Incentive Schemes for Inner-City Renewal in Johannesburg, South Africa

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ABSTRACT

Public- and private-sector developers seek appropriate methods for initiating property development in the high-risk inner-city of Johannesburg, and are expected to respond to incentive mechanisms for investment if implemented by national and local government.

This research sets out to identify the most popular international methods of encouraging urban renewal which could be used to provide incentives to developers, businesses and individuals to return to the inner-city of Johannesburg. A case study technique is used to explore the potential uses of international inner-city renewal techniques in the Johannesburg inner-city. The study begins with a literature review of mechanisms used worldwide, looks into recent developments in the renewal of Johannesburg via interviews and reviews of current documentation, and then seeks to adapt the international methods to the local situation. From the literature review, the consideration of contemporary documentation and interviews, eight methods considered best suited to renewal in Johannesburg are selected. These methods are further scrutinised for benefits and drawbacks if used in Johannesburg. The study concludes by development of a basic flowchart outlining how appropriate methods for renewal might be selected by stakeholders. Conclusions are drawn regarding the most appropriate practices to follow in revitalising the city, and the report ends by considering potential future areas of study and the future of renewal in Johannesburg's inner-city.

Key findings include the significance of obstacles to Johannesburg's renewal caused by urban sprawl, as well as identification of numerous options for bolstering business in the inner-city, such as low-cost, municipality-backed loans, insurances and other ways of managing development risk, and tax-relief targeted at businesses willing to relocate to or invest in the inner-city. Drawbacks to current methods of renewal in the inner-city included the complexity of Public Finance Initiatives (PFI) already used in Johannesburg, when compared with the simple and successful Urban Development Zone (UDZ) already in place in the Johannesburg inner-city.

The report concludes with a basic flow chart indicating how appropriate mechanisms for renewal in Johannesburg might be selected. Recommendations to stakeholders in the renewal field are made, and suggestions for further research are given.

DECLARATION

I, Gregory Ian Skeen, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Gregory Ian Skeen

Signed at…………………………………………..

On the ………………………………day of ……………………………..2008

DEDICATION

The earth is the Lord's and the fullness thereof

Ps. 24:1

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Part of this research was carried out in the Charles E. Young Library at the University of California at Los Angeles.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER 1: INTRODUCTION

"Johannesburg, like Cairo in Egypt

and Lagos in Nigeria, is one of the great cities of Africa"

Launch of Johannesburg (Inner-City) Urban Renewal Strategy: Address by the then Deputy President the Hon. Mr Thabo Mbeki.

Johannesburg City Hall, 17 July 1997 (ANC 1997:1)

1.1 Purpose of the study

Inner-city renewal is a topical and important issue in South Africa. Investment in property in South Africa's city centres is more than a simple business decision, bringing with it social and political dilemmas. Power (2001) identified that concentrations of poverty which were linked to social exclusion were an urban phenomenon, and questioned whether cities could, in fact, be 'rescued'. The social challenges faced by South Africa and Johannesburg are intertwined with the physical renewal of the city. Van der Merwe and Patel (2005:245) emphasise "the potential of transformed or renewed spaces to bring about the social and psychological incorporation of citizens into the changing cityscape." Thus physical renewal and social upliftment go hand-in-hand.

The practical problem of finding effective methods of financing and encouraging property development in an area of high risk for investors with limited short-term returns is a deterrent to investment. Both public and private developers seek appropriate methods for financing property development in these situations, and are expected to respond to different incentive mechanisms as implemented by local and national government. Table 1 indicates the economic impacts on a city of urban sprawl and inner-city decline.

Table 1. Economic impacts of suburban sprawl and inner-city decline

Impact on rural areas	**Impact on urban areas**
Increased road traffic	More traffic inflow, commuting and congestion
Increased air pollution, speeding and road accidents	Loss of higher-income population
More energy consumption and emissions	Exodus of employers
Impact on water and land use	Vacant buildings and land
Weak public transport in dispersed settlements	Environmental and health costs
Tendency to over-supply built property through speculative development	Increased crime
Increased demand for health and policing services	Loss of shops and amenities
	Decline in property values
	Public transport becomes less viable
	Lowered demand for goods and services in conjunction with oversupply
	High cost and poor quality of services
Result =	**High economic costs**

Adapted from Power (2001) and Greenbaum & Bondonio (2004)

In the long term, upliftment of a neighbourhood will bring its own social and financial returns, but for the property speculator, return on financial investment is more important. Even partnerships between private developers and the public sector must be profitable for the development to be considered successful (Fasenfest 1986). The benefits of urban renewal programmes include social upliftment, increased employment, improved environmental conditions, and increased tax revenues for city authorities, higher rentals and property values, better planning of cities, improvement in traffic flows and improved community cohesion. (Abrams 1966). Gaffney (1998:5) asserts that “costly social capital, both public and private, can’t move”, suggesting a motive for the renewal of existing cities instead of the building of replacements elsewhere.

The labour efficiency gains of having access to a concentration of employees, as can only be realised within a city environment, adds weight to the case for revitalising the core rather than settling for suburbanisation of employment opportunities (Greenbaum and Bondonio 2004).

The problems facing cities in developed countries have many parallels to those in Johannesburg. Sixty-two percent of population growth in major centres in the US in the 1990's was along the suburban borders of cities, with only 11 percent within city centres (NREI 2007) - the so-called 'doughnut effect'. In many developed countries urban renewal programmes have been in place for decades and have been modified and refined with time. Urban renewal programmes in the US and Europe were a reaction to post-World War II inner-city decline.

As far back as 1966, the financial costs of urban decline and its remediation in the US were apparent. Anderson (1966) identified that the cost of urban renewal includes all expenses incurred by a local renewal authority. These are the planning cost, the land, buildings, overhead, interest, relocation, site improvements, and supporting facilities. US federal and local government subsidies formed the bulk of urban renewal funding until the 1990's when the federal government began authorizing financial assistance, state cooperation agreements, tax credits and incentives (Jaconetty 1999). These developed in conjunction with Enterprise Zone (see §2.3.6) and tax-based incentive mechanisms (Cowell 2001).

Williams (2006) identifies economic restructuring after WWII, suburbanisation of land uses and inappropriate planning and policy structures as the main causes for inner-city decline in the US and Europe and Power (1997) adds weak planning and development policies to these. In Britain, promotion of urban renewal was initially regarded as the task of the urban planner, but by 1970 there was a growing disillusionment with this arrangement (Jones 2006) due to its limited success. The 1980's saw a move in the UK to the use of government incentives to draw the private sector into disused urban areas, and by the 1990's, grant regimes and tax-write-offs to residential property investors were being introduced (Berry 1995).

The many available mechanisms already tested in developed countries provide a selection which could be adapted to the Johannesburg environment. It should be noted, however, that the issues facing different developed regions vary. Greenbaum and Bondonio (2004) compare the concentration of poverty in US urban areas compared with Europe's imbalances in industrial activity since the formation of the EU which have caused regional unemployment. Renewal in terms of these different problems requires different incentive solutions. This research is intended to identify which demand- and supply-led mechanisms could be used to entice investors back to the Johannesburg inner-city. The final conclusions are expected to include a decision-tree indicating the appropriateness of various available incentive solutions to a given property investment situation.

The basic challenge in attracting investors back to a dilapidated inner-city is in creating a demand for property. The supply is available *en masse*, but uncertainty derived from expectations of low growth, low value and obsolescence curbs demand (Berry 1995). The producers - property developers in this case - control the market through their control over land or capital resources and their ability to speculate in large developments (Feagin 1982). It is then in the city's best interest to play to the needs of these industrial capitalists to support the market.

Urban renewal initiatives are typically established as a response to a problem rather than in the midst of a strong market environment and this informs some of the types of mechanisms used (Williams 2006). As markets strengthen, mechanisms can be actively modified by government to suit the improved situation. It should be noted too that economic scarcity is significant in determining the attraction of any area targeted for renewal. If there are too many districts offering incentives to businesses or individuals, the initiative is diluted (Greenbaum and Bondonio 2004). Truly effective incentives target a limited number of areas with real need and dormant potential (Symms and McIntosh 2004).

1.2 Context of study

The South African National Urban Renewal programme was initiated in 1999 by President Mbeki (Shaw 2003). This programme seeks to improve the safety of citizens by targeting various areas known for their high crime rates. These areas are typically urban. It is the intent of this research to investigate public and private sector means of stimulating urban renewal programmes. By encouraging private businesses to invest in inner-city communities, new jobs are created for disadvantaged communities (Journal of Accountancy 1989).

Johannesburg is South Africa's largest and wealthiest city, contributing 16% of the country's Gross National Product. The city hosts the nation's largest corporations, financial institutions, media houses, the Johannesburg Securities Exchange and other organisations. The current official population stands at 3.8 million people with the affluent residing in the green suburbs to the north and poorer citizens, accounting for 70% of the total population living in the urban townships in the south and on the periphery of the north (City of Johannesburg 2008). The population figure is expected to grow by 3.5 million over the next 25 years (Cox 2007). The city centre population is estimated at 343 000 people (Fraser 2008).

As the economic centre of South Africa, Johannesburg has strategic importance to the national economy. The city forms a gateway from South Africa into the rest of Africa, a transport hub for national and international travel and trade, and locally connects the historically disadvantaged regions in the south of the city with affluent suburbs and businesses to the north (Fraser 2008). The South African national and local government have started to implement mechanisms to attract businesses back to the city centres. In Johannesburg "the regeneration of…inner-city areas has been given further impetus with the proclamation…of Urban Development Zones (UDZ's)" (Thale 2004:1).

It is estimated that the inner-city (region 8 – see Figure 3) contributes 23% of Johannesburg's gross geographic product, 2% more than Sandton/Randburg (region 3) which is more readily recognised as the business centre. The importance of the inner-city to the development of Johannesburg can not be understated (Johannesburg Inner-City Business Plan 2004). In his recent State of the City Address, Johannesburg Executive Mayor Amos Masondo renewed the city's commitment to implementing the Growth and Development Strategy and five-year Integrated Development Plan (City of Johannesburg 2008). Included in Johannesburg's goal of becoming a world-class African city is the implementation of the Rea Vaya Bus Rapid Transit System (BRT), comprising 122 kilometres of bus routes and 158 stations (Dlamini 2008), and the provision of 100 000 housing units over the next five years (Cox 2007).

Johannesburg is a complex city facing numerous challenges, both global and local. Globally, rapid urbanisation and urban migration, economic growth priorities, climate change, HIV/AIDS, poverty and unemployment, service delivery and urban renewal affect many cities (City of Johannesburg 2008). Locally, inefficient public transport, a history of poor planning, a lack of law enforcement, uncontrolled street trading, ageing infrastructure, limited parking, and minibus taxi's and their associated ills are all problems (Fraser 2008). The city shares similar problems such as crime with other developing-world cities such as Rio de Janeiro and Sao Paulo (Muhumed 2007), and the problems associated with street trading with cities such as Quito in Equador (Velazquez 2005). The city is fortunate not to have to deal with massive overpopulation problems such as those faced by Delhi in India where population is set to grow from 15 million souls to 23 million by 2021 (Gentleman 2007). Johannesburg's inherited tight grid of streets and small city blocks has a direct effect on traffic congestion within the city. The ring of suburban shopping centres which began to draw custom away from the city in the 1970's has also played its part in the deterioration of the centre (Beavon 2004).

