

SCOPE OF WORK

**BID NUMBER
CRES/HO/15/12/2021**

**REQUEST FOR PROPOSAL FOR THE LEASE
AND DEVELOPMENT OF PRASA OWNED
PROPERTIES**

DECEMBER 2021

1. REQUEST FOR PROPOSAL FOR THE LEASE AND DEVELOPMENT OF PRASA OWNED PROPERTIES

1.1 INTRODUCTION

The Passenger Rail Agency of South Africa (PRASA), through its Property Division, PRASA CorporateReal Estate Solutions (PRASA CRES) invites members of the private sector to submit proposals for leasing, upgrading or development of identified properties at various train station across the country.

PRASA Cres provides property management and facilities management services on behalf of PRASA in five regional offices across South Africa, namely, Gauteng North, Gauteng South, Kwa-Zulu Natal, Eastern Cape and Western Cape.

PRASA CRES has placed on the market land parcels and/or buildings suitable for development (short-medium or long-term), upgrading or refurbishment into commercial, residential, or industrial use. PRASA is therefore calling for the private sector to give recommendations for the highest and best use of the attached list of PRASA owned properties with a view of generating sustainable revenue and to unlock socio-economic benefits for the surrounding communities.

1.2 OBJECTIVE OF THE PROGRAMME

Some of the key strategic objectives of the initiative is that PRASA CRES intends to partner with the private sector developers in packaging and unlocking potential of the property portfolio e.g. unused land parcels and buildings (within the railway reserves) to stimulate economic activity through provision of infrastructure, housing, retail etc. Other key operation objectives include:

- Income generation from leasing of the developed top structure
- Reduction of the high cost of maintenance as well as rates and taxes.
- This initiative will also ensure that there is urban regeneration, socio-economic impact in surrounding communities

- Encouraging the use of the train services in an attempt to regain patronage

1.3 PROBLEM STATEMENT

PRASA holds a large property portfolio that can be categorized into two, that is, core and non-core. Core assets are utilized for the day to day operational and income generating activities whilst non-core are either surplus, obsolete, dilapidated or abandoned. These unused asset poses a threat in that they attract vagrants, criminality and informal occupation.

On the one hand, increasing cost of maintenance, rates etc. places a huge burden on the overall operational budget over the revenue generated.

2. SCOPE OF WORK

The scope of work spreads across 22 sites which PRASA CRES has identified for release to the private sector and social housing partners for long-term lease and development of mixed use development as well as mixed income/affordable housing, retail and industrial business.

2.1 SPECIFICATIONS FOR USE AND DEVELOPMENT OF THE PROPERTY

The property shall be developed in terms of a credible market study to be conducted by the bidder in ensuring that the proposed development or upgrade will meet the demand/need of the targeted market/beneficiaries. Furthermore, the proposed development must align to cities/local authority development vision as well as urban regeneration strategies and the surrounding urban form.

The development should further take into account the need to contribute to environmentally sustainable goals in energy saving, water efficiency and alternative building technology.

2.2 KEY DELIVERABLES FOR DEVELOPMENT PROPOSAL

The prospective bidders are required to fully respond to following elements of the development proposal:

A. Company Overview/ Company Profile

B. Development Proposal

- Prospective tenants are required to submit a concise development proposal for the site. The development proposal must include a concept Site Development Plan, an Architectural concept of the proposed development, proposed tenancing, and the approach to the station precinct.

i) Existing Building

- Proposed Use and associated market research
- Proposed Development
- Methodology
- Proposed Outcome (layout typologies)
- Operational Management plan
- Tenancing plan

ii) Vacant Land

- Proposed highest and best use and associated market research
- Proposed Concept Plans including architectural drawings
- Development Methodology
- Detailed Plan/programme with timelines
- Operational Management plan
- Tenancing plan

C. Design and Architectural Impressions

- Descriptions with pictures of proposed development or refurbishment
- Proposed designs, architectural impressions, furnishings etc

D. Capital cost of renovations/ development

Concept site development plan and tenancing plan	Total floor area (m²)
Totals	

Proposed Development Summary

Use	Total floor area (m²)
Totals	

Estimated Development Time Frames

Estimated time, in months, from date of signature of development agreement to date of start of construction	Months
Estimated time, in months, from start of construction to completion of construction	Months

Cost of Development

A breakdown of all costs to be incurred by the bidder in the preparation of the site must be provided. The cost provided in this section will form a critical part of the evaluation of proposals and will be a contractual condition of the development agreement awarded

No	Item description	Estimated cost (Incl.)
1	Civil & electrical services	R
2	Civil works	R
3	Top structure (building) costs	R
4	Professional fees	R
5	Sundry development cost	R

6	External /bulk services contributions	R
	TOTAL	R

- Summary of bill of quantities
- A breakdown of all costs to be incurred by the Prospective tenants in the preparation of the site must be provided

E. Funding Structure

- Source of funding: Level of debt versus own funding etc.

