Urban Land Development in Practice

Developers and municipalities share experiences

This case study draws on research that sought to
understand the process of urban land development in practice,
from the perspectives of developers and municipalities. The research
was undertaken by the Department of Town and Regional Planning,
University of Pretoria, commissioned by Urban LandMark (see Sheet 5
for reference details).

An introduction to the case study is given below. On the back of this
sheet some learning and reflection activities based on the case study
are provided. You can do these activities on your own or in groups, as
appropriate for your learning session. Look carefully at these activities
before you begin so you know what to look for while you are reading.

The next part of the document (Sheets 2, 3 and 4) presents three
different examples of land development projects. The final
component of this document (Sheet 5) outlines some of the key
findings and recommendations of the study.

Learning outcomes:

By the end of this session
participants will be able to:

- identify key elements in a
  land development process
  and some of the
  challenges faced by key
  role players

- identify actions that can
  encourage development
  projects that have social
  and environmental
  benefits.

Introduction to the case study

Developers study the property market carefully and
then, based on the property cycle, and risk and profit
calculations, they acquire land and develop it, with a
specific product in mind. Municipalities play a
governance role, and are mandated to ensure that
the development is in line with government policies
and development plans for the area.

The two legal instruments that are primarily used in
the property development process in South Africa are:

- the four former town-planning and township
  establishment Ordinances – which typically involve
  the submission of applications for rezoning or
  'township establishment' to a municipality which
  then processes the application

Photo: Kevin James

One of the various types of housing in Cosmo City

- the Development Facilitation Act 1995 (DFA) which involves the application being submitted to
  the provincial government, with the municipality acting as one of the role players in the
  process. One of the reasons for establishing the DFA route was to fast-track low-income
  development. However, developers have often used this route for applications for expensive
  retail and office-related developments. It has also been argued that some developers choose
  this route in order to side-step municipal decision-makers and/or their policy frameworks.
  Therefore, some municipalities see the DFA route as usurping their powers.

Deciding whether to submit land development applications to the municipality via the Ordinance
route, or to the provincial government via the DFA route, is pivotal in terms of what, how, when
and where development will take place.

The research on which this case study is based, focused on large development companies and
consortia involved in different types of development. The case study focuses on three of the ten
development projects covered by the research.

Learning Activities

Before you start

Before you read the examples, spend a couple of minutes making a note of your answers to this question:

✿ What do you think are the main motivations that drive (a) developers and (b) municipalities in urban land development processes?

After reading the examples

Do the following activities on your own, or in groups. Write down your answers to the questions. Be prepared to share your findings with the larger group.

1. Table 1 shows the factors that are commonly considered by developers in a development proposal. As you read the three examples in this case study, make a judgement about, and record in the table, how strongly you think each factor drove the development.

Table 1: Factors considered by developers in conceptualising a development proposal

Development project	Geo-technical conditions		Community benefit		Developer profit (financial viability)		Environmental considerations (sustainability)		Municipal development objectives	
	Weak driver	Strong driver	Weak driver	Strong driver	Weak driver	Strong driver	Weak driver	Strong driver	Weak driver	Strong driver
Cosmo City										
Jabulani Mall										
Waterberg Golf & Wildlife Estate										

2. As you read each of the three examples, identify:

✿ the key elements in the process (e.g. important decisions made, relationships formed, incentives offered)

✿ the main challenges faced by (a) the developer and (b) the municipality

3. Recommendations for urban land development processes:

(a) If you were a developer, what would you recommend that the municipality should do to help you balance your needs with the municipality's social development objectives?

(b) If you were an official in the municipality, what action would you take to encourage the developer to consider the social and ecological sustainability aspects of a project?

Reflection

1. Talk about your experience of reading the three examples given in this case study.

2. Write down three words that best describe how you felt about the development processes described in the case study. Why these specific feelings and not others?

