eThekwini Industrial Land Study and Land Development Strategy

EDGE Seminar
27 June 2014
Purpose of the Project

- Project context
  - Employment in eThekwini is dominated by manufacturing
  - But the comparative advantage could be slipping – general view that there are shortages of suitable land, land costs are relatively high and developers are experiencing very long search times for land

- Need to develop an understanding of the current industrial land supply and demand

- Develop a shared vision of the management of industrial land to support economic growth and job creation

- Outcomes:
  - Industrial Land Inventory / Information System
  - Industrial Land Study – Supply and Demand
  - Industrial Land Strategy
  - Implementation Framework
  - Monitoring Plan
Understanding existing supply and demand
Demand and Supply Study undertaken

Existing Zoned And Proposed Industrial Land As Per Approved Spatial Development Plans
GIS Database

- 2002: 0 Ha
- 2007: 32 Ha
- 2012: 53 Ha

- 2002: 133 Ha
- 2007: 158 Ha
- 2012: 170 Ha
## Challenges identified in Stakeholder Workshops

<table>
<thead>
<tr>
<th>Issues</th>
<th>Mentions</th>
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<tbody>
<tr>
<td>Red tape/ regulations/ delays/ pro-active planning/ approach – planning too reactive/ bold decisions</td>
<td>25</td>
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<tr>
<td>Bulk infrastructure costs / limited municipal finance / developers contributions</td>
<td>18</td>
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<td>Relationship between developers and municipalities</td>
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<td>Land price – too high; in the hands of a few; requires reducing</td>
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<td>Lack of services and infrastructure costs</td>
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<td>Rates and financial incentives</td>
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<td>EIAs/ Act 70 of 1970</td>
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<td>Investor confidence and global economic forces/ macro-economic conditions</td>
<td>7</td>
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<tr>
<td>Project management and marketing</td>
<td>6</td>
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Reality emerging from Supply and Demand Study

- There is vacant zoned industrial land within the Municipality - single sites, dispersed, assumed that this is not satisfying market demand (possible reasons: poor location, lack of access, affected by D’MOSS, etc.)

- There is some 1,600 ha’s of land identified for industrial development in the Spatial Development Plans but this needs to be zoned and serviced to address the demand

- Demand appears to be in the region of 30 – 45 ha’s p.a. although latent demand may be in excess of this if land was readily available

SO WHY IS THERE A PERCEIVED SHORTAGE OF LAND AND INFLATED PRICES?

Land Price:
- Durban R1250
- JHB R900
- RB R450
- PMB R385
Greenfields and Brownfields

- Two primary areas to consider:
  - **Greenfields**: describes land that has never had buildings on it before or buildings have been put on the land for the first time
  - **Brownfields**: describes an area of land in a town or city that has been developed and which has been identified for redevelopment

- The industrial land strategy will need to address both of these areas as the key issues in each are quite different
Key Issue - Greenfields

Time Delay of Land to Market

- Business Cycle: 2 years
- Environmental, Planning, Licensing and approval cycle as well as provision of bulk services: 5 to 10 years

- This gap/disequilibrium needs to be narrowed to what is tolerable through the land development strategy

- A catch up process that results in a constant land bank of 5 years supply to be ensured within the metropolitan boundary (could be privately and/or publically owned)
Key Issue - Brownfields

- Aging Infrastructure
- Urban management - Crime and Grime
- Who to contact
- When should the Municipality intervene?
- Investor aftercare
The Industrial Land Development Strategy
Suggested Goal

The proposed goal of the strategy is:

*The eThekwini Municipality will be a proactive facilitator of industrial land development, in order to build confidence in the market to invest in Durban and contribute towards economic growth and job creation.*

The proposed key objectives of the land development strategy are to:

- manage existing industrial land in order to retain and grow existing investment, and to
  - facilitate the delivery of an adequate “ready for market” land bank