The past decade has seen the city of Johannesburg developing a number of initiatives, beginning from the Vision for the Inner-City of Johannesburg laid out by then President Mbeki in 1997 (City of Johannesburg 2004). An Inner-City Economic Development Strategy (1999), Spatial Framework (1999) and City-Centre Development Framework (2000) followed to guide the work of the Inner-City Office established in 1998 (City of Johannesburg 2007b).

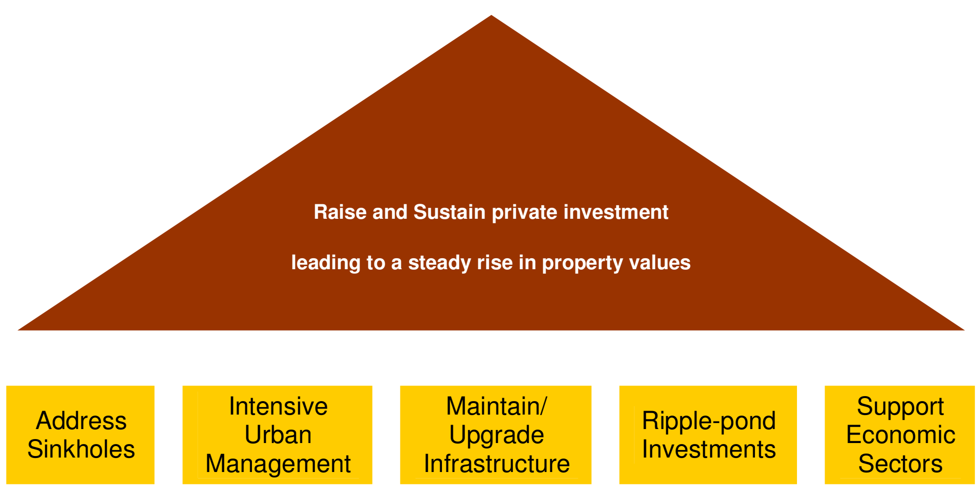

Figure 1. Inner-City Development Strategic Framework (City of Johannesburg 2007b)

More relevant to this study is the Inner-City Regeneration Strategy approved in February 2003 to "raise and sustain private investment leading to a steady rise in property values" in the inner-city (City of Johannesburg 2004:11). The strategy centres on five pillars as shown in Figure 1.

To achieve these goals, numerous current and proposed programmes have been consolidated to form a coherent package which will work towards the upliftment of the city. A listing of these programmes is given in both Table 6 and Appendix C of this report. More recently, the Inner-City Regeneration Strategy has made way for the Inner-City Regeneration Charter, a 55-page document produced in July 2007 outlining the specific steps the city will undertake to achieve its goals in the renewal arena (City of Johannesburg 2007a). This document identified six functional areas (Figure 2) where renewal could take place:

Figure 2. Inner-City Regeneration Charter Focus Areas (City of Johannesburg 2007a)

The Inner-City Regeneration Charter (2007a) documents the achievements of the past five years including the Constitution Hill and Newtown/Mary Fitzgerald Square redevelopments, the Fashion District upgrade, the Main street upgrade, Metro Mall and the Faraday Taxi Rank, the upgrading of Braamfontein and the Nelson Mandela Bridge. These initiatives included significant private sector inputs. The charter also underlines the challenge to the city of scaling up efforts to achieve rapid, sustained and positive impacts on the inner-city. The charter outlines the current use of incentives to promote investment, including the Urban Development Zone (UDZ) programme. The UDZ is an accelerated depreciation scheme that acts as catalyst for private sector investments and facilities. The goals of the city in attracting and retaining investment by business and fixed property investors require an understanding of what investors are looking for, as well as an offering which will entice the investor in to the city centre. This study sought to identify various techniques of attracting and supporting this type of investment used internationally and applies these to the Johannesburg situation. Figure 3 overleaf shows a map of the Johannesburg Central Business District.

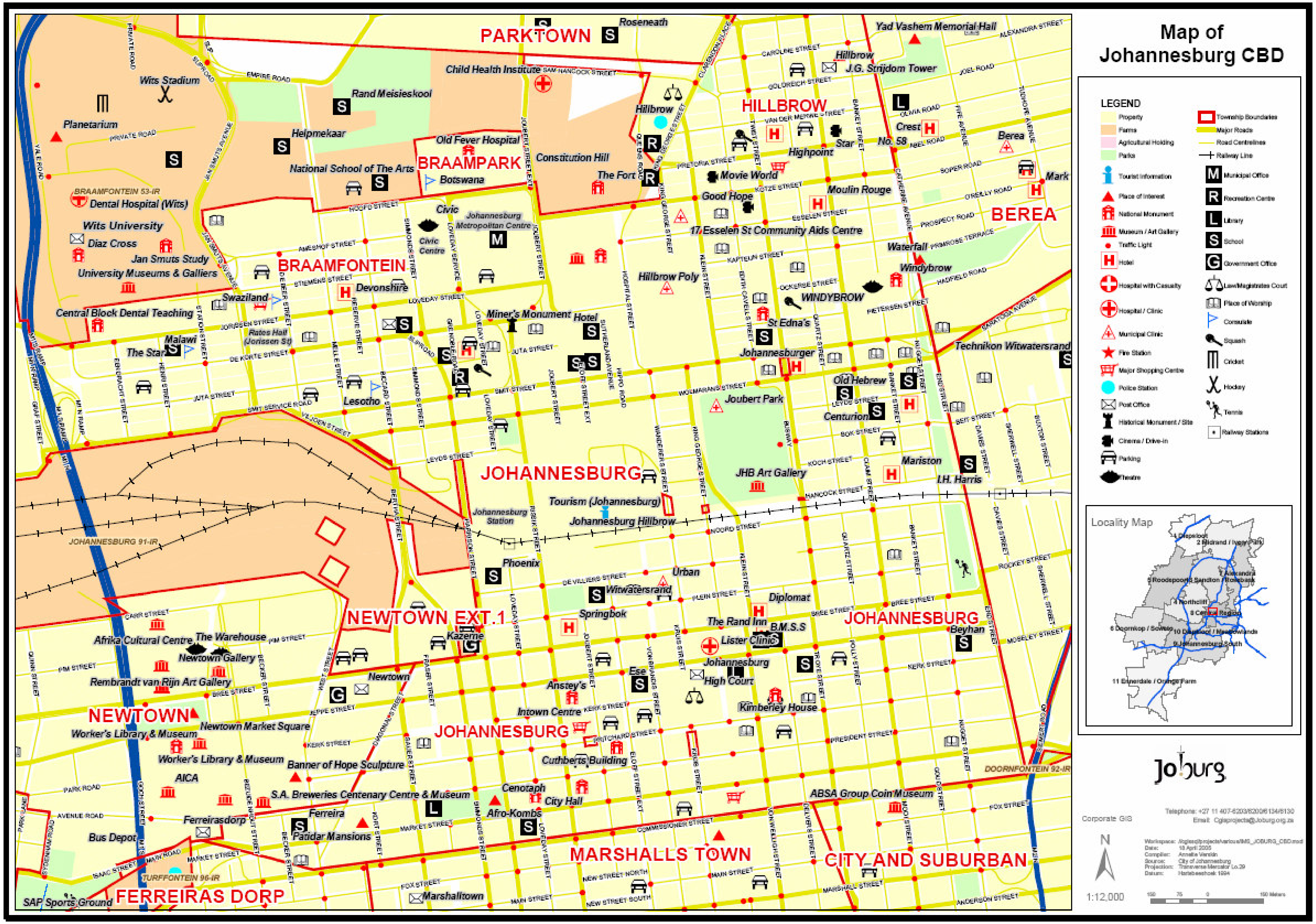

Figure 3. Johannesburg Central Business District

1.3 Problem statement

The problem of stimulating urban renewal is not unique to South Africa, nor to developing countries. Successful evidence of urban renewal programmes can be found in the ghetto's and reworked industrial areas of the United States and Britain as well as in continental Europe. However, the specifically South African problems of HIV/AIDS, poverty and unemployment and apartheid planning could mean that solutions in the first world will not be automatically appropriate in South Africa.

1.3.1 *Main problem*

The central problem is to:

Determine the incentives for inner-city renewal used in other countries in order to establish their applicability to the South African context, specifically Johannesburg, and to determine what modifications to these methods would be required for them to be successful here.

1.3.2 *Sub-problem 1*

The first sub-problem is to find which of the incentive mechanisms used in developed countries are successful and could be realistically and effectively applied to the Johannesburg context.

1.3.3 *Sub-problem 2*

The second sub-problem is establishing which modifications to the selected methods will be required when applying them to the Johannesburg context.

1.4 Significance of the study

The study fills a gap: South African urban renewal programmes currently rely on a limited number of techniques to uplift urban centres (see §4.3), and these are often public-sector led, although some do rely on the partnership of existing property owners and their public sector counterparts. This study seeks to document the many incentive techniques for attracting inner-city investment which are available and might provide guidance to public development companies and their private sector partners. This guidance would be relevant to the choice of the best method of encouraging housing or development in and around the Central Business District (CBD) of Johannesburg. This is based on international best-practice and the specific requirements of the local situation. As noted above, the issue of urban renewal is topical and important given the current state of the cities in South Africa, and is an area currently focused on at a national level.

Internationally, policy regarding the methods of encouraging urban investment has existed as far back as the Housing Act of 1949 in the United States (Slayton 1964) and the early 1980's in the UK (Adair et al. 2003). Preferred methods in various countries have changed over the years. This study serves to add to appreciation of best practice globally and its relevance to South Africa.

1.5 Delimitations and limitations

1.5.1 *Delimitations*

This research includes a literature review of current methods for encouraging urban renewal. The study does not consider the larger national property market, but concentrates on the local urban situation. The concept of urban renewal is complex. Social and economic factors influence the arrangement of financing deals, how much public organisations can spend, and the amount of risk private investors are willing to accept. In undertaking this study, only the business incentives are concentrated on, and the other factors dealt with in as efficient a manner as possible without diverting the study from its goal.

The focus of this report is on the encouragement of renewal in deteriorated areas within cities, not on the ever expanding new and informal settlements that are spreading around South Africa's cities. This serves to narrow the study and excludes informal development which is typically South African in nature. This allows parallels to be drawn with similar urban situations in other countries.

