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Training for Township Renewal Initiative



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Township Centre Establishment Challenges & Strategies



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Outline

- Lessons from Review of URP Anchor Projects
- Lessons for SACN Impact of Incentives on Private Investment in Townships
- Summary of Township Centre Challenges
- Overview of Township Centre Strategies



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Urban Renewal Anchor Projects: Township Centre Lessons



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Role of Anchor Projects in Urban, Economic, Social Integration

Structural	As frameworks for crowding in public investment Intersection and interchange points for public transport Anchoring development corridors Convenient and accessible nodal concentration of public services
Institutional	New urban management partnership institutions Heightened urban governance focus on the marginalised areas Mobilisation of social capital toward concrete implementation
Developmental	Agglomeration economies for LED BEE and BBEE through creative equity participation and enterprise development Retaining local spending power and enhancing access to shopping opportunities
Perceptual	Creation of attractive public space Cultural generation and pride Enhance identity



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Stakeholder Buy-in Lessons

- Different Mechanisms required for types of stakeholders as well as project phases:
 - Political champions (national, provincial, city-wide, local)
 - Government officials (national, provincial, city-wide, local):
Technical Steering Committees (vertical intergovernmental and horizontal inter-departmental)
 - Community (community structures and leaders)
 - Private sector (developers, financial institutions, contractors)
 - Other role-players: development agencies and funders (e.g. DBSA, Umsobomvu etc.)

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Why is Stakeholder Buy-in to Town Centre planning and implementation processes Critical?

- Leveraging and coordinating public and private sector investment
- Providing a foundation of trust to form public-private and public-community / private-community partnerships which leverage the skills, knowledge, networks, and resources of all three partner sectors
- Community:
 - Supporting community-based organisations to develop the tool capacity, and confidence for resource mobilisation
 - Ensuring local economic impacts and benefits are maximised
 - Mobilise communities and develop local ownership of projects
 - Transparency and accountability to communities, CBOs and donors.



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Stakeholder Buy-in Lessons:

Private Sector

- Locally commissioned market research key to attract private sector interest
- Political commitment to initiative (at least mayoral level) assists in leveraging private interest/ investment
- Enhancing regional/ metro road and public transport system access linkages/ connections and optimal connectivity/ integration critical to market size served and centre feasibility (use NDPG for this)
- LG Cooperation agreement with finance institutions can be used to utilise private sector expertise to raise private sector finance as well as co-opt private sector managerial capacity to operational team



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Stakeholder Buy-in Lessons: Private Sector

- Land availability agreements which facilitate transfer from municipality to end-buyer reduce holding costs significantly and enhance feasibility of developments
- Nature of lease agreements critical (normally 15 years, however 20 years preferable):
 - make provision to be registered against the title deed of the property
 - make provision for renewability as long-term property investment in order to amortise over 10-year period
 - provide that the lease only be due once the building is complete.



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Stakeholder Buy-in Lessons: Community

- Strong community leadership capacity and effective community structure essential to govern relationships and maximise community benefits and engage with opportunities. Community trust with community shareholding facilitates this.
- Significant resources to build community capacity over long period of time required
- Level of service and facility at town centres must equal those in competing established suburbs otherwise customers will go elsewhere
- Review summits held regularly with MEC, top officials, and all role-players to review challenges and de-politicise processes
- Employ full-time local community liaison officer(s) to handle employment and vacancy queries and maintain trust

relationships



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Stakeholder Buy-in Lessons: Government

- Support from national & provincial government often critical re infrastructure funding and public facility investments (esp. health, safety), however requires long lead-times and political leadership. Political Steering Committee could involve MEC and mayoral committee member
- Technical steering committee must involve project champions involved in payment approval processes to avoid unnecessary payment delays

Stakeholder Buy-in Lessons: Government

- Municipal Project Manager/ leader skills & experience vital to project success:
 - Must understand private sector developer/ development process in order to negotiate/ push for value & speed
 - Contractors can take advantage of publicly driven projects re time-frames and quality

