



AMENDING REPORT TO BID ADJUDICATION COMMITTEE

(Deviations from, and ratification of minor breaches of, procurement processes: Regulation 36 of the Municipal Supply Chain Management Regulations)

To:	Bid Adjudication Committee
Contract Description:	PROPOSED LEASE OF PREMISES: DURBAN TOURISM HEAD OFFICE, 90 FLORIDA ROAD, MORNINGSID, DURBAN
Date:	29 JANUARY 2025

Contract no:	7G-4894	Unit:	Business Support
Senior Manager:	Hlengiwe Dube	Department:	Tourism
E-mail:	Hlengiwe.dube@durban.gov.za	Cellular Phone No:	0713409616
Telephone number:	031-322-4159	Fax no:	

Project Objective/s:	To secure premises for the provision of office accommodation for the Durban Tourism -Head Office
Scope of Works:	To enter a lease on a month-to-month basis for a maximum period of 6 months for the premises situated at 90 Florida Road, Durban
IDP Linkage:	Plan EIGHT:

1. CATEGORY:

Goods		Professional Services (Built Environment)	
Services		Professional Services (Other)	
Engineering & Construction Works		Movable Asset Disposal	
Leases	X	Immovable Asset Disposal/ Acquisition	

2. ELEMENT OF REGULATION 36 APPLICABLE:

1(a)	(i)	An emergency	
	(ii)	The goods or services are produced or available from a single provider only	
	(iii)	The acquisition of special works of art or historical objects where specifications are difficult to compile	
	(iv)	The acquisition of animals for zoos; or	
	(v)	Exceptional case where it is impractical or impossible to follow the official procurement processes; and	X
1(b)	To ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature		

Motivation overleaf

1. PURPOSE

The purpose of this report is to seek authority to proceed via section 36(1)(a)(v) for the lease of premises at 90 Florida Road, Durban in extent 529m² together with 18 parking on a month-to-month basis for a maximum period of six (6) months.

2. BACKGROUND

The City manager granted authority to the Head: Business Support and Tourism in terms of Section 36(5) of the Supply Chain Management Policy 2024, to procure new premises for the relocation of the Durban Tourism Offices currently situate at 90 Florida Road, Durban.
(“Annexure A”)

The lease at the current premises, 90 Florida Road was due to terminate on the 4th of December 2024. This lease was extended via MFMA circular 62 for a period of 3 months to enable Durban Tourism time to identify suitable alternate accommodation (“Annexure B”). Durban Tourism had identified three premises that were deemed suitable. Onsite inspections were carried out and below are the outcomes:

267 Florida Road

Was not conducive as a large part of one floor had no windows or natural ventilation. The space was separated into three floors and there was no storage space for the branding.

279 Florida Road

The premises was considered to be suitable, however the landlord is currently in business rescue and has not furnished a proposal despite us requesting on numerous occasions.

174 Florida Road

The premises is also suitable, and the Landlord has furnished a proposal. The proposal in terms of the per square metre rent is considerably lower than what is being paid currently at 90 Florida Road. The Landlord has to effect certain renovations that is required by Durban Tourism and Tourism have not as yet confirmed their budget for rent. They are in the process of acquiring same.

Taking cognisance of all of the above and that of the lease termination date being on the 4th March 2025, the Head: Business Support and Tourism is requesting a further extension of the current lease at 90 Florida Road on a month to month basis for a maximum period of six (6) months.



3. FINANCIAL IMPLICATION

The current monthly rental is R141 480.75 (R267.44m²) per month excluding VAT, rates and taxes, utilities and operating costs together with 18 parking bays at R695.50 per bay per month. The total extent of the current premises is 529m².

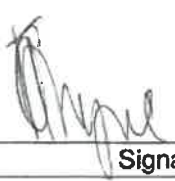
The rental evaluation conducted by the municipal valuer to support the above rental is indicative of the current market

A rental valuation was done by the Municipal Valuer, the Valuation report is attached hereto ("Annexure C")

4. RECOMMENDATIONS:

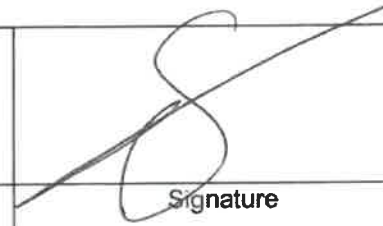
It is Recommended that:

1. The Bid Adjudication Committee notes the deviation as approved by the City Manager for the Durban Tourism Unit to proceed by way of Section 36 (1) (a)(v) of the Supply Chain Management Regulations to acquire office accommodation in Florida Road.
2. Subject to (1) above, The Head Real Estate and Head: Business Support, Tourism and Markets Unit be authorised to conclude a lease with Twilight Blue Investments (Pty) Ltd in respect of the premises situate 90 Florida Road, Durban in extent 529m² together with 18 parking bays on a month to month basis for a maximum period of six (6) months at a gross monthly rental of R 141 480.98 excluding VAT, Rates and Taxes, Utilities and operating costs together with Eighteen (18) parking bays at a gross monthly rental of R 12 519.00 excluding VAT.
3. That subject to the (1) and (2) above the Head: Real Estate be authorised to sign all documents necessary to conclude the lease agreement.

T Mmusinyane		
Head :Real Estate	Signature	Date
031 311 1111		
Contact Telephone Number		



O. Nzama		<i>30-01-2025</i>
Head: Business Support, Tourism and Market Unit	Signature	Date
031 311 4545		
Contact Telephone Number		

G. Mhlakoana		<i>12/02/2025</i>
Acting Deputy City Manager: Economic Development and Planning	Signature	Date
031 311 4747		
Contact Telephone Number		

S. Mnguni	Signed by: MATHABATHA ROGER MAR Signed at: 2025-02-13 12:01:12 +02:00 Reason: I confirm funds are available for <i>MATHABATHA ROGER MARUHA</i>	13/02/25
DCM: Finance	Signature	Date
031 311 1105		
Contact Telephone Number		



S Ncube		
Head :SCM	Signature	Date
031 311 1111		
Contact Telephone Number		

Z. Sithole		
Deputy Head: Policy and Support Services	Signature	Date
031 322 7007		
Contact Telephone Number		



**BUSINESS SUPPORT, TOURISM & MARKETS UNIT
DURBAN TOURISM DEPARTMENT**

90 Florida Road, Morningside, Durban, 4000

P O Box 1044, Durban, 4000

Tel: 031 322 4164 - Email: Hlengiwe.Dube2@durban.gov.za

Web: <https://www.visitdurban.travel>

TO: CITY MANAGER

FROM: HEAD: BUSINESS SUPPORT AND TOURISM

SUBJECT: REQUEST TO UTILIZE SECTION 36(1)(a)(v) FOR THE LEASE OF PREMISES
FOR THE TOURISM OFFICES IN FLORIDA ROAD

DATE: 16TH OCTOBER 2024

PURPOSE

To seek prior authority from the City Manager (Accounting Officer) to procure new premises for the relocation of the tourism offices on Florida Road, under Section 36(5) of the Supply Chain Management Policy 2024.

BACKGROUND

Durban Tourism currently leases office space at 90 Florida Road, Morningside, for its head office. The current lease is set to expire on 4th December 2024, with no further rights of renewal.

The Head of Real Estate had advertised Tender 7G-3502 for new office space. However, the tender resulted in a non-award as the mandatory requirements were not met.

The Head of Business Support Tourism and Markets intended to extend the existing lease and duly advertised the extension on 8th July 2024. No objections to the extension were recorded.

REASONS FOR NOT EXTENDING THE LEASE

The Head of Real Estate initiated the process for extending the lease and began negotiations with the landlord. A municipal valuer was also engaged to conduct a market rental survey to assess current market trends for rentals.

The landlord submitted a rental proposal, which was deemed too high based on the market trends and property reports. Additionally, the building has ongoing maintenance

1 .REQUEST TO UTILIZE SECTION 36(1)(a)(v) FOR THE LEASE OF PREMISES FOR THE
TOURISM OFFICES IN FLORIDA ROAD

issues, which have been raised with the landlord on multiple occasions but have seen little action. The valuer also established that the landlord has been marketing the property for sale, and the offices have been broken into on several occasions.

Given these circumstances, a counter-proposal was sent to the landlord. The proposed rental offer was the highest deemed reasonable in the current market. However, the landlord rejected the counter-proposal and insisted on a minimum two-year lease at a rate of R286 per m². This rate exceeds what even triple-A office spaces command. While Florida Road is predominantly a commercial node, inquiries with other business owners revealed that the asking rent for vacant office spaces did not exceed R180 per m², and this was still subject to negotiations.

The Head of Real Estate cannot support the landlord's asking rental. As a result, Durban Tourism seeks authority to deviate from standard procurement processes and secure new office space at a market-related rental.