Land that is “ready for market” would imply that the land is

- Zoned for industrial use and bulk services are available; and
- Ready for developers to platform and provide the internal road network and infrastructure required.
Industrial Strategy – Conceptual Framework

Facilitate investment in Industrial Land
Manage
Existing/Brownfields
Greenfields ready for market land bank

Decisive, Facilitative Business and Political Culture and Exemplary Urban Management
- Bold decision making and a Common Municipal position generated by strategic leadership
- Increased communication between the Municipality and Developers
- Exemplary Urban Management

Proactive Infrastructure Delivery
- Prioritize catalyst projects to catch up delayed delivery - dashboard and deal team
- Fast track approvals
- Proactive forward planning

Innovation, Research and Development
- Maintain and Develop the GIS database as an information and management tool
- ICT capacity
- Funding and delivery mechanisms
- Land Use Schemes
- Support and Promote Green Environment Research
<table>
<thead>
<tr>
<th>Goal</th>
<th>Strategy</th>
<th>Action</th>
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<tbody>
<tr>
<td>1. Decisive, Facilitative Business and Political Culture and exemplary Urban Management</td>
<td>Bold decision making and a Common Municipal position generated by strategic leadership</td>
<td>Establish/reinforce a Strategic Decision Making team</td>
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<td>Establish an Inter-Departmental Approval Team</td>
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<td>Improve Systems, Facilitate and Fast Track Approvals</td>
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<td>Appoint Project Facilitators</td>
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<td>Elevate the role of the Spatial Development Framework (SDF)</td>
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<td>Increased communication between the municipality and developers</td>
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<td>Establish eThekwinin Strategic Developers Forum</td>
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<td>Establish a Specific Department to become the first port of call for developers / “One-stop-shop”</td>
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<td>Establish eThekwinin Operational Developer Forums specific to large Investment Projects</td>
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<td>Marketing and Branding of eThekwinin as a Port City and an Industrial Hub</td>
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<td>Exemplary Urban Management</td>
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<td>Management Associations mandatory in all new Estates</td>
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<td>Area Based Management and Estate Managers to be investigated</td>
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<td>Build on the Business Retention and Expansion strategy</td>
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<td>Radically improve the system of reporting faults and response to this</td>
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## Strategy 2

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<tr>
<th>Goal</th>
<th>Strategy</th>
<th>Action</th>
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<tbody>
<tr>
<td>2. Proactive Infrastructure Delivery</td>
<td>Prioritize catalyst projects to catch up delayed delivery - dashboard and deal team</td>
<td>Strategic decision making forum</td>
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<td></td>
<td>Fast track approval of key/critical Infrastructure Projects for Brownfield and Greenfield priorities</td>
<td>Project managers; inter-departmental approval forum</td>
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<td>Proactive forward planning to identify bulk infrastructure projects that will be needed to service future industrial areas</td>
<td>Continue with the type of forward planning undertaken for the Northern Urban Corridor to develop infrastructure proposals</td>
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## Strategy 3

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<tr>
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<th>Strategy</th>
<th>Action</th>
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<tbody>
<tr>
<td>3. Innovation, Research and Development</td>
<td>Maintain and Develop the GIS database as an information and management tool</td>
<td>EDIPU champion</td>
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<td></td>
<td>ICT capacity</td>
<td>Initiate research</td>
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<td></td>
<td>Funding and delivery mechanisms</td>
<td>Initiate research</td>
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<tr>
<td></td>
<td>Land Use Schemes</td>
<td>Initiate research</td>
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<tr>
<td></td>
<td>Support and Promote Green Environment Research</td>
<td>Initiate research</td>
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<td></td>
<td>Research and develop new land delivery methods</td>
<td>Initiate research</td>
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Industrial Land Implementation Plan
Brownfields
- Those sites where land value exceeds building value
- Clustering of sites
- Properties less than 30km from Ports
- BEPP integration zone (2014) included
Emerging Brownfield Priorities