Lessons: Access for Local Business

- Informal Sector:
 - Informal Trader's Database must be maintained to inform number of traders to be accommodated
 - Community Development Forum/ structure can enforce registration on database and metro police required to enforce municipal by-laws
 - MOUs between taxi and hawker associations may be required to ensure efficient vehicle and passenger flows

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Lessons: Access for Local Business Contractor development programmes

- Community Forum/ vehicle can also identify labourers and contractors and maintain database to assist contractors re use of local labour
- Choosing the right developer is critical as well as facilitating use and capacity building of local emerging contractors and sub-contractors:
 - Selecting larger, experienced contractors often required (procurement processes must not only select on price) BUT Contractor development programme is required to link emerging contractors with established contractors. Outside contractors must be required to give preference to local sub-contractors



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Lessons: Access for Local Business

- Franchises:
 - Franchise development programme to raise awareness of franchise opportunities and recruit local entrepreneurs is critical business development approach that provides low risk approach to ensuring local business access to town centre developments

Lesson: Area Based Management

- The ABM model is an effective mechanism whereby line departments' functions are integrated and coordinated to serve one geographic area. This approach commits resources and planning attention to specific geographic areas but, although it receives special attention as a presidential project, it is not sidelined as an isolated intervention. The ABM approach requires a dedicated team of specialists focused on ensuring a synergy in governance, planning and implementation in a specific geographic area.

Area Based Management

- The ABM approach involves a dedicated team of specialist officials focused on ensuring that there is synergy in the governance, planning and implementation in a specific geographic area. Ideally it includes decentralization of both specialized personnel and customer services. Areas have a dedicated budgets and are able to set specific service level targets. In the URP context some key advantages of ABM include:
 - Local government budget accessibility to facilitate “joined up” budgeting with other sources
 - Accessibility of local government skills and processes to the URP
 - Local knowledge, understanding and commitment
 - Greater ease in forming and sustaining community partnerships.
- The approach requires that the relative freedom and level of integration of area-based management be balanced with the demands and constraints of line department functioning.

Town Centre components

- Retail/ services:
 - Anchor tenants require critical mass and minimum mall size of 12,000m² - 14,000m² needed
 - Finance agreements require 60-70% of tenants be national chains/ franchises
 - Financial institutions need to be tenants
- Newer components emerging for e.g.
 - Office facilities
 - Motor related retail and services
- Public facilities esp. safety

Town Centre components (cont.)

- Successful retail principles:
 - Stores offering credit enjoy 10-15% higher turnover levels
 - Cleansing and toilet monitoring essential standards
 - Fashionable tastes/ standards must inform interior design and tenant's product offerings

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Impact of Incentives on Leveraging Private Investment in Townships:

Key Lessons



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What is an incentive?

The direct or indirect cost or benefit that changes behaviour by motivating a decision of action by consumers, businesses, or other participants in the economy which would not otherwise have taken place in order to achieve some objective.

