

Ref: 12/2/E

## THE ACCOUNTING OFFICER

### REQUEST TO DEVIATION FROM THE DHS LAND ACQUISITION PROCESS IN ORDER TO ACQUIRE 16 PROPERTIES LOCATED IN KILLARNEY RACING PARK

#### 1. PURPOSE

1.1. This serves to request for the following:

- 1.1.1. That the request to deviate from the Standard Land Acquisition Process, be approved by the HoD.
- 1.1.2. That the acquisition of 16 erven, namely: Erven 35163 to 35176, 35148 and Rem Erf 38368 Millerton, situated in Killarney Racing Park (herein after referred to as the Properties), comprising 17.4 ha of land including the current services (**Annexure A**), at R66 million (exclusive of VAT) be approved by the HoD.
- 1.1.3. That the letter authorising the Housing Development Agency to enter into a Sale Agreement for said Properties mentioned in 1.1.2 be signed by the HoD (**Annexure B**).

#### 2. BACKGROUND

- 2.1. The Properties are owned by Cape Killarney Property Investment (PTY) Ltd. The Seller offered the said Properties to the City of Cape Town for human settlement development. After thorough investigation of the property, the City's valuation department valued the properties at R64 million exclusive of VAT. The City has not received Mayoral Committee approval for said purchase, and it is understood that the Seller's offer to sell the land to the City lapsed at the end of March 2018.
- 2.2. Due to high densities within the adjacent informal settlement, the properties are ideally located for acquisition by the Department for decanting purposes and/or direct development.
- 2.3. On 19 April 2018, Minister Madikizela (the WC Provincial Minister for Human Settlements), discussed the potential purchase of the above properties with Cllr Limberg (the Mayoral Committee Member for Informal Settlements, Water and Waste Services), and it was concluded that Province would acquire the land through the Housing Development Agency (HDA) since the acquisition of the Properties (by the City) is not on the City's

budget for this financial year, and the development thereof is neither on the City's 3 year plan.

2.4. In terms of the Department's standard land acquisition process:

2.4.1. The HDA would have been requested to complete a Land Acquisition Template which would have been submitted to the Project Administration Unit for capturing and registration.

2.4.2. This template would have contained a desktop analysis determining the development potential of the land and would cover the land legal information, availability of engineering services, two independent valuations, linkages to the municipal spatial development framework, etc.

2.4.3. The template would then be circulated to the Departments' Planning and Professional & Project Management Services Directorates for assessment.

2.4.4. Upon positive review by the Planning and the Professional Services Directorates, the template would be forwarded to the Project Adjudication Committee (PAC) for it to recommend the purchase of the properties to the Head of Department.

2.4.5. The last step is for the Head of Department to approve the recommendations to acquire the land, after which a funding agreement would have been entered into (with the HDA) and an instruction to purchase the properties would have been sent to the HDA.

2.5. The above mentioned process has not been followed due to the following factors, hence the reason the relevant Directors and Chief Directors, that are responsible for Planning and Implementation, have been included in this submission for their recommendations and sign-off:

2.5.1. The constant threat of violence, chaos, destruction to property and widespread invasion of state and privately owned land;

2.5.2. The City already evaluated the potential purchase and wanted to acquire the property, but were unable to do so as a result of having no funding for the acquisition within this year as well as any funding for implementation for the next 3-years;

2.5.3. A funding agreement between the Department and the HDA has already been entered into, in order that said funding for the acquisition and associated costs can be transferred to the latter (**Annexure C**).

2.5.4. That the below motivation be sufficient to recommend to the accounting officer the purchase of the land.

### 3. MOTIVATION

- 3.1. The request to deviate from the standard acquisition process is motivated as following:
- 3.1.1. The finalisation of the acquisition of the Killarney Racing Park Properties are considered critical as they are linked to one of this Department's key human settlement initiatives which is the De Noon initiative.
- 3.1.2. There are other land acquisitions that were initiated by the Department (Hout Bay, Weltevreden Road Wedge Area) which followed due process, and the time taken to solicit PAC approval ranged between 2 – 3 months. However, these acquisition processes were not influenced by the turmoil as that encountered in Millerton/Killarney. This has led the Department to take measures to fasten the land acquisition process and thereby not adhere to normal procedure.
- 3.1.3. The Properties are still vacant. It is however adjacent to an informal settlement. It is also favourable to acquire the properties before they are invaded so that appropriate planning process can take place as opposed to when the properties are invaded.
- 3.2. With regard to the merit of acquiring the said Properties:
- 3.2.1. There is tremendous pressure on housing delivery and addressing the backlog in the De Noon area that have resulted in violent protesting, and the acquisition and development of these Properties could alleviate some of the housing demand.
- 3.2.2. The City of Cape Town conducted a thorough investigation of the subject properties, including an internal valuation report dated 16 October 2017 (**Annexure D**), that indicated the properties are suitable for human settlement development. The properties were valued at R 64 000 000
- 3.2.3. The HDA was requested to appoint two valuers, which valued the properties for R71 054 750 (Tashoma – **Annexure E**) and R 33 000 000 (Equitas Valuation- **Annexure F**). It should be noted that Equitas Valuation includes erven 35161 – 35176 and Rem Erf 38368, but excludes erf 35148.
- 3.2.4. The HDA negotiated a final purchase price of R66 million (including any commission, excl. VAT), which was accepted by the seller (**Annexure G**).

