

ADDITIONAL ITEM

7.3	CORPORATE SERVICES: (PC: CLLR L NKAMISA)
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7.3.5	EXTENSION OF RENTAL AGREEMENTS: ABSA BUILDING; ECCLESIA BUILDING; REDUCED SPACE IN EIKESTAD MALL
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Collaborator No:

IDP KPA Ref No:

Meeting Date:

Good Governance

20 July 2022

1. SUBJECT: EXTENSION OF RENTAL AGREEMENTS: ABSA BUILDING; ECCLESIA BUILDING; REDUCED SPACE IN EIKESTAD MALL

2. PURPOSE

To obtain the necessary authorisation to extend the lease agreements with ABSA Bank Ltd, Eikestad Joint Venture and Octofin Commercial (Pty) Ltd regarding office space in the CBD on a month-to-month basis to accommodate the staff currently occupying the space until the NPK building is ready for occupation.

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

ABSA bank building

Ecclesia Building

Stellenbosch Mall (reduced space)

All three lease agreements terminated on 30 June 2022 although the agreement with Octofin was only signed in September 2019 and therefore the agreement exists with them until 30 September 2022. The contracts were entered into after it was advertised in 2019. Subsequently Council purchased the NPK building and the construction on changes and upgrades started in April 2022. The completion period is an estimated 6 months, and we will not be able to occupy the office side of the building before September 2022, if no delays occur. As with all older buildings there are inevitable hidden issues, but the process is closely monitored. The ground floor will take a month or so longer to finish, but the employees earmarked for those areas does not impact hugely on the current rental occupation. It also needs to be noted that we did not take up the additional space rental in the ABSA building.

5. RECOMMENDATIONS

- (a) that Council approves the extension of the current lease agreements with ABSA Bank Ltd, Eikestad Joint Venture and Octofin Commercial (Pty) Ltd from 1 July 2022 on a month-to-month basis until the NPK building is ready for occupation;
- (b) that Council note that even when the NPK building is fully occupied there will still be a need to rent office space for at least the Infrastructure Directorate for which a separate process will be followed; and
- (c) 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 3 different companies. The leases all expired on 30 June 2022 except for the lease with Octofin which was only signed in September 2019.

6.2. DISCUSSION

The staff that needs to work within the CBD cannot all be accommodated in Council owned buildings. There are currently 3 (three) lease agreements in place for office space in Stellenbosch CBD:

ABSA bank building

Ecclesia Building

Stellenbosch Mall (reduced space)

All three lease agreements terminated on 30 June 2022 although the agreement with Octofin was only signed in September 2019 and therefore the agreement exists with them until 30 September 2022. The contracts were entered into after it was advertised in 2019. Subsequently, Council purchased the NPK building and the construction on changes and upgrades started in April 2022. The completion period is an estimated 6 months, and we will not be able to occupy the office side of the building before September 2022, if no delays occur. As with all older buildings there are inevitable hidden issues, but the process is closely monitored. The ground floor will take a month or so longer to finish, but the employees earmarked for those areas does not impact hugely on the current rental occupation. It also needs to be noted that we did not take up the additional space rental in the ABSA building. The Infrastructure Directorate and IDP staff currently occupying offices in the Ecclesia building could not be accommodated in the NPK building and they will have to be accommodated in rental space after September 2022 for which an alternative process will be followed.

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) does not fall into any of the categories listed above, the normal SCM Regulations does not apply. The matter is therefore referred to council for a resolution.

6.3 Financial implications

Should all the office space offered (including the existing space) be accepted, then the rental per month is as follows:

Description	Monthly Rental (Excl VAT)
Absa (existing)	75 030.82
Octofin including parking (existing)	521 339.73
Eikestad (existing)	109 998.00
Total	706 368.55

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) does not fall into any of the categories listed above, the normal SCM Regulations does not apply. For this reason, the 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

Item 8.2.13 – 12 June 2019 – **Appendix 1**

Item 9.2.4 – 29 September 2021 – **Appendix 2**.

6.7. Risk Implications

Should Council decide not to approve the recommendations, then the organisation will not being able to provide office space to its staff,

6.8. Comments from Senior Management

Management is in agreement with the recommendations.

ANNEXURES:

Appendix 1 – Council resolution 12.6.2019

Appendix 2 – Council resolution 29.09.2021

APPENDIX 1

28TH COUNCIL MEETING: 2019-06-12: ITEM 8.2.13**RESOLVED** (majority vote)

- (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.

Cllrs DA Hendrickse and LK Horsband (Ms) requested that their votes of dissent be minuted.

FOR FURTHER DETAILS CONTACT:

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REPORT DATE	2019-06-05

APPENDIX 2

9.2.4	CONSIDERATION OF LEASE AGREEMENT FOR REDUCED OFFICE SPACE: EIKESTAD MALL
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Collaborator No:

IDP KPA Ref No:

Meeting Date:

Good Governance

15 September 2021 and 29 September 2021

1. SUBJECT: CONSIDERATION OF LEASE AGREEMENT FOR REDUCED OFFICE SPACE: EIKESTAD MALL

2. PURPOSE

For Council to consider the approval to conclude a lease agreement with Eikestad Mall Joint Venture for reduced office space in the Eikestad Mall for a period from 1 October 2021 to 30 June 2022, whilst the office space in the NPK building is renovated.

3. DELEGATED AUTHORITY

For decision by Municipal Council.

4. EXECUTIVE SUMMARY

The existing lease agreement with Eikestad Mall Joint Venture will terminate at the end of September 2020. The landlord is aware of the termination of the agreement. The intention was that all employees occupying office space in the Eikestad Mall will move over to one of the floors in the NPK building despite the renovation process continuing. It has now come to our attention that we will not be able to move employees to the building on a temporary basis due to the extent of the renovation involving compliance issues. We have been advised to replace the lifts in the building, close off the floors instead of it being open for fire safety reasons as well as rewiring the electricity. This means that the area may not be regarded as a health and safe environment to work in. We have moved some of the employees temporarily to Dorp Street and will be able to accommodate the employees awaiting their move to NPK building on the area currently being used by the Town Planning Department on the 3rd floor.

During a recent Director's meeting it was decided to request Council to enter into an agreement with the Eikestad Mall only for the area on the 3rd floor, Office 302, measuring 484.61m² in extent. The intended completion of work on the NPK building is 30 June 2022.

SPECIAL COUNCIL MEETING: 2021-09-29: ITEM 9.2.4

RESOLVED (nem con)

- (a) that Council approves the conclusion of a lease agreement with the Eikestad mall Joint Venture for the 3rd floor (484.61m²) for the period from 1 October 2021 to 30 June 2022, and
- (b) that the Municipal Manager be authorised to conclude the lease agreement with Eikestad Mall Joint Venture (based on the current rates, as per the existing lease agreement).