FINAL REPORT

SUMMARY ECONOMIC IMPACT ASSESSMENT FOR THE REVISED POINT DEVELOPMENT, DURBAN

14 MAY 2015

DURBAN POINT DEVELOPMENT COMPANY

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EXECUTIVE SUMMARY

The findings of this abbreviated assessment of the economic impacts of the revise Point Development Plan are based on the original full Economic Impact assessment that was prepared in 2006, as part of the original Environmental Impact Assessment application made my the Durban Point Development Company. The exclusion of the Small Craft Harbour and the increase in densities and development bulks require that new calculations be formulated. The following is the outcome of this revised assessment.

1. There is no doubt that the proposed Development Plan will yield a range of measurable positive impacts, in the immediate area of the development, in the CBD, in respect of job creation, rates revenue, national tax revenue, as a contribution to the overall quality of the City of Durban.

2. Approximately 11,000 construction phase jobs are likely to be created per annum.

3. Approximately 6,750 more permanent jobs are likely to be created.

4. Local existing property values are likely to increase by some 10%.

5. Central Durban property values are likely to increase by 5%.

6. Rates revenues generated for eThekwini will amount to in excess of ZAR200 million more per annum.

7. The GDP/GVA contribution could be an amount in excess of an additional ZAR0.7 billion.

8. Overall national public revenues that may be derived from the revised development through the various tax mechanisms (VAT on materials, wage and profit taxes) could amount to an additional ZAR1.7 billion.

9. The potential income generation flowing from the Point Development should Durban host the Commonwealth Games could be in the region of ZAR2.2 billion.

10. The Point Development must be seen in the context of a city-wide development process, indicating that Durban is on the brink of change, that there is significant interest in the revitalisation of the CBD and the immediate urban edge, with a number of precincts either developed, in the process of development or in the planning stages. This development impetus both contributes to and will be affected by the viability of the Durban Point Development.

11. The development of a complete mixed use node will stimulate economic activity, create jobs and draw custom to the area.
The addition provided by the Point Development to the tourism profile of Durban will be significant, especially given that the limited range of existing tourism products in Durban has been mentioned as a deficit in growing this sector.
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Acronyms

CBD Central Business District
DIDT Durban Infrastructure Development Trust
DPDC Durban Point Development Company
DTP Dube TradePort
EIA Environmental Impact Assessment
FIFA Fédération Internationale de Football Association
GDP Gross Domestic Product
GVA Gross Value Added
IDP Integrated Development Plan
INK Inanda Ntuzuma KwaMashu
IRPTN Integrated Rapid Public Transport Network
KSIA King Shaka International Airport
LTDF Long Term development Framework
NUDC Northern Urban Development Corridor
SCH Small Craft Harbour
SEZ Special Economic Zone
SIA Social Impact Assessment
UDZ Urban Development Zones
1. INTRODUCTION & BACKGROUND

Durban Point Development Company (DPDC) is a Pty Ltd company with the eThekwini Municipality through Durban Infrastructure Development Trust (DIDT) and ROC Point (Pty) Ltd (UEM Sunrise 80.4% and Vulindlela 19.6%) as Joint Shareholders. They are in the process of finalizing authorizations to get the Point Development back on track. Part of this process requires the computation of economic impacts of the significantly revised Point Development plan. To this end, DPDC has approached Real Consulting to prepare an abbreviated, or summary, Economic Impact Assessment. The purpose of this assessment is to support the scheme amendment application for the revised framework plan.

A new and enlivened vision for the Point Development addresses many of the issues that caused previous plans to stall in the four years before an out-of-court settlement was achieved with the Save Vetch’s Association in 2012. The focus of the revised development will be just off the marine edge, nullifying most of the concerns raised by those opposed to the earlier proposal. The new vision entails a modern and world-class waterfront mixed-use development that integrates the Point Development into the surrounding physical context, offering residential, office, retail and elaborate leisure and hospitality facilities to Durbanites, business visitors and tourists alike. The present proposal is unlikely to garner the same kind of opposition that characterized the previous framework plan.

The eThekwini Municipality is committed to the inner city master plan to radically uplift and enhance the CBD of Durban. The New Point Development will complement this process well. That the proposed Development is also aligned to the demands and opportunities flowing from the fact that Durban is likely to play host to the 2022 Commonwealth Games, gives further impetus to the need for such a development thrust in the broader CBD of Durban. The positive impact of the new vision on the existing semi-developed space is obvious. Those who have invested in the earlier dream are bound to welcome the new plans.

The new vision for the Point Development is predicated on maximizing the use of the area, both by permanent residents and temporary visitors. This will be achieved by a network of vehicular and pedestrian connectivity that will link to and extend the existing beachfront promenade along Vetch’s beach, around to the northern harbor edge, populating the space in between with multistory structures offering residential, office, retail and leisure infrastructure. Existing roads that presently sever the new point development precincts from each other and from facilities such as Ushaka and

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1 It is noted that the assessment is not a full Economic Impact Assessment, which product would require a much greater analysis of a wider range of factors, and a much longer timeframe to prepare. The report is limited to specified outcomes based on information received.
the harbor will be reconfigured as link roads. Bus access will be aligned to eThekwini’s Integrated Rapid Public Transport Network (IRPTN), promoting public transport into and out of the precinct.

Densities are likely to be increased dramatically with at least one iconic structure of 55 storeys, and a 39 storey high-end hotel. Other high rise structures will carry the pattern already established along the beach front, and to some extent realised in the earlier phase of the Point Development. Overall the site will provide for an additional 3000-4000 residential units targeting the full range of users, from first-time home owners to established families who are seeking a particular waterfront and modern lifestyle. Residential facilities will be complemented by a vastly increased office and retail space offering amounting to approximately 40 000m² of bulk. A retail centre associated with Ushaka will complete the overall transformation.

The preparation of the Economic Impact Assessment entails the measurement of opportunity costs and externalities; construction phases economic consequences; and operational phase economic consequences. The Economic Impact Assessment will note both direct and indirect impacts as are likely to arise from the IOI, or the Point Development. The final report will therefore include, inter alia, impacts related to:

- Measuring Economic Activity to define the GDP growth impact, as well as the Gross Value Added (GVA) to the extent possible.

- Job creation – construction phase and permanent, direct and indirect.

- Potential enterprise development – direct and indirect, including revenue opportunities generated by the use of the area under the proposed extended promenade, parkings, public transport revenue etc.

- Rates revenue for the city (who has a 50% stake in the Point Development Company), especially as the new vision includes an increase in the development bulk from 575,000m² to 750,000m².

- Other public revenues deriving from the construction phases (Taxes, including VAT).

- Tourism of various types including leisure, business and sporting, with especial note of the impact of the development on the hosting of the 2022 Commonwealth Games.

- Property values in the immediate area, and beyond.

- The overall impact of such a development close to the CBD, and in association with other planned urban renewal initiatives on the Durban metropolitan centre.
This abbreviated Economic Impact Assessment is prepared in such a way that the substance of impact is described in Chapter 4, supported by Appendix 1. Chapters 2 and 3 provide useful contextual information that should be noted in assessing the potential economic impacts of the revised Durban Point Development.
2. SUMMARY OF THE POINT DEVELOPMENT FRAMEWORK PLANS

The Durban Point is well used by a small group of people relative to the extent the rest of the beachfront is used. In preparation for the FIFA World Cup in 2010, eThekwini invested massive sums of money in refashioning the stretch between Moses Mabhida Stadium and Ushaka Marine World. The impact of this has created a facility that is used extensively by Durbanites and visitors. At any given time of the day, there are people using this promenade for leisure and sporting purposes. On weekends it is a hive of activity from early until late. In contrast to this stretch, the Vetch’s beach area is used mainly by families who are associated in one way or another with the 5 water craft clubs that operate there, the fishing fraternity, including seine netters, learners of a variety of sea sports and a small number of people who are prepared to walk some distance to access this part of the beachfront. Naturally usage increases at the point of Ushaka Marine World, where there is parking and easy access. While this usage profile represents a “treasure” to the existing users, it also indicates an under-utilisation of the area. In the wake of the early plans to develop the Point area, objections to the nature of the proposed development came precisely from the existing users, who feared loss of access to a leisure resource that they believed to be theirs to share in. The revised development plan, which is the subject of this assessment, has acknowledged in the main, the concerns raised by the Save Vetch’s Association, especially in regard to public access to the resource. This chapter summarises the basics of the old and revised plans for the Point Development.

