



public works & infrastructure

Department:
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA

BRIEFING ON THE LEASING OF GOVERNMENT PROPERTIES AND FUNCTIONAL ACCOMODATION OF SERVICE DELIVERY DEPARTMENTS

TOWARDS SELF-SUSTAINABILITY & GROWTH

Report

Portfolio Committee

Property Management Trading Entity





Overview



- **Purpose**
- **Delivery Mode**
- **Background**
- **State Owned Properties**
- **Leased in Portfolio**
- **Social Economic Priorities**
- **Private Lease on State Properties**
- **Optimisation Strategy**
- **Recommendations**

Attachments

Annexure A : List of Private Leases

Annexure B : List of Private Leases on State Properties

Annexure C: List of Properties for Asset Optimisation

Annexure D : Asset Optimisation Strategy

Annexure E: Disposal Policy

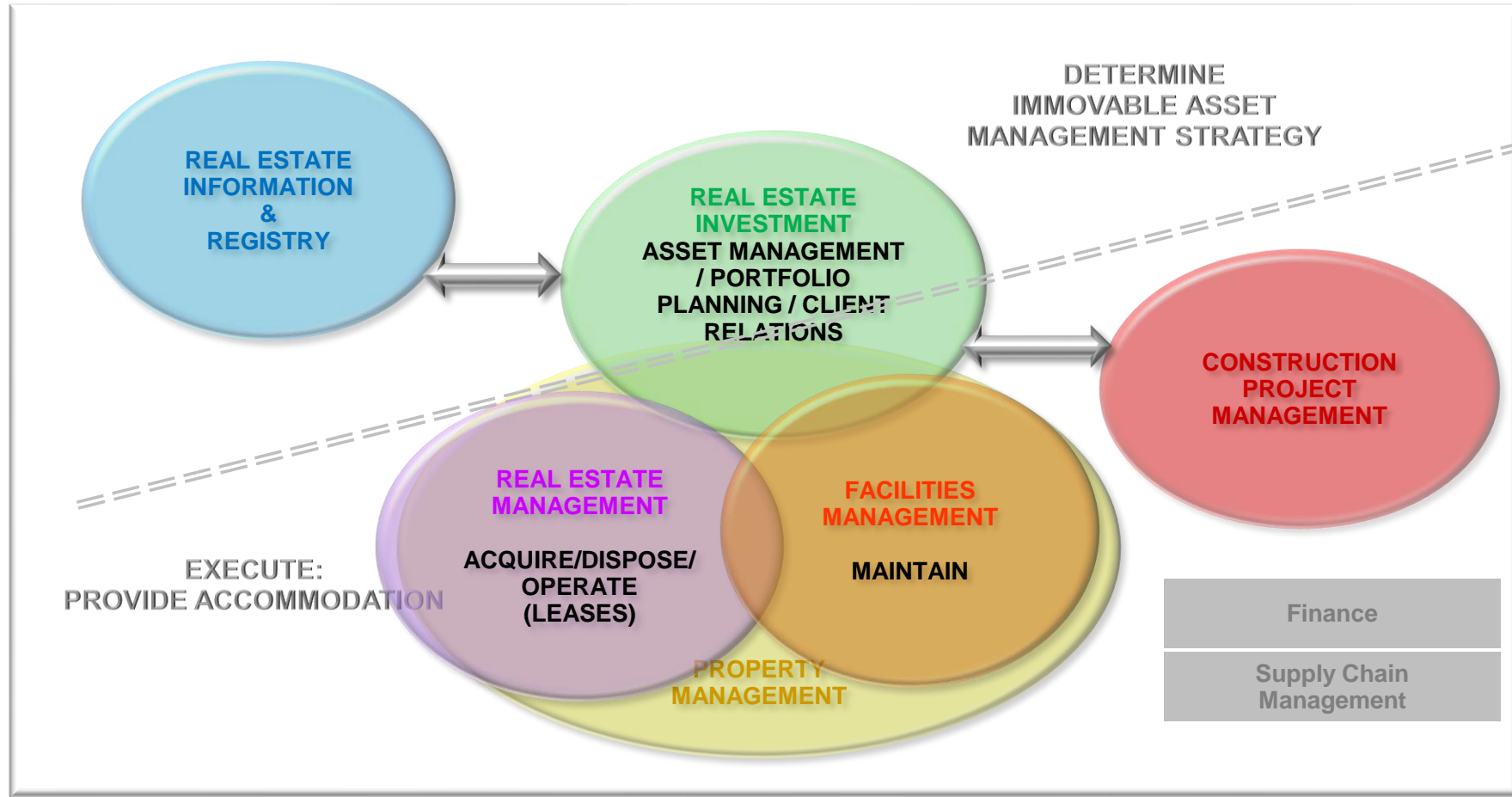


Purpose

- To brief the Portfolio Committee on the Leasing of Government Properties and Functional accommodation of service delivery departments as well as the report on the implementation of the State Immovable Asset Optimisation Strategy by the Property Management Trading Entity (PMTE) under the administration of the Department of Public Works and Infrastructure (DPWI).



PMTE Delivery Model





Background

- The immovable asset portfolio under the custodianship of the DPWI comprises of approximately 29 955 land parcels (4.7 million hectares of land – accounting for approximately 4.5% of the total country land area) on which some 80 630 facilities (equivalent to 33.9 million m² of floor space) are located.
- A deemed cost has been quantified for the land parcels at approximately R49 billion and similarly, a deemed cost of the buildings and improvements is at approximately R94 billion (audited AFS as at 31 March 2023). In terms of categorisation, 54% (approximately 48 600 structures) of the property portfolio comprises of facilities for specific Departments' service delivery purposes (*e.g. prisons, police stations, courts, etc*), 39% (35 000) are residential structures, whilst only 7% (6 300) are offices.



