Urban LandMark

“Improving Access to the City through Value-Capture”

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[Urban Land Markets Programme Southern Africa]

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UKaid

Sapoa challenges Durban property development levy

December 2, 2011 Property News

Sapoa mulls court action on surcharge

March 12, 2012 IOL News

The South African Property Owners Association (Sapoa) is on the verge of taking the eThekwini Municipality to the High Court in a legal effort to have the development surcharges that are being levied against property developers declared illegal and thus withdrawn from implementation.

For the 2012-2015 period, government has approved infrastructure plans of R845 billion of which R262 billion will be spent on transport and logistics projects

A factor driving the trend of luxury residential developments is the **Gautrain**, which will change the face of Sandton.

Billions of rands are earmarked for new office, retail and hotel developments near the Gautrain stations in Sandton Central, and this, in turn, **is having huge spin-off**s for both the existing property market and new residential developments.

(http://www.gautrain.co.za/newsroom/2009/03/at-home-in-sandton)


(www.capetown.gov.za)

Lagoon Beach Apartments to Rent

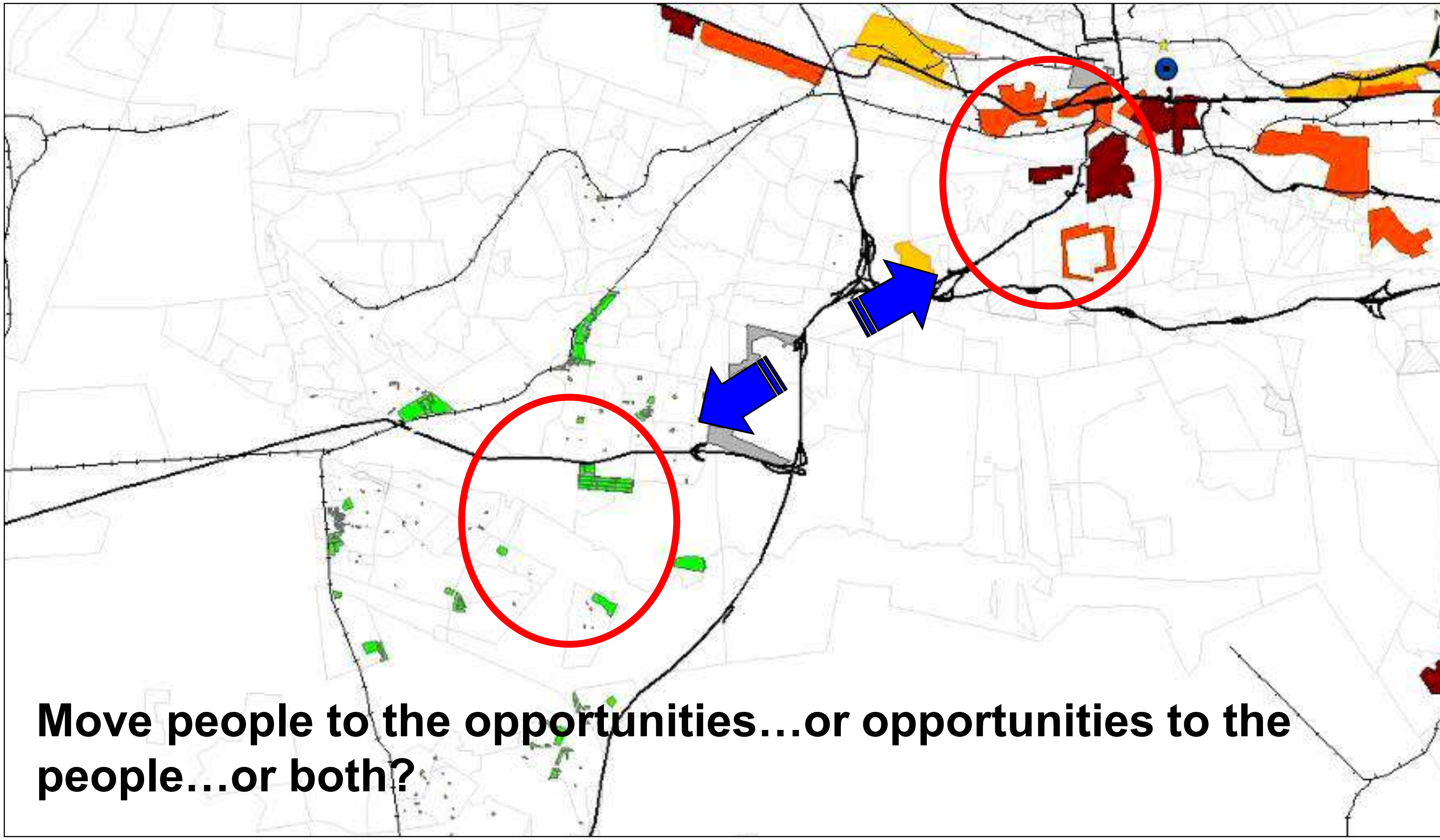
“Offers stylish living minutes from Cape Town. Lagoon beach is ideally situated with splendid views of Cape Town, Table Mountain and the Atlantic Ocean.

