

TRANSNET PROPERTY



DEVELOPMENT LEASE APPLICATION REQUEST [DLA]

The purpose of this guidance document is to outline the technical specifications required in the intended tender and receive approval for the specifications from all stakeholders prior to the creation of a business case/tender. This document sets out the key areas that should be included in a specification document.

PROJECT TITLE:	Montague Gardens Portion of Remainder of Erf 1607 Montague Gardens
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ANNEXURES

ANNEXURE A : TRANSNET STANDARD DISSCUSSION PLAN

ANNEXURE B : TRANSNET STANDARD DEVELOPMENT LEASE AGREEMENT

1. SCOPE AND OBJECTIVE OF THE LEASE APPLICATION REQUEST

The objective of this Development Lease Application Request [DLA] document is to invite interested parties to submit proposals to Transnet Property (TP), an Operating Division of Transnet SOC Ltd, also referred to as the "Lessor". TP owns a vast portfolio of properties and has been mandated to maximise the potential of these assets. TP's main objective is to manage, redevelop, acquire, and dispose Transnet SOC Ltd owned immovable property assets and ensure optimum utilisation of said assets for the purpose of maximising development opportunities.

The Subject Property has been identified as a property with development potential. TP intends to invite interested parties willing to lease the Subject Property from TP and develop it to its highest and best use. Interested parties are required to submit proposals that will express their interest to lease the Subject Property and inject capital into the assets through development. In turn, the successful Bidder will be able to recoup its capital expenditure over the duration of the lease period, after which, the property and improvements would revert to Transnet Property.

Preference will be given to the Bidders who will demonstrate the ability to achieve the Subject Property's highest and best use while offering Transnet Property the best commercial terms on the leasehold rights.

The Successful Bidder will be required to enter into a lease agreement with Transnet SOC Ltd, represented by Transnet Property, an Operating Division of Transnet SOC Ltd. The Successful Bidder will be required to sign a standard Transnet Property lease agreement within three (3) weeks of the date of award. Failure to return the signed lease agreement within the stipulated timeframe will result in the lease offer being withdrawn.

2. CONFIDENTIALITY

A fundamental requirement of the procurement process is that tender information is kept confidential at all times. No team members or stakeholders are allowed to communicate these technical specifications to anyone outside of the process.

3. RESERVATION OF RIGHTS

Transnet Property reserves the right:

- Not to proceed with the bid process and cancel this process without obligation to any party that may have expressed interest.
- To extend the closing date or to modify the scope of the bid submissions.
- To perform a full credit review verification on any company director/s or representative/s that signs surety and agrees in writing to be bound to Transnet Property for the debts of the Bidder, being the principal debtor. Where a holding company signs surety for the debts to be incurred by its subsidiary, a special resolution of the shareholders of the holding company will be required, as well as the certification by the board of the holding company that immediately after providing financial assistance to the subsidiary, the holding company will satisfy the liquidity and solvency test.

4. SERVICE CONSUMPTION CHARGES

The Successful Bidder will be responsible for the payment of utilities to either Transnet Property or the local municipality subject to annual adjustments effected by the relevant local municipality (including during the Beneficial Occupation period).

Transnet Property will raise a distribution fee for the provision and maintenance of the utilities it provides (including during the Beneficial Occupation period).

5. OWNERSHIP OF IMPROVEMENTS FOLLOWING TERMINATION

Any Improvements made to the Leased Premises shall accede to the land and the ownership thereof shall vest in the Lessor without any compensation whatsoever being payable by the Lessor to the Lessee.

The Lessor shall have the right to either retain or, at its sole and unfettered discretion, to order the Lessee, at the Lessee's sole cost, to remove from the Leased Premises any such Improvement.

6. CHANGES TO BID DOCUMENTS

Any changes to Lease bid submission documents will be communicated in writing to Bidders via briefing notes.

7. INTELLECTUAL PROPERTY

All intellectual property relating to this bid submitted in response to this document shall remain vested in Transnet Property

8. PUBLIC LIABILITY COVER

The Successful Bidder shall be required to arrange and maintain, at its own cost public and third-party liability and risk insurance cover (including any other insurances as may be required by Law) and shall keep the same valid for full period of the Lease Agreement. Refer to Clause 10 of the annexed Transnet Standard Development Lease Agreement (Annexure B).

9. MAINTENANCE AND REPAIRS

The successful Bidder will be responsible for all the maintenance and repair costs for the duration of the lease. To avoid any doubt, Transnet Property confirms that all improvements to the property brought about by the Successful Bidder will revert to and become the property of Transnet Property at the expiry of the lease.

10. NOTICE TO BIDDERS

The Subject Property is to be leased on an as-is basis. The details of the erf that constitute the Subject Property are summarized in Table 1 below and demarcated in the Discussion Plan (Annexure A) diagram attached.