STATE-OWNED PROPERTY PORTFOLIO

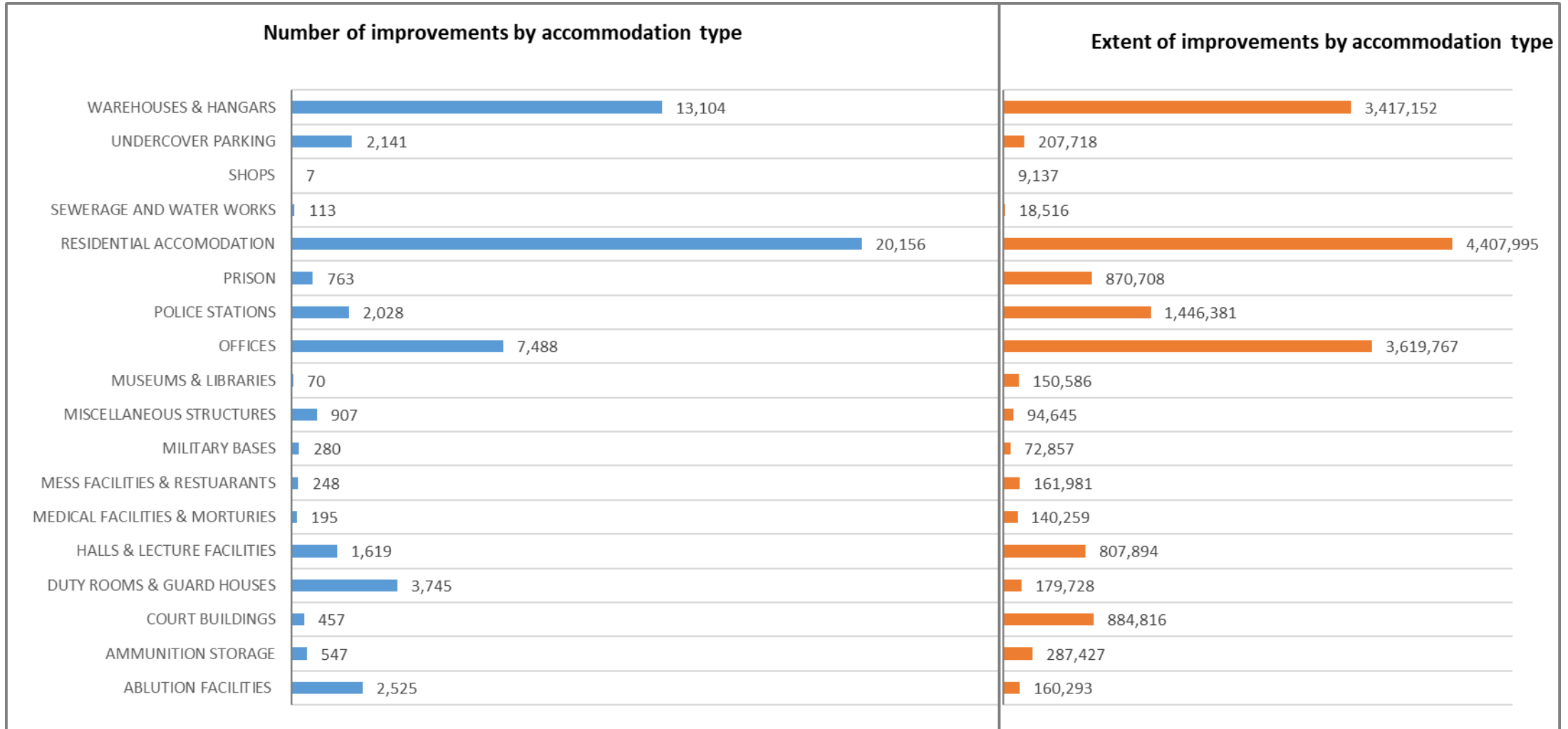


State-Owned Property Portfolio

- In terms of GIAMA, the PMTE is:
 - the custodian of National Government Immovable Assets
 - Default custodian of unregistered and unsurveyed properties in South Africa.
 - Mandated to provide quality, user specific, functional accommodation for client departments
- The Department is a Custodian of **29 322** registered and unregistered land parcels, with **93 943** improvements;
- Approximately 88 300 buildings are allocated and used by 51 user departments,
- The surplus state owned properties are estimated to be **5 720**, made up of **5187** vacant land parcels and an estimated **500** Improvements



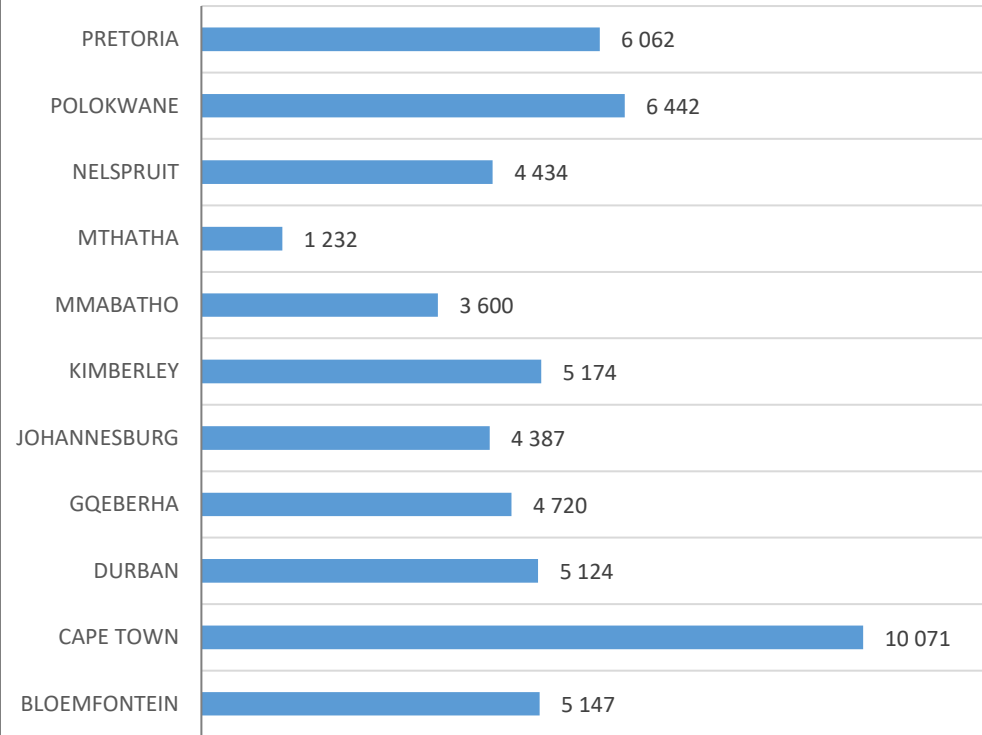
PROPERTIES OCCUPIED BY GOVERNMENT DEPARTMENTS PER REGION INCLUDING FUNCTIONAL ACCOMMODATION



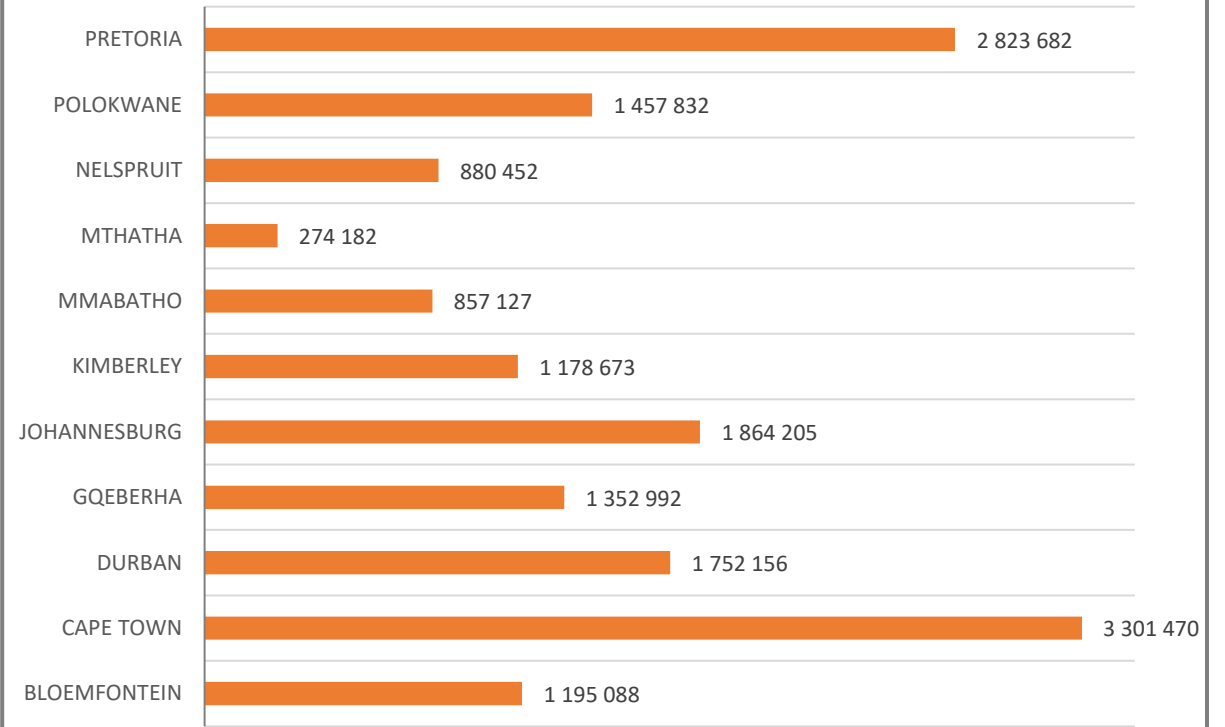


PROPERTIES OCCUPIED BY GOVERNMENT DEPARTMENTS PER REGION

Number of improvements by region



Extent of improvements by region





Functional Departments on Private Leases

REGION	TENANT	DESCRIPTION	NUMBER	ASSET EXTENT	NUMBER OF PARKINGS	MONTHLY RENTAL
BLM	South African Police Services	Police Station	1	316.2000	0	19 599,57
	Justice & Constitutional Developmen	Court Building	1	146.0000	0	322,97
CPT	South African Police Services	Police Station	42	29043,81	114	2 151 434,93
	Justice & Constitutional Developmen	Court Building	10	34872,22	152	2 134 929,50
DBN	South African Police Services	Police Station	4	63916,03	266	4 286 364,43
	Justice & Constitutional Developmen	Court Building	1	78	0	8 471,81
JHB	South African Police Services	Police Station	5	7214,78	41	1 968 071,84
KIM	South African Police Services	Police Station	9	5244,24	25	459 236,00
	Justice & Constitutional Developmen	Court Building	1	420	0	30 273,38
MMB	Defence	Military Base	1	0		7 259,24
	Justice & Constitutional Developmen	Court Building	1	3784,73	27	522 610,05
MTH	South African Police Services	Police Station	1	570	0	82 684,77
	Employment and Labour	Court Building	1	50,63	0	4 251,55
PE	South African Police Services	Police Station	5	1737,34	2	146 081,38
	Justice & Constitutional Developmen	Court Building	5	1005,09	4	104 806,45
PLK	South African Police Services	Police Station	3	1433,42	0	137 742,35
	South African Police Services	Dog Kennel	1			
PTA	South African Police Services	Police Station	4	1433,42	0	137 742,35
	Justice & Constitutional Developmen	Court Building	1	1	117	130 549,00
TOTAL			97	150 804,71	748	12 332 431,57