MOTIVATION FOR REMAINING IN THE FLORIDA ROAD PRECINCT

Durban Tourism has established a strong presence in the Florida Road precinct, which is a key commercial and tourism hub in the city. The location is ideal for maintaining accessibility to both local and international visitors, given its vibrant atmosphere, proximity to key hospitality establishments, and strategic positioning within the city's tourism infrastructure. Moving away from Florida Road could result in disruptions to established networks and diminish the visibility and accessibility of Durban Tourism's head office. As such, it is critical to remain within this precinct to continue fostering the growth of tourism in the region while capitalizing on the office's prime location within the broader business and tourism ecosystem of Durban.

MOTIVATION FOR THE USE OF SECTION 36

The use of Section 36(1)(a)(v) of the Supply Chain Management Policy is justified due to the failure of a competitive tender process and the limited availability of suitable premises in the Florida Road area. Tender 7G-3502, which was advertised for this purpose, culminated in a non-award as none of the submissions met the mandatory requirements. Given that the real estate market in the Florida Road precinct is small and competitive, there are few office spaces available that meet Durban Tourism's requirements.

Further attempts to go through a traditional tender process are unlikely to yield better results, as confirmed by the earlier tender's failure and the ongoing discussions with other business owners in the area, who have limited availability and similar market-

2 .REQUEST TO UTILIZE SECTION 36(1)(a)(v) FOR THE LEASE OF PREMISES FOR THE TOURISM OFFICES IN FLORIDA ROAD

related pricing structures. It is also not practical to go out for a tender again under these circumstances, as delays in securing premises could disrupt the operations of Durban Tourism's head office.

Considering these constraints, it is more efficient and practical to utilize Section 36, allowing Durban Tourism to negotiate directly for suitable office space at market-related rates, ensuring a timely and cost-effective solution.

RECOMENDATION

The City Manager grants prior authority under Section 36(5) of the Supply Chain Management Policy 2024, to procure new premises for the relocation of the Durban Tourism offices on Florida Road.

A handwritten signature in black ink, appearing to be 'Bongumusa Mbhele', written over a horizontal line.

Bongumusa Mbhele
City Manager

ITEM	DECISION	REMARKS/ACTION
6	<u>PROPOSED RENEWAL OF LEASE: DURBAN TOURISM HEAD OFFICE -90 FLORIDA ROAD, MORNINGSID E, DURBAN: EXTENSION OF CONTRACT (7G-4894)</u> With the extension of the lease for the premises situated at 90 Florida Road in total extent 529m² together with 18 parking bays with Twilight Blue Investments (Pty) Limited for a period of three (3) months commencing on the 5th December 2024 at a gross monthly rental of R153 999.75 inclusive of Parking and excluding Value added tax, Rates and Taxes, utilities and operating costs; and the Head; Real Estate be authorized to negotiate the terms and conditions of the lease extension and sign all documents necessary to conclude the agreement, the item was SUPPORTED. Initial award in terms of Section 36(1)(a)(v) of the SCM Regulations, it being considered to be impractical to follow the official procurement process. <i>S. Mufum - 28/11/2024</i> MR T B MBEHE ACCOUNTING OFFICER (It is recorded that the item was approved for recommendation to the Accounting Officer by the Bid Adjudication Committee at its meeting held 2024-11-20)	Initial award in terms of Section 36(1)(a)(v) of the SCM Regulations, it being considered to be impractical to follow the official procurement process. Lease Agreement – attached Performance Monitoring – attached Expenditure to date – reflected in the report and Annexure C – attached Declaration of municipal fees – attached BBBEE (Affidavit) signed 09-10-2024 – valid – attached Certificate of independent bid determination – attached Declaration of interest – attached Tax pin expires 09-10-2025 – attached

[Signature] 26/11/2024



ETHEKWINI MUNICIPALITY

REAL ESTATE UNIT

To: Leasehold Department
Embassy Building
4th Floor
199 Anton Lembede Street
Durban
4001

From: Valuations and Acquisition
Embassy Building
5th Floor
199 Anton Lembede Street
Durban
4001

File Ref No : Durban Tourism – 90 Florida Road

RE: Market related rentals within a 2km radius from subject property

1. Instruction

I Have been instructed by the Leasehold department to perform an Market rental assessment as at 01st February 2025 of the office space situate on 90 Florida Road property description Erf 972 of Durban known in this report as "The Subject Property" occupied by the department of Durban Tourism.

