



The Accountant General

**State of Israel
Ministry of Finance – Department of the Accountant
General
Government Housing Administration**

Tender N-12 7/21

**For renting a property at 22 Jerusalem Avenue
Tel Aviv – Jaffa**

Tender Principals

**This document was prepared in the English language for the convenience of those who do not speak Hebrew.
It is emphasized that only the full version of the tender documents in Hebrew obligates the tender's issuer**

1. **Property details:** A gross area of about 4,245 sq.m, including balconies, corridors, and staircases, constituting the entire 1, 2, 3 floors and some 75% of a partial ground floor, in a three floors structure above a partial ground floor, located at 22 Jerusalem Avenue, Tel Aviv-Jaffa.
2. **Nature of the proposed right:** Rent for 10 years with an option of 2 additional periods of 5 years each and an option for an additional rental period of 4 years and 11 months.
3. **Dates for additional visits to the property:** on the days 30.9.21 and 11.10.21, both at 11:00.
4. **Last date for the tender bid submission: 31.10.2021 at 11:00**
5. **Specific terms related to the property, its use, and its condition:**
 - a. Suppose the tender winner (hereinafter also: "the Renter") will be interested in the property's renovation. In that case, the winner will have to execute the renovation under his exclusive responsibility and at his own expense and obtain all the required permits to do so.
 - b. The winner will be entitled to sub-rent certain areas of the property, subject to obtaining advanced consent from the landlord and subject to any law. Certain areas will be used for small rental units, if such will be constructed, restaurant/coffee shop/bar/laundromat/complementary health services and alike and subject to all the relevant provisions in the chapter "*transfer of rights*" (Clause 15 of the rental agreement), as well as subject to the landlord's entitlement to various considerations when considering the Renter's request for the approval of a sub-rental as stated, such as the scope of the areas for which sub-rental is requested, the financial solidity of the sub-tenant, entries on the Criminal Register, and more. The sub-rent will not derogate from the winner's duties towards the landlord.
 - c. The Tender issuer brings to the bidders' attention that in checks he conducted at the Tel Aviv-Jaffa Municipality, it was found that following the Tel Aviv-Jaffa Municipality's reference and the documents found in the building's file, the work assumption is that the building was constructed legally, except the closing of a balcony on the top floor, an area of about 88 sq.m in a light construction (Iskurit roof). Therefore, the winner will be required to dismantle the roofing and demolish the light construction used to close the balcony, subject to obtaining all the legal permits, including a legal building permit, in as much as such will be required, or legally regularize it with the authorities, under his responsibility and his expense, within two years after the signature of the rental agreement. In any case, the winner will not be permitted to make any use of that balcony until that time – see sub-clause 9.1 of the rental agreement below.
 - d. Any legal use under the law will be permitted in the property, including such use, which obligates a designation change, if required, subject to the stated below. The winner will be entitled to initiate, at sole responsibility and expense, a plan for the property's designation change, as may be required, providing that the new designation will not cause a decline of the property's value, under the landlord's sole discretion and providing that the landlord will bear no cost involved with the procedure.
 - e. Without derogating from the bidders' duty to conduct all the required examinations under their sole responsibility, and only as a goodwill gesture, it is brought to the bidder's attention the existence of Procedure 20/2020 "*assistance in the restoration of buildings for hotel use and the conversion of structures into hotels for the year 2020, under the Capital Investments Encouragement Law, 5719 – 1959*" as well as Procedure 02/2019 "*assistance in the restoration or conversion of buildings into hotels under the Capital*

Investments Encouragement Law, 5719 – 1959 published by the Ministry of Tourism (both procedures jointly will be referred to below as "the **Procedure**"), to which the tender's winner will be entitled to refer. The procedure can be found on the Ministry of Tourism internet.

It is emphasized that in the tender's publication and/or the stated herein does not constitute any undertaking that the winner will be able to receive any grants as stated in the Procedure, and in particular, there is no undertaking by the tender's issuer, that the conditions determined in the Procedure (some of which depend on the applicant's identity) or any parts thereof take place. Additionally, the Procedure may not be valid on the winner's declaration date but will be replaced by another Procedure and/or the Procedure's conditions will change.