3. Reflect on what you have learned so far in this case study and through your group learning activity.

Photo: Kevin James

Cosmo City is an integrated social housing development in Johannesburg

1. Waterberg Golf and Wildlife Estate

This exclusive, upmarket housing, golf and wildlife estate is located in the Waterberg mountain range in Limpopo. It is within an area that the Bela Bela Local Municipality has identified as a major tourism asset. The estate covers about 5 200 hectares of 'pristine' bushveld, characterised by scenic landscapes, cultural heritage and wildlife. Its size, the integration of wildlife and recreational spaces, and the housing opportunities it offers distinguish it from most other recent golf estates in the South African residential market. The United Nations Educational, Scientific and Cultural Organisation (UNESCO) has identified the Waterberg region as one of the world's 507 Biosphere Reserve sites. There is currently an attempt to incorporate the estate into this biosphere reserve.

Initial plans for the development

The development is comprised of a sectional title scheme around a golf course. A sectional title scheme allows for the separate ownership of some sections (units) and joint ownership of communal areas. At first, a single portion of land was identified for the development. However, the then Department of Water Affairs and Forestry (DWAF) indicated that the portion of land was not sufficient to sustain the water requirements of a golf course. This prompted several stakeholders, including prominent golfers, to withdraw from the project for fear of being associated with an unsustainable development. After several informal discussions between various stakeholders, the project was reconceived as a land assembly of a number of farms. This meant that land owned by different people was put together for the purposes of the development project. This provided a sufficient water base to support the golf course. Discussions with planners led to the drafting of various concept plans that considered the project objectives and the local context. This set the stage for a development that would comprise of a uniquely integrated housing, golf and wildlife estate.

> *The initial choice of land changed in light of government concerns about sustainability.*

> *The planners drafted concept plans that considered local context. Planners play a key role in development projects. They need to make sure that the development conforms to the various national, regional and local land use plans, by-laws and regulations. Both municipalities and developers may employ them. Developers often use planners who have relationships with municipalities to help them get a development approved.*

Planning application route chosen

Except for one qualified engineer on contract, the municipality did not have the technical expertise and capacity to process an Ordinance application for such a big project. Therefore, the municipality requested the developer to apply in terms of the Development Facilitation Act (DFA), which allowed the necessary expertise to be drawn in during the Development Tribunal processes. Under the DFA, a Development Tribunal consisting of independent experts meets to make decisions and approve land development cases. Another reason for the choice of the DFA route was that the development fell outside the urban edge. (The Ordinance route is usually used when the development falls within the urban edge, even if there is limited capacity to process it.) In addition, the planner at the municipality felt that the DFA process gave more 'authenticity' to a development and that it is more rigorous, whilst still allowing the municipality sufficient opportunity to comment.

> *Due to the lack of technical expertise and capacity within municipality, the DFA route was considered most appropriate. The provincial government therefore processed the application. The case is unusual in that the municipality did not consider that this undermined their authority.*

Interaction between developer and municipality

As the development application was submitted in terms of the DFA, most interaction took place between the developer and the provincial authorities rather than between the developer and the municipality. The municipality basically responded with letters of approval from the offices of the mayor and the tourism section, whereas inputs from provincial authorities were generally more detailed and circumspect.

Generally, the municipality felt that there was "good faith" between all the parties concerned. The municipality appreciated the fact that the developer presented the project to the municipality first, asking for municipal support; and that the developer was willing to reduce the density of housing at the municipality's request.

Key decision-making factors

A developer typically first identifies a gap in the land market and only then considers the extent to which the intended development conforms to municipal policies and plans. Although developers need to conform to existing laws and regulations, it is the responsibility of the municipality to ensure that they comply – a task that municipalities are often not able to do effectively for a variety of reasons, such as lack of capacity.

Given the size and nature of the Waterberg development, the two key factors that influenced the developer's decisions were:

- current popular trends associated with such development concepts, such as benchmarks and design precedents in overseas markets; and

- sufficient market demand for the houses.

The developer made it clear that should one or both of these factors indicate a profitable development, they would challenge an uncooperative municipality. The developer acknowledged that they "unfortunately have to" consider the profitability of a development first, but also acknowledged that once profitability was established they might also consider other development criteria, such as making a social contribution, in a type of "creative trade-off" when it comes to decision making.

Profitability is a key driving factor for developers. The government authorities have to consider local social and community development needs as well as their planning policies and frameworks.

The planning consultants pointed out to the project attorneys that a project the size of Waterberg ought to make a social contribution, as the project had the features of wealth and exclusivity, yet the municipality had a political mandate of equity, redress and poverty alleviation. In response to this, the Development Tribunal approved the suggestion of an educational trust for local learners, initially built up from a lump sum from the developer and later from part of the levies paid by homeowners on the estate.