### 4. RECOMMENDATION

- 4.1. It is recommended that:
- 4.1.1. The request to deviate from the Standard Land Acquisition Process, be approved by the HoD.
- 4.1.2. The acquisition of 16 erven, namely: Erven 35163 to 35176, 35148 and Rem Erf 38368 Millerton, situated in Killarney Racing Park, comprising 17.4 ha of land including the existing services (**Annexure A**), at R66 million (excl. of VAT) be approved by the HoD.

4.1.3. The letter authorising the Housing Development Agency to enter into a Sale Agreement for said Properties mentioned in 4.1.2 be signed by the HoD (**Annexure B**).



MR. H. MOSTERT  
**DEPUTY DIRECTOR: LAND AND ASSET MANAGEMENT**

DATE: 18/7/2018

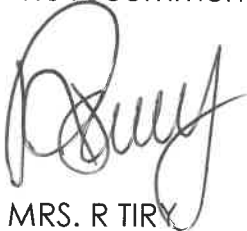
The recommendation is supported / ~~not supported~~



MR. L. ESTERHUIZEN  
**DIRECTOR: LAND AND ASSET MANAGEMENT**

DATE: 19/07/2018

The recommendation is supported / ~~not supported~~



MRS. R TIRX  
**DIRECTOR: REGIONAL SUPPORT, PEOPLE'S HOUSING PROCESS & CAPACITY BUILDING**

DATE: 19/7/2018

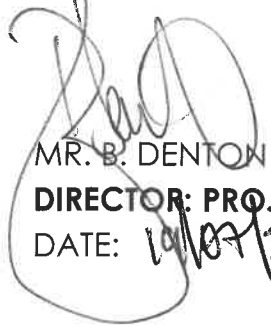
The recommendation is supported / ~~not supported~~



MRS. R. VAN RENSBURG  
**DIRECTOR: PLANNING**

DATE: 26/7/18

The recommendation is supported / not supported ~~not supported~~



MR. B. DENTON

**DIRECTOR: PROJECT ADMINISTRATION**

DATE: 19/07/2018

The recommendation is supported / not supported ~~not supported~~



MS. P. MAYISELA

**CHIEF DIRECTOR: HUMAN SETTLEMENT IMPLEMENTATION**

DATE: 31.07.2018

Certificate

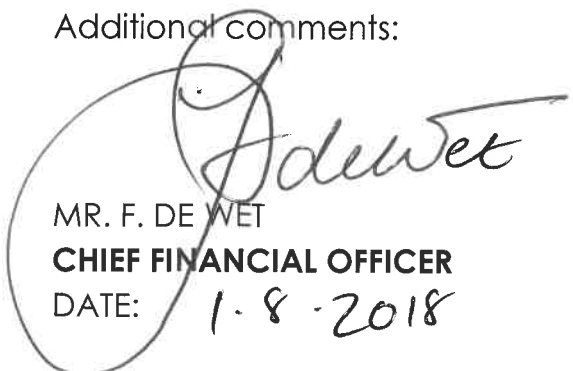
I, the undersigned, do hereby certify that I have evaluated the submission and can advise the Accounting Officer that the application/request satisfies the following requirements:

- Within/complying with the relevant prescripts;
- That it can be accommodated within the approved budget;
- It supports the attainment of the Department's tabled strategic objectives and budget programmes.

The submission is in order and supported ~~not supported~~.

Additional comments:

*These sites are fully services and is value for money.*



MR. F. DE WET

**CHIEF FINANCIAL OFFICER**

DATE: 1.8.2018

The recommendation as per paragraph 4 of this submission:

4.1. It is recommended that:

- 4.1.1 The request to deviate from the Standard Land Acquisition Process, be approved by the HoD.
- 4.1.2 The acquisition of 16 erven, namely: Erven 35163 to 35176, 35148 and Rem Erf 38368 Millerton, situated in Killarney Racing Park, comprising 17.4 ha of land including the existing services (**Annexure A**), at R66 million (excl. of VAT) be approved by the HoD.
- 4.1.3 The letter authorising the Housing Development Agency to enter into a Sale Agreement for said Properties mentioned in 4.1.2 be signed by the HoD (**Annexure B**).

Is approved/~~approved with amendments / not approved~~



MR. T. MGULI  
**HEAD OF DEPARTMENT**

DATE: 01 AUG 2018