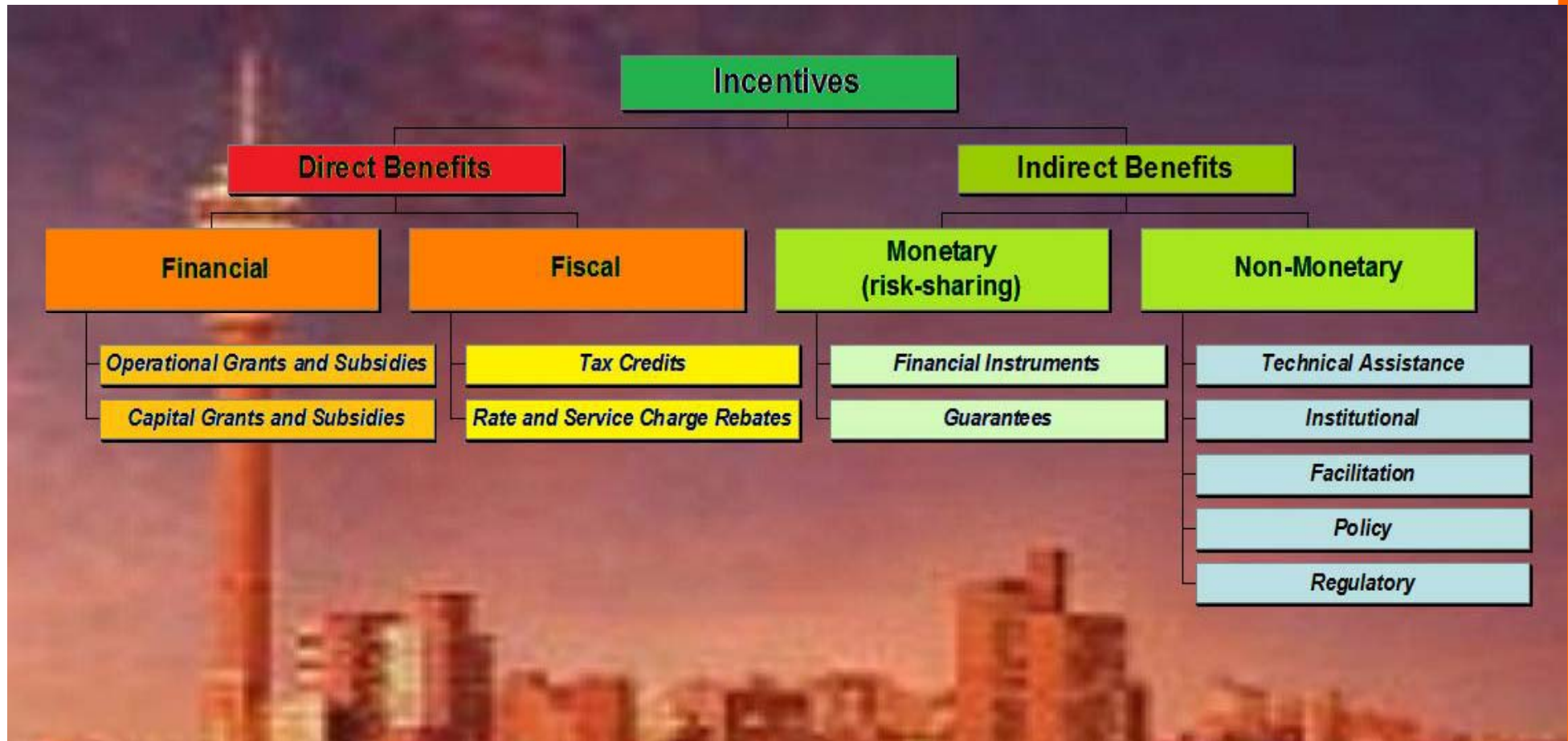
SACN Incentives Case Studies



Background Issues

- Why are incentives used?
 - Structural barriers underlying social and economic inequality cannot be dismantled by market mechanisms alone
 - State must assume interventionist role in urban and economic development to restructure the ‘apartheid city’.

Incentive Typology



High Impact Township Incentives

Incentive	Why Incentive is Effective	Example
Land availability agreement	<ul style="list-style-type: none"> • <i>expedites development</i> • <i>municipality carries risk associated with delays in regulatory approval</i> 	Khayelitsha
Public facilities	<ul style="list-style-type: none"> • <i>signals public sector prioritisation</i> • <i>attracts fees</i> 	Khayelitsha
NDPG	<ul style="list-style-type: none"> • <i>key to feasibility and investor certainty</i> 	Bridge City
City Improvement District	<ul style="list-style-type: none"> • <i>key to competing with suburban malls</i> 	Khayelitsha

