

Public Works commits to signing 9/11 leases

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JOHANNESBURG - The Department of Public Works was signing longer property leases of up to nine years and 11 months with broad-based black economic empowerment (BBBEE) companies that were 100percent black-owned.

But the department has introduced a number of measures to ensure the lease agreements were legal and not irregularly signed.

23/11/2018, Minister of Public Works Thulas Nxesi giving a keynote address during the National Stakeholder Forum meeting in Hatfield. Picture: Bongani Shilubane/African News Agency/ANA

Thulas Nxesi, the public works minister, also stressed on Friday the importance of aligning government leases to market rates after the process started in 2014/2015 when its research indicated that the “government was seriously skewing the market, especially in Pretoria”.

Nxesi said rentals were then on average 40percent above market rates and the government saved more than R400million during the first market correction process, which was calculated over a period of three years.

“We are now in phase two of market correction. This adjustment has not been without pain for some, but we have to consider the big picture, and some of the negative effects of inflated rentals,” he said.

Nxesi said these negative effects included allowing sellers to calculate inflated prices for their buildings, which was a cost borne by new black entrants to the market and also had knock-on costs for insurance and capital borrowed, and it was wasteful of government resources.

He said the government was willing to commit to longer term leases that also provided security to financial institutions lending to landlords, but stressed that buildings had to be in a good condition and occupational health and safety compliant, while landlords must provide a facilities management plan for the lease period.

Nxesi said the facilities management plan addressed the interests of all parties by ensuring conducive and safe conditions for employees and the public, which was critical to service delivery; providing an incentive to landlords to properly maintain their buildings, thereby maintaining and increasing the value of the asset; and providing financial institutions the assurance that equity in the asset was being maintained, which was their collateral for any outstanding loans.

He added the department's previous experience with irregularly signed leases, and the fact that both landlords and bankers required assurances the lease agreement was indeed legal, had resulted in the department taking a number of measures to ensure sound governance.

They included the establishment of a new lease framework with the National Treasury to be quality-assured by a purpose-built National Bid Adjudication Committee for Leases and requiring all leases to be cleared by the Auditor-General and the Special Investigation Unit for any outstanding issues or irregularities. "We can now provide certainty that leases signed by duly delegated officials of the department will be honoured," he said.

Nxesi said he had heard the concerns of black-managed listed companies who did not qualify for the nine-year-and-11-month leases under the current policy and undertook to review the policy and consult with all the stakeholders.

He said the renegotiation and signing of leases was well under way nationally, with 80 landlords with a national lease footprint and about 2100 private leases were being process.

Of these, almost a quarter of the leases had been renegotiated and Nxesi anticipated this process would be completed by the end of the current financial year.

Nxesi said the department envisaged that many opportunities would be created for small emerging black property practitioners.