7321/5)

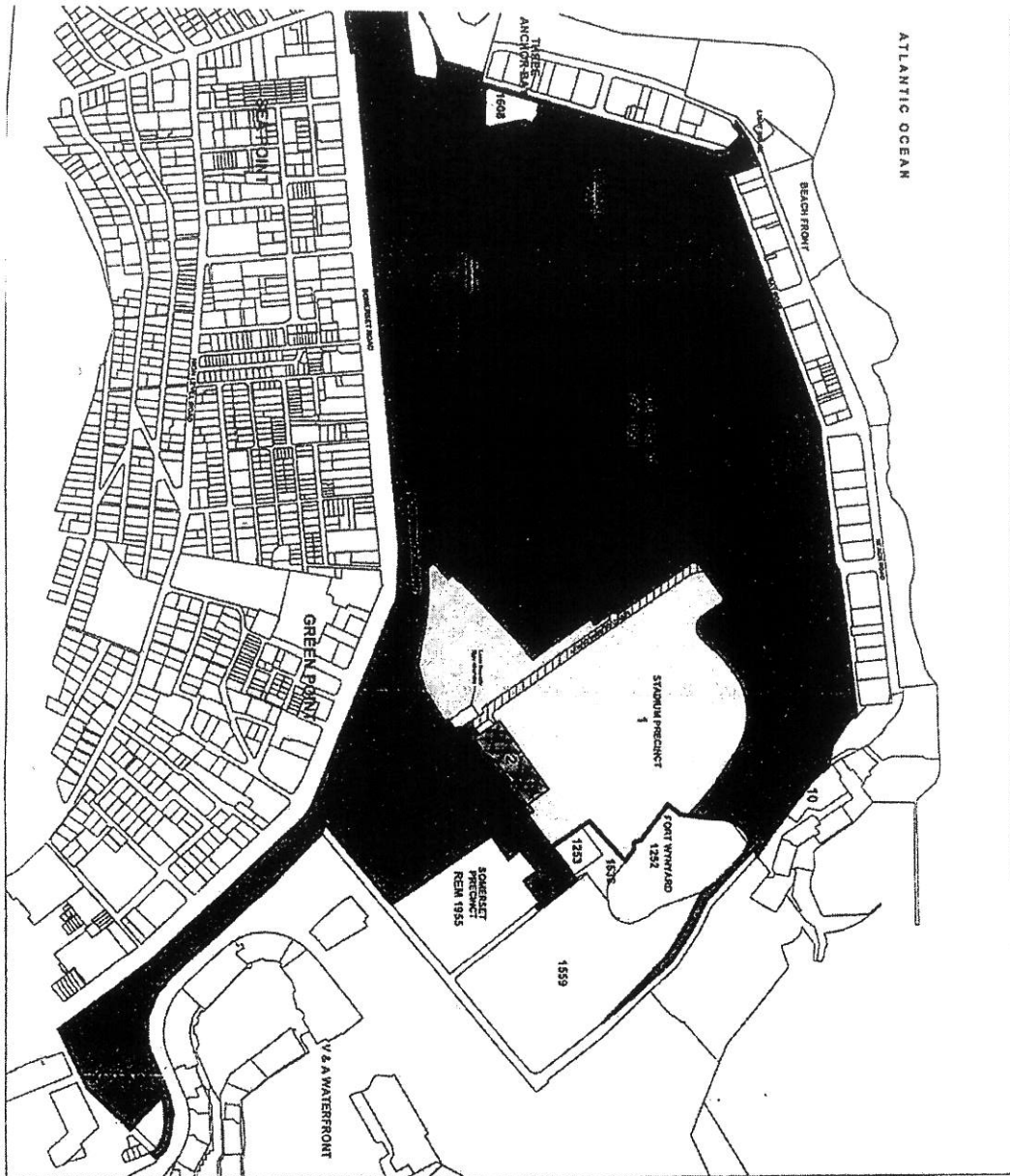
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Paul Pendlebury
Head: Market Valuations