The national electricity crisis and the fear that the local municipality may not be able to deliver services adequately in the future may have influenced the developers to consider alternative sources of energy and small-scale sewerage and waste treatment plants within the development. These initiatives could be intended to make Waterberg less dependent on municipal services rather than more sustainable *per se*.

2. Cosmo City, Johannesburg

Cosmo City

Cosmo City was one of the first integrated social housing projects in South Africa. It is located north of Randburg, in Johannesburg. One of its key objectives was to ensure integration between different income groups and land uses. The total development covers about 1200 hectares and includes:

- a mixture of housing, including subsidised houses, bonded houses and rental apartments

- sites for schools, churches and other amenities such as clinics, libraries, parks, a police station, sports fields, a public swimming pool, taxi ranks, markets, shopping centres, business nodes and petrol stations

- sites set aside for industrial development

- conservation areas.

The original housing need and land acquisition process

In 1996, before the creation of the City of Johannesburg metro, the then Northern Metropolitan Local Council identified the need to provide housing for two large informal communities. The municipality decided not only to relocate the communities, but also to develop a more permanent settlement.

Part of the land on which Cosmo City has now been developed belonged to a politician, who was not willing to sell, and the other part belonged to a company that was willing to sell. Eventually, through a long process, the municipality was successful in using relevant legislation to obtain the land for public benefit.

After the land acquisition process was completed, a development framework for the proposed settlement was prepared and many technical studies done.

Awarding the development contract

The City of Johannesburg (CoJ) invited five companies to submit development proposals for the development of Cosmo City. The successful team set up a company called Codevco. Codevco gave the town planning firm, Urban Dynamics, the task of managing the process of preparing a town planning application to the CoJ. Urban Dynamics also managed the professional team put together by Codevco. For the town planning application, the Ordinance route was chosen primarily because the CoJ wanted to retain control of the process.

Planning consultants managed the whole development process.

The ordinance route was chosen so the municipality could keep control of the process.

Public consultation process

It took about three years for Codevco to get on-site, after being appointed in 2000. The main reasons for the time delays were the EIA (Environmental Impact Assessment), court cases and lengthy community participation processes – during which nearly 3000 people showed up at some meetings. For example, wealthy property owners resisted the development, arguing that the development would lower the value of their properties. They took their case to the Johannesburg High Court, but eventually lost the case in 2004. Although objections related to the development were raised through the community participation process, intense community engagement was essential for its success. The community was engaged via workshops, public notice boards, advertisements and personal notifications. The design proposal accommodated many of the community's comments.

What was very favourable to the developer was that the CoJ owned the land, so the holding costs were not an issue.

> *There was a thorough public participation process, with no holding costs for the developer.*

Objectives of the development

From the outset, the project was conceptualised to deliver on five key objectives on which it has so far delivered, according to the role players interviewed in the research. The objectives were:

> *Both the private and public sector role players shared clear social development and ecological sustainability objectives.*

- *To integrate different income groups in the same area* – different housing tenure and price-types were provided in the same area, with schools and public open spaces being used as integrating zones

- *To integrate compatible land uses in the same area* – the development makes provision for residential and non-residential uses near each other

- *To create, maintain and store value in property for the poor* – the site is located near some of the region's high-value developments, and there is a mixture of residential and non-residential land uses in the suburb

- *To promote sustainability* – nature conservation areas are included in the settlement, there is a mixture of land uses, solar energy panels have been installed in buildings, environmental education and competitions for 'best' gardens are promoted

Photo: Kevin James

Plans for Cosmo City went beyond housing needs

- *To ensure a profit for the developer* – achieved through the general success of the project towards which clever planning, a sensible layout, good housing, dedication, a good regional location, timing and luck all contributed.

Relationship between the developer and municipality

The leadership and project management style of the public sector role players impressed the private sector role players. In particular, interviewees praised the project manager in CoJ. It was agreed that without him the project would probably not have happened. What stood out more than anything else was passion and dedication to the cause, backed up with the technical expertise and political will to steer the project through difficult obstacles.