2. Locality analysis and property description

The subject property is situate on 90 Florida Road Morningside approximately 2 km from the Durban CBD in the mixed upmarket residential and business zone of Morningside. Morningside is well serviced and conveniently located close to all services and amenities. Florida Road is a known business, office and recreation hub comprising of well-known café, fast food & restaurants outlets, banks, national retail stores and business. The suburb has been gentrified to business district due to its location, conveniences and accessible to road networks. Morningside is close to recreational parks and Gardens, Windermere Mall, schools and colleges and Moses Mabhida.

Morningside is centrally located within the inner suburbs of Durban bordering with upper echelon suburbs of Windermere, Musgrave, Essenwood and Greyville. Morningside easily links to all major road networks.

3. Physical Description

The subject property is situated on the corner of Sandile Thusi Road and Florida Road in the affluent mixed zone area of Morningside, the property is a rectangular shape land on level platform. The property consists of two buildings.

The main building is a free standing old heritage AMAFA protected double storey building under IBR ripped roof with externally plastered & painted walls, PVC gutter and downpipes and wooden windows. The internal finishes are mixture of tiles & carpet floors, plastered & painted walls, ceiling tiles, florescent lights, central ducted aircon. The internal accommodation are:-

Downstairs

- Reception And consulting Area
- Two offices,
- Boardroom
- Kitchen
- Ablution

Upstairs

- 8 X offices
- Common seating area

There a rear free standing double storey building used as office accommodation. The external finishes are tile roof, plastered & painted walls, aluminum windows and PVC gutters & downstairs. The internal finishes are carpet floors (downstairs) and tiles floors (upstairs), plastered & painted walls, split unit aircons. The internal accommodation are:-

Downstairs

- Open plan office
- Two office
- Outside ablution
- Storeroom

Upstairs

- Large open plan office
- Kitchen

4. Extent of the Site & Improvements

Main building	528.8m ²
Parking Bays	18

5. Office Grading/Classifications

The most commonly accepted building classifications according to definitions as set out by SAPOA are:

- **P-grade (Prime grade):** Top quality, modern space, generally, a pace-setter in establishing rentals and includes the latest or recent generation of building services, ample parking, a prestigious lobby finish and good views or a good environment.
- **A-grade:** These buildings are not older than 15 years and these buildings have had major renovations. They feature high quality modern finishes, air conditioning, and adequate on-site parking, with market rentals near the top of the range in the metropolitan areas where they are located. (The following should also be taken into account in determining whether the building is A-grade or not: consider whether the building has good quality lobby finish, quality access to/from an attractive street environment and other similar factors, such as safety and security).
- **B-grade:** Generally older buildings, but accommodation and finishes are close to modern standards as a result of refurbishments and renovation from time to time, air conditioned, on-site parking, unless special circumstances pertain.
- **C-grade:** Buildings with old style finishes, services and building systems. They may or may not be air-conditioned or have on-site parking.

6. Highest and Best Use

Market-based valuations must determine the highest and best use (HABU), or most probable use, of the property asset, which is a significant determinant of its value. (HABU) is defined 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.

When determining the highest value of the property, An assessment of potentially maximizing the use of the property must be scrutinize. The current use of the property is office, however the property is located in a primary mixed business node with predominantly retail space, restaurants, lifestyle and entertainments space and coffee shops and café. The subject property highest value will be taken as the current use of the property which is office accommodation.

7. Rental Growth and Vacancies

In general office vacancies in the Durban CBD continue to increase with the exception of certain parts of the core area remaining stable. As per South African Property Owners Association (SOPOA, 2019)survey; less growth across all office segment was expected as result of high vacancy rate being experienced, Durban CBD offices expected maximum of 5 % rental growth year on year(SOPA, 2019).

8. Market rental analysis

I have done a survey of advertised rental rates of retail and commercial space in close vicinity of the subject property and analyzed rentals of similar properties with a radius of 2km away from the subject property.

The following is a list of retail and commercial space.

Listing 1



R 155 per m²

Commercial Property

Morningside

261 Florida Road

Elite Realty proudly present this first floor, corporate office space with total ...

 589 m²



Agent	Neshalin Naidoo – Elite Realty	Property located close to the intersection of Florida Road and Argyle Road close to the Caltex service station. The property is best suited for retail.
GLA	589m ²	
Gross Rental	R91,295/month	
Rental /m ²	R 155/m ²	

Listing 2



R 66 675

Commercial Property

Morningside

Florida Fields is an open-air courtyard, landscaped with ponds and flower beds. The courtyard is lined with converted shipping ...