The **Integrated Rapid Transit bus system**, also know as the BRT or IRT, runs past Lagoon Beach which makes this an easy to access part of Cape Town.”

(http://silvertreeproperties.co.za/rent/lagoon-beach-rentals/)

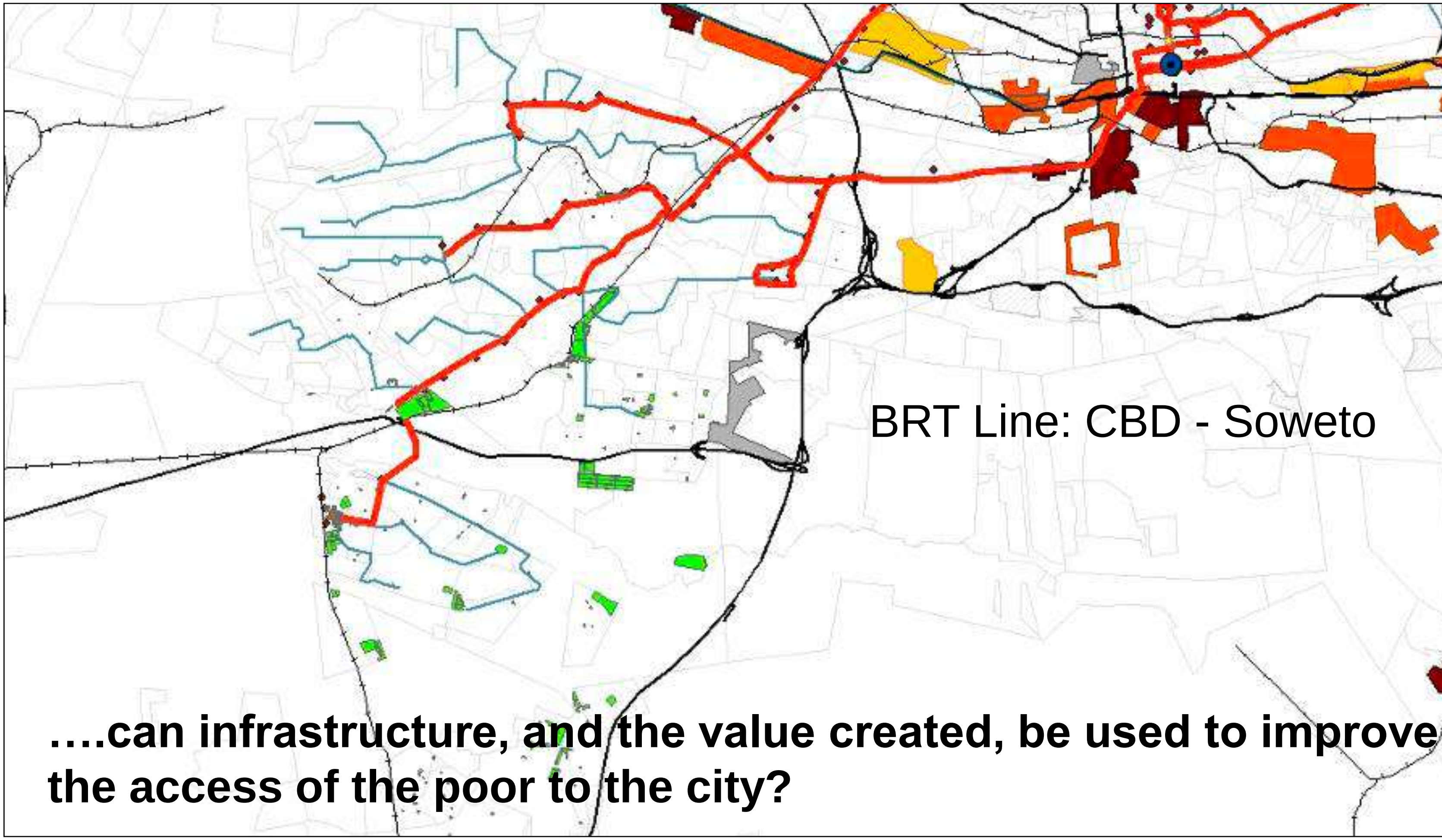
"…improving access of the poor to the city…."