High Impact Township Incentives

Incentive	Why Incentive is Effective	Example
Deregulation of partnerships	<ul style="list-style-type: none"> • <i>reduces transaction complexity and cost</i> 	INK and Khayelitsha
Public Transport and Systems Fund	<ul style="list-style-type: none"> • <i>public transport interchange boosts footfall</i> 	Khayelitsha
National Housing Programme	<ul style="list-style-type: none"> • <i>creates secure capital base and financial anchor</i> 	Cosmo City
Relaxation of bulk service contribution	<ul style="list-style-type: none"> • <i>reduces development costs</i> 	Khayelitsha

High Impact Township Incentives

Incentive	Why Incentive is Effective	Example
Market research and feasibility studies	<ul style="list-style-type: none"> • <i>lowers business risk</i> • <i>essential to secure private sector finance</i> 	Bridge City
Land value write-down	<ul style="list-style-type: none"> • <i>reduces development costs</i> 	Khayelitsha
Land swops	<ul style="list-style-type: none"> • <i>encourages high-value packaging</i> 	Bridge City
Joint ventures	<ul style="list-style-type: none"> • <i>reduces development costs</i> 	Khayelitsha

High Impact Township Incentives

Incentive	Why Incentive is Effective	Example
Financial Services Charter lending targets	<ul style="list-style-type: none"> • <i>creates lending appetite</i> • <i>essential to secure private sector finance</i> 	Khayelitsha and Cosmo City
Urban management measures	<ul style="list-style-type: none"> • <i>improves perception</i> 	Khayelitsha
Flagship (status) projects	<ul style="list-style-type: none"> • <i>galvanises public and private sector commitment</i> 	Khayelitsha
Urban Renewal Programme	<ul style="list-style-type: none"> • <i>creates profile and government attention</i> 	Khayelitsha and INK

High Impact Greenfield Incentives

Incentive	Why Incentive is Effective	Example
Political champion	<ul style="list-style-type: none"> • <i>avoid costly delays</i> • <i>attract support</i> • <i>resolve conflict</i> 	Cosmo City
Land sale availability	<ul style="list-style-type: none"> • <i>revenue maximising option for local municipality</i> • <i>marketing and selling operations through profit-driven developer</i> • <i>no up-front land purchase required from developer</i> 	Cosmo City

High Impact Greenfield Incentives

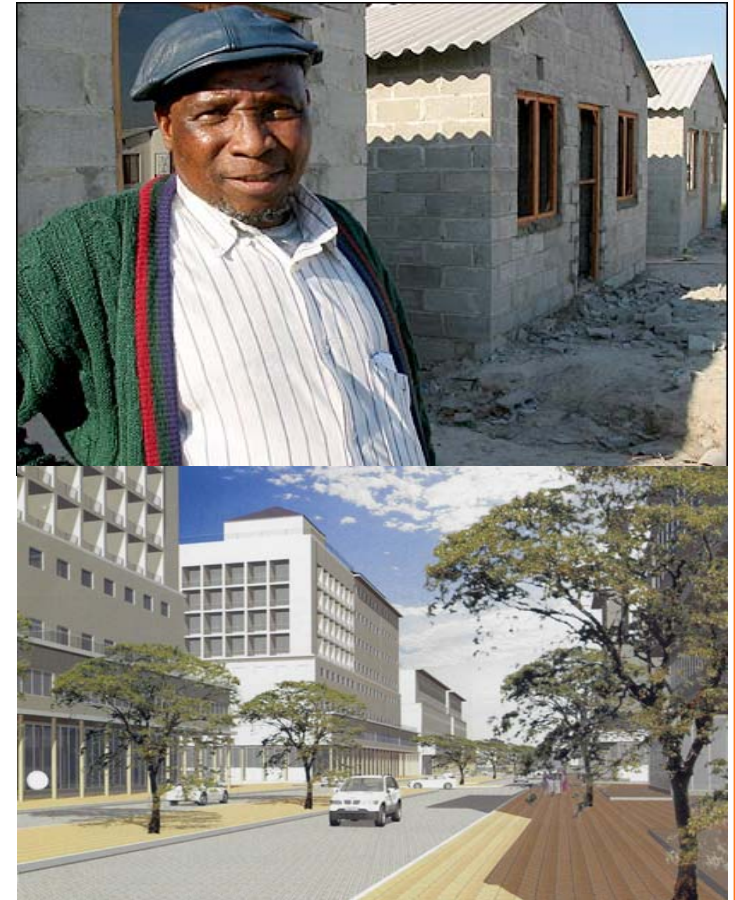
Incentive	Why Incentive is Effective	Example
<p>Municipal and Provincial Inter-Departmental Management Committees</p> <p>Dedicated Project Manager</p>	<ul style="list-style-type: none"> • <i>facilitates vertical and horizontal alignment</i> 	<p>Cosmo City</p>