Description	Portion of Remainder of Erf 1607 Montague Gardens
SG diagram	3720/1969
Title deed no.	T7717/1977
Extent of area to be leased	105 376m²
Site inspection	<p>Site address: Railway Road, Montague Gardens, Cape Town Co-ordinates: -33.86192, 18.52830</p> <p>Bidders are advised to ensure that an inspection of the Subject Property is conducted prior to submitting their Bids.</p>
Lease term	<p>30 years (including 36 months Beneficial Occupation period) Transnet Property and the successful Bidder will enter into an appropriate lease agreement for the duration of the lease term.</p>
Zoning	<p>Utilities Scheme intention: "use or infrastructure that is required to provide engineering and associated services for the proper functioning of urban development and includes a water reservoir and purification works, electricity substation and transmission lines, stormwater retention facilities, and a waste-water pump station and treatment works, recycling facility, dumpsites and minor freestanding and rooftop base telecommunication station, but does not include road, wind turbine infrastructure or transport use."</p>
Existing encumbrances/ servitudes	<p>None. Bidders are to note that there may be encumbrances and services that TP is not aware of, and Bidders are therefore required to conduct their own due diligence to this effect.</p>
Existing municipal connections	<p>Electricity : Yes Water : Yes Sewer : Yes <i>Current capacity of water and electricity be stated to the bidders.</i></p>
Current use	The Subject Property is currently vacant land and is not leased.
Vision for the subject property	The Successful Bidder is required to lease and develop the premises at their own cost. The Successful bidder will also be required to ensure compliance with the relevant building standards, and Town planning restrictions.
Existing improvements	There are no improvements on the site.
Lease option / Renewal periods	There is no option to renew the lease.
Rates and Taxes charges	<p>Public Service Infrastructure (PSI) <i>The Successful Bidder will be responsible for the payment of rates and taxes to Transnet Property or the local municipality subject to annual adjustments effected by the relevant local municipality (including during the Beneficial Occupation period).</i></p>
Beneficial Occupation	A maximum of Thirty- six (36) months Beneficial Occupation will be considered, however, all related holding costs (municipal charges etc.) will be payable to the Lessor during the Beneficial Occupation period. The length of the proposed Beneficial Occupation period must be justified in the Bidder's Business Plan which will be subject to approval by Transnet Property.
Publicity	Successful bidders will be announced.

Each Bidder is solely responsible, at its own cost and expense, to carry out its own independent research and due diligence and to perform any other investigations, including seeking independent advice, considered necessary by the Bidder to satisfy itself as to all existing conditions affecting its proposal.

Transnet seeks to align with global efforts to reduce effects of climate change and the Sustainable Development (“SDG”) Goal 13 and the National Development Plan and will give preference to Bidder’s proposals that reflect the implementation of Green Building Standards and Sustainable initiatives that seek to improve building efficiencies, reduce greenhouse gas emissions as well as improve sustainability in water usage and power generation. Bidders are required to research Transnet’s Environmental Stewardship goals as outlined in the latest Transnet Annual Integrated Report (2023), found on the Transnet website: *Investor Relations >> Results on page 141* and ensure that their submissions detail how their proposals will assist Transnet in achieving the said goals.

11. EVALUATION METHODOLOGY

11.1 STEP 1 - ADMINISTRATIVE RESPONSIVENESS TEST

All documents listed below must be submitted by the bidders for the bidder to qualify to proceed to the Qualification Criteria.

1	Completed Lease application form	
2	Copy of registration documents (CIPC)	
3	Company Resolution	
4	ID copies of directors	
5	Proof of address or copy of lease agreement (if renting)	
6	Central Supplier Database (CSD) and Stamped bank letter	
7	Three (3) Trade references (name and phone number of people who have worked with the company)	
8	Tax clearance certificate if available (bidders will be granted an opportunity to obtain clearance)	
9	Most recent five (5) years audited, consolidated financial statements (including auditor’s report) <i>EBITDA and operational free cashflow in a minimum of three of the last five years were positive</i>	

11.2 STEP 2 – TECHNICAL EVALUATION CRITERIA

If the bidder meets the Administrative Responsiveness test listed and the Qualification Criteria listed above, its bid will be evaluated against the criteria listed below, and points will be allocated accordingly.

Bidders must score a minimum of **70 points** based on the criteria listed below.