Description of the Point Precinct in The Past

The area known as the Point covers some 55 ha 10 of which is used by Ushaka Marine Word, and is bounded by the ocean on the east, the harbour mouth and Mahatma Ghandi Road on the south and west, with Ushaka Marine World marking the northern area. Historically the area has been somewhat neglected and has represented a not unusual profile associated with harbours, namely semi industrial area including warehousing and a small usage related to boating. The area has been largely run down and gives bad impression in general.
During the early 2000s, plans were put in place to develop the area around the Point, championed by the Durban Point Development Company.

2006 – 2013 Version of the Point Development

The framework plan for the original Point Development was largely conceptualised around the Small Craft Harbour (SCH) and associated lifestyle options including a number of mainly residential options and leisure spaces such as the canal walk. The following is a visual representation of this plan.
The original plan as represented above made a case for a development premised on the establishment of a Small Craft Harbour, with an associated set of residential, commercial and business premises, offering a particular and somewhat exclusive lifestyle option. As part of the planning process, a full EIA was carried out with and associated Social Impact Assessment (SIA) and a full Economic Impact Assessment. The outcome of the latter was a set of findings, not dissimilar from the findings of this abbreviated economic impact assessment: The Point Development was a worthwhile concept economically, and would likely result in positive returns on investment. The SIA revealed a fair degree of hostility to the proposed development, specifically focused on the SCH itself, the “appropriation” of beach area, essentially excluding public access to what was seen as a public resource. Finally the 5 marine sports clubs objected that the proposed plan would undermine their interests.

Over a period of years, an objection process was pursued and the final outcome was the revision of the original SCH plan, bringing the scale of that aspect right down. A Record of Decision (ROD) to this effect was granted by the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs in 2014. The following illustration shows the difference.

![Figure 3. Revised Plan showing reduced SCH](image)

According to the Point Development website: “All the Land in Phase One (188 000sqm of bulk) has been sold and mixed use developments consisting of residential, offices, hotels and retail outlets are at various stages of planning and construction with the residential component selling at an average price of R12 000 to R18 000 per square metre.”

The present occupation status of the Point Development is indicated by the following table.

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2 [http://www.durbanpoint.co.za/technicalinfo](http://www.durbanpoint.co.za/technicalinfo)
Table 1. Current occupation profile

<table>
<thead>
<tr>
<th>Portion No</th>
<th>Block No</th>
<th>Bulk Sold</th>
<th>portion no's from sold table</th>
<th>name</th>
<th>Residential %</th>
<th>Holiday %</th>
<th>Office %</th>
<th>Retail %</th>
<th>Comment</th>
</tr>
</thead>
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<tr>
<td>18</td>
<td>1.24</td>
<td>6 540</td>
<td>18</td>
<td>Blue Plum</td>
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<td></td>
<td></td>
<td>not developed yet</td>
</tr>
<tr>
<td>20</td>
<td>1.23</td>
<td>4 743</td>
<td>20</td>
<td>Dockpoint</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>1.22</td>
<td>4 735</td>
<td>22</td>
<td>Marine Point</td>
<td>98%</td>
<td>2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>1.17</td>
<td>5 830</td>
<td>25</td>
<td>One Point 1 Seven</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td>not developed yet</td>
</tr>
<tr>
<td>26</td>
<td>1.16</td>
<td>3 413</td>
<td>26</td>
<td>Ilanga</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28/29</td>
<td>1.15</td>
<td>28/29</td>
<td>DPDC offices</td>
<td>100%</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>1.14</td>
<td>6 419</td>
<td>30</td>
<td>Harbour View Heights</td>
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<td></td>
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<td>32</td>
<td>1.13</td>
<td>3 827</td>
<td>32</td>
<td>East Point</td>
<td>100%</td>
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<td></td>
<td></td>
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<tr>
<td>35</td>
<td>1.10</td>
<td>11 764</td>
<td>35</td>
<td>Point Bay</td>
<td>90%</td>
<td>10%</td>
<td></td>
<td></td>
<td>much of retail used as offices</td>
</tr>
<tr>
<td>36</td>
<td>1.11</td>
<td>7 551</td>
<td>36</td>
<td>The Palms</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td>not developed yet</td>
</tr>
<tr>
<td>37</td>
<td>1.18/1.19</td>
<td>24 279</td>
<td>37</td>
<td>The Sails</td>
<td>90%</td>
<td>10%</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>1.21</td>
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<tr>
<td>43</td>
<td>1.8a</td>
<td>9 555</td>
<td>71</td>
<td>The Quays</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>1.8b</td>
<td>8 241</td>
<td>27</td>
<td>Quayside</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>58</td>
<td>1.8c</td>
<td>6 213</td>
<td>58</td>
<td>Dolphin whispers</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>1.9</td>
<td>8 702</td>
<td>45</td>
<td>Point Bastille</td>
<td>98%</td>
<td>2%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2015 Version of the Point Development

The Durban Point Development Company has decided to revise the entire precinct plan and development approach in the period 2014-14. The Company is now a 50:50 joint venture between eThekwini Municipality and ROC-Point (UEM Sunrise 80.4% and Vulindlela 19.6%). The new team has put together a somewhat different proposal. Based on the original plan, but with important changes, the new Framework Plan ascribes to a set of design principles, which were arrived at by critiquing the original plan and responding to the concerns raised by objectors to the SCH. The new plan is basically designed around maximum usage of the space, creating a striking development node in a distinct area. In this regard, densities have been increased dramatically, with high rise structures dominating the built environment. Access to the whole development area, including the beach has become a point of principle. The design features are encapsulated by the following:
• Enhance the Beach Environment, by linking it to the rest of the beachfront.
• Continuous Beach Promenade, extending the existing promenade bringing users to this southern area.
• Accommodation for Point Watersports Club and Seinne Netters underneath the promenade and promoting their integration into the economic spinoffs of an amplified tourism product.
• Sub Tropical Landscape, promoting the indigenous character of Durban through appropriate and signature landscaping.
• Promoting Durban’s Identity as an exciting 21st century African city by creating a built environment that is integrated into the rest of the CBD.
• Transportation Node, to link users to uShaka, Point Precinct and the proposed cruise terminal area and other parts of the development.
• A Rational Road System, that promotes linkages, and traffic flows rather than severing areas from each other.
• Creating New Living Opportunities in a range of accommodation typologies that will respond to a growing demand for realty and also in preparation for catalytic events such as the Commonwealth games.
• New and various Commercial Sites designed to complement the residential areas.
• Expanded retail and hotel opportunities, especially concentrated in the Ushaka precinct.
PRECINCT LAYOUT

Figure 4. Precinct layout

**PRECINCT PROMENADE:** Consist of a landscaped public promenade with cafés, kiosks, markets and retail outlets and seating areas. The boat clubs facilities and public car parking are arranged underneath with toilet and beach activity amenities.

**PRECINCT 1:** Consists of existing sold development parcels, mainly residential with some retail and commercial developments, however not all have been developed.

**PRECINCT 2:** Future retail, hotel and residential development opportunities have been identified.

**PRECINCT 3:** Consists of mainly historic buildings/warehouses, which will be redeveloped in a variety of commercial, retail and hotel developments.