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Key Lessons

- Most incentives are currently dominated by national government grants that are driven by sector imperatives, resulting in administrative and project planning complexities
 - Contradictory sector policy objectives
 - Areas of deprivation vs areas of potential
 - Nationally uniform and equitable inputs vs locally specific and appropriate outcomes
- Due to fragmented funding and institutional arrangements, combined with local specificity, urban restructuring and regeneration projects in South Africa are not readily transferable or replicable between cities.



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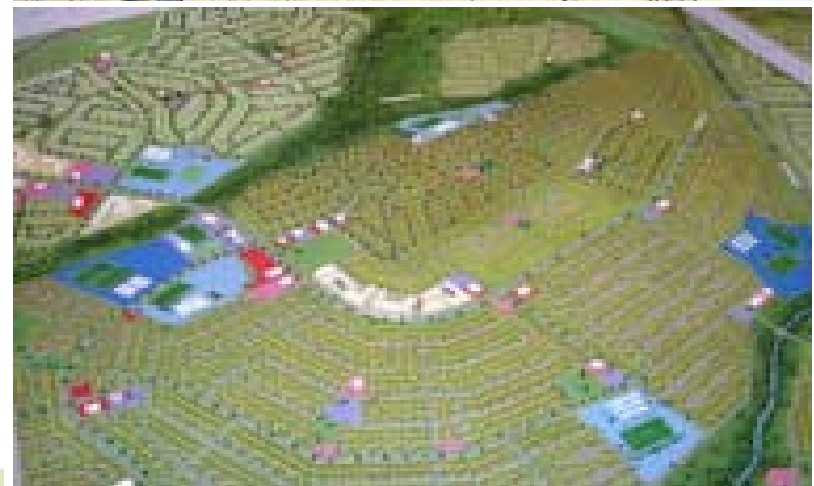
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Key Lessons

- High level political commitment and shared vision – backed by targeted public capital investment and PPP arrangements – are most effective in achieving desirable urban development outcomes
- The most successful outcomes require significant facilitation, deal-making, negotiations and relationship-building capacity at a project level



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Key Lessons

- While most incentives focus on reducing capital infrastructure costs, operational service delivery levels and efficiency are viewed by the private sector as critical investment pre-conditions and warrant greater prioritisation by the public sector.
- The operational costs associated with preparing project plans and feasibility studies and grant applications are not adequately provided for, resulting in significant time lags before existing incentives are accessed by the private sector.

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Key Lessons

- The failure to achieve or maintain basic urban management standards in any target area – particularly safety, policing and public space quality – will largely negate the impact of incentives.
- The interpretation of municipal finance regulations constrain PPPs and the involvement of the private sector in general.



Recommendations for Local Government

- Review and update Spatial Development Frameworks
 - Provides clear investment directives within flexible planning framework
 - Prioritise areas for targeted intervention
 - Special development zones
- Relax interpretation of MFMA
 - The sale of public land must consider, but not be determined by, market value

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