NO.	CRITERIA TO BE EVALUATED	OUTPUT	SCORING GUIDELINE		
1	Profile of Bidder:				30
1.1	Proven track record of property investment	Bidder's value of property portfolio held for investment purposes	No evidence submitted.	0	15
			Property Value ≤ R100m	2	
			R100M< Property Value ≤ R200m	4	
			R200m < Property Value ≤ R500m	8	
			R500m < Property Value ≤ R800m	10	
			R800m < Property Value ≤ R1bn	12	
			Projects value > R1bn	15	
1.2	Proof of development of a property	Bidder's cumulative projects value of investment of property development projects completed (supported by completion certificates)	No evidence submitted.	0	15
			R100m <Projects value ≤ R200m	3	
			R200m < Projects value ≤ R500m	6	
			R500m < Projects value ≤ R800m	9	
			R800m < Projects value ≤ 1bn	12	
			Projects value > R1bn	15	
2	Proposed scheme:				40
2.1	Sustainability Measures Sustainability Measures Five (5) Environmental goals and stewardship a detailed rehabilitation plan with specified timeframes and the removal of tanks.	Proposed bidder is to reflect a plan that caters to and provides for sustainable measures in energy and water efficiencies, and rehabilitation of premises upon expiry of lease	0 ≤ 2 sustainable measures are reflected without a rehabilitation plan	0	10
			Bidder only included rehabilitation plan	5	
			Bidder reflects 3 or more sustainable measures to be implemented including but not limited to water and energy efficiencies and rehabilitation plan.	10	
2.2	The proposed scheme maintenance plan with timeframes to be stipulated (Refurbishments every 10 years)	Proposed programme (excel or Ms Projects) Looks at maintenance milestones, re-development etc.	No maintenance plan is provided.	0	10
			Proposal only details key dates but not types of maintenance proposed	5	
			Maintenance programme proposes key milestone dates and key dates with proposed maintenance output.	10	
2.3	A detailed Development Plan	A proposed programme that includes key dates	No programme submitted.	0	10
			Partial programme submitted containing durations without event milestones.	5	

	with specified timeframe	over the beneficial occupation period.	Full programme submitted containing durations and event milestones.	10	
2.4	Conceptual design	Bidders to submit conceptual designs of the proposed layout and uses of the premises	No conceptual designs submitted.	0	10
			High level conceptual design outlining the intended uses submitted.	5	
			High level conceptual design outlining the intended uses submitted as well as Integration of multiple uses within the development including parking	10	
3	Financial Model/Feasibility				30
3.1	Has the respondent submitted a standard financial model and feasibility study?	Feasibility study report (in excel format) containing, amongst others, (Net Present Value (NPV), Profitability Index (PI), Initial Yield, IRR and the Discounted Payback Period (DPP)).	Financial model not submitted.	0	20
			Financial model is incomplete (does not contain a minimum of NPV, Initial Yield, IRR, Discounted Payback Period).	10	
			Financial model is complete (contains NPV, Initial Yield, IRR, Discounted Payback Period).	20	
3.2	Business Plan	Detailed business plans with timeframes containing -proposed operating model, company organogram, Market research, property management plan, leasing strategy, asset management.	No business plan submitted.	0	10
			Business plan with timeframes submitted including proposed operational plan.	5	
			Detailed business plan submitted included proposed operational model and property management plan, leasing strategy and asset management	10	
Maximum score					100

11.3 STEP 3 - RENTAL STRUCTURE

The rental payable by the Successful Bidder to the Lessor for the premises shall be structured such that the Lessee shall pay to the Lessor the greater of the basic rental quoted, and the income participation rental quoted. Transnet Property is expecting:

	Description	Value	Notes to pricing	Points
1	Minimum Basic Rental	R 1,264 512 per month (R15 126 144.00 per annum)	Excluding VAT	60
2	Annual escalation rate	≥7%	Which shall be exclusive of all municipal charges which shall be for the Lessee's cost and recovered from the Lessee by the Lessor separately.	10
3	Income Participation Rental	a. Turnover rental: ≥3%	a. Lessee's annual turnover from the retail proceeds of the property.	30

The standard rental offer template must be completed and returned. Bidders will be scored based on their annual Basic Rental and Income Participation Rental percentage and Volume rental.

- I. **Basic Rental Offer:** The highest acceptable annual Basic Rental offer will obtain the maximum percentage allocated for price. The other Applicants with lower Basic Rentals will proportionately obtain lower percentages based on the following formula:

$$Pr = (Pt / Phigh) \times Ap$$

Where:

Pr = points to be awarded for the offer under consideration
Pt = the annual Basic Rental offer under consideration
Phigh = the highest annual Basic Rental offer received
Ap = percentage allocated for the price

- II. **Turnover Rental percentage offer:** The highest acceptable Turnover Rental Percentage offer (for the retail component of the leased premises) will obtain the maximum percentage allocated for Turnover Rental percentage. The other Applicants with lower Turnover Rental Percentages will proportionately obtain lower percentages based on the following formula:

$$TRr = (TRt / TRhigh) \times Ap$$

Where:

TRr = points to be awarded for the Turnover Rental percentage offer under consideration
TRt = the Turnover Rental percentage offer under consideration
TRhigh = the highest Turnover Rental percentage offer received
Ap = percentage allocated for the Turnover Rental percentage