**PRECINCT 4:** Future development includes mainly residential with a retail and commercial activity strip facing on the harbour side promenade.

**PRECINCT 5:** Future development includes mainly residential development, with strips of retail and commercial activities facing onto the beachfront promenade.

**PRECINCT 6:** Future development includes mainly commercial and residential.

**USHAKA MARINE WORLD:** Theme park and aquarium with a tourist retail centre.
The profile of the current plan accommodates the following lot areas, sizes, usages and bulks.

**Table 2. Specifications for lots**

<table>
<thead>
<tr>
<th>LOT NUMBER</th>
<th>SITE AREA (M²)</th>
<th>SITE AREA (ACRE)</th>
<th>SITE AREA (HA)</th>
<th>INDICATIVE LANDUSE</th>
<th>FAR/PAR</th>
<th>HEIGHT/LEVELS</th>
<th>BULK (M²)</th>
<th>CAR PARK</th>
<th>CAR PARK AREA (M²)</th>
<th>B-CAR PARK</th>
<th>P-CAR PARK</th>
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<tr>
<td>LOT 1.6A</td>
<td>2 969</td>
<td>0.7</td>
<td>0.3</td>
<td>MIXED USE</td>
<td>2.5</td>
<td>5</td>
<td>7 350</td>
<td>147</td>
<td>4 778</td>
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</tr>
<tr>
<td>LOT 1.6B</td>
<td>2 392</td>
<td>0.7</td>
<td>0.2</td>
<td>OPEN SPACE</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>LOT 1.7</td>
<td>3 202</td>
<td>0.8</td>
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<td>OPEN SPACE</td>
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</tr>
<tr>
<td>LOT 1.8A</td>
<td>3 780</td>
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<td>0.4</td>
<td>RESIDENTIAL</td>
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<td></td>
<td>10 559</td>
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</tr>
<tr>
<td>LOT 1.8B</td>
<td>2 745</td>
<td>0.7</td>
<td>0.3</td>
<td>RESIDENTIAL</td>
<td></td>
<td></td>
<td>8 241</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>LOT 1.8C</td>
<td>1 915</td>
<td>0.5</td>
<td>0.2</td>
<td>COMMERCIAL/OFFICE</td>
<td></td>
<td></td>
<td>6 213</td>
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</tr>
<tr>
<td>LOT 1.9</td>
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<td>8 702</td>
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</tr>
<tr>
<td>LOT 1.10</td>
<td>5 358</td>
<td>1.3</td>
<td>0.5</td>
<td>RESIDENTIAL</td>
<td></td>
<td></td>
<td>11 764</td>
<td></td>
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</tr>
<tr>
<td>LOT 1.11</td>
<td>5 045</td>
<td>1.2</td>
<td>0.5</td>
<td>MIXED USE</td>
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<td></td>
<td>7 551</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>LOT 1.12</td>
<td>2 081</td>
<td>0.5</td>
<td>0.2</td>
<td>OPEN SPACE/PARKING</td>
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<tr>
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<td>3 239</td>
<td>0.8</td>
<td>0.3</td>
<td>MIXED USE</td>
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<td>0.3</td>
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</table>
The proposed plan indicates that the Point development will be developed in stages over approximately 20 years.

**Figure 5. Phase 1A**
- Extend the Promenade, create internal Loop Road, and formalise Bell/Mahatma ‘focus’ intersection (under Municipality)
- Precinct 2 : 2.3 & 2.1 Retail and Hotel (Others)
- Precinct 2 : 2.2 Residential

**Figure 6. Phase 1B**
- Precinct 4
Figure 7. Phase 2

Figure 8. Phase 3

Phase 2
Precinct 5

Phase 3
Precinct 6
3. CONTEXTUAL ISSUES: DURBAN CHANGING ITS CLOTHES

It has been noted above that an assessment of the value of the Durban Point Development cannot be seen in isolation of both municipal lead initiatives as well as developments spearheaded by the private sector. This chapter seeks to provide a brief contextual analysis.

While Durban has the reputation of being a rapidly growing city, and one which contributes significantly to the country’s GDP (see figure 9), it also faces a number of developmental challenges. The planning and development strategies of the municipality are directed at these challenges. In the past decade, the eThekwini Municipality has attempted to support the potential of Durban with strategies aimed at upgrading infrastructure, building strategic partnerships with the private sector, and addressing developmental backlogs in a way that could place Durban in the forefront of South Africa’s urban centres. This chapter seeks to place the Durban Point Development in the context of what is happening in eThekwini, noting that the proposed development should contribute meaningfully to a trend of rescuing the CBD, and building the local economy. It further makes the point that this proposed development is clearly aligned to the development strategies of local government.

The chapter will document the municipal planning framework on the one hand, and on the other, will document a range of developments presently being undertaken to revitalise the City by both local government and the private sector.

Figure 9. Comparison of the contribution of South Africa’s cities to the national GDP
3.1 Municipal Planning initiatives in relation to development and revitalisation

What follows is a brief introduction to the key planning initiatives of the eThekwini municipality. Table 3 identifies the municipality’s planning mechanisms. It is important that significant developments that are introduced into the area should be aligned with these plans, both to achieve municipal support, but also to contribute to a cohesive plan for the area. A few of these mechanisms are elaborated.

Table 3. Municipal Planning Mechanisms

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<th>PLAN TYPE</th>
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<td>Long Term Development Framework</td>
<td>Strategic: Economic Social and Environmental Objectives</td>
<td>Strategic Development Direction for the Municipality</td>
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<td>IDP</td>
<td>Strategic: Operational Implementation</td>
<td>Strategic Implementation Direction and Imperatives for the Municipality</td>
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<td>Spatial Development Framework</td>
<td>Strategic: Spatial Development</td>
<td>Strategic Spatial Development Intentions for the Municipality based on the LTDF and IDP</td>
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<td>Spatial Development Plan</td>
<td>Strategic: Spatial Region Development</td>
<td>Translation of Spatial Development Intentions into Land Use, Transport, Environmental, Infrastructure implications Broad based Land Use Directives to guide Local Area Planning and LUMS, Bulk Infrastructure and Transportation Planning</td>
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<td>Local Area Plan</td>
<td>Detailed Physical Plan</td>
<td>Detailed Physical Planning Directives for the Municipality - Refining Land Use, Transport, Environment and Infrastructure to a level that informs the preparation of a Land Use Scheme. Also includes Urban Design Directives for Public and Privately owned Land. May include implementation proposals</td>
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<tr>
<td>Functional Area Plan</td>
<td>Detailed Physical Plan for special areas</td>
<td>Detailed Physical Planning Directives for the Municipality for areas with special environmental, economic, heritage etc characteristics. Detailed Urban Design Directives and / or Proposals. May include implementation proposals</td>
</tr>
<tr>
<td>Land Use Schemes</td>
<td>Legislative and statutory component which forms part of the implementation of the strategic and detailed plans.</td>
<td>Drive and direct development and give effect to the people’s vision for the Municipality. The SDF gives effect to the intentions of the IDP and provides a framework for the formulation of an area and even site specific land used controls depending to the size of SDF area. Since eThekwini is a metro, its SDF could not be directly translated into a scheme level.</td>
</tr>
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</table>
Long Term development Framework (LTDF)

This planning initiative enabled eThekwini to refine its priority areas, which it identified as follows:

1. Creating a safe city.
2. Promoting an accessible city.
3. Creating a prosperous city where all enjoy Sustainable livelihoods.
4. Celebrating our cultural diversity, arts and heritage.
5. Ensuring a more environmentally sustainable city.
6. Fostering a caring and empowering city.

