



INFORMATION STATEMENT IN RELATION TO LEASE FARM 502L, STELLENBOSCH

1. PURPOSE

The purpose of this report is to provide the prescribed information in terms of regulation 34 of the Asset Transfer Regulations, published in terms of Section 168 of the Local Government: Municipal Finance Act (R878, 22 August 2008), and commonly referred to as an Information Statement.

2. BACKGROUND

2.1 Existing Contractual arrangements

On 10 February 1992 Stellenbosch Municipality and the Stellenbosch Flying Club concluded (renew) a long term Lease Agreement for the period 1 April 1991 to 31 March 2021. A further agreement was entered into for a period of 9 years and 11 months from 1 April 2021 until March 2031 after the provisions of the Asset transfer Regulations was followed as this property is worth more than R10 million.

2.2 Request for extension of term of Lease Agreement

Stellenbosch Flying Club recently requested the Lease Agreement be extended for a further term of 30 years. This is not supported by Council – the lease term considered will not exceed 30 years in total including the current term.

Stellenbosch Municipality's Policy on the Management of Council-owned property provides for the renewal of existing agreements in certain circumstances, but subject thereto that Council's intention be advertised for public inputs. This agreement only expires in 2031 and will only be then up for renewal.

In terms of paragraph 9.2.2 of the Policy, the Municipal Council may dispense with the prescribed, competitive process, and may enter into a private treaty agreement through any convenient process, which may include direct negotiations, but only in specific circumstances, and only after having advertised Council's intention. Should any objections be received as a consequence of such a notice, such objections first be considered before a final decision is taken to dispense with the competitive process established in this policy. However, should any objections, be received from potential, competitive bidders, then a public competitive process must be followed.

3. DISCUSSION

3.1 Public Participation Process

In terms of the Asset Transfer Regulations, before Council can make a final decision on whether to make rights on Municipal property, the Municipal Manager must first conduct a public participation process in terms of regulation 35.

3.2 Information Statement

In terms of regulation 35, the Municipal Manager, when making public the proposal to grant the relevant long term right(s), must also make available the Information Statement referred to in regulation 34.

In terms of regulation 34 an Information Statement must consist of the following:

- i) the reason for the proposal to grant a long term right to use, control or manage the relevant capital asset;
- ii) any expected benefit to the municipality that may result from the granting of the right;
- iii) Any expected proceeds to be received by the municipality from the granting of right; and
- iv) Any expected gain or loss that will be realised or incurred by the municipality arising from the granting of the right.

3.2.1 Reason(s) for proposal to grant a long term right to use, control or manage the relevant capital asset

The Stellenbosch Flying Club has, in terms of a previous 30 year lease agreement and a current 9 year 11 month lease agreement with the Municipality, established a fully operational private airfield on a portion of Farm 502, Stellenbosch, at considerable costs, partly funded by the financial support of its members and also loans from the Municipality. In order to ensure the continued safe operation of the airfield certain essential work has to be carried out (e.g. subsurface drainage should be installed and taxi ways and the runway needs to be edged, curbed and slurry-sealed) at further substantial costs to be funded by the company, i.e. its members.

The lessee will only be able to raise the necessary funding / loan for the required work if it manages to conclude a long term lease agreement with the Municipality for a sufficient length of time. For this reason they requested the renewal of the Lease Agreement. The lease agreement is not considered by council beyond a total of 30 years including the existing period of the lease.

3.2.2 Expected benefits to the municipality that may result from the granting of the right

Economic impact assessments for similar local airports indicate that airport infrastructure is strongly linked to economic growth and plays a major role in providing greater mobility and choice, leading to an improvement in business income and welfare of citizens, e.g. special services such as air ambulances, fire protection and safety. Airports are also reported to play a critical role in generating employment within an economy, creating wealth, contributing to the tax base, stimulating tourism and contributing to high value goods trade.

3.2.3 Expected proceeds to be received by the Municipality form the granting of the right

The direct proceeds will be the rental payable to the municipality. The current annual rental amounts to over R398 000.00. It is, however suggested that a new, market related rental be determined by two (2) independent valuers. Any improvements on the airfield may be removed at the end of the term of the lease as long as it is returned to its original status. There may therefore not be any value added benefit by improvements if all is removed.

The indirect benefits, i.e benefits to the community is difficult to qualify, but is probably worth much more than the annual rental.