F. Commercial Viability/ Rental Offer / Lease Term

- Financial model
- Rental offer to PRASA per month/year
- GLA
- Occupancy rate
- Rental escalation rate p.a.

- Proposed Lease period (subject to approval by PRASA)
- Other financial consideration e.g. period of loan repayment (if any)

G. Financial Projections

Income	Year 1	Year 2	Year 3	Total
Rental income				
Other income				
Gross Income				
Less Expenses				
Water & electric				
Rates & taxes				
Security				
Insurance				
Maintenance				
Lease rental				
Other expenses				
Net Rental Income				

- Attach the document indicating annual financial projections – for the full term of the proposed lease
- Present Financial Viability (relevant financial ratios) of the development /upgrade.

H. Details of management experience completed by Prospective tenants

- Professional and Construction teams involved
- Developments track record of contractors / prospective tenant

Name of Development	Year Completed	Value of Development	Prospective tenants Principals	Client	Contact Details

- Contact details of references
- Supply pictures of projects completed / underway

I. Management for Existing Buildings

- Management & staff
- Organogram
- Previous Experience in managing similar type of property / services

J. Affiliation & Membership of relevant associations

K. Any other information considered important to the proposal to be submitted

2.3 LIST OF PROPERTIES

Bidders must submit a separate proposal for each site/property reference.

Reference	Location	Station	Description	Potential Usage (Market Research required)
NGR 2019-01	Gauteng - Pretoria	Saulsville	Request for Proposal for lease and development of Erf 6287 Saulsville (Readvertisement)	Mixed Use Development (Retail/Mini Industrial)
NGR 2019-05	Gauteng - Pretoria	Irene	Request for proposals for lease and development of a ptn of Rem of Ptn 10 Doornkloof No 391 - JR (Readvertisement)	Self-Storage Units/Other
NGR 2021-01	Gauteng – Pretoria	Capital Park	Request for Proposal for lease and development of portion 1 of Transpark, 639 JR	High Density Residential/ Social Housing
NGR 2021-02	Gauteng – Pretoria	Rosslyn	Request for Proposal for lease and development of portion of Erf 163 Hartebeesthoek, 303/JR, Rosslyn Station	High Density Residential/Soci al Housing
WCR 2019-15	Western Cape – Cape Town	Woodstock	Request for Proposal for lease and development of Erven 10221, 10223, 10224, 149351 & 149348 at Railway Street, Woodstock (Readvertisement)	Industrial/ Storage/Other
WCR 2021-03	Western Cape – Cape Town	Newlands	Request for Proposal for lease and development of Portions of erven 97065, 97066 & 97030 Newlands	Student Accommodation/ Residential Development
WCR 2021-04	Western Cape – Cape Town	Mowbray	Request for Proposal for lease and development of Erf 28205 in Mowbray, Cape Town	Student Accommodation/ Residential Development
WCR 2021-05	Western Cape – Cape Town	Belhar	Request for Proposal for lease and development of Portion of Erf 14900; Erf 14861, Belhar, Cape Town at Pentech railway station	Student Accommodation/ Residential Development