- f. Without derogating from the bidders' responsibility to conduct all the required examinations in their sole responsibility, the Tel Aviv-Jaffa Municipality's stand is brought to the bidders' knowledge regarding certain licensing subjects relevant to the property reflected in two letters by Adv. Hilla Ben Harosh Chachmon, Chief Assistant to the Tel Aviv-Jaffa Municipality's Legal Advisor, dated 7.9.2020 and 27.10.2020, which are enclosed to the rental agreement as Appendix C(1)-(2) – see sub-clause 3.8 of the rental agreement, including the reservation detailed in its second paragraph.
- g. **The winner will receive a stipulated exemption from rental fees ("Grace Period") for 24 months.** The grace period will refer solely to the payment of rental fees, and the Renter will be obligated with all other payments which apply to him under the rental agreement and under any law (including Arnona [municipal property tax] electricity, water, taxes, and levies as detailed in the rental agreement).

It is clarified and emphasized that the landlord's waiver of rental fees, as stated, is stipulated by the Renter's fulfillment of his undertakings towards the landlord, in full and on time. If the Renter fails to fulfill his undertakings towards the landlord, in full and on time, and the landlord will cancel the rental agreement because of a fundamental breach of the rental agreement by the Renter before the end of the first rental period (without options), the granted grace period of the rental fees will be canceled, and the Renter will have to pay the rental fees for the grace period plus linkage differences and interest, less the investments he has made in the property, in as much as he made it, per the determination by an assessor who will act on behalf of the landlord, and this, without derogating from the landlord's other rights for compensation from the Renter and/or full indemnification for all his damages.

- h. Suppose the winner exercises the option for the second additional rental period or the third additional rental period. In that case, the landlord will be entitled to demand from the Renter to replace, at his responsibility and expense only, various systems he installed in the property (such as air conditioning, elevators, etc.,) and which, in the sole opinion of professionals on behalf of the landlord, became worn out and therefore must be replaced. The Renter undertakes, as a fundamental obligation, to fulfill such landlord's demand.
- i. Suppose the winner exercises the first rental period option. In that case, the monthly rental fees will increase by 10% compared to the rental period (the first). If the winner exercises the second rental option, the monthly rental fees will increase by 5% compared to the first additional rental period.

Prerequisites for the submission of a proposal

The full details are included in the tender's complete documents

1. Administrative prerequisites

- 1.1. The bidder is incorporation legally registered in Israel. It is clarified that if the bidder is a partnership, it must be legally registered. However, this provision does not prevent the bidder from legally incorporating after winning, per the provisions of the invitation to submit proposals.
- 1.2. The bidder meets the provisions of Public Bodies Transactions Law, 5736 – 1976, in as much as those apply to him (hereinafter: "**Public Bodies Transactions Law**").

2. Professional prerequisite

The bidder executed the construction of one site or two residential or commercial real estate sites, for offices, students' dormitories, hotels, courts, protected residences, or homes for the aged, the construction of which was completed during the last five years, with a cumulative investment scope of at least 10,000,000 NIS.

3. Financial prerequisites –

- 3.1. The bidder has a financial turnover (income not including VAT) in an annual volume of at least **4,000,000** NIS during the three years 2017, 2018, and 2019.
- 3.2. The bidder has equity of at least 3,000,000 NIS per the bidder's annual financial report for 2019.

For this clause, "**Equity**" – the capital indicated in the bidder's financial statements after neutralization of the following components: goodwill, copyrights, patents, trademarks, trade names, owners' withdrawals, loans to related companies, and deferred tax asset.

- 3.3. The bidder's average cash flow from his current activity during the years 2017-2019 (hereinafter: "**The cashflow average**") is positive, or the ratio between the cashflow average (in its absolute value) and the equity for the year 2019 is below 25%.
- 3.4. The bidder's latest updated financial statements do not include a "going concern" notice.
- 3.5. The submission of a tender below detailed guarantee.

The tender guarantee (referred to as "Bid Guarantee" in the tender advertisement)

4. The bidder will provide a cashier's check to the order of the Government Housing Administration, the Accountant General, Ministry of Finance, or a bank guarantee issued by a bank in Israel that is banking incorporation that received a license from the Bank of Israel or a guarantee issued by an Israeli insurance company that received a license from the Capital Market Authority, Insurance and Savings of the State of Israel. The guarantee sum and its validity are detailed in the tender advertisement and Appendix 2, which constitute the exact version of the required guarantee note.

Additional bidding procedure

5. An additional competitive procedure will be conducted under the provisions of Regulation 17e of the Tenders Obligation Regulations, 5753 – 1993, by way of bidding, on a date and a place regarding which notice will come, including contractual conferencing. It shall be noticed that if all submitted proposals negatively deviate from the estimate, the tender issuer will be entitled to decide not to hold an additional bidding procedure.