- South Durban Area including the back of Port, Clairwood and Mobeni/Jacobs
- Inner City
- Pinetown and surrounds
Brownfields Area Based Interventions

- Work with Organised Local Stakeholders and empowering stakeholders to apply pressure when necessary
- Link local key issues into longer term and strategic issues to turn around the performance of areas:
  - Crime and Grime to improved municipal services
  - Coordinated municipal contact points to Investor Aftercare
  - Marketing opportunities
- Sustaining effort and providing financial models for service levels beyond municipal level
Greenfields - prioritization

- Access
- Densification / avoid urban sprawl
- Near existing labour pools
- Commercial transport costs – 7.5km of ports
- National and provincial Priorities – SIP 2

- Mapping
Emerging Greenfield Priorities

- Land Bank for 5 years @ take up rate of 45 ha per annum = 225 ha
- Northern area: Aerotropolis or area around Dube TradePort – part of SIP 2; falls within emerging priority integration zone (possible 225ha);
- Western corridor – On SIP 2 corridor; on the edge of the wider integration zone (possible 420 ha)
- Dig-out Port and Southern area – SIP 2 priority but longer term – Illovo and long term Finningly
Monitoring and Evaluation

- Learning
- Risk Management
- Accountability

- Monitoring:
  - Measuring and observing trends and actions
- Evaluation
  - Answering key questions and reaching conclusions
  - Making recommendations and identifying actions required

- Responsibility: Head EDIPU
- Reporting: Twice a year
- Key Indicator: new capital expenditure in the Industrial Sector in the Municipality (StatsSA and DTI)
## Institutional Options

<table>
<thead>
<tr>
<th>Type</th>
<th>Do nothing</th>
<th>Intervene in market forces</th>
<th>JV/PPP with private sector players</th>
<th>Establish municipal land company / top structures</th>
<th>Third Party Facilitation</th>
</tr>
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<tbody>
<tr>
<td>Pros</td>
<td>‘Do no further harm’</td>
<td>Could bring prices down</td>
<td>Could bring prices down, get better options on market</td>
<td>Could bring prices down, speed delivery up, widen range of market options</td>
<td>Internationally successful with respect to speed</td>
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<tr>
<td>Cons</td>
<td>Continue with current problems</td>
<td>Unintended market consequences in medium term</td>
<td>Complicated politically/legally</td>
<td>Could ‘panic’ market, and put municipal institutional culture to test</td>
<td>Retains existing market distortions</td>
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<td>In all</td>
<td>Optimize municipal decision making and modify practices as suggested in the strategy</td>
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### Further research

- Scope and nature of eThekwini Land marketing and Development Consortium – JV/PPP
- Scope and limits of Current successful municipal initiatives in land banking, land preparation and land release
- Adaptation of third party facilitators model
Finance

• There are financial implications of doing nothing (mainly negative); and financial implications to all recommendations made.

• Currently 46% of the Municipal budget it funded from rates and of this, 37% is funded from residential properties, 32% from Business and Commercial and 23% from industrial properties. To reduce the burden on households increased industrial investment in Business, commercial and industrial development is required to boost this revenue source.

• In addition Municipal involvement in industrial development may be an option.

• In many areas of on-going intervention in the Municipality there have been, and will be, financial risk (ICC, Moses Mabhida, etc.)

• In comparative terms the Municipality’s industrial land interventions have been the most prudent and least risky over the last three or more decades (e.g. RVBE assessment)

• Some international cases show strong net returns from municipal involvement in preparation and sales of industrial land (looks like eThekwini could make R150 million p.a. as well as enhanced rates).

• Needs future feasibility work.
Workshop discussion – 45 minutes

- Questions of Clarification – 10 minutes
- Small Group Discussion – 15 minutes
- One person from each group report back - 15 minutes
- Conclusion – 5 minutes

- As the Head Of Industrial Land Development what would your 2 key priorities be?