(Rode, 2009)



Move people to the opportunities…or opportunities to the people…or both?

(Rode, 2009)



….can infrastructure, and the value created, be used to improve the access of the poor to the city?

(Rode, 2009)

To answer this question, ULM's research looks at the key issues and debates with respect to the four components of value-capture:

- Value creation
- Value measurement
- Value capture
- Value use

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Value creation:

Need to change the economics of the site

If, for an example, the upgrading of a rail station does not alter the number of computers passing through the station, or the level of spend of the commuters in the adjacent area, or the number of commuters wanting to live near to the station,

…..then the level of value add as a result of the station upgrade is likely to be low.

…and the development conditions (land, zoning, services etc.) need to be in place to maximise the value creation.

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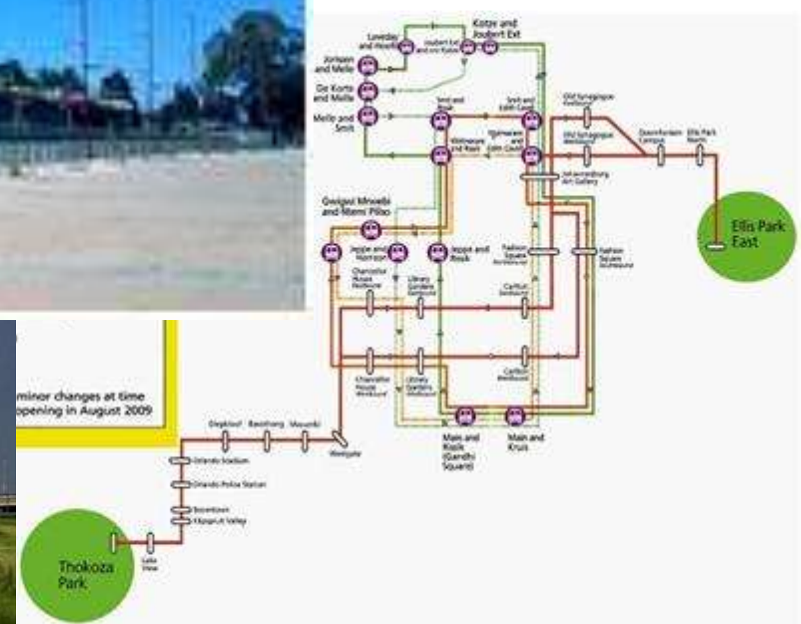
Mooki Street BRT Station



Diepsloot PWV9 Interchange

Chris Hani Station

Value Differentials

	Current Land Values per m² at other "similar" sites	Residual Land Values with Interchange Built	Differential
Mooki Street	R492	R600	1.22
Chris Hani	R224	R394	1.76
Diepsloot	R1 120	R2 200	1.96

(ADEC 2010)

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Value-capture mechansisms usually have a “use” or “income” outcome…they either try to restructure the city or raise income for the city.

Whichever is chosen, the legal and institutional frameworks need to be in place to ensure their success….

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ETHEKWINI MUNICIPALITY

TARIFF TABLES

2011/2012

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CLUSTER : Sustainable Development & City Enterprises
UNIT : Development Planning, Environment & Management
TARIFF : Other Applications

Details	Present Tariff Excluding Vat	Proposed Tariff Excluding Vat	Proposed Tariff Including Vat	% Increase
DEVELOPMENT SURCHARGE				
Medium Density Residential Developments (Development surcharge payable per unit in the case of all multiple dwelling unit developments for impact on infrastructure.)	R12000/Unit	R12 480/unit	R14 227/unit	4.00
Commercial Developments (Development surcharge payable per square metre in the case of commercial developments for impact on infrastructure.)		R16 500 per 100m² NLA	R18 810 per 100m² NLA	New fee
APPLICATIONS IN TERMS OF THE DEVELOPMENT FACILITATION ACT				
Less than 5000m2	R 2,000	Discontinued	Discontinued	N/A
5000m2 - 5ha	R 8,096.49	Discontinued	Discontinued	N/A
> 5 ha - 10 ha	R 20,245.61	Discontinued	Discontinued	N/A
> 10 ha	R 29,775.44	Discontinued	Discontinued	N/A

“It is plainly improper and unauthorised for a municipality to simply introduce a tax under the guise of a service fee. The eThekwini municipality does not have the authority to levy this tax but it has been doing so regardless, and falling foul of legislation” (Sapoa, 2012)

(http://thepropertytimes.co.za/2011/12/sapoa-challenges-durban-property-development-levy.html)

SA Time:
1 Feb 2012
'Finance woes dog municipalities'

Poor financial management has reached epidemic proportions among municipalities, according to a Sunday Times report.