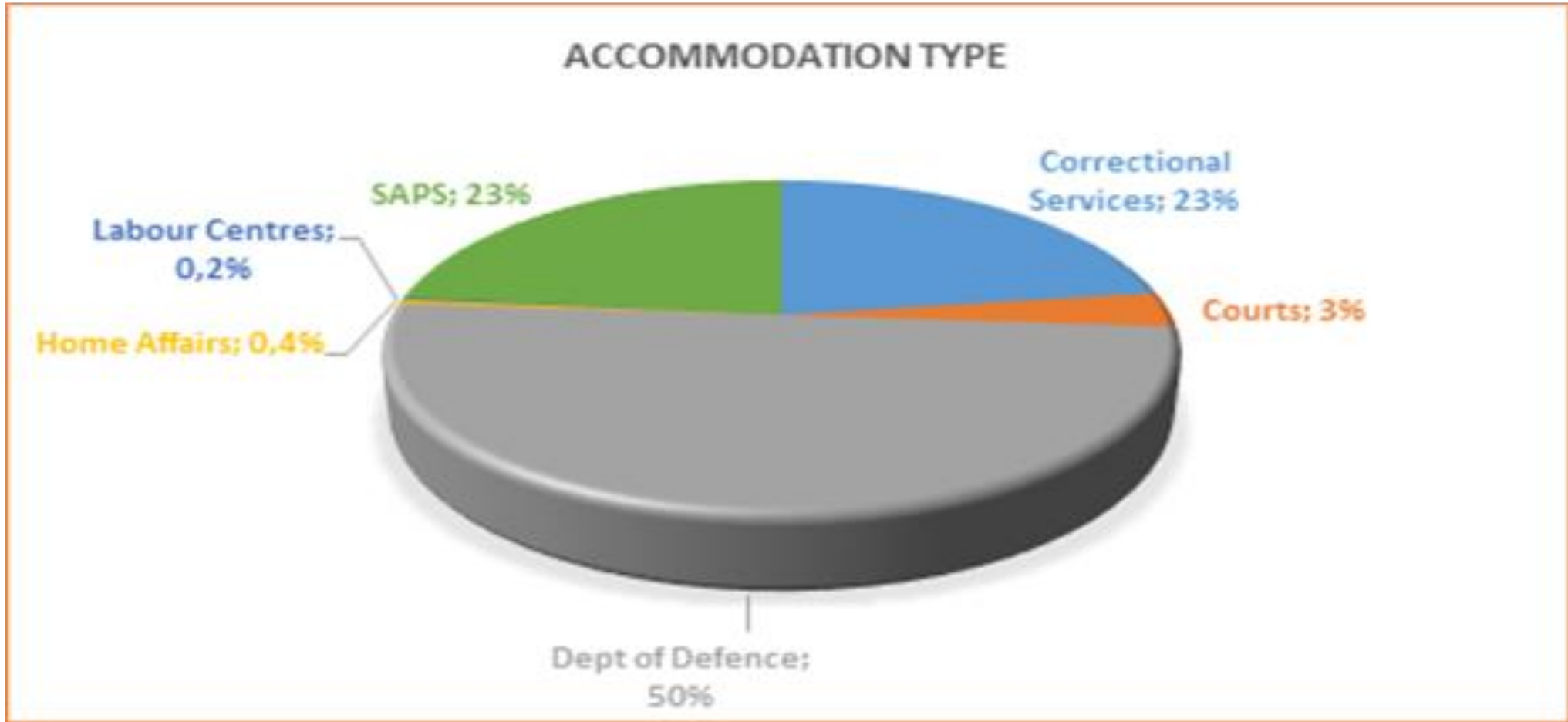


Functional Departments on State Leases

Region	Correctional Services	Courts	Dept of Defence	Home Affairs	Labour Centres	SAPS	Grand Total
BLOEMFONTEIN	1 489	184	1 542		5	1 131	4 351
CAPE TOWN	2 451	144	5 247	1	7	1 059	8 909
DURBAN	1 184	310	1 384	16	19	2 035	4 948
JOHANNESBURG	1 636	91	1 951	34	10	778	4 500
KIMBERLEY	297	138	3 125	2	25	791	4 378
MMABATHO	535	105	1 815	30	4	777	3 266
MTHATHA	268	94	171	15		619	1 167
NELSPRUIT	829	174	1 241	31	6	826	3 107
POLOKWANE	173	249	4 315	66	11	1 150	5 964
PORT ELIZABETH	980	175	897	4	3	1 355	3 414
PRETORIA	1 514	34	3 294	7	11	1 074	5 934
Grand Total	11 356	1 698	24 982	206	101	11 595	49 938



Functional Departments on State Leases





PROPERTIES OCCUPIED BY GOVERNMENT DEPARTMENTS AND BILLING FOR STATE OWNED PORTFOLIO OCCUPIED BY NATIONAL USERS

Client Department	Number of buildings	Size of Buildings (in Square metres)	Baseline budget for accommodation charges in 2024/25
DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT	211	101,831.18	R261,141,221.00
DEPARTMENT OF CORRECTIONAL SERVICES	12,278	4,108,468.02	R743,405,221.00
DEPARTMENT OF DEFENCE	24,260	6,099,643.34	R1,419,331,520.00
DEPARTMENT OF EMPLOYMENT AND LABOUR	106	157,304.69	R96,501,896.00
DEPARTMENT OF FORESTRY, FISHERIES AND THE ENVIRONMENT	1,619	293,004.39	R44,496,569.00
DEPARTMENT OF HEALTH	1	10,890.98	R5,749,644.00
DEPARTMENT OF HIGHER EDUCATION AND TRAINING	106	29,743.00	R78,456.00
DEPARTMENT OF HOME AFFAIRS	146	104,384.55	R97,491,644.00
DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT	1,456	1,157,043.93	R521,429,148.00

- The SAPS, Defence, DCS and Justice account for 91% of both count and size of the properties under billing.



PROPERTIES OCCUPIED BY GOVERNMENT DEPARTMENTS AND BILLING FOR STATE OWNED PORTFOLIO OCCUPIED BY NATIONAL USERS

Client Department	Number of buildings	Size of Buildings (in Square metres)	Baseline budget for accommodation charges in 2024/25
DEPARTMENT OF MINERAL RESOURCES AND ENERGY	23	4,359.00	R5,333,364.00
PUBLIC WORKS AND INFRASTRUCTURE			R60 879 479
DEPARTMENT OF SOCIAL DEVELOPMENT	5	1,240.00	R0.00
DEPARTMENT OF SPORT, ARTS AND CULTURE	432	283,851.24	R138,160,521.00
DEPARTMENT OF WATER AND SANITATION	2,480	378,985.03	R321,837,444.00
MULTIPLE	9	68,272.07	
NATIONAL TREASURY	1	17,024.64	R10,738,567.00
SOUTH AFRICAN POLICE SERVICE	13,170	3,986,568.80	R1,910,798,654.00
SOUTH AFRICAN REVENUE SERVICE	59	126,174.46	R56,567,504.00
SOUTH AFRICAN SOCIAL SECURITY AGENCY			R1,104,170.00
Grand Total	56,393	16,937,859.34	R5,695,045,022.00

- The SAPS, Defence, DCS and Justice account for 91% of both count and size of the properties under billing.