WCR 2021-06	Western Cape – Cape Town	Rosebank	Request for Proposal for lease and development of Portions of Erven 44286; 152970; 117084; 117083; 31003; 31002; 31019 & 31175, Cape Town at Rosebank	High-Density Residential/ Student Accommodation
WRC 2021-07	Western Cape - Cape Town	Belhar	Request for Proposal for lease and development of Portion of Erf 16567, Belhar, Cape Town at Unibell railway station	Student Accommodation/ Residential Development
WCR 2021-09	Western Cape – Cape Town	Woodstock (Industrial)	Request for Proposal for Lease and development of Erf 148639 (ptn of Erf 10256) at Woodstock	Logistics Park/ Mixed Use Development
KZN 2021-10	Kwazulu Natal - Greenwood	Greenwood Park Station	Request for Proposal for the lease and development of Erf 36 and portion of Rem of Erf 41 Duiker Fontein - FU	Drive-thru, Car dealership, Car Service Centre
KZN 2021-11	Kwazulu Natal - Springfield	Springfield Park/Umgeni	Request for Proposal for lease and development Portions of Rem of Ptn 11, 13, 14,15 of Erf 127 Springfield - FT	Logistics Park/ Truck depot
KZN 2019-24	Kwazulu Natal - Springfield	Springfield Park	Request for Proposal for lease and development of Springfield Park in Durban Lot 455 & Lot 456 - Portion of Erf 251 (Readvertisement)	Car Service Centre
KZN 2019-25	Kwazulu Natal - Umkomaas	Umkomaas	Request for Proposal for lease and development of property of Ptn Rem Erf 81 Umkomaas (Readvertisement)	Holiday apartments
KZN 2019-26	Kwazulu Natal - Amanzimtoti	Umbogintwini	Request for Proposal for lease and development of property at Umbongitiwini (Ptn Portion 3 Umlazi Loc. No. 4676 Station Rd; and Ptn 1292 (Readvertisement)	Apartments/ Student accommodation
SGR 2021-12	Southern Gauteng - Germiston	Germiston	Request for Proposal for lease and development of Ptn 174 (Ptn of Ptn 69), Driefontein no 87-IR	Medium to High Density Residential.
SGR 2021-13	Southern Gauteng – Kempton Park	Kaalfontein	Request for Proposal for lease and development of Ptn 55 (ptn of Ptn 15) Witfontein No 15 – I	Medium to High Density Residential

			Request for Proposal for lease and development of Rem of Ptn 6, Witfontein No 15 - IR	Medium to High Density Residential
SGR 2021-14	Southern Gauteng – Tembisa	Oakmoor	Request for Proposal for lease and development of Ptn 69, Tembisa No.9-IR	Retail (possible decking of rail lines for additional retail space)
KMV 2021-15	Northern Cape - Kimberley	Kimberly	Resquest for Proposal for lease and development of Portion of erf 29696 Kimberly	Mixed Use Development (Retail, Residential)
SGR 2021-16	Southern Gauteng - Soweto	Ikwezi	Request for Proposal for lease and development of Ptn 124 (Ptn of Ptn 70) Klipspruit No.298 -IQ	Retail, High Density Residential
SGR 2021-17	Southern Gauteng - Tembisa	Tembisa	Request for Proposal for lease and development of portion of erf 101 in Tembisa Ext 26	Mixed Use Development (Retail, Health Facility)

2.4 TIMEFRAMES

Milestone	Key dates
Tender Advert	15 December 2021
Compulsory Briefing Session (Virtual)	n/a
Tender Close/Submissions	03 March 2022
Tender Evaluations	14 March 2022
Shortlisted bidders presentation	04 April 2022
Preferred bidder recommendations and approvals	01 June 2022
Negotiation (where required)	TBA
Award to successful Bidder	01 July 2022
Signing of Contract	30 September 2022

3. COMPLIANCE REQUIREMENTS

Mandatory Requirements

Failure to submit the following documents the submitted Proposal will be automatically disqualified:

No.	Description of requirement	
a)	Completion of ALL RFP documentation (includes ALL declarations and Commissioner of Oath signatures required)	
b)	Signed Joint Venture, Consortium Agreement or Partnering Agreement (whichever is applicable) if bidder wishes to enter into such	

The following documents to be submitted with your proposal.

No.	Description of requirement	
a)	Original or certified B-BBEE certificate (Certificates issued by SANAS approved agencies or sworn affidavits)	
b)	A valid and Original Tax Clearance Certificate (valid as at the closing date of this RFP) Or supply SARS Pin	
c)	Company registration documents	
d)	Latest financial statement	
e)	Copies of Directors' ID documents	

4. PREFERENCE POINT SYSTEM AND RFP EVALUATION CRITERIA

4.1 PREFERENCE POINT SYSTEM

The following preference point systems are applicable to all RFPs:

- the 80/20 system for requirements with a Rand value of up to R50 000 000 (all applicable taxes included); and
- the 90/10 system for requirements with a Rand value above R50 000 000 (all applicable taxes included)

- a) In the event where the value of an RFP could not be determined, the highest acceptable RFP will be used to determine the applicable preference point system
- b) Either 80/20 or 90/10 preference point system will be acceptable for this tender
- c) Points for this RFP shall be awarded for:
 - Commercial offer
 - B-BBEE Status Level of Contributor.