Of the country's 278 municipalities, 66 are in financial distress, while another 37 municipalities are heading in the same direction, the Sunday Times reported, according to figures released by the National Treasury.

Symptoms of poor financial management included cadre deployment, crucial posts being left vacant, political interference and poor revenue collection.

Some municipalities struggled to pay employees and contractors, risking service delivery. This also created an environment conducive to corruption.

A significant number of municipalities underspent on capital items and grants, and there was a trend to cut infrastructure maintenance spending.

By the end of the financial year last June, 20 municipalities reported closing cash positions that exceeded one month's operating expenditure requirements.

Fifty municipalities failed to report closing cash positions, the paper reported. - Sapa national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

The state of local government finances and financial management as at 30 June 2011

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Levels and growth in consumer debtors

Consumer debtors as a per cent of own revenue provides a useful, easily calculated indicator of the state of municipalities" debtor management capabilities. Municipalities whose debtors are greater than 30 per cent of own revenue are at serious financial risk, especially if there is an ongoing deteriorating trend.

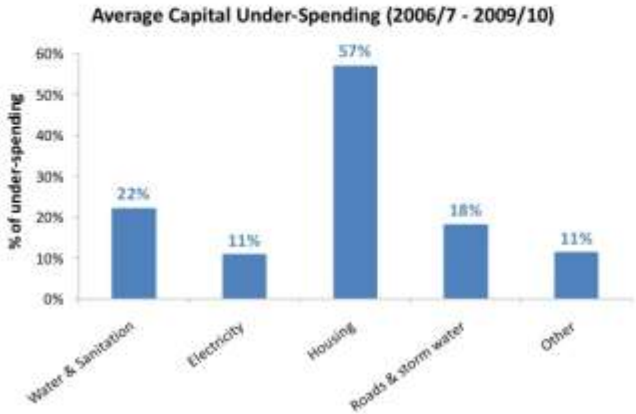
The following table shows that at 30 June 2011, there were at least 154 municipalities with debtor levels higher than 30 per cent of own revenue. This is down on the 174 reported at 30 June 2010. The apparent improvement in the trend is not credible given serious shortcomings with many municipalities" reported own revenues, particularly among the district and local municipalities (see the reported increases in total own revenue in these categories – which are completely unrealistic).

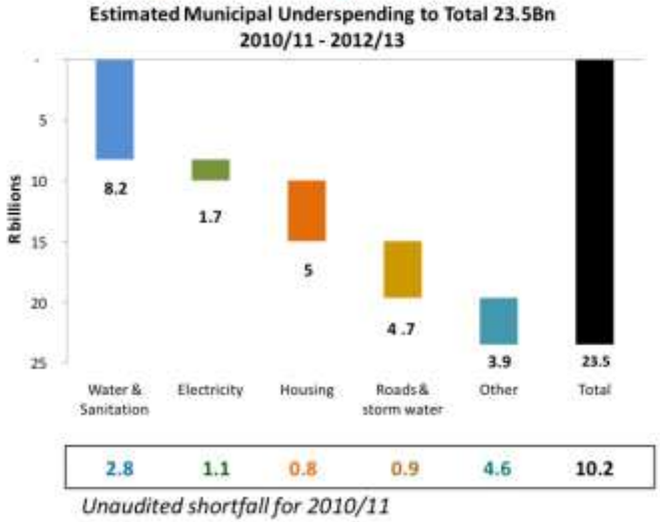
Underspending of capital budgets

The main concern is that municipalities continue to experience difficulties with planning and executing capital spending. Total under-spending of the 2010/11 capital budget was R12.4 billion or 29.3 per cent.

However, information on the spending outcomes for 2010/11 financial year indicates that underspending of conditional grants remains a problem. Total underspending on conditional grants transferred to municipalities for 2010/11 amounts to 28.2 per cent or R5.1 billion.