SHORTFALL IN ACCOMMODATION CHARGES

Name of client institution	Baseline budget for accommodation charges in 2024/25	Total User charges (Excl. PMTE Fee) 2024/25	Shortfall in budget for accommodation charges in 2024/25
National Treasury	10 738 567	10 738 567	-
Mineral Resources and Energy	5 333 364	86 255 080	- 80 921 716
South African Revenue Services	56 567 504	191 394 245	-134 826 741
Employment and Labour	96 501 896	166 562 824	-70 060 928
Sports, Arts And Culture	138 160 521	757 516 827	-619 356 306
Health	5 749 644	5 675 592	74 053
Home Affairs	97 491 644	163 770 272	-66 278 628
Higher Education and Training	78 456	28 650 315	-28 571 858
Social Development	-	625 493	-625 493
South African Social Security Agency	1 104 170	3 967 217	-2 863 047
Justice and Constitutional Development	521 429 148	1 610 086 047	-1 088 656 899
Water and Sanitation	321 837 444	335 853 991	-14 016 547
Forestry, Fisheries and the Environment	44 496 569	267 641 881	-223 145 312
Agriculture, Land Reform and Rural Dev	261 141 221	216 023 127	45 118 094
Public Works and Infrastructure	60 879 479	60 879 479	-
South African Police Services	1 910 798 654	2 910 703 680	-999 905 025
Defence & Military Veterans	1 419 331 520	3 679 480 015	-2 260 148 495
Correctional Services	743 405 221	3 070 132 142	-2 326 726 921
	5 695 045 022	13 565 956 793	-7 870 911 771
Shortfall as a result of de-recognition			-382 782 994
Total shortfall			-8 253 694 765

IAR Movement	Number of properties	Extent	Total Cost recovery
De-recognitions	2 991	1 231 789	R1 200 000 000

- Details per client indicated for the 2024/25 financial year.
- The shortfall for 2025/26 and 2026/27 is R 8.3b and R 8.8b respectively.
- This adds up to R 25b over the MTEF (shortfall)
- As a result of the shortfall, the entity in most cases cannot deliver the basic services required, backlog maintenance cannot be performed, future refurbishments cannot be executed
- This all leads to further deterioration of the buildings that will lead to the need more Capital injection
- The property management functions of the entity entails facilities management, maintenance, repair and construction. This not only creates skills development and job opportunities in Government, but due to the outsourced nature of its business, also to job creation and economic growth in the private sector



LEASING-IN PORTFOLIO (annexure A)



Total Lease Portfolio

Regional Offices	Total Lease portfolio	Total Square metre (m ²)	Budget (R)	Valid Leases	Month-to-month leases
Bloemfontein	167	177 516,66	165,643,887.84	123	43
Cape Town	336	320 142,74	500,537,130.12	308	1
Durban	334	608 014,38	450,591,377.04	285	19
Gqeberha (PE)	171	603 990,69	534,920,414.16	315	36
Johannesburg	165	199 363,51	120,735,181.80	133	2
Kimberley	160	292 822,63	88,609,613.64	155	0
Mbombela / Nelspruit	148	54 583,70	207,019,429.20	147	3
Mmabatho	174	94 073,41	252,599,972.04	139	1
Mthatha	165	108 742,57	198,592,319.04	140	4
Polokwane	310	124 502,79	296,944,697.88	145	18
Pretoria	205	842 384,86	2,754,603,301.92	127	50
Total	2335	3 426 137,94m²	5,570,797,324.68	2017	177
Reasons for variances	<ul style="list-style-type: none"> • Readily available state owned facilities • Geographical spread of these properties • Custodianship 				



Breakdown of Private Leases Per Client

Client Department Name	Total number of leases	Total Montly Rental	Total Annual Rental
Agriculture, Forestry and Fisheries	20	2,709,595.86	32,515,150.32
Arts And Culture	4	3,072,158.96	36,865,907.52
Border Management Authority	2	48,514.17	582,170.04
Commission On Gender Equality	1	55,786.19	669,434.28
Communications and Digital Techn	1	2,361,599.38	28,339,192.56
Companies And Intellectual Prop Com	1	24,892.76	298,713.12
Cooperative Governance	4	3,731,610.27	44,779,323.24
Correctional Services	125	10,865,715.23	130,388,582.76
Defence	137	52,627,335.78	631,528,029.36
Civilian Secretariate	1	544,693.08	6,536,316.96
Forest and Fisheries	1	181,476.93	2,177,723.16
Die Afrikaanse Taalmuseum en Monu	1	33,880.00	406,560.00
Employment and Labour	194	15,951,090.22	191,413,082.64
Energy	6	4,865,687.82	58,388,253.84
Die Afrikaanse Taalmuseum en Monu	1	33,880.00	406,560.00



Breakdown of Private Leases Per Client

Client Department Name	Total number of leases	Total Montly Rental	Total Annual Rental
Environmental Affairs	38	14,317,586.90	171,811,042.80
Film And Publication Board	2	526,129.81	6,313,557.72
Government Pension Admin Agency	3	127,727.97	1,532,735.64
Govt Communications and Inform Sys	28	468,951.56	5,627,418.72
Health	3	7,114,154.71	85,369,856.52
Higher Education And Training	8	7,545,818.62	90,549,823.44
Home Affairs	219	26,848,292.27	322,179,507.24
Human Settlements	2	2,089,366.00	25,072,392.00
Ind Police Investigative Directorat	15	1,899,555.03	22,794,660.36
International Relations & Coop	6	6,773,831.52	81,285,978.24
Justice & Constitutional Dev (Npa)	11	3,998,306.04	47,979,672.48
Justice & Constitutional Developmen	98	38,498,592.18	461,983,106.16
Kwazulu-Natal Museum	1	21,084.78	253,017.36
Military Veterans	7	1,438,269.33	17,259,231.96
National Health Laboratory Services	1	467,364.60	5,608,375.20



Breakdown of Private Leases Per Client

Client Department Name	Total number of leases	Total Montly Rental	Total Annual Rental
Minerals Resources	8	2,214,541.42	26,574,497.04
Municipal Infrastructure Support Agency	1	14,464.00	173,568.00
National Library of South Africa	1	1,222,384.38	14,668,612.56
National Museum, Bloemfontein	2	190,312.21	2,283,746.52
National Prosecuting Authority SA	4	517,753.58	6,213,042.96
National School Of Goverment	1	3,090,074.07	37,080,888.84
National Treasury	2	8,101,829.96	97,221,959.52
Office Of The Public Protector	9	715,100.50	8,581,206.00
Office Of The Public Service Commis	11	1,847,203.34	22,166,440.08
Pan South African Language Board	1	228,910.07	2,746,920.84
Parliament	1	16,565.54	198,786.48
Planning, Monitoring And Evaluation	2	1,098,394.02	13,180,728.24
Pmte	12	6,207,325.08	74,487,900.96
Pmte - Prestige	1	74,329.48	891,953.76
Pmte On Behalf Of Clients	15	4,209,759.78	50,517,117.36



Breakdown of Private Leases Per Client

Client Department Name	Total number of leases	Total Montly Rental	Total Annual Rental
Public Enterprises	1	1,205,824.69	14,469,896.28
Public Service And Administration	1	598,502.97	7,182,035.64
Public Works and Infrastructure	4	1,270,772.85	15,249,274.20
Robben Island Museum Quay I and 50I	2	171,173.78	2,054,085.36
Rural Development And Land Reform	64	18,019,186.61	216,230,239.32
Sa Social Security Agency	116	16,408,192.97	196,898,315.64
Small Business Development	1	527,309.41	6,327,712.92
Social Development	2	2,682,665.73	32,191,988.76
South African Police Services	1038	142,355,690.24	1,708,268,282.88
Statistics SA	51	7,210,076.95	86,520,923.40
Tourism	3	2,903,877.34	34,846,528.08
Trade, Industry and Competition	3	220,547.12	2,646,565.44
Transport	1	10,695,706.21	128,348,474.52
Water And Sanitation	36	20,667,091.31	248,005,095.72
Women Youth and Persons w Disabilit	1	338,476.81	4,061,721.72
Total	2335	464,233,110.39	5,570,797,324.68