The maximum points for this RFP are allocated as follows:

	POINTS	POINTS
COMMERCIAL OFFER	80	90
B-BBEE STATUS LEVEL OF CONTRIBUTOR	20	10
Total points for Price and B-BBEE must not exceed	100	100

- Failure on the part of a Prospective tenants to submit proof of B-BBEE Status level of contributor together with the RFP, will be interpreted to mean that preference points for B-BBEE status level of contribution are not claimed.
- PRASA reserves the right to request the prospective tenants, either before a RFP is adjudicated or at any time subsequently, to substantiate any claim in regard to preferences, in any manner required by the PRASA.

4.2 EVALUTION PROCESS

A two-stage evaluation of RFP's will be applied as follows:

- **Stage 1:** Functionality Evaluation
- **Stage 2:** Evaluation of Commercial Offer and B-BEE Status Level Contribution

4.2.1 FUNCTIONALITY EVALUATION (Stage 1)

RFPs will be evaluated in order to establish whether they meet a minimum threshold score of 70 points out of 100, based on the following functionality criteria:

FUNCTIONAL CRITERIA	WEIGHT	SCORES (1-5 with an indication of how the points will be allocated)	Returnable documents to be used in evaluation
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<p>1. Experience in managing proposed property usage</p> <p>The company must demonstrate experience in managing the proposed usage or similar for a period of 5 years.</p>	25	<p>0. No Submission</p> <p>1. No experience in managing proposed usage at all</p> <p>2. Experience in managing proposed usage for less than two years</p> <p>3. Experience in managing proposed usage for between two and five years</p> <p>4. Experience in managing proposed usage for between 5 to 7 years</p> <p>5. Experience in managing proposed usage for above 7 years</p>	<p>- Company profile with details of experience in managing proposed usage (Name of site, length of service, nature of services rendered, name of client/landlord, contact details)</p> <p>- Reference letter demonstrating experience in managing proposed usage</p> <p>- Approach and methodology – Operational plan</p>
<p>2. Applicable Experience in construction /major upgrades and/or conversion of buildings</p> <p>The applicant or their nominated contractor must demonstrate their experience in doing major upgrades of similar nature as per the applicant proposed usage</p>	25	<p>0. No Submission</p> <p>1. x2 or less similar type of developments/upgrades and/or conversion completed in the last 7 years,</p> <p>2. x3 similar type of developments/upgrades and/or conversion completed in the last 7 years,</p> <p>3. x4 similar type of developments/upgrades and/or conversion completed in the last 7 years,</p>	<p>- Profile of completed projects with project timelines/dates and associated project values</p> <p>- Completion certificates with the appointment letter for the main contractor specific to completed projects</p> <p>- Approach and methodology – Operational plan for the development</p>

		<p>4. x5 similar type of developments/upgrades and/or conversion completed in the last 7 years,</p> <p>5. x6 Or more similar type of developments/upgrades and/or conversion completed in the last 7 years,</p>	
<p>3. Financial Capability Applicant to provide details of adequate funding for the proposed upgrade/development costs</p>	25	<p>0. No Submission</p> <p>1. No funding at all</p> <p>2. Applicant have applied for funding and are awaiting approval</p> <p>3. Applicant has 50% required funding for proposed upgrade/development costs</p> <p>4. Applicant has 75% required funding for the proposed upgrade/development costs</p> <p>5. Applicant has 100% required funding for the proposed upgrade/development costs</p>	<p>- Latest 3 months Copy of bank statement showing availability of funds</p> <p>Letter of intent from registered funding institution confirming funding for the project</p>
<p>4. Benefits of the development proposal to the station precinct and addressing PRASA's challenges</p>	25	<p>0. No Submission</p> <p>1. No station precinct benefit plan provided</p> <p>2. Plan submitted with any x1 of the associated returnable</p>	<p>- Conceptual designs and aesthetic rendering</p> <p>- Urban form plan</p> <p>- Environmental sustainability plan</p>

Applicant is required to provide a detailed proposal on how the property proposed usage will benefit the station precinct and address PRASA's challenges. The development proposal to illustrate how the project will introduce new services/facilities, functional urban design, corridor densification and sustainability environment and technology		documents 3. Plan submitted with any x2 of the associated returnable documents 4. Plan submitted with any x3 of the associated returnable documents Plan submitted with x4 of the associated returnable documents	- Women and/or youth empowerment plan
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TOTAL

100

RFPs which do not meet the minimum threshold of 70 points will not be considered further evaluation.