The three main drivers of decline identified in a UK study were dispersal of urban populations, hidden government subsidies to greenfield development and an oversupply of building land in general (Power 2001). All of these are pertinent in the Johannesburg context. Power (2001) infers that financial incentives alone will not halt decline. The current study does not tackle the question of existing drivers of inner-city decline, but rather focuses on incentives for businesses to return.

Linked to the cost of renewal in inner-city areas are the costs of development on brownfield sites, which may require expensive rehabilitation if land is found to be contaminated. Other risks for developers include developing sites with archeological or heritage value. This study does not investigate ways of reducing this risk for the property investor (McGahren and Hatfield 1998, Bartsch and Wells 2005, 2006). Should property investors be discouraged by the risks inherent in developing brownfield sites, however, undeveloped properties will continue to degrade the environment and opportunities to restore the municipal tax-base and inner-city jobs will be lost (Jaconetty 1999). The protection of potential investor firms against development liability and risk is in the interests of urban renewal and should be further investigated.

1.5.2 *Limitations*

The methodology selected is qualitative and includes a literature review of international methods and a qualitative analysis of the local situation via questionnaires and interviews. The case study method is used. This methodology brings with it the limitations that it is considered a difficult methodology to undertake, that it is perceived to lack rigour, that its results are difficult to generalise, and that the documentation of the case study can be bulky and time-consuming (Yin 1994). Creswell (2003) notes the potential for bias on the part of the investigator in recording and analysing data. To triangulate the data from literature review and interviews and strengthen the research (see §3.2.8-3), documentation and newspaper reports of actual inner-city renewal projects are reviewed.

It was not intended to do any quantitative analysis, mainly due to the lack of reliable numerical data sources on completed projects. The sample considered in the interviews is restricted to those individuals who work in the field of the built environment, and is not extended to higher level policy makers or residents or owners in the affected urban areas.

The wide range of factors influencing policy and implementation decisions in various geographical locations in South Africa adds to the broad area which this research considers. Current practice in the city of Johannesburg is considered, and this will limit the geographic reach of the research.

A similar study undertaken in 2002 of how financing contributes to property regeneration in cities (Adair et al. 2003) reviewed financing and incentive methods used in Chicago, USA and Dublin, Ireland. This study used a combination of structured interviews followed by focus group discussions to extract the important themes relevant to the selection of successful incentives. It was expected that following the literature review for this study, the interviews and questionnaires would provide sufficient data on the local situation to enable the drawing of conclusions. However, should further interviews or even discussion groups have been required, these would have been arranged.

A central theme in the literature remains the holistic requirement of any urban renewal project. Abrams (1966) noted the following non-financial issues in the US urban renewal program, which remains a warning to be heeded in the South African urban renewal context at present.

1. [The programme] overemphasises slum clearance and lacks an adequate housing program for those it evicts and for those who live in the slums it proposes tearing down. It makes no provision for re-housing those people except in the cities.

2. It relies almost exclusively on the speculative profit motive for the clearance of these slums, and the rebuilding of slum neighbourhoods. Some of these projects cannot show a profit, and should be developed for other purposes – more parks, playgrounds, etc.

3. It deals primarily with only one aspect of the city's predicament, i.e., housing and slums, while it ignores its others, poverty, social unrest, school problems, racial frictions, physical obsolescence, spatial restrictions, decline of its economic base, and the lack of financial resources to cope with its major difficulties.

The relevance of this critique today is evident from the current problems being experienced in Johannesburg, where the city authorities are having difficulties in moving squatters and slum dwellers in areas assigned for redevelopment. The greening of the city and the importance of non-financial measures of project success are also relevant here.

It was expected that the broad reach of urban renewal projects would require the research to be deliberately exclusive. There was a danger of attempting to cover too wide a scope of study.

As a result, the study is not be expected to draw significant conclusions in areas other than the best-practice use of incentive schemes for urban renewal in Johannesburg. The social and economic results which may be evident from this research are not emphasised. There is thus scope for future research in any of these associated areas.

1.6 Definition of terms

Absorption - The rate, expressed as a percentage, at which available space in the marketplace is leased during a predetermined period of time (FX Realty Corporation 2002).

Absorption risk – The risk that the rate of absorption of an offering by investors is slower than anticipated.

Bond – A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum of money, alternately referred to as face value, par value or bond principal to the buyer of the bond on a specified future date together with specified interest at a specified rate (Municipal Finance Glossary 2007).

Brownfield – Abandoned, idle, or underused industrial or commercial facilities where expansion or redevelopment is complicated by real or perceived environmental contamination (IMS 2004).

Capital allowance - a tax allowance available for businesses in respect of capital expenditure on fixed assets representing depreciation over a period (OLFAS 2008).

Credit Rating - An opinion by an independent specialist on the chances that a borrower will repay a loan as promised – on time, in full. (CLGF 2006).

Eminent domain – The power of a government to take property for public purposes. Frequently used to obtain real property that cannot be purchased from owners in a voluntary transaction. (Municipal Finance Glossary 2007)

Gentrification - the restoration of run-down urban areas by the middle class resulting in the displacement of low-income residents. (Wordnet 2008)

Inner-city - the older and more populated and (usually) poorer central section of a city (Wordnet 2008).

Tax abatement – a reduction or elimination of a real or personal property tax imposed by a government unit. Granted only on application of the individual seeking the abatement. (Municipal Finance Glossary 2007)

Tax increment financing - A public financing tool used to assist economic development projects by capturing the projected property tax revenue stream to be created by the development and investing those funds in improvements associated with the project. (Housing Justice 2005)

Urban - located in or characteristic of a city or city life; "urban property owners"; "urban affairs"; "urban manners". (Wordnet 2008)

1.7 Assumptions

Assumptions were that:

1. There were methods of providing incentives for particular urban renewal projects used in other countries which are consistently successful.
2. The risks inherent in developing projects in low-demand areas such as inner-cities could be made more attractive to investors via creative structuring of incentives and deals.
3. International methods of providing incentives are not the same as those used locally and there is room for improvement and development to form locally tailored methods.
4. That there were efficient individuals involved in this area of urban planning and development in South Africa to provide sufficient data to substantiate the propositions put forward.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

A literature review of the records of inner-city renewal in developed countries was undertaken. The study of recent literature on the subject of urban renewal incentives and structures reveals preferred methods used by governments in various countries. These include tax increment financing, bonds, tax concessions for private developers and public-private partnership projects. Eisinger (2002:20) notes that "A major characteristic of [urban regeneration] is the great variety of instruments and techniques used for raising or allocating funds for economic development purposes. Few other activities of…governments are sustained by so many different methods of financing."

The incentive methods used in first-world environments which have been adapted to their various first-world contexts can be analysed and applied to the Johannesburg context. Financial, urban planning and development journals and periodicals have been reviewed, as well as the numerous city and regional government web pages which provide information on various incentive techniques. Following the literature review, an investigation was undertaken into the current incentives for property development in inner-cities in South Africa, specifically in low-income areas.

Municipalities typically have four channels which they can call on to support renewal:

1. Assets,
2. Debt tools and instruments,
3. Creditworthiness, and
4. The authority to tax their constituents.

Assets are the "cash on hand" which the public sector has in its own account, land and other fixed assets. Debt tools and instruments include tax-free and taxable bonds which the municipality can issue using its credit rating which is based on its creditworthiness. The authority to tax its constituents ensures an income stream of future cash-flows for a municipality if it is able to collect them (Siedman, 2006).

2.2 Background discussion

Upon investigating the published literature on urban renewal, it became apparent that locally the social aspects of urban renewal are well documented. The legal and financial workings of urban renewal projects were not as well documented. Most of the South African government's agenda in cities is related to crime reduction and social upliftment, with return on capital investment a lower priority.

> 'The government's flagship Urban Renewal Programme contains elements of the crime prevention approaches envisaged in the 1996 National Crime Prevention Strategy: The Urban Renewal Programme is a comprehensive approach, which emphasises both innovation, and integration of the efforts and resources of a wide range of agencies at local 'nodes' – two of the key elements proposed in the earlier crime prevention policies.
>
> Although the focus on crime prevention has not been maintained throughout the history of the Urban Renewal Programme, it can be viewed as one of the most ambitious crime reduction experiments in South Africa's recent history…' (Rauch 2002:1)

As a result, it was expected that the research would have to consider aspects of social and historical documentation before distilling the business data.

Locally, the historical background of urban renewal is important. Since 1973, financial resources and subsidies from the Administration Boards in Johannesburg have been inefficiently allocated and have proved less than adequate (Mandy 1991). Politics in the 70's and 80's took precedence over business sense. Government only guaranteed loans for large capital works. These loans were to be serviced out of operating costs. To improve the situation, Regional Services Councils (RSC's) were established, and bridging finance loans were instituted by the Transvaal Provincial Authority (TPA). The fragmented nature of the Central Witwatersrand RSC resulted in inefficiencies and underutilization of resources. The RSC's were wholly government agencies, with no private investment. The bridging finance loans administered by the TPA were also made directly to councils, with no private involvement (Mandy 1991). These loans were unlikely to be serviced due to insufficient revenue on the part of the councils. These inherited issues have made renewal in Johannesburg more complex and more important due to their lasting effects on business and residents.

Internationally, the importance of renewal in cities has been noted by Slayton (1964). He noted that the contribution of urban renewal lay in creating better job opportunities as well as in improving housing conditions. Adair (2003) emphasized that the need for regeneration arose from physical, social, economic and environmental decline. This decline had characterized many European and North American cities since the mid-20th century. Regeneration can be considered as a process that seeks to reverse decay, raise value and kick-start markets to counter the perception of market failure that characterizes renewal locations."

A report on revitalization of the Thames London Gateway (Thames Gateway London Partnership 2000) outlines 12 objectives to achieve positive change in that inner-city environment:

- Create a dramatic change in image
- Focus on the town centres for renovation
- Make the most of major development sites
- Sustain a prime role for rivers
- Create sustainable new communities
- Revive existing neighbourhoods
- Facilitate the regeneration of employment areas
- Make vacant properties contribute to their environment
- Conceive streets as places
- Build sustainable streets
- Improve the sustainability of buildings
- Encourage housing innovation

Berry (1995) notes the importance of the increased land or property values accruing to the residents if interventions are to have any sustainable effects, and not simply enrich property speculators. As an example of the effect of interventions, Greenbaum and Bondonio (2004) propose that the following effects (Table 2) on selected residential housing markets would result over a ten year period on blighted areas across the US from a demand-led intervention by government – in this case using an Empowerment Zone mechanism (see §2.3.7).