Figure 10. Long Term Development Framework Implementation Plan

Integrated Development Plan (IDP)

The IDP is a five year plan reviewed annually, which provides an economic and demographic status quo report, and sets out the priorities for growth and development. The IDP Review 2014 / 15 identifies those subsectors which already have a strong base in eThekwini. These include

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manufacturing, with priority sectors such as “automotive, chemicals, clothing and textiles, food and beverage, furniture, metals, electronics and electrical machinery and green industries. In the services sector tourism, ICT, creative industries (Film and Media; Crafts; Fashion), finance and professional services and transport and logistics were identified” (IPD Review, 2014/15). While tourism has been identified as a growth sector, it is interesting to note that “in 2012, tourism contributed 4.3% to eThekwini’s GDP. This is down from 4.7% in 2011.” (Ibid)

A number of inherent challenges are named as issues that require special management: “These objectives, however, may be delayed by various socio-economic and other threats such as the lack of appropriate job skills, poor political will, unspectacular economic and employment growth, inadequate foreign direct investment, high cost of doing business, poor infrastructure and a lack of serviced industrial land.” (Ibid)

The IDP has noted that “Growth opportunities over the next 20 years will focus on capitalizing on the role of the port, international airport and modern rail, road, infrastructure, information and communication technologies. It also includes promoting the city as a centre for trade between Africa and the world. From a tourism perspective it will entail marketing the city as an events and tourism destination. In addition, it seeks to promote the city as the best location for manufacturing activities.” (Ibid)

eThekwini’s Economic Development and Job-Creation Strategy 2013-2018

This is a focused 20 year growth scenario strategy adopted in 2013, with a focus on the first 5 years. It aims to “capitalize on the role of the port, international airport and modern rail, road, infrastructure, information and communication technologies. It also includes promoting the city as a centre for trade between Africa and the world. From a tourism perspective it will entail marketing the city as an events and tourism destination. In addition, it seeks to promote the city as the best location for manufacturing activities.” (IDP Review, 2014/15).

The growth strategy has identified a number of city-driven projects as key to the plan, as identified in the following list:

- Bartlett’s Industrial Development.
- Bridge City New Town Centre.
- Camperdown-Port Freight Route Improvements.
- Cato Ridge Industrial Development.
- Durban Inner City and Point Revitalisation.
The Point Development aligns well with the above plans in almost all ways. It will assist to realize the fifth point identified in the above list, namely the Durban Inner City and Point Revitalisation. It will contribute significantly to growing the tourism profile of Durban, which is one of eThekwini’s identified growth sectors. It will create a new, managed and safe living environment, in fact rescuing an area that is presently both unsightly and prone to hosting anti-social elements. It will provide a measurable number of jobs, both during the construction phase and once it has been developed. It will provide an impetus to enterprise development, and expand local business.

While it is critical that the Durban Point Development aligns itself with the municipality’s strategic vision, it is important to note this proposed development in the context of an urban centre that is undergoing quite a dynamic change. It has been noted earlier in this report that the eThekwini
Municipality has taken a strategic decision to build relationships with the private sector in order to more easily deliver on its development mandate. In this regard, the City is a joint venture owner of the Point Development and several other developments across the metro. In so doing, the impression is created of a city welcoming investment. The next section of this chapter looks at a number of development sites, which together indicate that Durban is on the move, and is attracting investment in its infrastructure and its future.

3.2 The City Government and the Private Sector Working Together to Upgrade Durban

In the past decade, a great deal of development has taken place in Durban, some of it in and around the CBD, and others on the urban edge. The promulgation of legislation in 2004 providing tax incentives to companies investing in identified CBDs designated as Urban Development Zones (UDZ) to counter urban decay has paid off in cities such as Durban. The initial cut off date was extended until 2014, resulting in a number of such investments.

More recently, in the past couple of years, there has been healthy interest in revitalising the CBD itself. In preparation for the FIFA World Cup, a number of developments happened close to town, balancing the trend that has dominated development previously whereby the northern and western areas of eThekwini saw a flurry of development. Umhlanga became the new centre of business, and development began to expand as far north as Ballito. The relocation of King Shaka International Airport to its present location provided further impetus to this trend. This will continue as there is a clear rationale to develop what is known as the Northern Urban Development Corridor (NUDC).

However, there is evidence that there is growing interest in the CBD. In the past few years the following developments have increasingly put Durban on the map:

- King Shaka International Airport and Dube TradePort are part of a development node that has become known in development circles as an "aerotropolis", precisely because of plans to build a broad-based zone around KSIA and DTP for light industry, warehousing, freight logistics, and the like.
- The FIFA World Cup gave Durban the world class Moses Mabhida stadium with associated infrastructure known as the Kingspark Sporting Precinct.
- The Warwick inbound and outbound flyovers have improved access to the city.
- The beachfront has been completely refurbished linking the stadium with Ushaka Marine World with a well-appointed and thoroughly used promenade.
- The Inkosi Albert Luthuli ICC Complex has been well used for a wide range of international conferences.
Presently the City is actively seeking to develop the following revitalisation projects in its efforts to sustain the momentum of building Durban as a world-class urban centre. Key to recent planning is the assumption that economically active people will live in and use the inner city area, rather than be day visitors as has been the case. Hence there is emphasis on creating pedestrian friendly environments that have good connectivity, integrating what has been a somewhat disaggregated space:

- The revitalisation of the CBD will be formulated in a Local Area Plan, which will serve to integrate the various initiatives in the Inner City such as the Point and Centrum Precinct. Key to this will be to enhance “the pedestrian and public realm in the Inner City to make it more pedestrian friendly, through attractive and functional pedestrian and public realm connections.” The focus of this will be “West-East linkages (Warwick to Centrum to Rivertown to the Beachfront) and South-North (Margaret Mncadi Waterfront to City Hall and Commercial District to Old Ford Municipal Complex to Durban Main Station and the Kings Park Sports District).
- The Centrum Precinct Urban Design Framework Plan provides an urban design proposal to increase the density and promote mixed use on the precinct, including integrating the prepared Library, IRPTN Terminal and the ICC complex including the Durban Exhibition Centre. Added to this will be a series of public spaces. Focus will also be on improving pedestrian connectivity between this area and other nodes such as Warwick Development.
- The Rivertown precinct plan, developed by Gauteng based Propertuity, has been a new and exciting intervention upon a part of the CBD that was fast deteriorating. Using their experience in Johannesburg, Propertuity have created a modern, multicultural and lively precinct that has captured the interest of young professionals, who are buying properties at an unexpectedly high rate.
- Similarly the City’s Dr Pixley Ka Seme (previous West Street) proposal is directed at improving the public realm and pedestrian environment on this Street which could also be a major pedestrian connection between Warwick, the Commercial core and the Beachfront. While this proposal is at a conceptual level.
- In addition to the above projects, the City has plans to upgrade the Margaret Mncadi Waterfront (previously Victoria Embankment), although this is still in the pre-planning phase.

While it is clear that a picture is emerging of local government promoting the reestablishment of the Durban CBD as a desirable living area, it is true to say that the private sector is responding with some enthusiasm to development opportunities in and around the CBD. The UDZ tax incentive scheme has been noted as the reason for the “number of new developments in the
Kingsmead office Complex, including the new Standard Bank Regional offices, The Albaraka Bank and the McCarthy Toyota showrooms. The Poynton House in Monty Naicker Road, the new Mutual Mall and the Colonial Mutual Buildings both in Dr Pixley ka Seme, are amongst the few recently completed upgrades. Nedbank also invested over ZAR100 million in a new 7 000m² building in the Kingsmead complex opposite the Inkosi Albert Luthuli International Convention Centre. Other recent projects boosting the Durban CBD include:

- Propertuity have renovated some old buildings, and put them into the residential property market. Rivertown was launched in 2014, as a vibrant commercial and residential precinct. Pixley House was launched with much public interest in April, with all 125 apartments sold in the first few weeks. Aside from the development of the Rivertown precinct, Propertuity is working of 8 Morrison Street, modelled along the Maboneng concept of young professional lifestyle oriented realty products. They describe the atmosphere of this development as picking up on Durban’s iconic “skate and surf” culture. Propertuity believe strongly that there is a solid demand “improved accommodation at affordable prices, hence the strong demand we have seen”. Another three developments are due to be launched in the CBD by this company in the next months. Jonathan Liebmann comments, “There are similarities between Maboneng and Durban’s Rivertown but the social fabrics are different. Joburg for instance is about mining, careers and money while Durban has its beach -culture. We are about repurposing –and introducing communities”.

