
ADDITIONAL ITEM

8.2.13	RENTAL OF OFFICE SPACE IN STELLENBOSCH CBD
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Collaborator No:

IDP KPA Ref No:

Meeting Date:

Good Governance

12 June 2019

1. SUBJECT: RENTAL OF OFFICE SPACE IN STELLENBOSCH CBD

2. PURPOSE

To obtain the necessary authorisation to conclude lease agreements with Absa Bank Ltd, Eikestad Joint Venture and Octofin Commercial (Pty) Ltd regarding office space in the CBD within a 500 meter radius from the Town Hall building for staff that cannot be accommodated in Municipal-owned buildings for operational reasons.

3. DELEGATED AUTHORITY

Council must consider the matter.

4. EXECUTIVE SUMMARY

The staff that needs to work within the CBD cannot all be accommodated in Council-owned buildings. The staff structure has also been adjusted and is constantly adjusting to make provision for the delivery of service which on a constant basis is growing.

There are currently 3 (three) lease agreements in place for office space in Stellenbosch CBD, namely:

Absa Bank building

Ecclesia building

Stellenbosch Mall

All three lease agreements terminate in 2019: the agreements regarding Absa Bank building and Ecclesia building on 30 June 2019, and the Eikestad Mall lease on 30 September 2019.

We advertised and called on service providers to indicate the office space available in the radius of 500 meters from the Town Hall building. The decision to rent office space should be dealt with through a Council resolution as it is not goods or services that are procured that is dealt with through a normal tender procurement process.

Directors were requested to indicate the additional office space that is needed to accommodate the growing staff needs and a total of 1094m² was indicated as set out below under the discussion.

Only three potential service providers attended the clarification meeting and they are the same companies we are currently renting office space from in the CBD. The Eikestad Mall did not include the space currently being rented from them as part of their offer. It is recommended that the leasing of office space at the Eikestad Mall be dealt with as a whole and not separate rentals (current and new). A further item in this regard will serve before Council in months to come.

The additional space in the Absa Building is only available before 1 September 2019.

5. RECOMMENDATIONS

- (a) that Council approves the conclusion of lease agreements for the period 1 July 2019 to 30 June 2022 as set out below:

Description	Absa	Octofin
1. Office space Rand/m ² /month	414.41m ² R175.25 350 m ² (from 1 September 2019) R175.25	2254.49m ² R218.50
2. Parking Rand/parking/month	- -	16 R1941.00
3. Municipal Services (estimate)	R9253.74	R123 044.25
4. Escalation	9%	7%
5. Total estimated cost for contract period (Excluding Municipal Services)	R2 856 878.01 plus R2 290 170.51 (period 1 October 2019 to 30 June 2022)	R19 004 150.85
6. Average cost/month/m ² (Excluding Municipal Services)	R191.50	R234.15

- (b) that it be noted that the additional space in the Absa building will only be rented from 1 October 2019;
- (c) that the Municipal Manager be authorised to conclude lease agreements for the period ending 30 June 2022, as per the financial offers received; and
- (d) that the Municipal Manager be authorised to allocate the new office space to the department(s), as needed.

6. DISCUSSION / CONTENT**6.1 Background**

Council is currently renting office space in the CBD in three different buildings from three different companies. The leases are all expiring in 2019 and it has therefore become necessary to look at the rental of office space again.

6.2. Discussion

Section 14 of the MFMA, as well as Regulation 34 of the Asset Transfer Regulations deals with the **disposal** of property or rights in property, whilst Chapter 11 of the MFMA deals with the procurement of **goods and services**.

Seeing that the acquisitions of rights in property (renting of office space) do not fall into any of the categories listed above, the normal SCM Regulations do not apply. For this reason the Bid Adjudication Committee (BAC) would not award a tender for the renting of office space unless specifically stipulated as such in the SCM Policy. The matter is therefore referred to Council for a resolution.

6.2.1 Existing Lease Agreements: Office space

The following lease agreements are currently in place:

Name of building	Landlord	Size	Termination date
Oude Bloemhof Building	Absa Bank Ltd	414.49m ²	2019-06-30
Ecclesia	Octofin Commercial (Pty) Ltd	2254.49m ²	2019-06-30
Eikestad Mall	Eikestad Joint Venture	656.91m ²	2019-09-30
Total		3335.4m²	

6.2.2 Request for renewal of Lease Agreements

Following a request to the Municipal Manager to renew the current lease agreements, it was decided to follow a public competitive process (tender) to determine what office space is available in the CBD. It was determined that the rental of office space is not a matter that should be concluded through a tender process as it does not fall under the description of goods and services.