Month-to-Month Leases

No.	Landlord	Number of Leases on Month to Month
STATE OWNED ENTITIES/MUNICIPALITIES/ DEVELOPMENT CORPORATION		
10	Transnet/Prasa/Telkom/Eskom	24
11	Municipalities	19
12	Airport company	11
13	Provincial Public Works	6
14	Development Corporations	2
	Sub-Total	62 (35% OF 177)
Private Landlords + SOES/Municipalities/ Development Corporation		
Leases that are subjected to SIU matters and deceased estates		
TOTAL		177



Allocation of Land for Socio-Economic Priorities



Allocation of Land and Properties for Socio-Economic Benefit

The Department has identified various parcels of properties for various socio-economic benefit:

Has released from the DPWI portfolio for development of Infrastructure programs and socio-economic objectives

Target: **10 126** Hectares
Land Reform - **1 575,89**, Human Settlements, **6 319,89** & Socio-economic - **2 229,93**

For land redistribution, the Department has since 2019 released 125 land parcels measuring 25 549 hectares.

Department has released over 150 land parcels and this includes 25 land parcels to Eskom to facilitate energy transmission to the national grid. Further to this the Department has been successful to facilitate 27 expropriations of land parcels to strengthen the national grid.

The Department has released 45 land parcels measuring 2 135 hectares in extent. POAs have been issued to enable development planning

The Department has released 45 land parcels measuring 2 135 hectares in extent. Power of Attorneys (POAs) have been issued to enable development planning.

A total of **28** land parcels measuring 10 143 hectares are still under the assessment (i.e. work in progress between DPWI and HDA) and in the APP for 2023/24 of the Department.



Allocation of Land and Properties for Socio-Economic Benefit

The department has identified various parcels of properties for various socio-economic benefit:

539 list of properties which were as follows from the Chief Land Claims Commission (CLCC)

278 (Unsettled Land Claimed) List of properties consisting of 267 636 hectares

261 (Settled Land Claimed) List, consisted of 141 606 hectares

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261 (Settled Land Claimed) List, consisted of 141 606 hectares

Number of unutilised vacant state owned properties let out for GBV
Target: 10

3 properties signed for vacant state owned properties made available for GBV purposes

Request was made to regions and 83 properties was provided

Leases of State Properties for Private Use Annexure B





Properties Leased out to Private Entities and Projected Value

REGION	NUMBER OF LEASES	DURATION	PROJECTED REVENUE INCOME OVER YEAR PERIOD
Bloemfontein	11	five (5) years	R1 116 822.95
Cape Town	17	five (5) years	R54 267 355.88
Johannesburg	5	five (5) years	R1 561 968.01
Mmabatho	2	five (5) years	R703 992.12
Nelspruit	11	five (5) years	R7 671 749.64
Polokwane	22	five (5) years	R9 750 290.80
Pretoria	13	five (5) years	R17 349 365.77
Umthata	7	five (5) years	R1 899 884.64
Gqeberha	43	five (5) years	R7 632 619.08
Total number of leases	131	Total Projected Revenue	R102 340 346.89



PARADGM SHIFT



Strategy

STATE IMMOVABLE ASSET OPTIMISATION STRATEGY

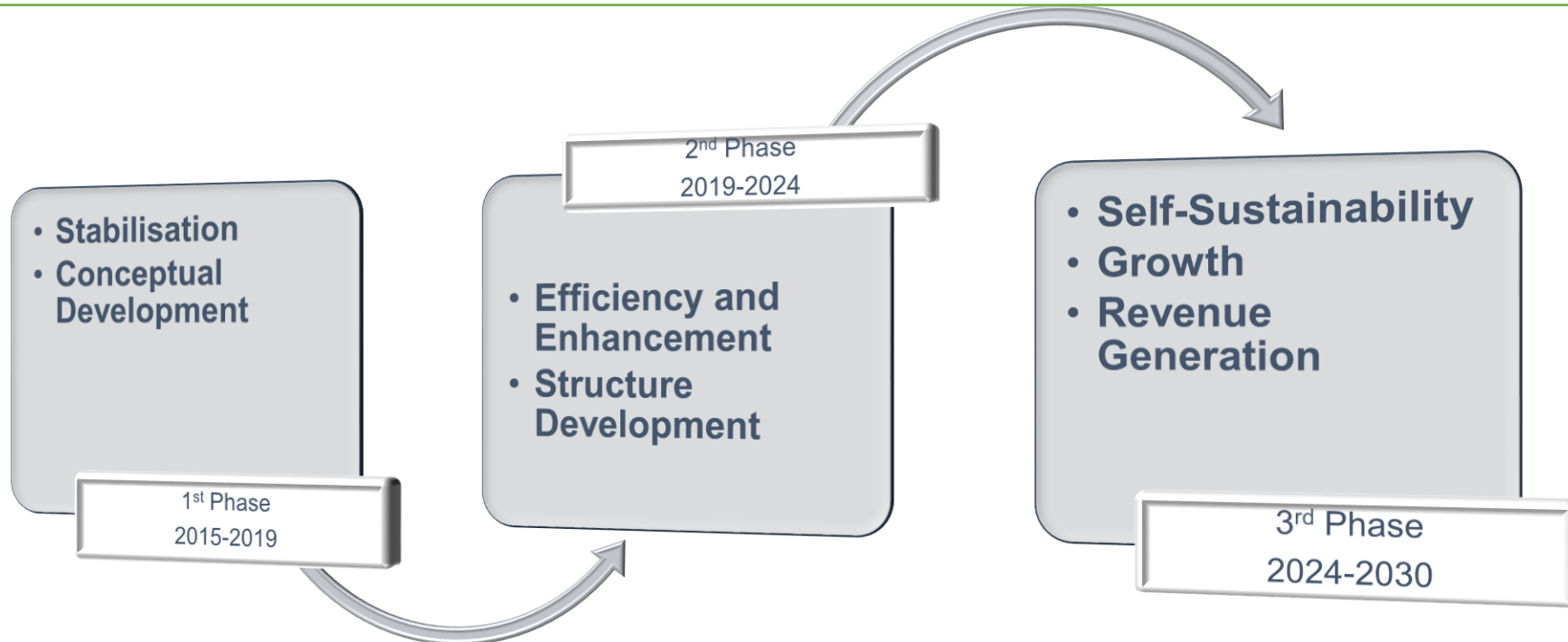
**TOWARDS SELF-SUSTAINABILITY & GROWTH
REVENUE ENHANCEMENT**





Introduction

Honourable, Minister Zikalala budget speech vote 2023/2024 calls for “Repositioning DPWI as an Implementing Agent of Choice” has outlined the strategic focus for the department to reduce the department’s leasing portfolio which will enhance its refurbishment, operate and transfer (ROT) and Build, operate and transfer (BOT) programme.





Discussion

- The department has identified several portfolios of assets which has a potential to unlock economic growth opportunities, job creation, skills development, and boost SMME. The identified assets working with local municipalities has a potential to further achieve to address development agenda in relation to precinct development with a number of development schemes, such as mixed-use development and agricultural opportunities, thus including direct participation in the agro-processing space. ***(The list is attached as Annexure C)***
- The National Development Plan 2030 clearly outlines the main objectives and mission of government as a developmental state is to set the country on a higher and sustainable trajectory of economic growth and increased infrastructure development.
- Promoting sustainability and contributing to the NDP 2030 and sustainable development goals by prioritizing stimulus of the Green Economy through sustainable buildings and precinct design in line with DPWI's Green Building Policy.