- Also from Gauteng, the Bentel Group have invested R250 million in the acquisition and redevelopment of Overport City on the Berea, re-presentationg the asset as an upmarket business centre called The Atrium. They believe that the Atrium mixed-use development will serve a wide upmarket target group from the Berea to Morningside.

- The Delta Group is in the process of acquiring two major buildings in the Durban CBD, the Old Mutual Centre and The Marine from Old Mutual Life Assurance Company, to the tune of ZAR482.7million. They are pleased with the purchase, claiming it to be a "’big coup’ for the company given the 11% yield on each property”.

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4 http://www1.durban.gov.za/durban/services/services_news/urban-development-zone-boundary-extension-to-include-point-waterfront-development
5 Eric Herr, personal communication, May 2015
6 http://www.news24.com/Archives/Witness/Shaping-a-new-Durban-20150430
7 Business Day Live, 23 April 2014
Realty companies have indicated that since 2013 there has been a keen interest shown in Durban residential products from investors from other areas, notably Johannesburg, who are attracted by the lifestyle options offered by Durban. The expansion of KSIA makes commuting viable.

The above examples all indicate that the City of Durban is beginning to look smarter, and provide a much more vibrant experience to locals and visitors, tourists and investors. In this context of quite considerable investment and infrastructural rejuvenation, the Point Development is in good company. The proposed plan, while somewhat off to the side of town, provides an interesting location for the range of activities offered as part of the mixed use model. The rationale for having this point of interest is well supported by the developments happening in other parts of the city.
4. ECONOMIC IMPACTS OF PROPOSED POINT DEVELOPMENT

The preparation of a full Economic Impact Assessment is technical, and requires extensive access to data, some of which is inherently speculative, as well as a broad analysis of contextual issues. It should be supported by detailed research of the development site itself including businesses operating in the study area. In the face of this not being possible in the case of this summary report, the investigation was restricted to previous studies, the new framework plan and broad economic data about the broader context. A primary document in this regard was the full Economic Impact Assessment prepared by Cyril Rustomjee in 2006. The information in this document was associated with revised figures of the current revised Framework Plan amendment. This chapter will present the primary economic impacts of the proposed development, and is supported by a technical analysis appended to this report. Further elaboration of the contextual issues will be mentioned in this chapter, but elaborated in later chapters of this report.

The overall finding of the assessment of data provided indicates that there is very little doubt that successful implementation of the new plans would yield superior external economic impacts, as the table below indicates. Besides measurably impressive increases in construction and permanent jobs, there is and especially large increase in anticipated metropolitan, and provincial/national public revenues. Added to this would be the overall positive impact of a new and completely upgraded precinct that offers a full range of economically productive units according to a mixed use development model, including hotels, offices, retail facilities and residential property.

The introduction into the area of a significant suite of economic opportunities, some that may relocate to the area but others that will respond to demands for products and services inherent in creating a new mixed use urban node, will stimulate economic activity, create jobs and draw custom to the area.

The value that such a precinct would add to a raised tourism profile for Durban would be significant, both for local leisure users and foreign tourists alike. One of the limitations that Durban faces presently is a shortage of tourism products other than its extraordinary beaches, and proximity to tourist attractions in other regions of KwaZulu-Natal. The impact of the revised development will have an important and positive impact on this deficit.
A detailed explanation of the findings is found as an Appendix to this report. The following is a summary table of the overall impacts, and it should be read against the qualifying footnotes that accompany it. An important qualifying factor about the table is that it is premised on figures that take into account the original findings by Rustomjee, and the changes represented by the 2015 revised Framework Plan. The losses derived from the extraction of the Small Craft Harbour are offset against the increased bulks of the new plan. In summary the table indicates the following net findings:

- Approximately 11000 construction phase jobs are likely to be created per annum.
- Approximately 6750 more permanent jobs are likely to be created.
- Local existing property values are likely to increase by some 10%.
- Central Durban property values are likely to increase by 5%.
- Rates revenues generated for eThekwini will amount to in excess of ZAR200 million more per annum.
- The GDP/GVA contribution could be an amount in excess of an additional ZAR0.7 billion.
- Overall national public revenues that may be derived from the revised development through the various tax mechanisms (VAT on materials, wage and profit taxes) could amount to an additional ZAR1.7 billion.
- The potential income generation flowing from the Point Development should Durban host the Commonwealth Games could be in the region of ZAR2.2 billion.

In understanding the calculations presented, a number of assumptions are tabled:

1. The new plans involve a bulk increase of some 30% over the previous plans (175 000m² representing 30% more than the original 575 000 m²).
2. There will be some R12 billion aggregate capex (including past spend) at the Point (based on an average construction costs for higher grade residential, hotel, retail etc. of R15 000/ m² plus infrastructural costs).
3. There is a similar land use mix to the past baseline.
4. Median permanent employee density of 1 job/ 100 m².
5. Some 10% displacement of permanent jobs.
6. Infrastructure spend will be similar to baseline (raised boardwalk promenade with enterprises below vs SCH).
7. Greater local/CBD area capture (20%) of benefits of Commonwealth games.

The following table presents the above information in an annotated format, so that the calculations can be understood in context.
Table 4. Summary table of likely economic impacts of proposed Point Development

<table>
<thead>
<tr>
<th>Main change</th>
<th>Construction jobs</th>
<th>Permanent jobs</th>
<th>Local existing property values</th>
<th>Central Dbn property values</th>
<th>Rates; Point + central</th>
<th>GDP/GVA</th>
<th>Overall Public revenues</th>
<th>Common wealth Games</th>
</tr>
</thead>
<tbody>
<tr>
<td>More bulk</td>
<td>+32 000 jobs; or 3 200 p.a.(^9)</td>
<td>+ 1 600(^{10})</td>
<td>+10% on base</td>
<td>+5%</td>
<td>+R45m p.a.(^{11}) local; plus further CBD</td>
<td>+R1 B(^{12})</td>
<td>+R1.8 B(^{13})</td>
<td>R1.1B</td>
</tr>
<tr>
<td>No new SCH</td>
<td>Counter-</td>
<td>Counter-</td>
<td>-5% on base(^{14})</td>
<td>0%</td>
<td>-R7m p.a.(^{15}) local</td>
<td>-R0.3 B(^{16})</td>
<td>-R0.1 B(^{17})</td>
<td>NA</td>
</tr>
<tr>
<td>Raised Promenade and slight upgrades to existing YCs, other</td>
<td>balance</td>
<td>balance</td>
<td>+5% on base</td>
<td>+5%</td>
<td>Unknown(^{18}) but positive</td>
<td>Unknown But positive</td>
<td>unknown(^{19}) but positive</td>
<td>R1.1B</td>
</tr>
<tr>
<td>Net effect</td>
<td>+3 200 jobs</td>
<td>+1 600 jobs</td>
<td>+10%</td>
<td>+5%</td>
<td>R38 m p.a. plus</td>
<td>+R0.7 B plus</td>
<td>+R1.7 B plus</td>
<td>R2.2 B</td>
</tr>
</tbody>
</table>

From this table it is clear that the overall economic impact of the proposed development is very positive. The positive outcome is not a surprise and was already confirmed in 2007 by the full Economic Impact Assessment carried out as part of the original Environmental Impact Assessment.