The public sector role players had an equally positive experience of working with Codevco and Urban Dynamics. Qualities that seemed to stand out were integrity, ability and an absence of greed. Making a profit was not the only driver. The companies were aware of what the other parties wanted. For them it was not a zero-sum game in which one party could benefit only at the expense of another party. Instead, according to the private sector interviewees, it was a project through which it was possible to assist other parties in meeting their objectives, while still pursuing one's own, and in the process gaining far more than was originally envisaged.

> *There was a co-operative relationship, based on mutual respect, between the public and private sector role players.*
>
> *Skilled, capable teams in both the private and public sectors managed the development process.*

3. Jabulani Mall, Soweto

Jabulani Mall

Jabulani Mall is a large shopping centre completed in 2006 on a 10 hectare plot of land in Soweto. The mall includes 104 stores and has become a focal point in an area earmarked by the council as the administrative and cultural node of Soweto. The mall is valued at R320 million and is estimated to have created 1 950 jobs directly and indirectly.

Identifying the site

The developer, Roux Property Development Africa, identified the site for the mall after a local market assessment and aerial search. The initial 'internal' marketing study included exploring the area and conducting household interviews. Experts were then appointed to do detailed marketing and feasibility studies related to the financial feasibility of building a shopping mall. Three key factors influenced the developer's choice of the Jabulani site:

- its location and close proximity to busy routes and intersections
- the fact that it was council-owned land
- the fact that the site was vacant.

The developer chose to submit the application in terms of the Ordinance, presumably because the developer did not foresee any difficulties in this regard.

Reasons for the municipality's support of the development

There were strong political factors that influenced the development, particularly the expectations of local people looking for employment and economic opportunities. The developer felt that this put pressure on the local municipality to honour their political mandate of stimulating local economic development. The high levels of unemployment in the area put enormous pressure on the local council to meet local expectations as far as possible and on the Community Liaison Officer (CLO) to ensure fairness in awarding contracts and leasing space to local people.

Photo: Kevin James

Jabulani Mall

In addition, the municipal official explained their decision to support this large-scale shopping mall development in Soweto as one of:

- supporting the local retail industry

- curbing household expenditure on travelling costs

- creating an environment conducive for family outings.

Another factor influencing the development relates to infrastructure provision. Initial negotiations between the developer and the municipality focused mainly on the provision of bulk services. The council discovered that much of the site already had bulk services lying dormant, intended for large-scale housing during the apartheid era. They had been 'lost' because of the previous lack of proper town planning schemes or any form of integrated planning for townships.

The project clearly met both the developer's and the municipality's needs.

Relationship between the developer and the municipality

The developer experienced the interaction with the municipality, in particular the regional office in Soweto, as good. This was attributed to a previous successful collaboration with the municipality on a similar shopping mall development in Soweto. Overall, the developer felt that municipalities in general were cooperative and willing to help, and that a common understanding between the developer and the municipality tended to be reached as the process unfolded.

The municipal official felt that communication between all role players and during all phases of a development was critical. Many problems in development projects arise due to a lack of communication, and more specifically, the will, ability or means to communicate. Development is problematic in nature – one simply has to deal with such problems, and communication is critical in this regard.

There was a good relationship between the developer and the municipality, based on previous experience of working together.

Effective communication between all the role players is essential.

Summary sheet
How can deals be struck that balance social and environmental needs with profit?

The study showed that developers and municipalities have different reasons for undertaking development projects. A developer seeks primarily to realise profit, whilst a municipality primarily seeks to regulate development for the benefit of the poor or public good and to meet all applicable regulations and by-laws. As a result, one of the important issues raised by the study was how to harness the capacity of the development industry to make a significant contribution towards poverty alleviation and develop a more equitable and sustainable urban landscape. Municipalities have a responsibility to direct development in ways that ensure benefits to poorer communities and the public at large. However, all too often they do not have the capacity to do so. One of South Africa's biggest challenges is the fact that developers have essentially taken control of development in our cities.

Understanding the factors that influence decision-making and the challenges faced by both developers and municipalities can help encourage developments balance social and environmental good with profit. Both short-term and long-term social and environmental benefits must be considered. The municipality needs to be careful to ensure that these are realised. Processes need to be put in place to ensure the realisation of the long-term benefits.