Challenges

- The current economic downturn that the country finds itself in, which has seen dwindling Government revenue coupled with spending cuts consequently, requires a different Mindshift and approach from all sectors of society to get the country on its developmental trajectory to address its socio-economic challenges.
- Approximately 25% (7 803) of the land parcels are standalone and unutilised leading to an expenditure outflow on operating and holding costs. Approximately 3% (291) of the improvements are standalone and unutilised leading to an expenditure outflow on operating and holding costs.
- Average revenue collection from State Accommodation Leases equates to R6.5 billion per annum set to decline moreover, an annual shortfall of R7 billion, with an average rate of rental per square meter between R15-R25.
- Average payment on private leases equates to R5.8 billion per annum set to increase moreover, on average a rent per square meter between R120-R160.
- The annual budget shortfall of R7 billion has an impact on sustainability of the entity to sustain its property portfolio.

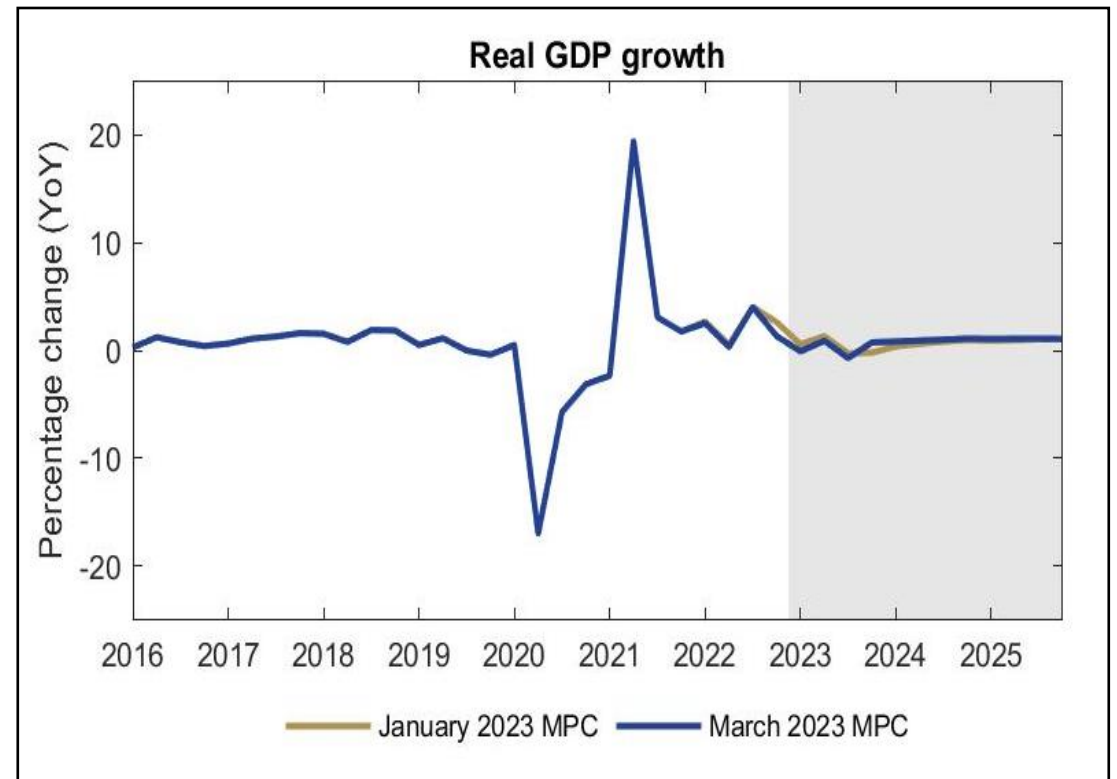


• Current Challenges

Going Concern

- The Auditor General Report in 2022/2023 the entity has bank overdraft of R1.843 billion (2021/2022: R851 million). The current liabilities exceed assets by R7.739 billion (2022-2023: R7.213 billion).
- The main reason given for the overdraft was due to the increase in the amounts owed by client departments. This and other matters points to the fundamental question of the existence of the entity as a going concern, which further place the maintenance of state immovable asset at high risk.

• Economic Outlook





Legal Framework

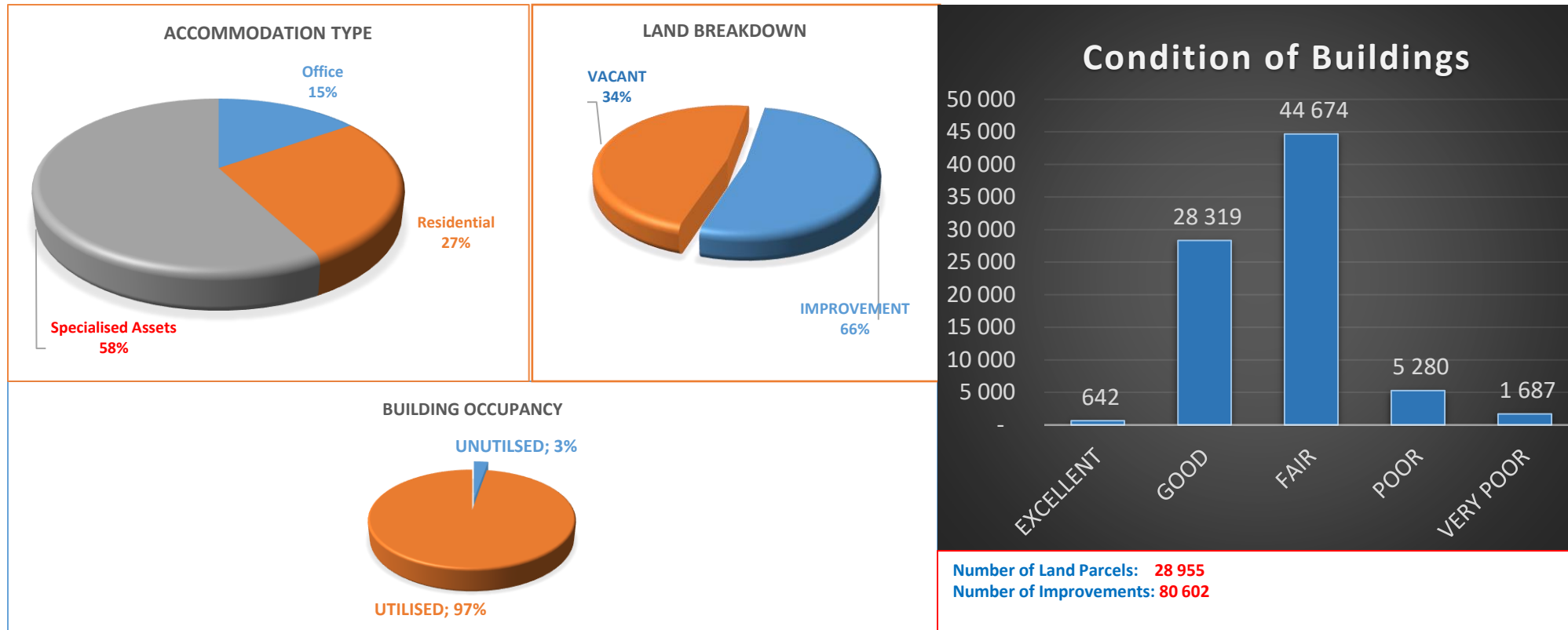
LEGISLATIVE MANDATE

- Constitution of the Republic of South Africa, act 108 of 1996
- Municipal Finance Management Act, 1999
- Government Immovable Asset Management Act, 2007
- Infrastructure Development Act, 2014
- Construction Industry Development Board Act, 2000
- The Council for the Built Environment Act, 2000
- Professional Council Acts, regulate the six Built Environment Professions
- Expropriation Act, 1975
- State Land Disposal Act 1962
- National Heritage Resource Act, 1999
- Agreement South Africa, 2015

POLICY MANDATE

- DPWI Asset Disposal Policy
- White Paper : Towards 21st Century (1997)
- White Paper: Creating an enabling environment for the reconstruction, growth and
- Construction Sector Transformation Charter, 2006
- Property Sector Transformation Charter, 2007
- DPW Broad-based black economic empowerment Strategy, 2006
- Property Management Strategy on BBBEE, job creation and poverty, 2007
- Property Empowerment Strategy 2018
- Green Building Policy

STATE OF IMMOVABLE ASSET PORTFOLIO



Specialised assets comprise of Police stations , Prisons , Courts & Defence facilities



Strategic Objectives

To repurpose and reposition the PMTE as a viable and efficient vehicle to deliver a comprehensive value creation through the state immovable asset portfolio.