Estimated Future Capital Under-spending





The implication is that

- There is massive capital under-spending
- It is very unlikely that municipalities will be able to spend more than 70% of their capital budgets going forward.
- Using the medium term budget i.e. R121 BN to be spent between 2010/11 and 2012/13, we estimate that there will be at least R23.5Bn unspent, distributed according to the chart above.
- The latest unaudited data for 2010/11 shows that R10.2 BN was unspent in that year i.e. 25% of the original budget

(Silberman, 2011)

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Syracuse Village is an island of affordability in Denver's huge urban infill community. Master Forest City agreed to make 10 percent of for-sa 20 percent of rental units affordable shortly be finalized a less-stringent inclusionary ordinanc 10 percent affordability or an in-lieu fee from a bus transfer station, S slated for a rail lin

TOD 201

MIXED-INCOME HOUSING NEAR TRANSIT

Increasing Affordability With Location Efficiency

One in a series of best practices guidebooks from The Center for Transit-Oriented Development

4 Inclusionary Housing – A Strategy For The Region

INCLUSIONARY HOUSING or zoning requiring that a share of new construction be afforable is the most widely used planning tool for mixed-income development because it harnesses the momentum of the local real estate market to provide affordable units without public funding, land acquisition or land assembly. Most inclusionary policies are enacted via a zoning ordinance or other regulation, and require that 10 percent to 25 percent of units in a development be affordable. Specific income qualifications are typically determined by a financial feasibility analysis, and may be different for rental vs. ownership housing. It is common in high-cost markets to require that ownership housing be affordable for low to moderate-income households and that rental housing be affordable for very-low to low-income households. Inclusionary zoning works best when implemented over a large area rather than on a project-by-project basis. It is often applied only to projects of a certain type or size. Some inclusionary policies allow fees to be paid in lieu of providing affordable housing on-site. But the advantages and disadvantages should be weighed carefully: It may mean that affordable units are not built near transit since sites further away may be less expensive. On the other hand, if the land is less expensive, the developer may be able to build more affordable units. In-lieu funds are often used for the management of affordable housing and other tenant services.

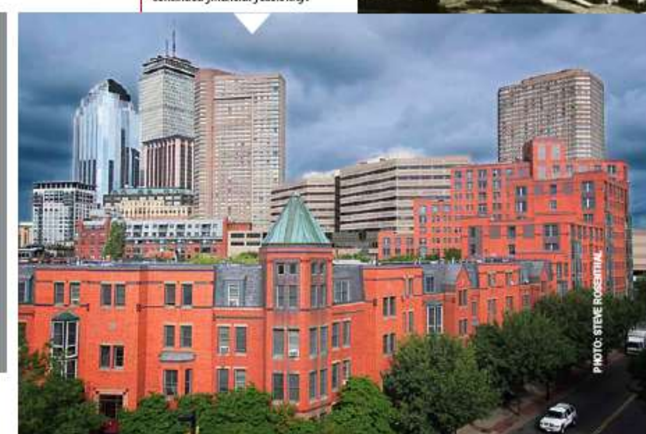
7 Facilitate Use of Value Ca Affordable Housing – A S Corridor, Neighborhood A

BUILDING IN NEIGHBORHOODS around transit can re costs, land assembly, brownfield clean-up, and lengthy This results in a cumbersome and expensive developme of income-restricted housing makes it even more expe increment financing, business improvement districts, a developer agreements can generate funds to help pay for housing and infra-structure improvements that benefit the greater community. In most states an administering agency can issue bonds against projected revenue streams to finance public improvements up front — such as new sewers, streets, sidewalks, site clearance, removal of hazardous conditions, site assembly, shared parking and parks. By upgrading local infrastructure and preparing sites for develop-ment, an urban renewal authority or other similar local entity can lower the cost of private development, making affordable housing easier to finance.

protest urban renewal and the dis-placement of residents. The result was this project, Tent City, which became a national model of mixed-income housing -- a quarter of all units are reserved for low-income tenants and half are for moderate-income ten-ants. The rest are market-rate, and attract tenants because of location and transit proximity – which have contributed significantly to Tent City's continued financial feasibility.

CASE STUDY

A community plan, urban renewal plan, assessment district, tax-increment financing and zoning incentives were all used to create the Pearl, a popular new high-density mixed-income neighborhood in downtown Portland where more than a quarter of all housing is affordable. A developer agreement between the Portland Develop-ment Commission and the largest property owner in this formerly industrial neighborhood specified that the city would remove an on-ramp that made the property unbuildable, and then construct a streetcar line to the property. The developer, in turn, agreed to meet minimum residential density thresholds, to help fund the streetcar, and to provide land for parks and open space, rights of way and affordable housing. An assessment district was also used to help fund construction. The Pearl illustrates how public improvements can create value and leverage private investment in affordable housing, parks and open space, while helping local governments achieve af-fordable housing and economic development goals.