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\(^{8}\) We are assuming a 50/50 split in the effectiveness of additional bulk versus enhanced access in arriving at a combined 20% local capture effect on GGP growth.

\(^{9}\) R12 000 million \( \times 9 \) direct and indirect jobs per million, multiplied by 0.30 to get 30% share; then divide by ten to get per year jobs in assumed ten year project.

\(^{10}\) 175 000 sq.m. of additional bulk, divide by 100 sq. m to get estimated total permanent employees; and then multiply derived total by 0.90 to discount for 10% displacement.

\(^{11}\) R2.6 Billion additional bulk rated at a median rand rate-age of 1.7 = R45 million additional rates per annum.

\(^{12}\) Assume add 30% to Rustomjee’s R3.4 B GDP impact estimate given 30% more bulk.

\(^{13}\) R12 Billion taxed at average of 15% for VAT on materials, and taxes on wages and profits.

\(^{14}\) This could become a future area for research and debate, but the present author has been guided by some of his own previous research on the Point area impacts, and recent but preliminary observations on a number of ‘outliers’. Typically, immediate sea-facing properties with unimpeded views command higher prices than those located behind high buildings with partially impeded views but, even in the latter instance in very high value coastal resort contexts, prices can be about thirty times higher than current premium values at the Point (see for example http://www.property-for-sale-monaco.com). This point is made here to clarify that it is not simply direct sea views that generate property values, but rather the overall attractiveness of a coastal precinct.

\(^{15}\) Rustomjee estimated the total rates to be derived from the total Point development at R73.6 m p.a.; and we are assuming that there is a 10% diminution of existing values due to the non-construction of the SCH thus 73.6 \( \times 0.1 = \) R7 m p.a. rounded.

\(^{16}\) Assumed as 10% of total Rustomjee GDP effect for the same reasons as cited earlier.

\(^{17}\) This will inevitably be a controversial/hypothetical figure, but we are assuming here that since most of the private bulk originally planned on or near the SCH is effectively re-allocated elsewhere, it is really only the SCH infrastructure and some uniquely SCH-related uses totalling say R500 million which is effectively ‘lost’, taxed at 15% average = R75 million (rounded to R0.1 B).

\(^{18}\) Some of these effects are included in the additional R45 m p.a. rates referred to two rows above.

\(^{19}\) Some of these effects are included in the additional R1.8 B referred to two rows above.
The extent of the positive impact is increased with the revised Framework Plan, which represents considerably increased bulks, and a greater emphasis on desirable tourism products.

**Fitting in with the Municipal Vision**

Further to these assumptions and calculations must be factored in the potentials for positive impacts derived from additional contextual factors and opportunities. The eThekwini Municipality has committed itself to development plans that are based on an historical and steady positive growth trajectory of Durban. As reported by the eThekwini Department of Economic Development, “The City has continued to record positive GDP growth since the global financial crisis in 2008/9. EThekwini’s GDP grew by 3.4% between 2011 and 2012 (GDP was recorded at R210.1 billion in 2012 in constant, 2005 prices). Manufacturing, finance, trade and transport, and community services were the major sectors contributing to this growth. IHS Global Insight has forecast eThekwini’s GDP to grow to R215.7 billion in 2013, representing a 3.0% increase over the previous year.” (EDGE, 2014)

Developments in the past few years, factored into Municipal planning processes such as the Integrated Development Plan (IDP) the Long Term development Framework (LTDF), and the eThekwini’s Economic Development and Job-Creation Strategy 2013-2018, reflect a significant investment into the local economy of this city. Infrastructure spend on new and rehabilitation projects, investments in transport and communications, the operationalisation of the reasonably new King Shaka International Airport (KSIA) and Dube TradePort (DTP), with the designation of the latter as a Special Economic Zone (SEZ), the proposed dug out port and back-of-port improvements, the planned city-wide regeneration and revitalization programmes, as well as new developments in the northern and western reaches of the city are all testimony to the growth path of the city. This is accompanied by the promotion of Durban as an increasingly attractive tourism destination for leisure, sporting, and business interests, capitalizing on the fact that tourism has become the fastest growing sector in the world. The investments made into Durban in response to the 2010 FIFA World Cup event yielded important products in this regard. Durban is now well poised to host the 2022 Commonwealth Games, further enhancing demand conditions for increased development.

The eThekwini Municipality has developed strong relationships with the private sector as identified partners in the promotion and development of the local economy. Just as this is the case in a number of instances, so it is with the Durban Point Development Company, which is a 50:50 joint venture company between eThekwini Municipality and ROC-Point.
Developing the Point in a context of revitalization of the CBD

It is critical to view the economic potential of the Point Development in the context of other developments happening in various pockets of the city. An analysis of the collective economic impact of all of these developments is outside the scope of this study, but it can be assumed that Durban is poised to become a much more economically vibrant city in the next few years. The City planners are presently looking at a precinct upgrade in the heart of the CBD. This is complemented by plans for a scheme to improve the public real and pedestrian environment on Pixley ka Seme Street which could also be a major pedestrian connection between the Warwick precinct, the Commercial core and the Beachfront. A proposal for the upgrade of the Back-of-Beach area is also on the cards. Events such as the FIFA World Cup and the many conferences that have happened in Durban have led to an improved management of issues such as crime, which previously compromised Durban’s reputation a city of choice for tourists to South Africa.

The revitalization of the CBD is already bringing a new energy to the area. Whereas a few years back there was a continuous stream of people away from the CBD, we are now witnessing the beginnings of a different pattern. The recently developed River Town precinct by Gauteng-based developers Propertuity has added a new and lively dimension to Durban’s CBD, and will consist eventually of “mixed residential, hotel, commercial, cultural and retail projects”. Also a product of Propertuity, residential apartments in the newly launched Pixley ka Seme House in Pixley ka Seme Street (what was West Street) are being purchased rapidly. Also from Gauteng, the Bentel Group have invested R250 million in the acquisition and redevelopment of Overport City on the Berea, re-presenting the asset as an upmarket business centre called The Atrium. Realty companies have indicated that since 2013 there has been a keen interest shown in Durban residential products from investors from other areas, notably Johannesburg, who are attracted by the lifestyle options offered by Durban. The expansion of KSIA makes commuting viable. There is currently a shortage of housing stock. At the moment, this interest is still focused on the northern suburbs, but it is likely that the Point Development will offer an interesting alternative.

Plans to look at the Victoria Embankment and Wilson’s Wharf, which are a natural neighbours to the Point Development, will place pressure on the need to look at the re-visioning of Mahatma Gandhi Street, which is not part of the Point Development, but which is the access road into the development. It is noted that concerns have been tabled that the existing state of this route is at odds with the proposed Point Development Plan. It is likely, however, that the proposed Point Development will in fact place pressure on revitalizing this road. It is less likely that the current somewhat underdeveloped nature of this road will undermine the Point Development.
The Point Development & Tourism

Durban has long been touted as an ideal tourism destination in many regards, offering opportunities to a wide range of tourist types. In and of itself, it has excellent resources to offer to visitors. It has clement year-round weather; the sea is warm and reasonably safe; there is an international airport on hand; there are world-class conferencing facilities; the transport infrastructure is reasonable; there is a reasonable concentration of hotels, B & Bs and other accommodation facilities in the areas between the CBD and Ballito, including the upmarket areas of Umhlanga and La Lucia. Durban is also a gateway to other tourism destinations in easy reach – inland towards the Drakensberg, northwards towards the game reserves of Zululand, and south towards a coastline dotted with holiday destinations. Durban successfully responded to the sporting and leisure demands spawned by the 2010 FIFA World Cup, and has made a serious and confident bid for the 2022 Commonwealth games. Having noted this potential, analyses of Durban’s tourism sector has revealed that there is much that needs to be done for the metro municipality to leverage the full potential of this sub-economy.