Table 2. Expected Impact of Empowerment Zone Programmes

	Outcome		
Initial Conditions	**Housing Values**	**Rental Amounts**	**Vacancy Rates**
Low vacancies	Large increase	Large increase	Small decrease
High vacancies	Small increase	Small increase	Large decrease

From Greenbaum and Bondonio (2004)

Deciding on appropriate incentive structures in blighted urban areas cannot be separated from the social and economic goals advocated by the local or national government. The importance of environmental and social sustainability in redevelopment and city renewal is highlighted by van der Merwe and Patel (2005). They note that the use of economic success as the only criterion for renewal projects is short-sighted. A sustainable cities approach is suggested, with the goal of reducing the social and environmental consequences of environmental degradation. However, for investors to be attracted to the type of higher-risk investments which result from these projects, their anticipated returns need to be higher than for lower-risk suburban projects. This research therefore aims to find the methods which are most attractive to investors, whilst still being considered successful from other stakeholders' points of view.

2.3 Sub-problem 1: Incentive mechanisms for inner-city renewal

The first sub-problem looked at mechanisms for inner-city renewal used in developed countries which are successful and could be realistically and effectively applied to the Johannesburg context. This required a review of published sources reporting the use and effectiveness of urban renewal incentives.

There are a number of preferred methods of organising and encouraging urban renewal projects. However, according to Andrews (1999), it is difficult to measure the accomplishment of some of these methods since they aim to achieve numerous social and economic goals. Greenbaum and Bondonio (2004) highlight the debate over whether renewal initiatives should be targeted at people or places. They argue that people-based initiatives which provide incentives to employees and residents of a targeted area instead of the businesses operating there do not tie businesses down through area-based tax incentives. However they are of less benefit to distressed urban areas. In the same vein, renewal of urban areas can not be considered to have been successful from a social perspective if it simply results in lower-income residents being displaced by more affluent ones, the practice known as *gentrification* (Fasenfest 1986).

The well-documented urban-renewal experiences in the US and world-wide has led to the development of numerous tools for inner-city renewal. These are used in isolation or in combination with one another. Examples are:

1. Business Improvement Districts (BID's) – also known locally as City Improvement Districts or CID's (Adair, et al. 2003)

2. Business Incubators (Ressler 2001)

3. Grants and Gap-funding (Adams, et al. 1999)

4. Tax-based incentives (Berry, 1995)

5. Community Based Development Organisations (Rubin 2001)

6. Community Building Resources (Berry 1995)

7. Federal Empowerment Zones (Greenbaum and Bondonio 2004)

8. Enterprise Zones (Cowden and Eilers 2001)

9. Tax Increment Financing Initiatives (TIF) (CDFA 2007b)
10. Government and City Bond Issues (Firer, et al. 2004)
11. Historic Preservation Incentives (Rypkema 2001)
12. Grant- and Loan-Based Systems (Eisinger 2002)
13. Community Finance Initiatives (Bank of England 2000)
14. Institutional Investment Funds (DETR 2000)
15. Private Finance Initiatives (South African National Treasury 2008)

These tools are discussed in more detail below.

2.3.1 *Business Improvement Districts*

Business Improvement Districts (BID's) represent "a local self-help initiative and funding mechanism for coalitions of business interests and property owners. BID's are a voluntary form of self-taxation for hypothecated purposes" (the pledging of [property] as security or collateral for a debt without transfer of title or possession) (Adair et al*,* 2003:1074). In South Africa districts such as these in city environments are called City Improvement Districts or CID's (Central Johannesburg Partnership 2006). BID's are formed within a designated city area where property owners have conceded to paying an additional tax. (Adair et al, 2003). The intent is to use tax funds collected to enhance the values of the BID area for commercial or residential activities by collecting an additional tax over and above that collected for property levies. This requires a level of affluence on the part of the property owners in the BID which may not always be the case in South African cities, where many institutional and commercial landowners have sold-up and moved out. BID initiatives are only suited to situations where the majority of landowners are willing and able to pay additional taxes (Lloyd *et al.* 2001). In the fragmented ownership of South African city buildings, this may not be viable since consensus might be difficult to reach.

BID's are typically in central business district areas where legislation allows for capital and operating improvements. Bradley (2001) notes two characteristics of BID's. The first is the use of local legislation to raise money for physical improvements, and the second is their use to ensure management services for CBD areas. "The need for long-term, substantial and equitable financing" is the most important driver of the BID concept. The revenues generally resulted from an assessment on the existing property tax (Bradley 2001). The financial commitment required of business owners results in direct involvement of private stakeholders and an increased likelihood of success. A high level of co-operation is required between public and private enterprise. Funds raised can be used for improving public services as well as rehabilitation and construction of buildings, adding to the flexibility of this type of scheme.

There are currently 5 mandatory and 7 voluntary CID's in Johannesburg's CBD, and others in Sandton, Randburg and surrounding suburbs (Bayne 2007, City of Johannesburg 2006).

This technique is already used widely in Johannesburg and has been adapted to the local situation by owners, urban managers and investors.

2.3.2 *Business Incubators*

Business incubators are facilities and guidance provided by local government to increase the chances of business success. Often offices at below market rentals are provided. These programmes increase city investment and employment, whilst maintaining a high degree of owner involvement. Sponsors in the US context have included local government, universities, NGO's and private firms (Ressler 2001). There have been a number of successful examples of large business incubators in California and Wisconsin in the US comprising multi-storey office buildings housing numerous start-up companies. Training facilities are often appended to the incubator "campus".

The use of Enterprise Zone incentives, discussed in §2.3.6, has also been hailed as a mechanism for incubating fledgling businesses.

The current national and provincial government policy of promotion of Small, Medium and Micro-Enterprises (SMME's) through initiatives such as BlueIQ would support the development of business incubator projects in the inner-city.

2.3.3 *Grants and gap-funding techniques*

Gap-funding techniques attempt to make up the difference between the cost of a development and its final value once complete (Adair, et al. 2003). The technique uses supply side economics to try to correct the adverse impact of dysfunctional market forces in a blighted urban environment (Adams et al.1999) where property markets require stimulation to begin to function. Tyler (2001) estimates that over the period 1981 to 2000 public sector spending in the UK was able to leverage private investment into regeneration projects at a ratio of almost 1:4, or £10 billion leveraging £38 billion worth of private investor funds. Gap-funding formed an important part of this.

Despite the waning popularity of grants and gap-funding techniques, they have served to bolster the urban regeneration armoury of city governments in the US since as far back as 1949 (Slayton 1964). Government's goal is to use their limited funds to leverage private investment into regeneration areas and overcome the problem of perceived added risk. Grant-based systems use a subsidy to reduce the costs accrued by the developer in land-making and in development of infrastructure for the site. (Berry 1995). The targeting of subsidies tends to benefit developers rather than the eventual tenants of projects, particularly housing projects, and this is seen as a drawback.

Gap-funding techniques have been perceived to give developers an unfair advantage by reducing their risk by using taxpayers' funds. The implication of the demise of gap-funding suggests that developers will be less likely to develop difficult brownfield sites (UK Parliament 2002). The European Commission has ruled that all gap-funding offered by member states required approval on a case-by-case basis (Treaty of Rome 1999). This is chiefly due to the limitation on support of domestic markets by European Union member governments. Grants became the most widely used tool for urban development in the UK in 1979 with the publication of the 1977 White Paper (Noon et al. 2000). Since 1983 private sector investment in UK inner-cities has received priority. Leveraging of private investment was the main aim of the government at this time. Examples of funding included the Urban Development Grant and Urban Development Corporations. The principle of levering of private finance was also used to provide low-cost housing. Sources of capital for development in the UK include the SRB Challenge Fund, The English Partnerships Development Fund and the European Structural Funds (ERDF 2006).

In the EU, "Community grants for investment in urban infrastructure and long-term loans for investment in urban renewal - including in social housing – [are] granted by [the European Investment Bank] and the [Central European Bank] (two European International Financial Institutions (IFI's) with experience in social housing finance)" (EIB 2005:1). National Lottery funds have also played a part in development projects in the UK (University of Nottingham 2006).

This European stance, based on capitalist principles of limiting state intervention where it interferes with the free market is not applicable to the use of gap-funding in South Africa. Whilst the South African economy is based on free-market principles, the national government has instituted a number of quasi-socialist programmes to protect the interests of South Africans. Limited gap-funding may be a technique which could be used in conjunction with other national development programs such as the National Housing Initiative and the Urban Renewal Programme.

As a mechanism for use in Johannesburg, careful planning of these funds would be needed to ensure that taxpayers do not bear the brunt of the expense while speculative property owners are favoured.

2.3.4 *Tax-based initiatives*

In South Africa, tax-based incentive schemes are currently in use. The Urban Development Zone tax incentive is "a new tax incentive scheme aimed at encouraging inner-city renewal across South Africa. Any…individual or entity may claim the tax benefits of the UDZ incentive. The incentive takes the form of a tax allowance covering an accelerated depreciation of investment made in either refurbishment of existing property or the creation of new developments within the inner-city, over a period of five, or seventeen years, respectively." (City of Johannesburg 2006:1) Table 3 outlines important differences between grant funding and tax allowances.

Table 3. Comparisons of Grants vs. Tax Allowances

	Grants	**Tax Allowances**
Financial constraint on municipality	Immediate	Deferred
Target	Individuals and companies	Generally available
Recipient cost	Quantifiable	Estimates based on take-up rate and taxation rate %age (foregone)
Future benefit	Builds up future revenue base and increases economic activity in short-term	Builds up future revenue base and increases economic activity in short-term
Tax equity consideration	Can be allocated to specific groups	Higher tax payers avail of tax expenditures

from Williams (2006)

Tax-based initiatives include capital allowances and tax credits, and are utilised extensively in developed countries including Germany, the UK, Greece, the Republic of Ireland, the US and Sweden (Berry 1995). The main advantage of this mechanism is the targeting of the end user, rather than the developer, and greater flexibility in implementation and exit options for the investor.

In the case of residential property, for example, the owner-occupier or tenant is encouraged to take occupation via tax incentives which to not accrue to the property developer but to the tenant. Developers are rarely their own end-users (Fasenfest 1986). In this way the benefits are retained in the targeted area and benefit those they are intended to serve.

These mechanisms are well-suited to housing renewal, since the tenants and owner-occupiers of the property can be targeted as the beneficiaries of the schemes. These schemes are particularly attractive in countries with high personal tax-rates since they provide some relief. Berry (1995), notes that reductions in corporation tax and relief from rates are both tax-based initiatives used successfully in the UK.

As an alternative to tax increment financing (TIF) as used in the US, public companies in the EU use various grants and loans to finance renewal and encourage private finance. No sources referenced during this study could provide a definitive reason why TIF has not been used in the UK and EU. In the Republic of Ireland, subsidization of property development via fiscal incentives commenced in 1985 mainly due to political will (Williams 2006). The early 1980's saw Irish unemployment at 18% and the economy in a recession. Initial schemes targeted incentives for designated areas and stimulation of the construction industry.

A lack of public resources saw a trend toward tax-based initiatives in the early 1990's and proved a major challenge to the Irish government in the rejuvenation of Dublin. Examples of effective incentives used include accelerated capital allowances and double rent allowances. Accelerated capital allowances involve a percentage tax relief allowance for development costs which can be quickly written off, or accelerated, while a double rent allowance entitled tenants to write their rent payments off against their income taxes (Irish Government Department of Finance 2000).