To attract direct private sector investment, projected over R10 billion in the next term of administration within the State Property Portfolio

To unlock value creation and reposition the PMTE as an implementing agent of choice and repute through the introduction and application of new operational models not previously utilised to unlock portfolio value

To develop models which will include a comprehensive life-cycle maintenance solution as part of the development proposals to ensure sustainability of the asset condition and performance



Asset

[a-set]

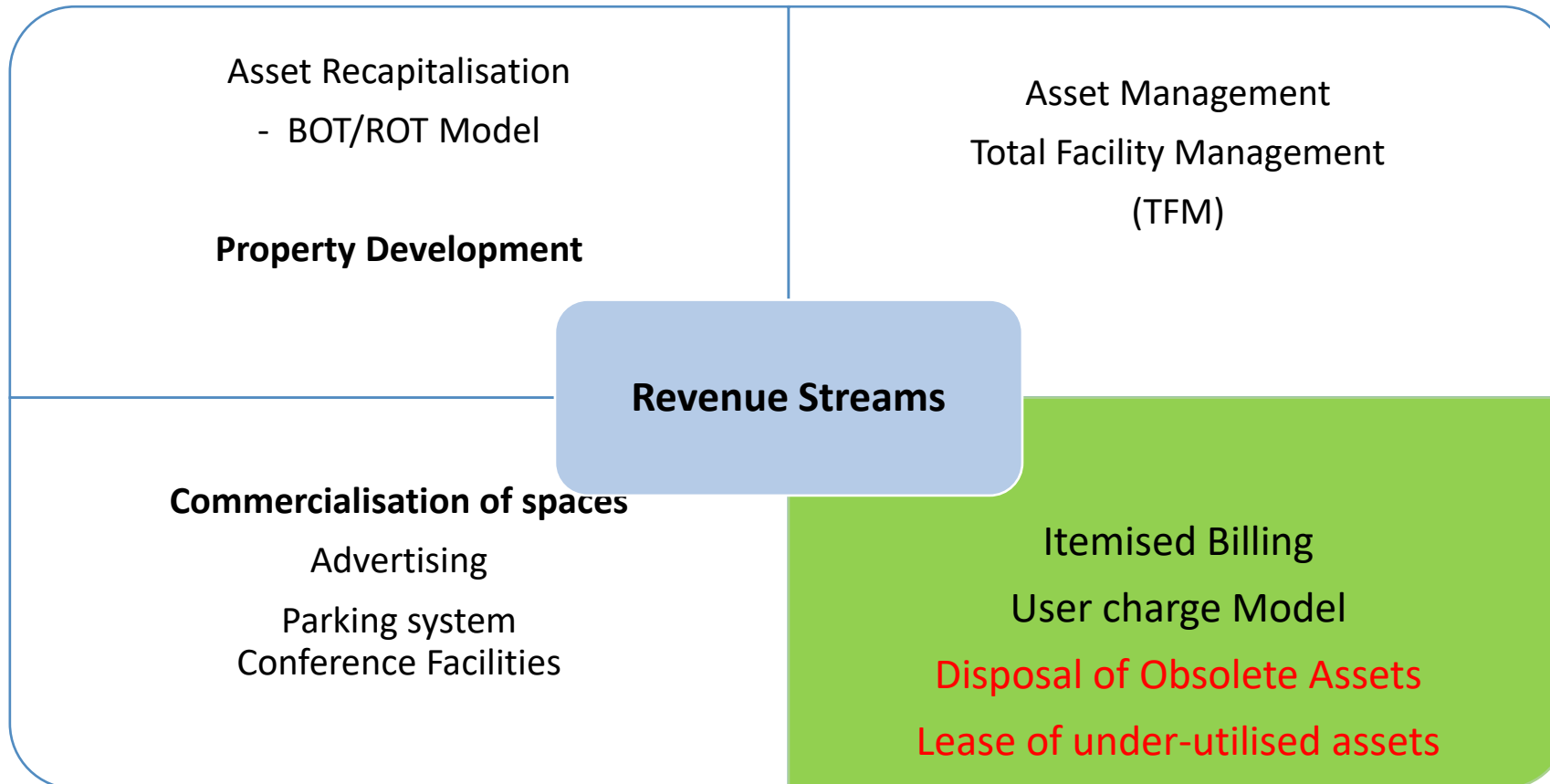
A resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit.

Investopedia



Immovable Asset Optimization

- The third phase of the operationalisation of the entity sustainability and growth phase focuses on revenue generation leveraging on collaboration with the private sector through a Public Private Partnership.

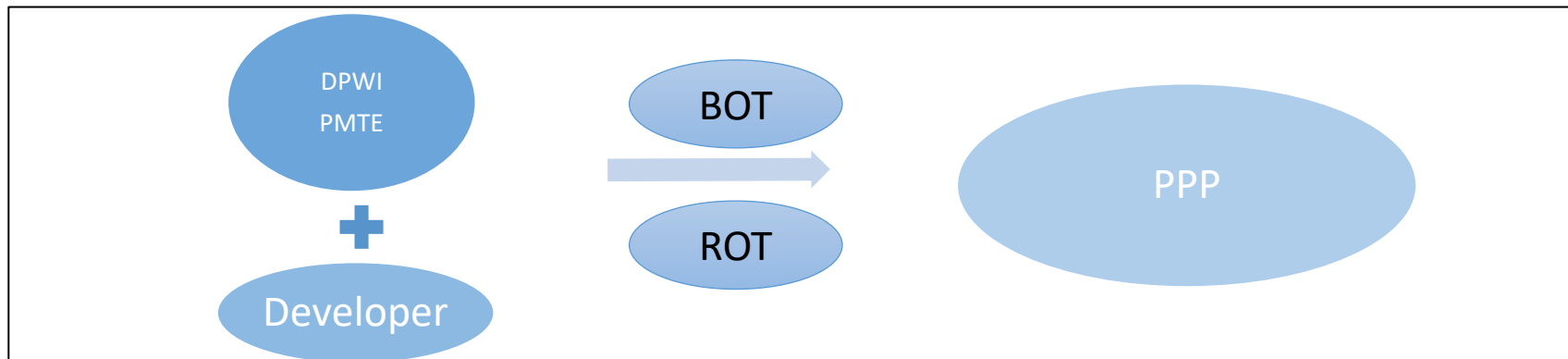




Business Operational Model

- PMTE through its portfolio of assets identify several strategic assets with high commercial potential suitable for various economic activities which encapsulate the department objectives towards urban regeneration and precinct development. To reduce private lease by 50% in the next MTEF period:

Product Delivery	Operating Vehicle	Other Assets
<ul style="list-style-type: none">•Precinct Development•Mixed Use Development•Focus on:•Office Park•Residential nodes•Student Accommodation•Retail•Storage & warehousing facilities	<ul style="list-style-type: none">•Public Private Partnership•Built Operate and Transfer (BOT)•Refurbish Operate and Transfer (ROT)	<ul style="list-style-type: none">•Small Harbours Strategy•Free-hold Leases land•Agriculture Assets





Costs Benefit Analysis : BOT/ROT Program versus Traditional Construction Program & Leases