4.2.2 B-BBEE STATUS LEVEL CONTRIBUTION AND COMMERCIAL OFFER (Stage 2)

B-BBEE STATUS LEVEL CONTRIBUTION

In terms of Regulation 6 (2) and 7 (2) of the Preferential Procurement Regulations, preference points must be awarded to a Prospective tenants for attaining the B-BBEE status level of contribution in accordance with the table below:

B-BBEE Status Level of Contributor	Number of points (90/10 system)	Number of points (80/20 system)
1	10	20
2	9	18
3	6	14

4	5	12
5	4	8
6	3	6
7	2	4
8	1	2
Non-compliant contributor	0	0

4.3 COMMERCIAL OFFER EVALUATION

THE 80/20 OR 90/10 PREFERENCE POINT SYSTEMS

A maximum of 80 or 90 points is allocated for commercial offer on the following basis:

- the 80/20 system for a Net Present Value of rental offered up to R50 000 000 (all applicable tax included); or
- the 90/10 system for a Net Present Value of rental offered above R50 000 000 (all applicable taxes included)
- For adjudication purposes we will consider the highest Internal Rate of Return (IRR) and the Return on Investment (ROI) based on PRASA's input cost (land/building value) and proposed rental streams over a twenty-year lease period.

The Prospective tenants obtaining the highest number of points will be shortlisted for consideration at lease negotiation phase:

- Preference points shall be calculated after commercial offers have been brought to a comparative basis
- Points scored will be rounded off to decimal places
- In the event of equal points scored, the RFP will be awarded to the Prospective tenants scoring the highest points on the technical criteria

4.4 EXISTING REGULATORY FRAMEWORK

DEVELOPMENT LEASE AGREEMENTS		
NATURE OF TRANSACTION	PFMA / TREASURY	SCM POLICY

	REGULATIONS APPLICABLE	
<ul style="list-style-type: none"> One or more pieces of land owned by PRASA made available to market Developer acquires use of land for 20 - <30 years (including base rental years with limited options for extension) to be considered a viable proposition for the development. Development obligations on developer, PRASA/Intersite to sign off on designs and development proposal. Developer recovers capital costs through rentals from tenants of development. Developer pays PRASA a land rental either through a basic rental with escalation or as a share of revenue or net operating income. Lease may include co-investment option for PRASA/Intersite of between 20%-49.9% 	<u>Procurement:</u> <ul style="list-style-type: none"> Treasury Regulation 16A7.4: institutions to let immovable State property at market-related rentals. Treasury Regulation 16A applies to departments, institutions and public entities listed in Schedules 3A and 3C of the PFMA. Treasury Regulation 16A is therefore not applicable to PRASA as a Schedule 3B entity. Treasury Regulation 16 (Public Private Partnerships) Applicable to PRASA as a Schedule 3B entity. Treasury Regulation 16 - Does not apply to development leases as in terms of the definition of "PPP", PRASA land is not State land on the basis that PRASA has a separate juristic personality to the State. 	<u>SCM policy:</u> <ul style="list-style-type: none"> No restriction on PRASA/Intersite from concluding development leases in respect of property. Development lease constitutes an income generating transaction. Must conclude development lease in a process that is fair, equitable, transparent, competitive, and cost effective. Development leases do not form part of acquisition management. PRASA must nevertheless deal with its assets in a manner that best optimises value for PRASA.

DEVELOPMENT LEASE RETURNS/BUYBACKS		
NATURE OF TRANSACTION	PFMA / TREASURY REGULATIONS APPLICABLE	SCM POLICY
<u>Scenario 1:</u> <ul style="list-style-type: none"> A development lease expires and the land and property reverts to PRASA. Legal: Lease terminates, and all tenant leases revert to PRASA. <u>Scenario 2:</u> <ul style="list-style-type: none"> PRASA acquires the top structure from the developer. Legal structure: Acquisition of top structure effected through cancellation 	<u>Procurement:</u> <u>Scenario 1:</u> <ul style="list-style-type: none"> No formal requirements apply to the expiry of existing lease agreement. <u>Scenario 2:</u> <ul style="list-style-type: none"> Section 54 does not apply as this is an income generation activity which 	<u>SCM policy:</u> <ul style="list-style-type: none"> No restriction on PRASA/Intersite from concluding development lease buybacks. Development lease buybacks constitutes an income generating transaction. Development leases do not form part of acquisition management.

of development lease and all tenant leases revert to PRASA.	entails the cancellation of a lease, not the procurement of goods and services.	<ul style="list-style-type: none">• PRASA must nevertheless deal with its assets in a manner that best optimises value for PRASA.
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