By 1991, the emphasis on office accommodation as the mainstay of the renewal effort via targeting corporate investors had resulted in an oversupply office space in Dublin, leading to vacancy rates of 45% in new office buildings and lowered property values (Williams 2006). Two critical dangers are revealed here

– the danger of allowing excessive speculation by investors, and the unfounded expectation that property values will rise in an area designated for renewal. As a result, focus shifted to residential property. Included in the tools used to rehabilitate the aging properties in the city was the use of historic areas as anchors, as in the case of the Temple Bar district.

The recent acceleration of the Irish economy resulted in a number of incentive schemes to encourage projects aimed at improving selected blighted areas in the capital city of Dublin. One such project was the Custom House Docks (Malone 1996). The incentive package allowed occupiers relief from rates and property taxes, as well as limiting income taxes based on the occupier's expenditure on the buildings or rentals. These incentives were typically more generous than those for other renewal projects in Dublin. The project had added incentives for the International Financial Services Centre (IFSC) within the office section of the project. Companies had only to pay 10% corporation tax on foreign business until 2006. This encouraged international transactions and capital investment. Malone (1996) emphasises the importance of *leverage* of the state's financial incentives to encourage direct and indirect multiplier effects corresponding to urban renewal, economic growth and increased employment. It should be noted that this project, whilst successful, succumbed to delays due to the complexity of its management structures and funding shortfalls. The weak market demand for office space noted above, and the low development profits which were unable to sustain continued construction played a part in this. To remedy this, IFSC incentive benefits mentioned above were extended to business functions other than purely financial, and the leasing constraints for office space were loosened. An important concern is whether tenants would remain in place after the incentive scheme expired in 2006.

In addition to tax credits and TIF, tools such as property tax abatements are used extensively in the United States. Property tax abatements forego a percentage of the increased value in property after redevelopment has been completed, effectively freeing the developer from the obligation of paying the future tax bill (Eisinger 2002, Perl, et al. 2006). If the abatement is complete rather than partial, this may be termed a tax exemption. Abatements have been known to last from five to 32 years. Also in the US, tax exemptions are offered to businesses and entrepreneurs, often in conjunction with Enterprise Zone policies (see below).

As a mechanism for use in Johannesburg, careful targeting of tax-based initiatives would be needed to ensure that the intended funding reached and remained in the designated inner-city area and did not accrue to the developers rather than end users. The importance of understanding the market so as not to promote an excess of one type of property at the expense of others should also be noted.

2.3.5 *Community Based Development Organisations*

CBDO's are NGO's, housing agencies and developers which can partner with local government to provide and manage property in designated neighbourhoods. Government provides financial and administrative support via waiving certain permits and generally streamlining the development process (Rubin 2001).

2.3.6 *Enterprise Zones*

Enterprise Zones offer tax incentives in economically distressed areas, not only to property owners and tenants, but also to businesses in their own right which relocate to the Zone in question. Enterprise Zones use demand-led incentives such as reductions in corporate taxes and relief from municipal rates (Berry 1995). These serve to encourage investment, increase employment and spur development of the derelict area (Cowden and Eilers 2001). EZ's have also persuaded traditional institutional investors to abandon their conventional property investment evaluation criteria and invest in marginal areas (Cadman 1982). From a residential perspective, EZ's encourage owner-occupiers and residential tenants to move into inner-city areas (Berry 1995). In an economy the size of the US, they also promote competition between cities vying for large corporations and their investment. They are most effective as part of a larger redevelopment strategy.

After being suggested in the UK in 1978 (Engberg and Greenbaum 1989) the concept was included in legislation in the UK in 1980 (Cowden and Eilers 2001), mainly targeted at abandoned industrial areas (Engberg and Greenbaum 1989). EZ's were adopted in the US via state legislation in the early 1980's (Butler 1991) with more focus on poor communities, and were reinforced by the first Bush administration in 1989 (Journal of Accounting 1989).

Enterprise Zones had lost favour in the UK by 2006, where they had formed a part of urban renewal policy since the early 1980's. The view was that the cost to the Exchequer of each new job created was too great (Symms and McIntosh 2004). EZ's had included reductions in bureaucratic rules and tax incentives for property occupation in distressed areas (Jones 2006) and were seen as a free-market approach to urban renewal. The following measures formed part of the Enterprise Zone legislation:

- 100% allowances for corporation and income tax purposes
- Exemption from municipal rates on industrial and commercial buildings
- Exemption from industrial training levies
- Reduced bureaucracy for certain customs facilities
- Simplified planning scheme and requirements for new development
- Exemption from Development Land Tax – a 60% capital gains tax which was abolished in 1984 (Jones 2006).

Many occupiers of EZ's noted the attraction of available land and financial incentives rather than reductions in bureaucracy as their main motivations for relocation to an EZ. New developments, however, were encouraged by the streamlined construction process due to fewer construction permits being required and their more rapid processing. The tax allowances also gave property developers confidence to build ahead of anticipated demand and encouraged capital investment in property (Jones 2006).

A study funded by the UK government found that areas chosen for EZ's should be areas of high potential with good infrastructure, freedom from crime and a good general image if gains were to prove sustainable beyond the withdrawal of incentives. Sites should also allow businesses to expand as the need arises. Symms and McIntosh (2004) found that there was a danger of property markets in the Zones collapsing after the incentives were withdrawn if they had been artificially sustained by incentives.

Despite a US General Accounting Office study in 1983 which declared Enterprise Zones to be a failure, there is still support for this incentive particularly in the US. Engberg and Greenbaum (1989) declared them one of the most popular economic development tools in the United States. In 2000, EZ's already in existence in the US had their tenure extended to 2009 (Strobel 2002). The concept has progressed beyond its simple beginnings in the 1980's to include many pro-active incentives in addition to tax reduction such as explicit incentives to businesses. These include low-interest loans, job training assistance and subsidies, improvement of infrastructure and public services, and various business development services and assistance (Engberg and Greenbaum 1989).

In a successful Urban Enterprise Zone (UEZ) established in New Jersey in the United States (Cowden and Eilers 2001), public and private sectors must use minority contractors and promote equal opportunity. Relocation of residents is minimised. Measures implemented here include reduced sales taxes, a reduction in the standard rate of taxation on company sales of 50%, and tax credits amounting to thousands of dollars per year for employees of businesses located within the Zone (Cowden 2001). The reduced taxes paid by businesses in the Zone are pooled in an Enterprise Zone Assistance Fund (EZAF) for a set number of years and made available solely to the local municipality for public improvements within the Zone. Thirty-two percent of firms surveyed within the New Jersey UEZ claimed that the reason they remained or relocated to the area was because of the Zone's benefits. Similar successes have been recorded in Californian EZ's. A comprehensive analysis of property market performance in EZ's during the 1980's across the US by Engberg and Greenbaum (1989) found that Enterprise Zones consistently increased the growth rate of housing values in places that began the decade with low vacancy rates, implying that they benefited low-income areas already populated rather than those which had been abandoned prior to the establishment of EZ's. Table 4 indicates the expected impact of these programmes.

Table 4. Expected Impact of Empowerment Zone Programmes

	Outcome		
Initial Conditions	**Housing Values**	**Rental Amounts**	**Vacancy Rates**
Low vacancies	Large increase	Large increase	Small decrease
High vacancies	Small increase	Small increase	Large decrease

From Greenbaum and Bondonio (2004)

Despite this, Greenbaum and Bondonio (2004) cite numerous sources in coming to the general conclusion that EZ's did not provide enough incentives to be effective in very distressed areas.

In the UK the EZ concept has recently evolved into "Enterprise Areas" and "Business Planning Zones" which seek to remove bureaucratic barriers to business rather than actively enticing them into areas using incentives (Jones 2006). Enterprise Areas focus less on property and more on supporting businesses, and include fast-track planning approval, access to the Phoenix Fund and enhanced capital allowances, community investment tax-relief and entrepreneurial advisors in local schools (UK Communities and Local Government 2008).

2.3.7 *Federal Empowerment Zones*

If the first Bush Administration encouraged the use of Enterprise Zones, the Clinton Administration's contribution to urban revitalisation was to oversee the introduction of Federal Empowerment Zones (FEZ's). Unlike Enterprise Zones, Empowerment Zones were initially federally legislated to a relatively small (six) number of areas (Greenbaum and Bondonio 2004) in 1994 via the US Department of Housing and Urban Development (Keating 2003). There are currently 30 Zones. FEZ's were supplemented in the US with Renewal Communities in 2000. FEZ's also generally cover a smaller area and offer higher incentives than EZ's. They seek to combine economic development incentives with community development incentives (Greenbaum and Bondonio 2004) and aim to stimulate job growth, promote economic development and boost construction of affordable housing (Keating 2003). FEZ's are people-centred mechanisms with the problem that development of people may result in them leaving the designated FEZ to look for employment elsewhere. The complexity of the process of claiming tax rebates and credits is also a deterrent (Ohlson 2007). One advantage of FEZ legislation is its flexibility. Businesses can qualify for a range of incentives depending on the proportion of the development's direct benefit to the host community (Shoaf 2005).

2.3.8 *Historic Preservation Incentives*

Historic preservation has moved from being an end in itself to being an effective vehicle for larger goals (Rypkema 2001). Public and private funds can be used to redevelop areas with historic buildings as centre-pieces. Undertaking a historical rehabilitation project in the US is typically cheaper than completing a new-build project, and thus can provide higher returns. It remains to be seen whether this would be the case in South Africa.

Figures from the US situation indicate that 4 to 8 more jobs are created for each dollar spent on rehabilitation projects than on new-build projects. Thus this type of incentive is seen as an effective way of maximising the effectiveness of the scarce resources spent on renewal. A good example of this type of leveraging would include the upgrading of Durban's Mahatma Gandhi Road (formerly Point Road) area where old dock buildings are being refurbished amongst new developments, and Cape Town's Victoria and Alfred Waterfront which has used rehabilitated historic port buildings as an anchor to rejuvenating the City's Foreshore precinct. According to Gallaher (2001), museums can also form anchors for this type of scheme.

There are a number of nodes of historic significance in Johannesburg for which this type of incentive would prove effective.

2.3.9 *Tax Increment Financing Initiatives (TIF)*

Tax Increment Financing uses future tax benefits from new developments and improvements to fund the present costs of those improvements. Tax Increment Financing was first used in 1952 in California to act as an incentive for redeveloping blighted areas (CDFA 2007b). In the United States, cities such as Portland and Denver have made effective use of Tax Increment Financing (TIF), in using tax revenues generated by new development to finance projects via bonds or reimbursement of the developer. (Denver Urban Renewal Authority 2006).