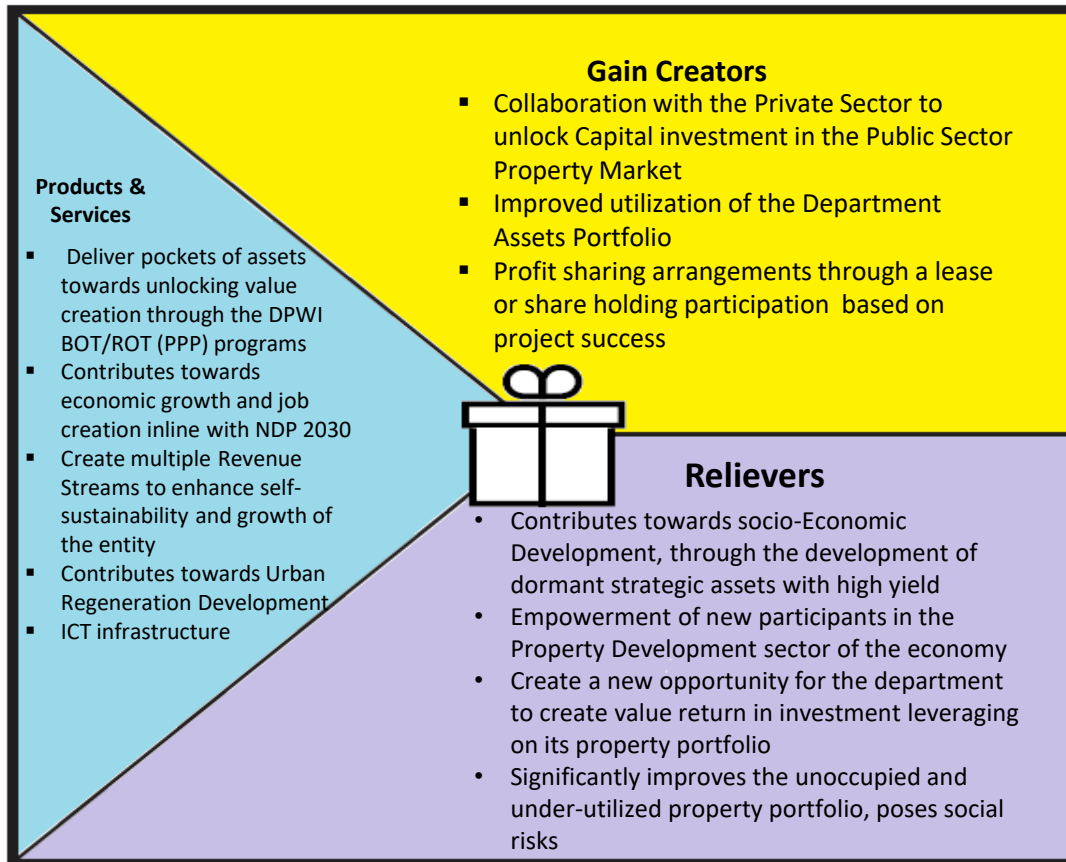
The benefit of Build Operate and Transfer model has benefits that far exceeds the current construction & lease model, below calculations provides a statistical synopsis of mutual benefit for the end-user through deriving e better product and costs savings in a long run. The BOT Model encompasses economic empowerment, job creation and timeous delivery of services within costs. A 45 000 square meters for office space requirement with a procurement instruction of R1.9 billion.

Construction Model	Leasing Model	Build Operate & Transfer Model
<ul style="list-style-type: none"> • 45 000 square meters : Client requirement • R1.9 Billion Budget allocation (excludes variations & escalations) • 20% Consultants fees : R200 million • Costs per square meter : R42 200 versus R17 000 (standard for high rise Prestigious building) • Construction Period : Min 5 yrs Max 10 yrs • Potential Risks :- • Lowest Bid Price (common risks in the construction sector) • Maintenance over the life-cycle of the building (inadequate budget) 	<ul style="list-style-type: none"> • The Department current costs per square meter: • State Accommodation leases : • R15 to R25 per square meter • Total Revenue: R6.8 billion • Short-fall on leases : R7 billion • Private Accommodation Leases : • R130 to R160 per square meter (plus R14-R25 maintenance) • Total Expenditure : R5.2 billion • Free-hold Lease : • Annual R61 million • Potential Risks • Low Maintenance • Old infrastructure • Loss in investment of internal infrastructure every cycle of lease period 	<ul style="list-style-type: none"> • A 45 square meters : Client department • R1.9 billion : Capital Investment (interests generating) • Costs per square meter : Max R20 000 • Highrise prestigious Office Accommodation • Construction period: Less than 2 years • Committed Rental per square meter per month: R210 max (excluding inflation) • Maintenance : R40 per square meter per months • Lease period : 25 years • Potential Risks : • Not attractive to potential investors due low returns • Change of government policy direction • Benefits : • Attracting private sector investment • Speed in delivery of infrastructure • Costs Savings • The state owns the building

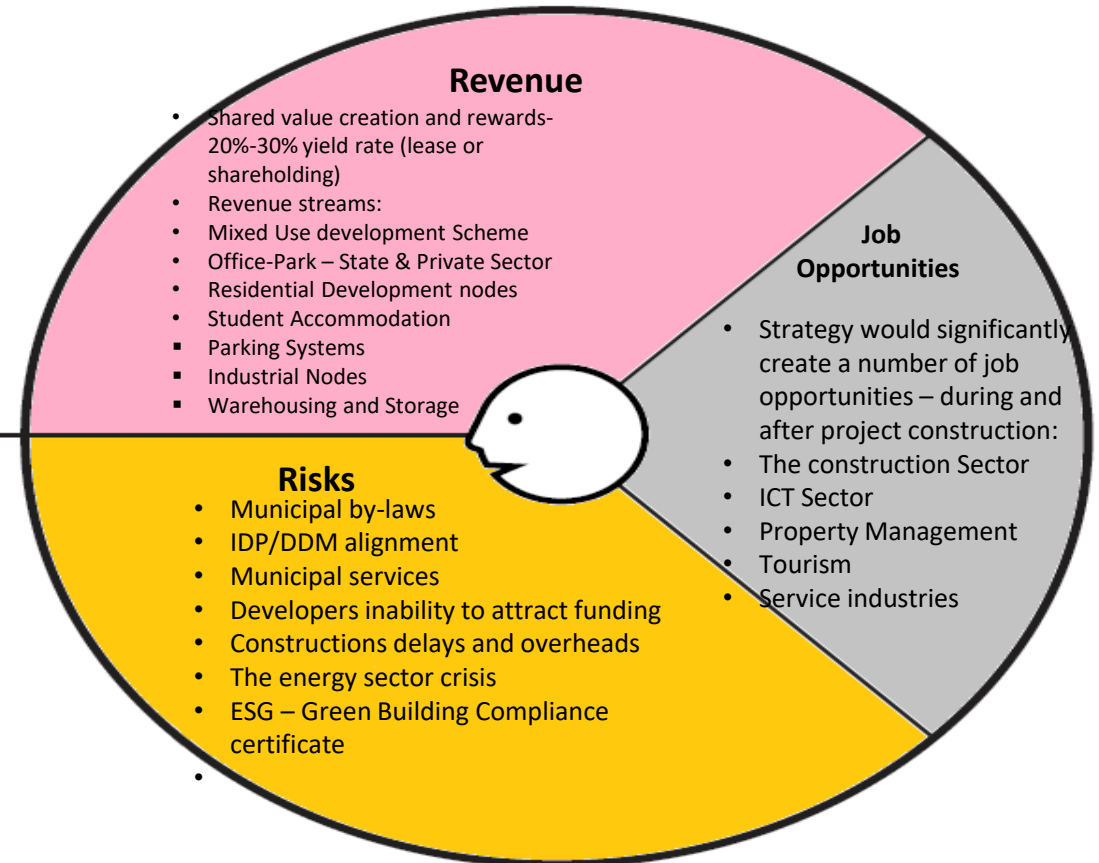


VALUE PROPOSITION

Value Proposition



CUSTOMER SEGMENT





Recommendations

It is recommended that Portfolio Committee –

- Support the *State Immovable Asset Optimisation Strategy* developed by the Department of Public Works and Infrastructure through its Property Management Trading Entity



Strategic Focus Areas (Asset Optimisation)

Project Name	Client Departments	Project Commencement
BOT (Norms and Standards) linked to Precinct Development (Public Private Partnership)	Home Affairs/ Department of Labour/ South African Police Services	01 April 2024
ROT Inner City Regeneration	All Client Departments within Inner Cities	01 April 2024
TFM : Harbours Optimisation (phase 1) (Public Private Partnership)	Western Cape	01 April 2024
Operation Bring Back	Across All Provinces	05 March 2024
Letting of Unutilised Assets with holding Costs	Across All Provinces	05 March 2024



Thank You



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