Two issues have been named as key to this: The first is the need to radically increase marketing efforts and the second is to increase the activities available to tourists inside the city, to hold tourists in Durban for longer. It is proposed that revised Point Development will impact considerably on Durban’s tourism profile, by offering a full range of accommodation types, and facilitating improved leisure activities that would make full use of the beachfront.

The extended promenade, the proposed hotel accommodation, the mixed-use precincts offering quality residential, office and commercial space, the potential for existing marine activities to be increased along Vetch’s beach, the linkages both physical and through the promotion of public and private transport and the linking with the proposed Transnet refurbishments of their tourism facilities will provide a significant boost to the interest factor for tourists offered by Durban.

The existing Promenade, stretching from Moses Mabhida Stadium to Ushaka is extensively used by locals and tourists, and there is no reason to suspect that usage of the proposed extension to the Harbour Mouth would not be welcomed by existing users. A key objection to the earlier Small Craft Harbour Development Plan was the exclusion of the general public to the beach and existing facilities. The new plan is premised upon maximizing access, with the extension of the Promenade, the provision for public parking under the Promenade, the promotion of public transport and the provision of a roads network that encourages flow and access.

The current developers have indicated that there has already been interest shown by international investors, who see similarities between the proposed product suite and other similar sites in places such as Asia and the Middle Eastern countries that are yielding good returns on investment.
5. CONCLUSION

The revised framework plan for the Point Development that is the subject of this report represents a much more sophisticated package than its predecessor. The inclusive nature of the plan is likely to reassure locals in that there is a clear commitment to public access and integration of especially the Vetch’s Beach strip into the Golden Mile of the rest of Durban’s beachfront. There is a confidence that the economic impacts of this proposed development will be positive, in terms of contributing significantly to tourist appeal, enterprise development, and the provision of residential realty, job creation and overall quality of life. The fact that the developers, Durban Point Development Company, will put up the top structures and sell on completed products will likely ensure that there is greater accountability to the overall plan. The Point Development should be seen in the context of a city-wide development thrust that places Durban well on the road to becoming a much more attractive investment, tourism and dwelling destination.
6. REFERENCES

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http://www.news24.com/Archives/Witness/Shaping-a-new-Durban-20150430

Personal Communication


Bernardus van Heerden. City Architects. May 2015
1. Objectives

The author has been requested by Real Consulting to prepare a technical note, within a relatively short time-frame, which can serve as an Annexure to their wider report on the likely socio-economic impacts of revised plans for the Point area of Durban. The present author has been requested to focus on a number of key quantitative parameters of the likely economic impact of amended plans, as may be required for preparation of a planning scheme amendment.

A comprehensive economic impact assessment of previous Point plans was done in 2006 by Dr. Cyrus Rustumjee in 2006, and we will therefore refer to this as something of a ‘base case’ against which to compare some of the impacts of likely amendments. The main changes to Point plans (from an economic impact perspective) which have emerged as of May 2015 are that:

- Total bulk is increased from 575 000 sq. m. to 750 000 sq. m. (reflected partly in a number of high-rise near-to-beach buildings);
- The previously mooted small craft harbour (SCH) is omitted;
- A raised Promenade is introduced near to the beaches so as to reduce dune areas impacts, enhance beach access, and continue the success/extent of the upgraded beach promenades northwards of the Point upwards towards the Moses Mabhida stadium, etc. (partly to further integrate the Point into the other Durban beachfront tourism areas, and the major sporting facilities including and surrounding Moses Mabhida stadium);
- In addition a loop road system is introduced to increase the accessibility of all developments;
- A proposed extension of Prince Street to increase accessibility of the Point; and
- There will be a Transportation Node within the Point to increase accessibility of the area in terms of public transport in line with IRPTN).

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20 C. Rustomjee Small Craft Harbour: Economic Impact Assessment, eThekwini Municipality, 2006. The Rustomjee report focused on the then proposed small craft harbour (SCH) which is no longer included in present plans, and he said then that: “An important motivation which has been presented in support of the proposed SCH is the suggestion that the establishment of a new SCH will provide impetus for the further development of the offshore yachting industry in South Africa” (p44). Moreover, his report also placed strong emphasis upon the SCH’s impacts on wider economic impacts of the Point area’s developed which – it was then hypothesised – substantially depended on building the SCH. For reasons which would require a specialised report, the present author is of the preliminary view, first, that various community and environmental pressures combined to diminish the likely adjacent developmental impacts of the mooted SCH over time; and, second, that conditions have likely shifted (negatively) in respect of Indian Ocean yachting since the concept of the Point SCH was initially mooted.
This technical note is not about likely economic viability (e.g. end user demand etc. which Real Consulting may cover elsewhere), or about bio-physical impacts or process issues such as may derive for example to the ICZM Act; but it is rather simply about the likely approximate external economic impacts of an assumed economically viable project.

Since the ratios/balance between different land use types are quite similar to the past, and many other factors remain similar to past plans, in this technical note we focus on a few dimensions the likely externalities and public costs and benefits, as have been selected on the request of the DPDC.

These dimensions include:

1. Jobs impacts (direct and indirect) in construction
2. Permanent jobs, direct and indirect
3. Probable impacts upon property values
4. Impacts upon Rates revenues
5. Impacts upon GDP/GVA
6. Impacts upon wider public revenues
7. Linkages to other possible economic impacts of major events, notably hosting the Commonwealth Games.

On first six of these points, we draw either upon parameters derived from Rustomjee, or from parameters as have recently been developed for the so-called Durban Investment Dashboard (DID) project.²¹

Key conclusions from Rustomjee as summarised verbatim from the EIA Synthesis Report for previous Point plans are as in the box below:

The Macro-Economic Impact Assessment study carried out for the eThekwini Municipality found that the combined PointuShaka development will have the following impacts:
- GDP will be R3,4 billion on an annual basis, which will raise the GDP of eThekwini by nearly 4%.
- Capital formation will be R5,9 billion per annum.
- R881 million will be contributed to the national and provincial fiscus.
- R1,1 million will be contributed to household incomes annually of which 23,7% will go to low income earners.
- R2,4 billion will be contributed to the balance of payments annually.

According to the DPDC, without the SCH access to boats will be denied for the Point development, the canal system will become land locked. This will mean that the potential for this unique opportunity will disappear and become merely an extension of the beach-front hotel development of the Golden Mile.

It is probable that there was a typographical error in the above box (photo directly from the report) in that the fourth bullet point on likely household incomes seems much too low. However, this particular

²¹ The present author has been a sub-consultant on this project for eThekwini, which reports to the eThekwini Department of Economic Development and Investment Promotion Unit.
parameter was not requested of us (and is often effectively speculative); and, for present purposes, we are mainly interested in the first and third bullet points, which correspond to requested impacts 5 and 6 as listed at the top of this page.

The parameters 1, 2, 3 and 4 have been derived from following the DID methodology currently being developed by eThekwini for purposes of standardising impact assessments. Key elements of the DID basic methodology for determining impacts on these four parameters that are relevant here are:

<table>
<thead>
<tr>
<th>1. Rates</th>
<th>Take figure of capex in rands, and multiply by rate moved two decimal points to left</th>
<th>:Take total capex in Rands; and</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>1.043</td>
<td></td>
</tr>
<tr>
<td>Business / Commercial</td>
<td>2.366</td>
<td></td>
</tr>
</tbody>
</table>

2. Construction Jobs

Use 9 per million capex for non-residential or high-rise residential uses (3 direct, 6 indirect)

3. Permanent Jobs

Use employee densities of 15 sq. m in commerce; 30 in industry; 100 in warehousing; and 1 per 4 res. Units; but allow for locational variations e.g. suburban industry less dense

On the last of the seven points listed at the top of page 2 of this note, we have been informed by the official website of the Durban Commonwealth Games bid committee (www.durban-2022.com) which writes that:

“In total, international visitors are expected to contribute up to R12 billion in direct expenditure.