When zones within cities are redeveloped, the surrounding areas become sought after as investment opportunities. Property in the area becomes more valuable resulting in a more lucrative tax-base for the city government. Local government can also tax property in these zones to fund the ongoing development within the TIF area. TIF programmes can be project- or area-based (Rittner 2007). From the beginning of 2005 to the end of 2007, a total par value of US$5.1 billion was raised in the US via Tax Increment Financing bonds (Busby 2007).

> Tax increment financing (TIF) allows cities to create special districts and to make public improvements within those districts that will generate private-sector development. During the development period, the tax base is frozen at the predevelopment level. Property taxes continue to be paid, but taxes derived from increases in

[regularly] assessed values (the tax increment) resulting from new development either go into a special fund created to retire bonds issued to originate the development, or leverage future growth in the district (EMU 2006:1).

Figure 4 indicates the concept of TIF graphically.

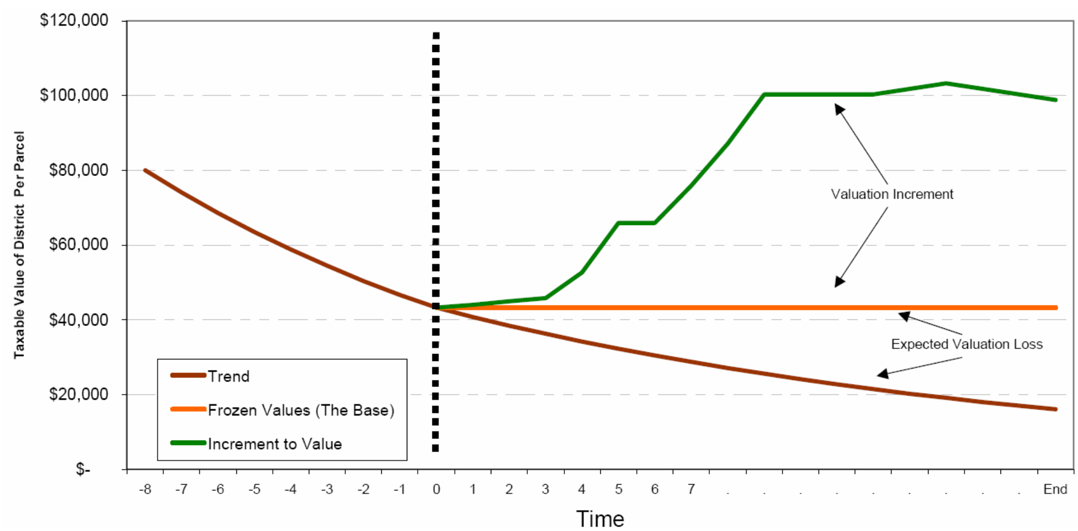

Figure 4. Tax Increment Financing: The Concept (Swenson and Eathington 2002)

The taxing authority reimburses the local authority by the payment of tax increments over a set period after which the TIF district is dissolved (Huddleston 1981). Tax increment financing has been effectively used in many US cities in various forms since before the 1970's (Swenson and Eathington 2002). Forty-nine of the 50 US states now have some form of TIF legislation.

Tax-based incentive schemes can be effectively used in two ways, both to encourage redevelopment of urban areas, and to discourage competing development in areas which local government would prefer not to develop. In this way these incentives can complement planning and zoning already in place in an urban area. Stocker (1971) argues that tax-based schemes are effective stimuli for development, specifically residential and commercial construction projects. Generally funds from TIF programmes can be used to fund public expenses involved in preparing land for development, or to make up financing shortfalls by private investors. They can also be used to encourage developments considered unattractive for the private sector such as low-cost residential developments (Friedman 2007). The success of TIF depends on the value of the tax-base increasing i.e. that development within the TIF area increases the taxable value of the area, as well as the ability of the relevant taxing authority to collect rates and taxes. Careful planning is required to ensure that there will be demand by private investors and their eventual end-users to guarantee sufficient cash-flows to repay bond issues or cover costs incurred by the city in preparing land for development (Sullivan, et al. 2002).

Given its 56-year proving period and widespread use, TIF can be considered as a valid option for consideration in Johannesburg. It should be noted that the use of TIF methods have been controversial as it is difficult to assess who should pay the bill since one taxing authority may capture taxes which may have been earmarked for other uses (McGreal et al. 2002). TIF also assumes growth in property values once the TIF area has been established for the increment to provide any returns to the city's coffers or to aid it in financing a bond issue. TIF's are most appropriate for three types of activities:

1. Economic development TIF's support heavy infrastructure and employment-generating land uses,

2. Community revitalization TIF's are targeted at rehabilitating blighted areas, while

3. Public amenity TIF's are used to fund major capital investments such as schools, low-cost housing, etc (CDFA 2007b).

TIF financing was originally directed at blighted areas, but its usage has become diluted in some US states (Talanker et al. 2003, Miltimore 2007). Table 5 overleaf compares benefits and drawbacks of TIF mechanisms in the US.

Table 5. Pro's and Con's of TIF in the United States (from Sullivan, et al.2002)

Pro's	**Con's**
Provides financing for projects which would otherwise not have been viable	While the project appears to be self-financing, in reality taxpayers outside the TIF zone subsidize the projects by paying for increased service needs that emerge as a result of redevelopment (fire, police, schools).
The city loses no tax revenue	Cities have been known to abuse the programme, capturing taxes on development that would have occurred without the TIF project, or using captured taxes to provide basic city services
Property owners within a TIF zone pay their full share of property taxes and property owners outside the zone are not required to pay more than their normal tax burden	If the increment does not materialise as planned, the city must find some other source of funds to prevent bond default
TIF bonds are not included in a city's general debt obligation	TIF debt is more expensive to service because it is not backed by the full faith and credit of the city
Development is financed from the increases in tax revenues that it generates, not by subsidies from other areas of the city	It is difficult to alter development plans once bonds have been issued since bond buyers require assurances that limit flexibility
Once TIF bonds are retired, the city and all other affected taxing units get the advantage of the full tax base and increased tax revenues.	Cities often stretch the definitions of blight to ridiculous extremes allowing use of TIF in areas that don't need publicly subsidised assistance
Projects must be well-planned and economically feasible in order to attract bond investors and ill-conceived projects won't get off the ground.	Most incentive programmes, including TIF, are welfare for big developers as a windfall to help them carry out projects they would have undertaken anyway
No voter approval is required, a city may act unilaterally.	There is no accountability to voters

A popular test for TIF's is the so-called 'but for'-test, as in: 'But for TIF, the development would not have been viable…' This test ensures that projects which could have gone ahead under their own steam are not funded using public funds, and that those projects which are funded are not given funds in excess of their needs. (Swenson and Eathington 2002). The enabling legislation must ensure that each project or area to be established is thoroughly tested.

Drawbacks to the technique have included the high actual cost of job creation via TIF schemes. These costs are effectively subsidised by urban taxpayers, while actual benefits may not exceed the actual public cost of implementing and maintaining the TIF area (Davis 1989, Miltimore 2007) Other technical issues such as the subdivision of erven and the recalculation of property valuations during the TIF period as well as fixing of the tax base rates at the beginning of the period require thorough analysis.

TIF became a victim of its own success in the early 1990's, when an excess of new inner-city development caused property values in areas of the US to dip for a short (Eisinger 2002). It is notable that no evidence of TIF being used in UK renewal projects was found during the course of this research.

TIF would be an effective mechanism in the Johannesburg context, given its ability to combine effectively with city planning. The ring-fencing of sections of the city's tax-base, however is a significant drawback for a resource strapped public sector.

2.3.10 *Low-interest loans*

Since passing Section 221 (d) (3), and Section 202 of the United States Housing Act of 1949 (Slater 1965), the US federal government has offered low-interest loans to developers in blighted areas. The US Housing Act of 1949 formed part of President Harry Truman's Fair Deal initiative, and was the first instance of direct government intervention in the urban landscape (Lang and Sohmer 2000). Due to perceived inadequacy in government funding, local and state urban renewal agencies were brought into being, offering loans and incentives.

Abrams (1966) calculated that it took an average of five to eleven years to compensate US cities for their subsidies in the 1960's. Cases of using a municipality's creditworthiness to guarantee loans to businesses or developers, lowering the loan repayment rate below that commercially available have also occurred (Eisinger 2002).

In Hong Kong, loans form the backbone of city renewal initiatives (URA 2005). Mortgage loans up to 70% of property value without onerous repayment terms are offered by the Urban Renewal Authority (URA). These loans are earmarked for covering the cost of purchasing of rehabilitation materials or rehabilitation of buildings.

Methods of tax-free allowances and loan agreements are further investigated in §4.2. Government-backed loans to existing SMME's, businesses which are relocating, or developers who wish to invest would allow each to establish themselves in the Johannesburg city centre. There is a wide range of possible arrangements for these incentives, and low-cost government-backed loans to the private sector should be considered as a real option to encourage renewal in Johannesburg.

2.3.11 *Government and city bonds*

The sale of bonds to raise finance for new development is a well-developed method for funding urban projects, and forms part of a number of the schemes listed here. "When a company (or government) wishes to borrow money from the public on a long term basis, it usually does so by issuing or selling debt securities… [or] fixed interest securities. [These are referred to] as bonds" (Firer et al., 2004:184). As with any investment, investors consider risk and return before buying into a bond issue. In some cases, government can use its position as the taxing authority to issue bonds which are tax-exempt to improve their attractiveness to buyers. City bonds are often backed by revenues from city facilities already built (Vadum 2005). In some cases, particularly in the UK, private equity funds have been established to raise private funding for public and commercial projects.

Industrial Development Bonds have been in use in the US for over seventy years, and are targeted at the manufacturing sector (CDFA 2007a). These bonds offer financing at lower rates and on better, more flexible terms than equivalent commercial finance offerings. This allows private firms access to capital and development finance for expansion and job creation that may otherwise not have been affordable. CDFA (2007a) identifies challenges to the issuing authority in employing these types of bonds as management of the issuing process, marketing of the bond, and overseeing the programme.

In the case of city or government bonds, where the authority funding the project assumes the position of client, the results are not always those expected because communication between public officials and the private sector is inadequate (Balsas 2001). In the case of incentive schemes for private investment such as TIF mentioned above, the property companies are the clients, and in their private capacity are able to achieve a more efficient regime in communicating the project requirements.

In South Africa, bonds are regularly used to raise capital for new projects and maintenance. The City of Johannesburg “successfully issued a R1,2-billion municipal bond on 31 May [2006] as part of its Domestic Medium Term note programme, its fourth so far. The note programme allows the City to issue up to R6-billion in bonds until 2010, without having to provide additional documentation before each issue” (Abrahams 2006:1). This bond was offered to institutional investors and is intended to fund infrastructure development within the city It has been followed by the issue of a retail bond which can be bought by individual investors. Rating agency, Fitch, has recently upgraded the city of Johannesburg’s long-term credit rating to A+ from A, while it has confirmed the City's short-term credit rating at F1 (GEDA 2008). Appendix E indicates long-term debt symbols.