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2011

Local Government Budgets and Expenditure Review

2006/07 – 2012/13

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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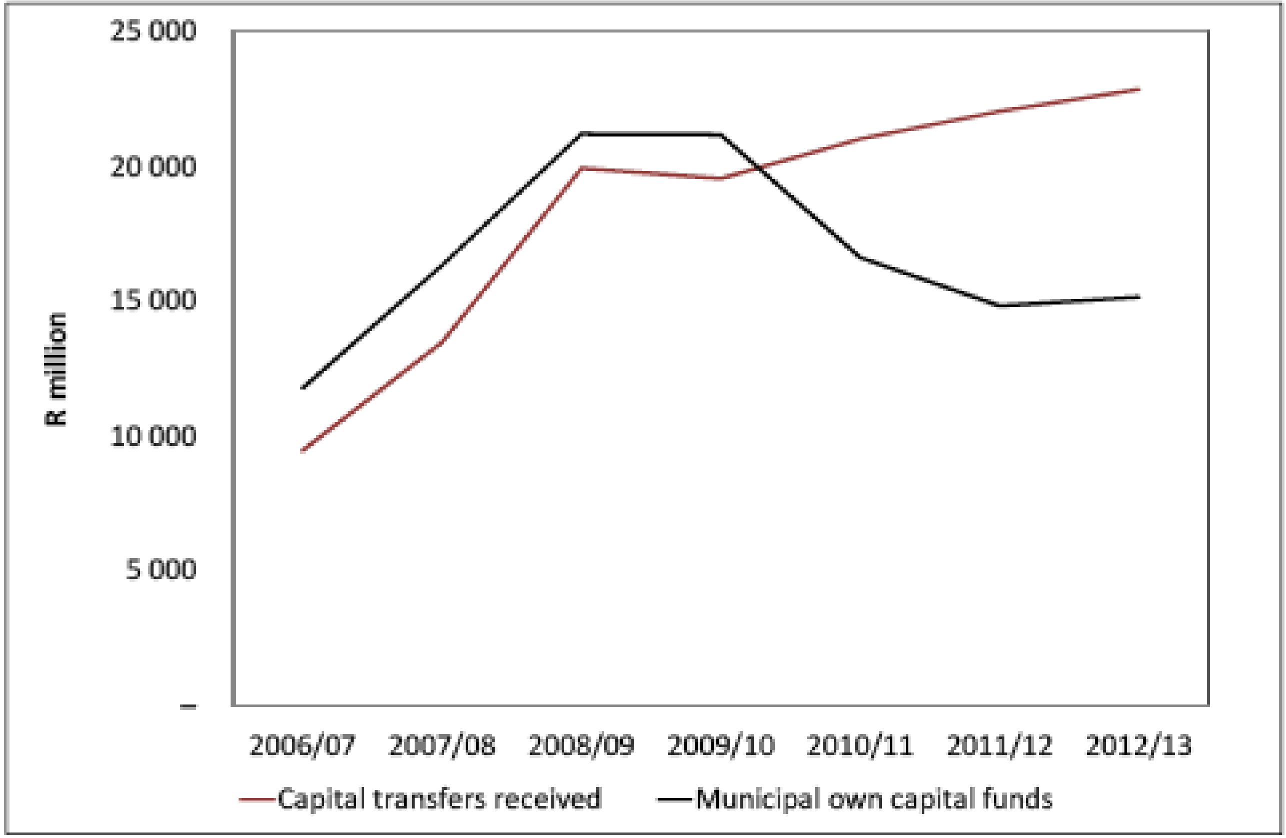
Figure 4.3 Municipal own contribution to capital expenditure, 2006 to 2012



Source: National Treasury local government database

"…..municipalities are becoming increasingly dependent on national infrastructure grants to fund their capital budgets.

This is not a sustainable trend, because it means the tariffs for the main municipal services are not covering the infrastructure costs of providing those services.

There is also a concern that the use of conditional grants by national government reduces municipalities' scope to set their own expenditure priorities, and thus weakens their accountability to local communities"

(2011 Local Government Budget and Expenditure Review)

A riot police officer attempts to take cover behind a passerby making a recording of the scene on his mobile phone, from protesters throwing stones during a student demonstration against what they say is the poor service of the TransMilenio bus rapid transit system in Bogota on March 9.