The study found examples where the need for the developer to make a profit was balanced with social and environmental benefits (for example Cosmo City and Jabulani Mall). Although most respondents alluded to factors around community benefit being important, the relative importance of community benefit to many developments probably remains questionable. For example, in the Waterberg estate development, worth billions of Rands, the local community benefit was an educational trust limited to selected individuals. While such add-on benefits are good, they do not replace the need for broader-based longer-term social and economic transformation from which communities can benefit. Such transformation requires access to and ownership of resources and opportunities, and as such probably requires national government to play a role.

Key factors that influence decision-making in development projects

Developing urban land is a complex process that depends on a variety of political, social and economic factors. There are often many factors that 'make' or 'break' a deal, a lot of negotiation goes on, and competing agendas are always at play. Some of these factors are given below.

- The level of political support for the project, for example there was strong political support for both Jabulani Mall and Cosmo City.

- Ability of the developer to sell the plan to the municipality as meeting broader social objectives (for example, Jabulani Mall). In the case of Cosmo City both the developer and municipal officials shared clear objectives that had social and environmental benefits.

- Ability to mediate between the multiple agendas of stakeholders. Sometimes decisions may need to be made by a court, not only the municipality or developer, and intricate processes of public participation may be required, as in the case of Cosmo City. However, this case also showed that allowing voices of different stakeholders to be heard can be a factor that drives the development towards more socially equitable and environmentally sustainable outcomes.

Photo: Kevin James

Construction at Cosmo City

- The networks and relationships between municipalities, planning consultants, developers and other stakeholders. In Cosmo City, the project manager played a key role in keeping the project going and building relationships between the various role players. In the Waterberg the developers used their planning consultants to get the project through; it was the provincial authorities who interacted mostly with the developer, whilst the municipality seemed to lack capacity to influence the project, as would be the case with many of the smaller municipalities.

- The ability to identify and move in on niche markets, in order not to miss out on a profitable venture, as shown by the developers of Jabulani Mall and the Waterberg Golf Estate.

- The availability of capital – which is a requirement in all development projects. In Cosmo City, the developers were able to work with the long time-frame because the land was owned by the municipality and therefore the developer did not incur holding costs.

- Ownership of and access to land. Obtaining land for a development can be a lengthy process as shown in Cosmo City, and there are many different ways in which the land can be made available – as the Waterberg developer discovered.

- The development has to comply with government regulations relating to Environmental Impact Assessments and Social Impact Assessments and policies related to land use planning.

Key challenges experienced by developers and municipalities

From the research on all ten projects, the study highlighted some key challenges identified by the interviewees, as shown in Table 2. It is interesting to note that in none of the examples did holding costs or bulk infrastructure contributions pose serious challenges to developers – these costs were passed on to buyers.

Table 2: Key challenges experienced by respondents

Challenge	Experienced by developers	Experienced by officials
Lack of capacity	x	x
Unrealistic expectations	x	x
Bureaucratic delays	x	
Costs	x	
Lack of consideration from developers		x
Internal politics		x

Selected recommendations from the study

Recommendations for municipalities

- To take initiative and make suggestions for how the development could be made more sustainable, inclusive and functional, to act more as development facilitators.

- To develop tools to better understand the costs and benefits of urban land development.

- To facilitate a quarterly forum to exchange ideas, give feedback and facilitate greater communication and transparency between developers, planners and officials. It could also help developers to see the municipality's vision for the area and how it could be achieved.

- To address skills shortages and lack of capacity.

Recommendations for planners

- To develop plans with municipal officials to ensure there is agreement as to how the plan could focus on inclusiveness, equity and sustainability.

Recommendations for politicians

- To focus on developing and popularising municipalities' policies rather than playing a major role in decision-making regarding development projects, since they often lack the technical knowledge to make informed decisions.

- Higher level decision-makers to show the political will to implement normative planning to enable more sustainable and equitable development.

Reading list

Primary source document for this case study:

Oranje M, Landman K and du Toit J (2008), *Beyond policy frameworks: Listening to the voices of developers and municipalities in urban land development in South Africa*. Department of Town and Regional Planning under the auspices of Business Enterprises at University of Pretoria, prepared for Urban LandMark, Pretoria.