2.3.12 *Community Finance Initiatives*

Community Finance Initiatives (CFI's) provide finance to individuals from community-based non-governmental agencies. "CFI's have a potentially important role by focusing on those unable to seek bank finance, regenerating depressed economies and encouraging entrepreneurial activity among particular social groups" (Adair et al. 2003:1077). This type of initiative is less suited to large infrastructure or construction projects, but "[CFI's] are able to respond to community needs much more quickly than banks" (Bank of England 2000:24).

The use of this type of initiative would require the presence of established, creditworthy NGO's operating in Johannesburg's inner-city who were able to grant these types of loans. At this stage there are none with this ability.

2.3.13 *Private Finance Initiatives or Public Private Participation*

Private Finance Initiatives (PFI's) or Public Private Partnerships (PPP's) involve the awarding of project concessions to private consortia which recoup the revenue from a completed scheme for a set number of years into the future. According to the South African National Treasury (2008:4):

> PPP's…are long-term contracts between the public and private sector. The main objective of PPP's all over the world is to ensure the delivery of well maintained, cost-effective public infrastructure or services, by leveraging private sector expertise and transferring risk to the private sector.

The private consortia form a Special Purpose Vehicle (SPV) for the delivery of the project, usually consisting of investment banks, construction companies and legal and engineering consultants. The SPV assumes the development risk associated with the project, and then has the incentive to keep its costs low to recoup the maximum revenue once the project is complete. This type of arrangement is usually reserved for large-scale infrastructure projects where revenue streams are expected to be consistent and visible, for example toll-roads or commuter rail systems. This may preclude this method of finance from being used in urban schemes if the revenue streams are not expected to be consistent enough or take too long to manifest. Figure 5 outlines a typical SPV arrangement.

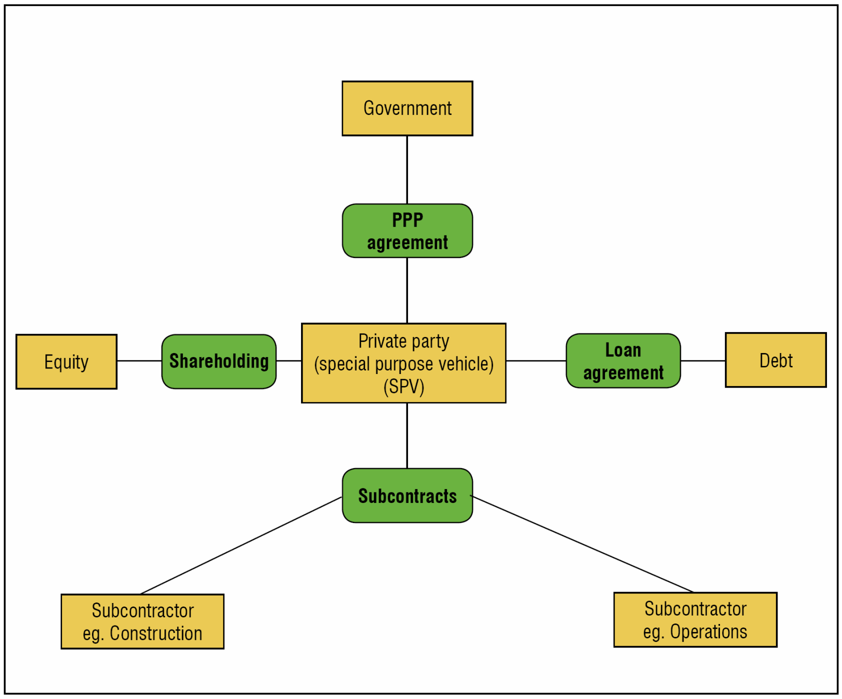

Figure 5. Typical SPV structure for Public Private Partnerships (National Treasury 2008)

Whilst there are advantages to government of shifting all project risk to private investors, direction of the project and minimum levels of quality are removed from the government agency's control. To cut costs, the private consortium may use sub-standard resources in the design and construction of the facility, and the complexities of the PFI bidding process can result in long delays and legal fallout. Despite this, a number of urban regeneration companies (URC's) have been formed in the UK, allowing private sector consortia to bid to manage multi-million pound regeneration packages and make capital investment in return for annual returns from the UK government (Building Design 2002). Projects in South Africa have included the Gautrain Rapid Rail Network, the Inkosi Chief Albert Luthuli Hospital in kwaZulu-Natal, and the Department of Trade and Industry Head-Office Campus in Pretoria.

Advantages to government of the PPP method of delivery are that:

- PPP's leverage private sector skills
- PPP's can be good for project planning due to the involvement of experienced private sector companies.
- Risks are allocated to the party best able to manage them
- The private sector takes financial risk over the project's lifetime
- PPP's deliver budgetary certainty
- The public sector pays only when services are delivered
- PPP's force the public sector to focus on outputs and benefits from the start
- The quality of service has to be maintained for the duration of the PPP
- Specialist skills are developed and transferred to the public sector, and
- PPP's encourage the injection of private sector capital (South African National Treasury 2008).

Drawbacks to this method of delivering large projects are the relative lack of understanding of the PPP process by the private sector, and limited management and administration capacity in the public sector (South African National Treasury 2008).

2.3.14 *Institutional Investment Funds*

There have been some forays into regeneration investments by private institutional funds in the UK. "For example the Igloo fund and the English Cities fund are innovative funds in terms of attracting private finance into regeneration but operate from opposite ends of the risk spectrum" (Adair et al. 2003:1077). Investment objectives for the Igloo fund are as follows:

> The fund will establish an investment portfolio of Urban Regeneration projects subject principally, but not necessarily exclusively, to leases. The fund will have a balanced portfolio in terms of geographic location and sector of market. The fund will aim to achieve an ungeared Internal Rate of Return (IRR) of at least 12% per annum over the life of the Partnership. (Morley Fund Management 2007:1)

Private funds such as this one set up by Morley Fund Management attract investment though their socially responsible stance. They are able to pick carefully which investments to take on board and choose the risks to which they expose themselves, since there are low barriers to entry and few competitors. The English Cities fund (ECf) is the implementation phase of policies outlined in the UK Government's Urban White Paper (UK Parliament 2000, DETR 2000):

> The incorporation of ECf in December 2001 acknowledges that public spending alone cannot deliver the level of investment needed to transform those severely blighted urban areas which need significant and sustained attention.
>
> It is accepted that cities drive the national economy. Successful urban regeneration improves their economic performance along with civic pride and quality of life.
>
> ECf is comprised of the English Partnerships, AMEC and Legal & General. Together with the early involvement of institutions, they bring unparalleled experience and expertise to urban regeneration, working with local partners to add economic, social and cultural value to areas of urban decline. (ECf 2006:1)

These funds perform a unique and necessary service in the regeneration of the UK's urban areas. There are no similar investment instruments in South Africa at this time. There have been suggestions among city officials that a listed urban renewal fund, specifically for residential development in Johannesburg might be beneficial (City of Johannesburg 2007b).

If no such institutional investment fund could be established on the Johannesburg Securities Exchange (JSE) or Alt-X exchanges in Johannesburg, there are currently real estate investment trusts (REIT's) listed on the JSE. There may be scope for tax allowances for investors in these trusts which would encourage urban renewal development. This report attempts to determine whether there is scope for this type of financial product together with the other techniques discussed above.

2.3.15 *Local Government Incentive Tools*

Apart from the incentive mechanisms listed, Hahn (2001) identifies the following specific steps which can be used by public administrators to buoy inner-city investment and development in conjunction with the above methods:

1. Expedited or preferential processing – fast-tracking of municipal approvals processes for new building permits,
2. Loan of public assets such as land, building or equipment to business for private purposes – this can include bridge financing to attract new developers and the use of bonds to raise funds,
3. Grant of public funds to business for private purposes – including tax rebates and advance payment of leases,
4. Loan of public funds to business for public purposes,
5. Grant of public funds to business for public purposes – these are usually used once project cash-flows become positive,
6. Lease or sale of public land at below-market rates – this can include the acquiring of land through tax increment financing and the leasing or sale to the developer at an attractive price,
7. Legally permissible waiver or deferral of local government development fees,
8. Provision of services at public expense (e.g., architectural planning or expediting), and

9. Special [targeted and cost-effective] utility rates.

2.3.16 *Other Incentive Schemes*

Other incentive schemes include managing the risks faced by private investors in inner-city areas. These risks could include dealing with contaminated land which requires lengthy environmental impact assessments and costly remediation. Cities can perform the necessary investigations prior to offering the land, reducing the risk which a new investor must bear. The limiting of the legal liability of the investor should contamination or other unforeseen circumstances occur can also be done.

In Hong Kong, the Urban Renewal Authority (URA) provides a third-party liability insurance subsidy which goes toward protection of property owners from claims arising from incidents on their properties (URA 2005). The amount subsidised is limited at the lower of 50% of the cost of the cover or HK$6000. The subsidy is applicable for three years and only those owners who have taken advantage of the URA's building rehabilitation materials incentive scheme or building rehabilitation loan scheme qualify. The URA also offers technical advice on materials to be used in rehabilitation and construction of buildings in renewal projects.

Another method of encouraging developers to take risk in the inner-city is by providing a certain income stream for a new development. This can be done by a government tenant taking a long-term lease in a privately developed building. (Bagli 2006). In New York City, Freedom Tower, which is being built on the site of the old World Trade Center Twin Towers, will be partially occupied for 15 years by three state government departments. This will guarantee a cash flow for the developer, and has encouraged the development (Bagli 2006). However, the added burden on taxpayers to fund new government office accommodation for a fixed period of time may prove politically unpopular. Depending on the size of the development the adjacent property market may be artificially depressed by large swathes of government-subsidised office space.

The above sub-sections all contribute directly to developing the argument for Proposition 1, that there are urban property development incentive mechanisms which are effectively and consistently used in a developed-world context which can be effectively applied in Johannesburg.

2.4 Sub-problem 2: Modifications to selected methods required for the Johannesburg context.

The second sub-problem looked at each of the methods identified as appropriate to the Johannesburg situation, and how they should be adapted to suit the local situation. This part of the study drew on the interviews with individuals and property investors who have had first-hand knowledge of the inner-city situation. While dramatic changes to established incentive techniques were not expected, the political and social differences between South Africa and developed nations do influence the effectiveness of various incentives when transferred to Johannesburg.

2.4.1 *Criteria for Evaluation of Appropriate Techniques*

Criteria for successful renewal initiatives are considered here before selecting the methods which could effectively be used in Johannesburg. Further criteria from the literature review and the interviews are developed in §6.4. Any incentive mechanism used should not have an indefinite lifespan, but should serve to encourage investment, entice businesses to relocate, draw residents into the inner-city and benefit them for a period of time while the area rejuvenates. After this, special legislation favouring these areas should be phased out as businesses achieve independent viability and a sustainable property market is established (Jones 2006). This is despite the findings of Symms and McIntosh (2004), who found that [certain] property markets were likely to collapse following the end of incentives.