(http://photoblog.msnbc.msn.com/_news/2012/03/09)

A woman takes cover behind riot police as protesters throw stones during a demonstration against what they say is the poor service of the TransMilenio bus rapid transit system in Bogota, Colombia (Image by Fredy Builes / Reuters)

Conclusion:

Rolling out a huge infrastructure program [to do what?]….there must be potential

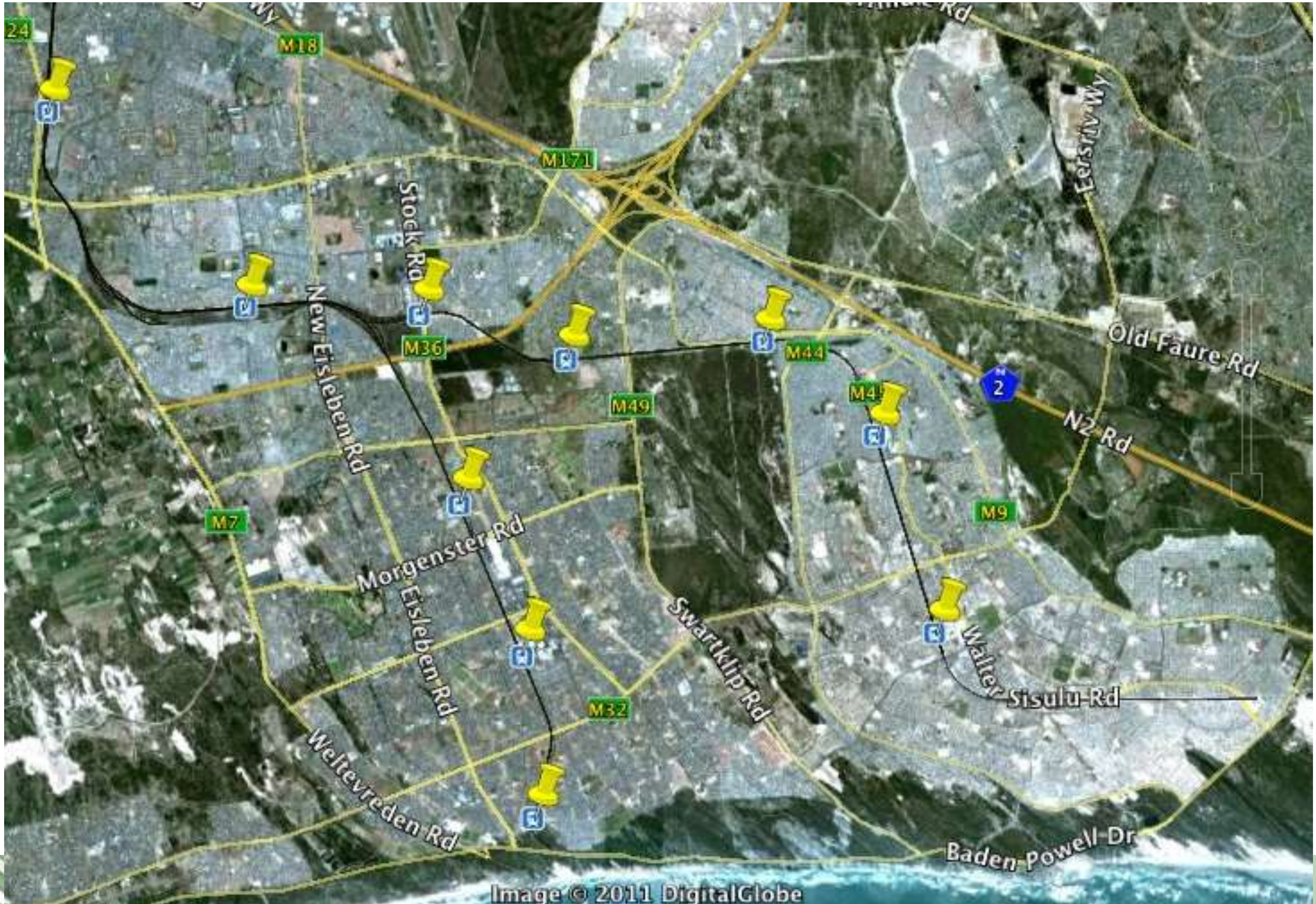
Must be done properly:

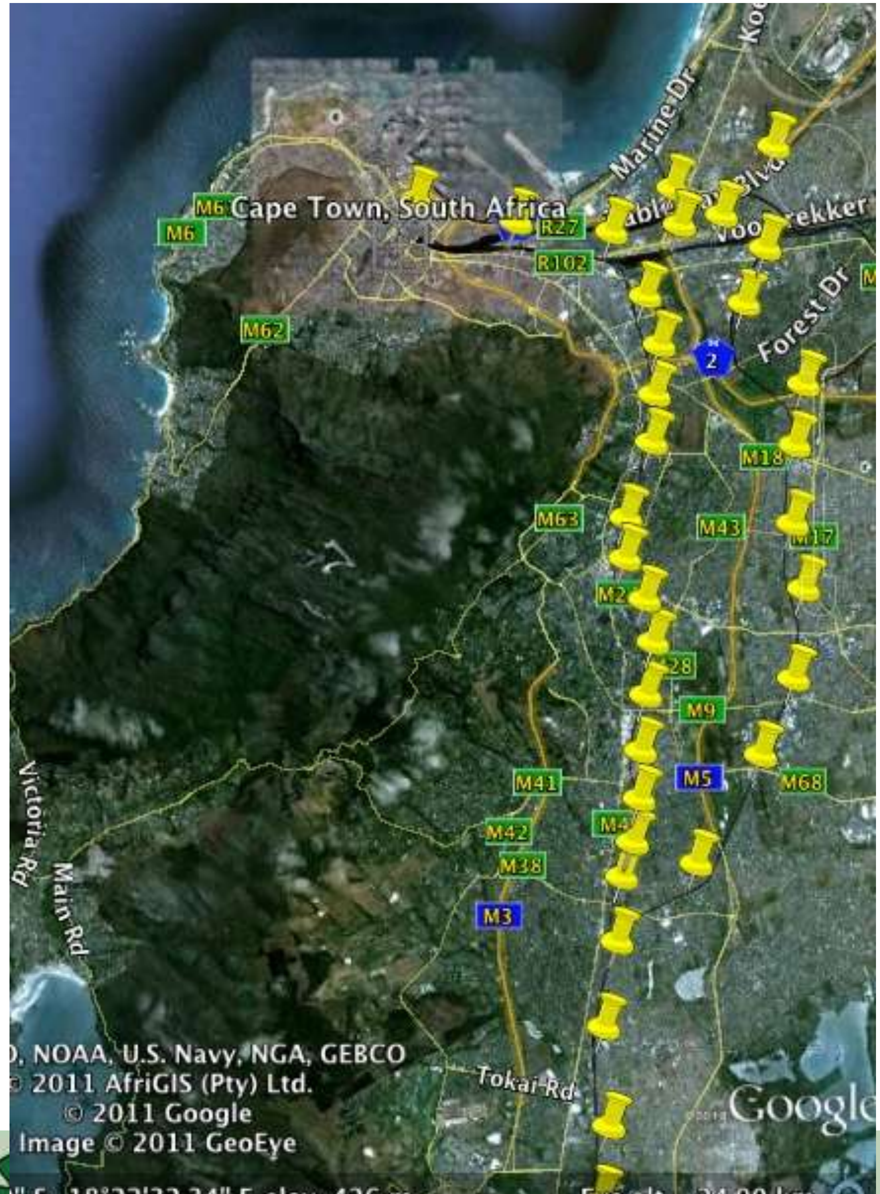
- Have the systems in place ("administer the city")
- Understand the economics (at City <u>and</u> site level)
- Assist in the value creation…less resistance to sharing of returns
- Understand the instruments and the legal frameworks in which they occur
- Have clear policy:
  - Recognise potential down-sides – respond accordingly.
  - Don't have too many objectives…usually in conflict

…learn to walk first…."took us 20 odd years to get to this point, we started very simply"

...so what are the building blocks to get there?…ULM booklet

Thank you


M18
M171
Stock Rd
Eersrivier Wy
New Eisleben Rd
M36
M44
Old Faure Rd
M49
N2 Rd
M7
M9
Morgenster Rd
Eisleben Rd
Swartklip Rd
Walter Sisulu Rd
M32
Weltevreden Rd
Baden Powell Dr
Image © 2011 DigitalGlobe


Cape Town, South Africa
M6
R27
R102
M62
Marine Dr
Forest Dr
2
M18
M63
M43
M9
M41
M5
M68
M42
M38
M3
Victoria Rd
Main Rd
Tokai Rd
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