Various Departments registered the need for additional office space, following the approval of the new macro- and micro- Organisational structure.

6.2.3 Public competitive process

A tender notice was published in the local newspapers as well as on the Municipality's website during March 2019, requesting Landlords to indicate what office space and at what price it is offered for renting to the Municipality. The tender was cancelled as the renting of office space is not seen as goods and services that is subject to the SCM procurement processes, but the information received in the tender process is used to determine if and where office space is available for renting and at what price.

A compulsory briefing session was held on 11 March 2019 and was attended by three prospective bidders, i.e.:

- Absa Bank Ltd;
- Eikestad Joint Venture; and
- Octofin Commercial (Pty) Ltd

On the closing date the following offers for office space were submitted:

• Absa Bank Ltd:	Existing area:	414.49m ²
	New area: (Sept 2019):	350m ²
• Eikestad Joint Venture:	New area:	336m ²
• Octofin Commercial (Pty) Ltd:	Existing area:	2254.49m ²
Total area offered*:		3309.74m²

* **Please note** that Eikestad did not include the current leased area of 656.91m² in their tender.

Additional space required

Hereunder is a list of needs received from the respective Departments (over and above the current leased areas):

Planning & Economic Development: ±844m²

Corporate Services: ±50m²

Engineering Department: ±200m²

Total needs: 1094m²

Please note that the needs (1094m²) exceed the total additional office space offered (686m²). This means that the needs identified by the departments will have to be prioritised at a strategic level.

6.2.4 Offers received

Description	Absa	Eikestad	Octofin
1. Office space Rand/m ² /month	414.41m ² R175.25 350m ² (from September 2019) R175.25	336m ² R218.50	2254.49m ² R218.50
2. Parking Rand/parking/month	- -	- -	16 R1 941.00
3. Municipal Services (estimate)	R9 253.74	R18 354.00	R123 044.25
4. Escalation	9%	8%	7%
5. Total estimated cost for contract period (Excluding Municipal Services)	R2 856 878.01 Plus R2 290 170.51 (period 1 October 2019 to 30 June 2022)	R2 860 052.42	R19 004 150.85
6. Average cost/month/m ² (Excluding Municipal Services)	R191.50	R236.45	R234.15

6.3 Financial implications

Should all the office space offered (including the existing space) be accepted, then the financial implications over the next three (3) financial years will be as follows:

Description	2019/20	2020/21	2021/22	Total
Absa (existing)	R 871 504.23	R 949 939.61	R 1 035 434.17	R 2 856 878.01
Absa (new)	R 613 375.00	R 802 294.50	R 874 501.01	R 2 290 170.51
Octofin (existing)	R 5 911 272.78	R 6 325 061.87	R 6 767 816.21	R 19 004 150.42
Eikestad (new)	R 880 992.00	R 951 471.36	R 1 027 589.07	R 2 860 052.42
Eikestad (existing)	R 1 903 916.16	R 2 056 229.45	R 2 220 727.81	R 6 180 873.42
Total	R 10 181 060.77	R 11 084 996.79	R 11 926 068.27	R 33 192 125.20

Please note that these amounts do not include fit-out costs, parking and municipal services. The budget (estimated) over the next three year is as follows:

<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>Total</u>
R 11 132 815.00	R 11 912 112.00	R 12 626 838.00	R 35 671 765.00

From the above it is clear that, should all the office space that was offered be taken up (inclusive of the additional space at ABSA), this would fall within the budgeted amounts over the next three financial years.

6.4. Legal Implications

Section 14 of the MFMA, as well as Regulation 34 of the Asset Transfer Regulations deals with the **disposal** of property or rights in property, whilst Chapter 11 of the MFMA deals with the procurement of **goods and services**.

Seeing that the acquisitions of rights in property (renting of office space) do not fall into any of the categories listed above, the normal SCM Regulations do not apply. For this reason the Bid Adjudication Committee (BAC) would not award a tender for the renting of office space unless specifically stipulated as such in the SCM Policy.

6.5. Staff Implications

Staff will not be able to deliver services if no suitable accommodation is leased.

6.6. Previous / Relevant Council Resolutions

None

6.7. Risk Implications

Should Council decide not to approve the recommendations, then the organisation runs the risk of not being able to provide office space to its staff, or occupying office space without a legal lease agreement(s) in place.

6.8. Comments from Senior Management

Management is in agreement with the recommendations.

ANNEXURES:

None

FOR FURTHER DETAILS CONTACT:

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