 444 m²



Agent	Tariq Mohamed – Urban Lime	Property located on an office complex with A Grade office accommodation and all services.
GLA	444m ²	
Gross Rental	R66,675/month	
Rental /m ²	R150/m ² /month	

Listing 3



R 200 per m²

Commercial Property

Morningside

Florida Road is a landmark street in Durban and South Africa. It attracts locals and visitors alike with its vibrant food and bar scene ...

 444 m²



Agent	Tariq Mohamed – Urban Lime	Office accommodation located on first floor of an establish business complex. The office is open planed with average finish
GLA	444m ²	
Gross Rental	R 88,800/month	
Rental /m ²	R200/m ² /month	

I have conducted research of rentals of listed property close in location to the subject property. The above rentals are in close proximity to the subject property with a 1km radius. The asking rentals are between R150/m² to R250/m² for office space, retail space rentals ranges between R 200/m² to R300/m².

GOING RENTAL RATES IN Florida Road

The following have been provided by brokers and owner's in close vicinity to the subject property.

	Address	Accommodation Type	Size	Rate/m ²	
1	204 Florida Road	Office/ Retail	500m ²	R236/m ²	
2	267 Florida Road	Office	1084m ²	R160/m ²	
4	174 Florida Road	Office	750m ²	R145/m ²	
5	187 Florida Road	Office	550m ²	R150/m ²	
6	116 Florida Road	Retail	300m ²	R266/m ²	

The above are going rental rates of similar type of properties in close proximity to the subject property. The above amount reflects the rental rates varies from R10/m² to R 150/m² for office with an above average of R 145/m². Retail & Entertainment rental rates ranges from R 200/m² to R 280/m².

BROKER INFORMATION

Ahmed Sayeed from Broll

I have contacted a broker in the Musgrave/ Morningside, The broker have indicated that retail rental rates at ground floor starts from R200/m² and office on the first floor and above ranges from R120/m² and above.

9. Motivation

The subject property is an old heritage double storey building located on the intersection of Florida Road and Sandile Thusi Road. The building is a B-Grade office building with mixture of modern and middle class finishes. The subject property is situated in the busy mixed use Florida Road located in the Mitchell Park situated in the affluent upper income suburb of Morningside located 4km from the Durban CBD . Florida Road is a known entertainment and lifestyle hotspot with renowned café, restaurants and bars. The precinct has seen major gentrification from residential to commercial, office and retail space.

The property is currently used as office space for the Duran Tourism department. Ground floor retail rentals ranges from R250/m² and above and first floor ranges are R200/m² and above. Due to the location of subject property, the current use is office space however there is a high demand for retail space within close proximity notwithstanding the above property will lend itself to retail rather than office space. Therefore we have applied retail rentals rather than office. The comparative rentals in the report are located further down Florida Road closer to Mitchell Park within the 1km radius.

10. Market Related Rental Conclusion

From the above research of rental rates, I will apply a rental of R250/m² and R750/month for parking Bays.

Calculation of Rentals	Extent	Rate	Monthly	Annually
Lease Area	528.8	R 280/m ²	R 148,120	R 1,777,440
Parking Bays	18	R 750/Bay	R 13,500	R 162,000
Total			R 161,620	R1,939,440

11.Valuation Certificate – Market Rental Assessment

**IN MY OPINION, I FAIRLY ASSESS THE MARKET RENTAL OF THE SUBJECT
PROPERTY**

**SITUATED ON 90 FLORIDA ROAD, MORNINGSIDE OCCUPIED BY THE
DEPARTMENT OF DURBAN TOURISM.**

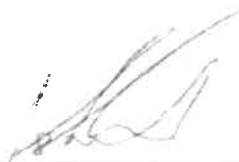
**TO
RENTAL RANGE BETWEEN
R250 – R280/M²**

**RENTAL RATE OF
R280/M²**

**PARKING BAYS
R 750/ MONTH**

**MONTHLY RENTAL INCLUSIVE OF PARKINGS
R 161,620.00
(ONE HUNDRED AND SIXTY ONE THOUSAND SIX HUNDRED AND TWENTY RAND)**

**ANNUAL RENTAL INCLUSIVE OF PARKING
R 1,939,440.00
(ONE MILLION NINE HUNDRED AND THIRTY NINE THOUSAND FOUR HUNDRED
AND FORTY RAND)**



**Ismail Adam
Registered Professional Valuer
Reg Nr: 6780/1
Date: 01-02-2025**