3.2.4 Expected gain or loss that will be realised or incurred by the municipality arising from the granting of the right.

The aim of the proposed long term lease is to continue the use of the land for the purpose of an airfield. In this context, there will be no additional gains or losses, other than the expected proceeds referred to above.

By concluding a long term lease agreement with a Lessee, it would provide the Lessee with legal certainty for a total of 30 years.

This, in turn, would enable the Lessee to invest in the property (capital investment in improving the infrastructure).

3.3 Location and context

Lease Farm 502L, Stellenbosch, in extent of approximately 28.2ha is situated approximately halfway between Stellenbosch and Somerset West, abutting the De Zalze Golf Estate, as shown on Fig 1, 2 and Fig 3, respectively.



Fig 1: Location and Regional context

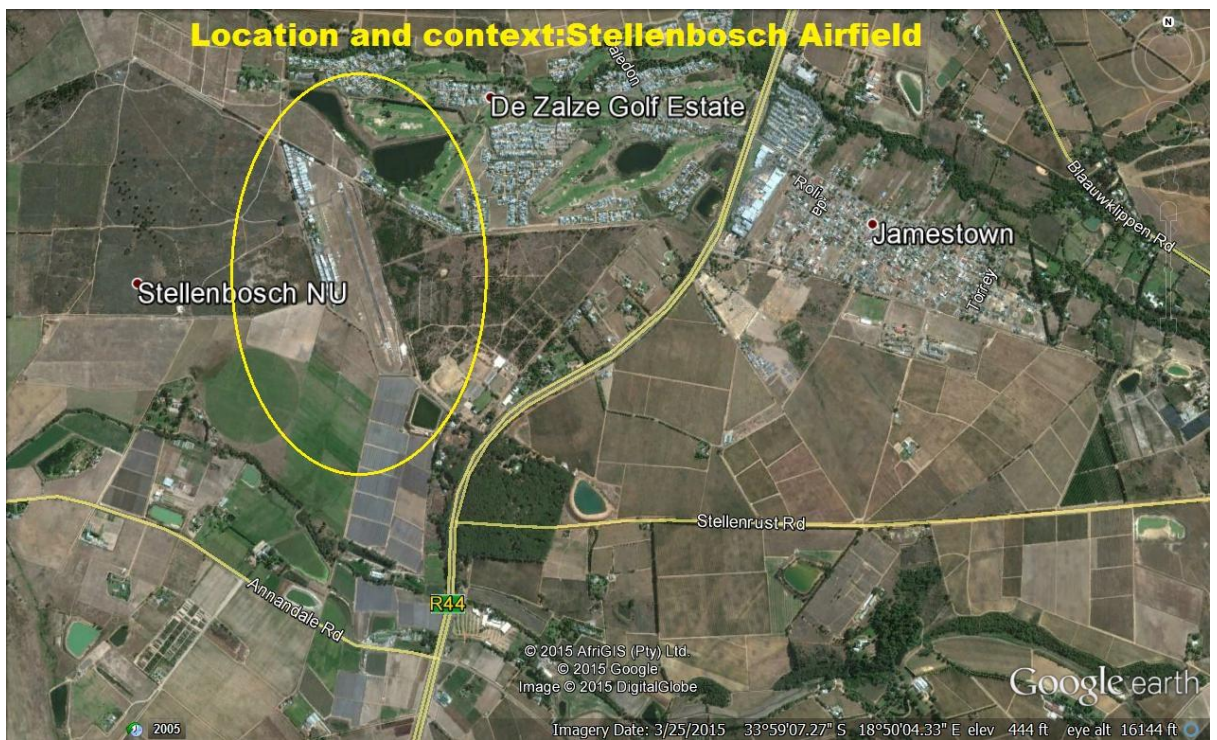


Fig 2: Location and local context



Fig 3: Extent of Lease Farm 502L

3.4 Public Comment invited:

The public are herewith invited to provide input/comment/alternative proposals to the Municipality on the proposal to enter into a further lease agreement with the current lessee whilst accommodating current business that are providing a service to the airfield and its users on or before **7 February 2025**. Comments can be directed to:

Email: Municipal.Manager@ Stellenbosch.gov.za.

Queries can be directed to: Yolande van den Berg – Contract Management

Tel: 021 808 8073