The 2022 Commonwealth Games is expected to deliver up to R20 billion in output to the economy, translating into an additional R11 billion GDP growth”.

We have assumed here that the additional hotel and apartment rental accommodation, connected now via the extended Promenade towards the Moses Mabhida precinct, is regarded as a contributor to ‘local capture’ of the events benefits.  

22 It has been proposed that part of Cornubia near Mt. Edgecombe becomes the main athletes village, and for others (e.g. sports-viewing tourists) much of the higher star-rated tourism accommodation in KZN is either at Umhlanga or further northwards, increasingly in Ilembe District (e.g. at Zimbali/Ballito). Several new hotels and holiday rental accommodation blocks at the Point could therefore reduce ‘income leakage’ from eThekwini deriving from the games.
Further assumptions made are:

1. The new plans involve a bulk increase of some 30% over the previous plans.\(^{23}\)
2. There will be some R12 billion aggregate capex (including past spend) at the Point.\(^{24}\)
3. There is a similar land use mix to the past baseline.\(^{25}\)
4. Median permanent employee density of 1 job per 100 sq. m.\(^{26}\)
5. Some 10% displacement of permanent jobs.\(^{27}\)
6. Infrastructure spend will be similar to baseline (raised Promenade etc. vs SCH).\(^{28}\)
7. Greater local/CBD area capture (20%) of benefits of Commonwealth games.\(^{29}\)

It must be emphasised that the calculations below are initial order-of-magnitude impact estimates which are possible to calculate in a relatively short time-frame, but which can (and in some instances should)\(^{30}\) in future be further elaborated in greater detail. All figures in jobs are rounded to the nearest hundred to avoid any illusions of spurious accuracy; and, likewise, to avoid illusions of precision Rand figures in millions are rounded to the nearest million, and Rand figures in Billions are rounded to the nearest R0.1 Billion.

Having made these qualifications, for purposes of planning scheme amendments, there is very little doubt that successful implementation of the new plans would yield superior external economic impacts, as the table overleaf indicates. Besides impressive increases in construction and permanent jobs, there is especially impressive increase in anticipated metropolitan, and provincial/national public revenues. Real Consulting may also comment on other possible economic benefits, for instance for further small business generation.

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\(^{23}\) 175 000 additional square meters is 30% more than 575 000 sq. m..

\(^{24}\) Assuming average construction costs for higher grade residential, hotel, retail etc. of R15 000/ sq. m. plus infrastructural costs.

\(^{25}\) As confirmed by correspondence from eThekwini Transport Authority etc.

\(^{26}\) Refer to DID norms where retail is 1 employee per 15 sq. metres at one extreme, and likely 1 employee per 200 sq. m. (or four small-medium flats) permanent residential on the other. We therefore assume 1 employee per 100 sq. m. as an intermediate measure.

\(^{27}\) Displacement is jobs that move from one part of the city to the other. Most of the hotels, shops etc. setting up at the Point will be entirely new enterprises.

\(^{28}\) To be confirmed, but this will not significantly affect the parameters estimated below.

\(^{29}\) See note 3 above

\(^{30}\) The should does not refer to prior to planning scheme amendment approval, but rather refers more to estimating some of the wider potential linkages effects, for example with Transnet port plans, upgrades at existing yacht clubs, etc.
### Table

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<td>+ 1 600&lt;sup&gt;33&lt;/sup&gt;</td>
<td>+10% on base</td>
<td>+5%</td>
<td>+R45m p.a.&lt;sup&gt;34&lt;/sup&gt;</td>
<td>+R1 B&lt;sup&gt;35&lt;/sup&gt;</td>
<td>+R1.8 B&lt;sup&gt;36&lt;/sup&gt;</td>
<td>R1.1B</td>
</tr>
<tr>
<td><strong>No new SCH</strong></td>
<td>Counter-&lt;sup&gt;37&lt;/sup&gt; balance</td>
<td>Counter-&lt;sup&gt;38&lt;/sup&gt; balance</td>
<td>-5% on base</td>
<td>0%</td>
<td>-R7m p.a.&lt;sup&gt;39&lt;/sup&gt;</td>
<td>-R0.3 B&lt;sup&gt;40&lt;/sup&gt;</td>
<td>-R0.1 B&lt;sup&gt;41&lt;/sup&gt;</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Raised Promenade and slight upgrades to existing YCs, other</strong></td>
<td></td>
<td></td>
<td>+5% on base</td>
<td>+5%</td>
<td>Unknown&lt;sup&gt;42&lt;/sup&gt; but positive</td>
<td>Unknown&lt;sup&gt;43&lt;/sup&gt; but positive</td>
<td>unknown&lt;sup&gt;44&lt;/sup&gt; but positive</td>
<td>R1.1B</td>
</tr>
<tr>
<td><strong>Net effect</strong></td>
<td>+3 200 jobs</td>
<td>+1 600 jobs</td>
<td>+10%</td>
<td>+5%</td>
<td>R38 m p.a.</td>
<td>+R0.7 B</td>
<td>+R1.7 B</td>
<td>R2.2 B</td>
</tr>
</tbody>
</table>

Note that the table above refers to additional gains beyond the current plans, but for the purposes of for example of DID estimates of ultimate aggregate gains, the following key parameters are relevant: 11 000 p.a. direct and indirect construction jobs, 6750 permanent jobs, and R200 million p.a. rates revenues

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<sup>31</sup> We are assuming a 50/50 split in the effectiveness of additional bulk versus enhanced access in arriving at a combined 20% local capture effect on GGP growth.

<sup>32</sup> R12 000 million @ 9 direct and indirect jobs per million, multiplied by 0.30 to get 30% share; then divide by ten to get per year jobs in assumed ten year project.

<sup>33</sup> 175 000 sq.m. of additional bulk, divide by 100 sq. m to get estimated total permanent employees; and then multiply derived total by 0.90 to discount for 10% displacement.

<sup>34</sup> R2.6 Billion additional bulk rated at a median rand rate-age of 1.7 = R45 million additional rates per annum.

<sup>35</sup> Assume add 30% to Rustomjee’s R3.4 B GDP impact estimate given 30% more bulk.

<sup>36</sup> R12 Billion taxed at average of 15% for VAT on materials, and taxes on wages and profits.

<sup>37</sup>This could become a future area for research and debate, but the present author has been guided by some of his own previous research on the Point area impacts, and recent but preliminary observations on a number of ‘outliers’. Typically, immediate sea-facing properties with unimpeded views command higher prices than those located behind high buildings with partially impeded views but, even in the latter instance in very high value coastal resort contexts, prices can be about thirty times higher than current premium values at the Point (see for example http://www.property-for-sale-monaco.com). This point is made here to clarify that it is not simply direct sea views that generate property values, but rather the overall attractiveness of a coastal precinct.

<sup>38</sup> Rustomjee estimated the total rates to be derived from the total Point development at R73.6 m p.a.; and we are assuming that there is a 10% diminution of existing values due to the non-construction of the SCH thus 73.6 x 0.1 = R7 m p.a. rounded.

<sup>39</sup> Assumed as 10% of total Rustomjee GDP effect for the same reasons as cited earlier.

<sup>40</sup> This will inevitably be a controversial/hypothetical figure, but we are assuming here that since most of the private bulk originally planned on or near the SCH is effectively re-allocated elsewhere, it is really only the SCH infrastructure and some uniquely SCH-related uses totalling say R500 million which is effectively ‘lost’, taxed at 15% average = R75 million (rounded to R0.1 B).

<sup>41</sup> Some of these effects are included in the additional R45 m p.a. rates referred to two rows above.

<sup>42</sup> Some of these effects are included in the additional R1.8 B referred to two rows above.