6. The Tenders Committee will be entitled to declare the bidder classified in the place after the winning proposal as "second qualified." Upon receipt of a notice in this respect, the validity of the second qualified proposal will be extended, and he will extend the validity of the tender guarantee (if it exists) for three additional months.
7. Suppose the Tenders Committee canceled the winning bidder's proposal or that the agreement with him was canceled for any reason. In that case, the tender issuer will be entitled to engage with the bidder declared as second qualified. Should he decide to do so, the provisions that apply to the winner will apply to the second qualified correspondingly. The Tenders Committee will be entitled to declare a "third qualified," and so forth at its sole discretion. The additional qualified will meet the requirements detailed in clause 5 above, correspondingly.

Some provisions detailed in the rental agreement, which are included in the tender documents:

- 3.7. ... The landlord brought the Renters attention to the fact that in the building file of the property in the offices of the Local Planning and Building Committee Tel Aviv-Jaffa, no complete plans or complete permits were located, which could indicate the complete accurate licensing for the structure in which the property is included and/or the exact areas of the property.
5. **The purpose of the rental**
 - 5.1. The Renter will use the property for any usage permitted by law (hereinafter: "**The purpose of the rental**") and will not use or allow the use of the property, or any part thereof, for any other purpose.
 - 5.3. The Renter will be entitled to initiate the construction of additional floors, subject to obtaining the landlord's approval of the plan in advance and in writing, and subject to the Renters undertaking that he irrevocably agrees that the rights in the added floors belong only to the landlord and that he irrevocably waives any argument and/or demand and/or claim of any type and kind towards the landlord, regarding the rights in the additional floors, including, without derogating from the generality of the stated, regarding any cost of any type and kind to be borne by the Renter regarding the submission of the plan and/or exercising it.

...

7. **The rental fees**

- 7.1. In consideration of the rental, the Renter will pay the landlord rental fees in the sum of _____ NIS (_____ new Shekels) for each month of the **first** rental period (hereinafter: "**The basic rental fees**"), plus any applicable VAT.
- 7.2. The basic rental fees will be linked to the Consumer Price Index (published by the Central Statistics Bureau of the State of Israel). The basic rental fees will be multiplied by the ratio between the determining index and the base index. In any event, the rental fees will not be less than the basic rental fees stated in sub-clause 7.1 above.

The Renter's obligations

...

- 9.7. The Renter undertakes to install all the required accessibility arrangements to his business that will be conducted in the rented property for disabled persons and persons with limitations, at his expense and will care to obtain the approval by an accessibility representative stating that the property is legally accessible. The Renter undertakes to present such an original confirmation and

provide the landlord with a copy thereof, in the version enclosed in **Appendix I**, as a condition to start his activity in the property.

Insurance

16. The Renter will be required to arrange the insurances as detailed below

1. Insurance by the Renter during the execution of works in the property – if such will be executed during the rental period/option periods (if exercised) that will include all contractual work risk insurance/construction (property insurance, third party liability insurance; employers' liability insurance).
2. Insurance by the Renter during the rental period/option periods (if exercised) – Employers' Liability Insurance; Third-Party Liability Insurance; Property Insurance; Profit Loss Insurance/consequential (there is a possibility to substitute it by an exemption of liability directed towards the State of Israel and anyone on its behalf)
3. The State of Israel insures the property structure.

The detailed provisions are in the insurances' appendices.

17. **Guarantees**

- 17.1. To secure the execution of all Renter's undertakings under this agreement, compensation of the landlord for his damages and his indemnification for his expenses should the Renter fail to meet his undertakings under the agreement, the Renter will provide the landlord on the signing date of this agreement (and as a condition to the property possession delivery), an unconditional bank guarantee, in the guarantee version, **Appendix E** of the agreement, **in a sum that equals the rental fees paid for twelve (12) of rental months, plus legal VAT, if it applies** (hereinafter: "**the Bank Guarantee**"). The guarantee will be index-linked and valid for at least 90 days after the end of the rental period.

It shall be noted that after the fitting and renovations of the property, as stated in the special conditions related to the property as stated in the invitation documents, the landlord will agree to reduce the execution guarantee to a sum that equals the monthly rental fees paid for 6 rental months plus the applicable VAT.