2017-08-08

Annexure A: Subdivision plan



Portion No.	Area No.	Existing Use or Description	Proposed Zoning
1	1056	Open Space 1	Open Space 1
2	1057	Open Space 2	Open Space 2
3	1058	Open Space 3	Open Space 3
4	1059	Open Space 4	Open Space 4
5	1060	Open Space 5	Open Space 5
6	1061	Open Space 6	Open Space 6
7	1062	Open Space 7	Open Space 7
8	1063	Open Space 8	Open Space 8
9	1064	Open Space 9	Open Space 9
10	1065	Open Space 10	Open Space 10
11	1066	Open Space 11	Open Space 11
12	1067	Open Space 12	Open Space 12
13	1068	Open Space 13	Open Space 13
14	1069	Open Space 14	Open Space 14
15	1070	Open Space 15	Open Space 15
16	1071	Open Space 16	Open Space 16
17	1072	Open Space 17	Open Space 17
18	1073	Open Space 18	Open Space 18
19	1074	Open Space 19	Open Space 19
20	1075	Open Space 20	Open Space 20
21	1076	Open Space 21	Open Space 21
22	1077	Open Space 22	Open Space 22
23	1078	Open Space 23	Open Space 23
24	1079	Open Space 24	Open Space 24
25	1080	Open Space 25	Open Space 25
26	1081	Open Space 26	Open Space 26
27	1082	Open Space 27	Open Space 27
28	1083	Open Space 28	Open Space 28
29	1084	Open Space 29	Open Space 29
30	1085	Open Space 30	Open Space 30
31	1086	Open Space 31	Open Space 31
32	1087	Open Space 32	Open Space 32
33	1088	Open Space 33	Open Space 33
34	1089	Open Space 34	Open Space 34
35	1090	Open Space 35	Open Space 35
36	1091	Open Space 36	Open Space 36
37	1092	Open Space 37	Open Space 37
38	1093	Open Space 38	Open Space 38
39	1094	Open Space 39	Open Space 39
40	1095	Open Space 40	Open Space 40
41	1096	Open Space 41	Open Space 41
42	1097	Open Space 42	Open Space 42
43	1098	Open Space 43	Open Space 43
44	1099	Open Space 44	Open Space 44
45	1100	Open Space 45	Open Space 45
46	1101	Open Space 46	Open Space 46
47	1102	Open Space 47	Open Space 47
48	1103	Open Space 48	Open Space 48
49	1104	Open Space 49	Open Space 49
50	1105	Open Space 50	Open Space 50
51	1106	Open Space 51	Open Space 51
52	1107	Open Space 52	Open Space 52
53	1108	Open Space 53	Open Space 53
54	1109	Open Space 54	Open Space 54
55	1110	Open Space 55	Open Space 55
56	1111	Open Space 56	Open Space 56
57	1112	Open Space 57	Open Space 57
58	1113	Open Space 58	Open Space 58
59	1114	Open Space 59	Open Space 59
60	1115	Open Space 60	Open Space 60
61	1116	Open Space 61	Open Space 61
62	1117	Open Space 62	Open Space 62
63	1118	Open Space 63	Open Space 63
64	1119	Open Space 64	Open Space 64
65	1120	Open Space 65	Open Space 65
66	1121	Open Space 66	Open Space 66
67	1122	Open Space 67	Open Space 67
68	1123	Open Space 68	Open Space 68
69	1124	Open Space 69	Open Space 69
70	1125	Open Space 70	Open Space 70
71	1126	Open Space 71	Open Space 71
72	1127	Open Space 72	Open Space 72
73	1128	Open Space 73	Open Space 73
74	1129	Open Space 74	Open Space 74
75	1130	Open Space 75	Open Space 75
76	1131	Open Space 76	Open Space 76
77	1132		