Gobar (2001) suggests asking the following questions when selecting and appraising methods of encouraging economic development:

1. Why do we want economic growth?

2. What resources [does the district in question] have that other communities do not have that would be especially appealing to specific engines of economic growth?

3. Would these elements of potential economic growth contribute to the basic reasons we want to expand the local economy in the first place?

4. What are these elements [and] how do we reach them?

Hahn (2001) identifies desirable incentives as those which are "financially profitable *to the city* and produce jobs. Profit can be defined…as net revenues from the project exceeding the cost of incentives plus recurring costs of providing municipal services". Incentives should lead directly to investments which would not otherwise have occurred. An appraisal procedure would include a preparation of a discounted pro-forma indicating public investment compared with the tax or utility revenues generated to determine the payback period and current values of each.

Further to the above, Hahn (2001) suggests that undesirable incentives include those which appear to unfairly advantage one business over another in similar circumstances. Incentives which are open to abuse or encourage litigation are also undesirable. Offering incentives to developers who would have gone ahead with the development anyway is not encouraged. This last example can occur where cities attempt to look 'business-friendly' to lure businesses from competing regions.

Cost-benefit analyses of incentive schemes calculate the viability of projects by comparing two scenarios – the city with a particular project, and the city without the project (Wiewel, et al. 2001). Financial and econometric models are usually used to forecast the viability of proposed projects. Wiewel's (2001) approach outlines four main parts:

"1) an overall cost-benefit analysis,

2) a fiscal impact statement,

3) a distributional analysis of project benefits, and

4) a neighborhood [benefits] spillover index".

A measure of the effectiveness of any tax incentive scheme has to include an assessment of the costs and benefits of incentives and tax breaks.

To create sustainable value in the inner-city, Berry (1995) noted the importance of the increased land or property values accruing to owner-occupiers or tenants if interventions were to have any sustainable effects, and not simply enriching property speculators.

Fasenfest (1986) argues that due to the capitalist nature of developers and businesses, the most successful developments in inner-city areas will tend to be middle rather than low-income housing and large multi-plant firms rather than small businesses, due to the higher margins which can be achieved by each. This should be taken into account by those in the public sector planning interventions.

2.4.2 *Additional issues which are expected to be raised during the course of research*

The following is a list of issues relevant to the research topic which were expected to arise during the course of research:

- The slow demise of South Africa's inner-cities indicates that there have been numerous failures in fixed property investment in these areas. What were the reasons for this, and how do we avoid repeating them to ensure successful investment?
- While gaining permission for development and securing finance for a project might be possible, the legacy of city planning and the Group Areas Act might be an obstacle to real renewal. There is evidence of inadequate planning in the development of Johannesburg over the past two decades, and this will affect investment in and returns from urban renewal projects.

- How should social issues, including poverty, housing and crime be dealt with from the investor's and financier's perspectives since these affect the risk and reward of their investment?
- How should local and national political agendas be accommodated? These issues may be as simple as zoning of various portions of cities, or might include the effects of black empowerment or other national policies. Boyle (1995) and Paige (1999) have both suggested that renewal incentives can often be based on political considerations rather than on economic merit.

The sub-sections above indicate that there is scope for the investigation of Proposition 2, or that the methods for urban redevelopment which have been identified and isolated will require some modification to suit the Johannesburg situation.

2.5 Conclusion

In summary, literature suggested that there are certain prominent methods that are regularly used in promoting urban development in developed countries. Many have evolved over time and have been frequently tested in use.

The techniques discussed are used in isolation or in combination, and are most effective when selected to suit each renewal situation. TIF, tax free incentives and loans are considered further in chapters five and six and investigated as viable options for use in the Johannesburg context. No one method will provide a panacea for Johannesburg's development finance requirements. Fluctuations in the economic and business cycle, as well as different requirements for different projects will mean a number of techniques should be available to renewal stakeholders professionals to create resilience.

Based on the research problem and sub-problems, followed by the above literature review, the following propositions can be put forward:

2.5.1 *Proposition 1*

Proposition 1: There are urban property development incentive mechanisms which are effectively and consistently used in a developed-world context which can be effectively applied in Johannesburg.

These may include:

- Business Improvement Districts (BID's)
- Business Incubators
- Grants and Gap-funding
- Tax-based incentives
- Community Based Development Organisations
- Community Building Resources
- Federal Empowerment Zones
- Enterprise Zones
- Tax Increment Financing Initiatives (TIF)
- Federal and City Bond Issues
- Historic Preservation Incentives
- Grant- and Loan-Based Systems
- Tax relief incentives
- Community Finance Initiatives
- Institutional Investment Funds
- Private Finance Initiatives (PFI) or Public Private Partnerships (PPP)

Some of these strategies may be effectively applied in Johannesburg in isolation or in combination with other methods.

2.5.2 *Proposition 2*

Proposition 2: The methods for urban redevelopment which have been identified and isolated will require some modification to suit the Johannesburg situation.

It was the objective of this research to determine the validity of each of the above propositions.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research methodology

The research takes the form of a qualitative study of the current body of knowledge in South African urban renewal techniques (Creswell 2003). According to Yin (1994), the case study as a research tool is often used in urban and rural planning research. In this case, it was used in a study area with strong links to this field of study. Structured interviews with property developers and consultants in the government and private sector in the city of Johannesburg were undertaken. This formed part of a qualitative survey of current practice. Due to the limited number of potential interview subjects, the data was expected to achieve better credibility via the case study technique. The intent was to isolate current best-practice within the Johannesburg context, with the study being informed by the literature review of developed-world methods.

To ensure matching of objectives, methods and available resources (Chadwick et al, 1984), each of the propositions to be proved or disproved required the design of separate research methods to accumulate the required data. These are discussed below.

3.2 Research Design

3.2.1 *Introduction*

A case study is "an empirical enquiry that investigates a contemporary phenomenon within is real-life context" (Yin 1994:13). In this case the phenomenon is urban renewal, and the context is the current status of the Johannesburg's inner-city. The literature review gave clear direction to the types of urban renewal structures which are successful internationally in first-world contexts. The qualitative survey of local practice gave insight into the methods used locally, their advantages and drawbacks. Of specific interest was the collaboration between public and private entities such as the city council, property developers and investors, since this was characteristic of many urban development initiatives. The gaps identified via the sequence of structured interviews were compared with available experience in other situations, and appropriate solutions are proposed in the latter stages of this research report.

3.2.2 *The qualitative study*

Filstead (1970) suggested that researchers should tailor the method of research to the topic at hand and that the more complex measurement became the more it impeded knowledge. Due to the limited number of experts available in the field of urban property development and finance, the use of the case study method lent more credibility to a small sample size by using multiple sources to establish credibility through triangulation (Creswell 2003). The case study methodology hinges on three factors (Yin 1994:13):

- Firstly, "it must handle a technically distinctive situation in which there will be many more variables of interest than data points". *Incentive schemes for inner city renewal* is a technically distinctive field, and *in Johannesburg* as in other cities, the data points were complicated by the economic, social and environmental variables over and above the business aspects.
- Secondly, "it should rely on multiple sources of evidence, with data needing to converge in a triangulating fashion". This study relied on documentary evidence from accepted periodicals reporting on the local situation, a literature review of academic journals, and interviews with a purposefully selected sample of individuals.
- Thirdly, "it should benefit from the prior development of theoretical propositions to guide data collection and analysis". This is the case here, with two propositions already developed before data collection could commence.

This method sought out the opinions of a selected sample of respondents though purposeful sampling which is dealt with below. These respondents were "experts" and the method sought to eliminate the complexities and difficulties of dealing with large sample sizes whilst ensuring validity of results via purposeful sampling (Creswell 1998). The technique used a planned series of individual interrogations. In the interests of simplicity, the qualitative study took the form of a series of structured interviews. The propositions put forward in the section above were tested and proved or disproved within the scope of the study, and current best-practice was distilled from the interviews, contemporary documentation and the literature review. The structured interview was based on themes identified within the literature review, and followed a set series of questions developed from the theoretical base found in published literature. If further literature and established theory research had been required to interpret the findings of the study in either round, this would have been done. The themes were further refined by grouping the outputs of the interviews into discrete themes. Question themes forming the basis of the interviews are detailed in Appendix A.

The concept of Occam's razor to achieve parsimony in solving the research problem at hand was attempted (Chadwick 1984). This philosophical principle of removing peripheral, redundant factors produces an elegant solution without peripheral distractions. This was done by simplifying the propositions, interview themes, systems of data collection and quantity of data collected. To achieve this, clear focus on the research objectives was maintained, and the design of interviews could not digress from each of the propositions which had been defined.

A similar study undertaken in 2002 of how financing contributes to property regeneration in cities reviewed financing and incentive methods used in Chicago, USA and Dublin, Ireland (McGreal *et al.,* 2002). This study used a combination of structured interviews followed by focus group discussions to tease out the important themes relevant to the selection of successful finance methods. It was envisaged that following the literature review for the research at hand, the interviews and questionnaires would provide sufficient data on the local situation to enable the drawing of conclusions. This was the case. However, should further interviews or even discussion groups have been required, these would have been arranged.

Criteria for determining the degree of success of the various methods required input from the professionals involved in the local renewal industry. Gobar (2001) suggests quantifying development goals on the basis of increases in property tax-base per capita population, increase in local sales tax revenues, or increases in local employment opportunities. Other social and environmental factors need consideration in the Johannesburg context, but this research sought to specifically use economic criteria to evaluate success, using elements such as tax revenues and employment figures. The economic success of any scheme will be affected by the renewed area's ability to compete with other retail or business districts in drawing businesses and customers or tenants to the area. A good example of effective use of competitive advantage by a city is the Canadian city of Ontario's deliberate development of its road-freight distribution industry due to its situation on the intersection of four major freeways (Gobar 2001). Johannesburg has developed an "inland port", but for reasons of national competitiveness rather than inter-city rivalry (City of Johannesburg 2007b).

3.2.3 *Research objectives*

As noted in section §1.4 above, the research problem was to:

> Determine the incentives for inner-city renewal used in other countries in order to establish their applicability to the South African context, specifically Johannesburg, and to determine what modifications to these methods would be required for them to be successful here.

And the sub-problems were to:

> Find which of the incentive mechanisms used in developed countries are successful and could be realistically and effectively applied to the Johannesburg context, and

> Establish which modifications to the successful methods will be required when applying them to Johannesburg.

From this and the literature reviewed thus far, the propositions to be proved or disproved were:

> **Proposition 1**: There are urban property development incentive mechanisms which are effectively and consistently used in a developed-world context which can be effectively applied in Johannesburg.
>
> **Proposition 2**: The methods for urban redevelopment which have been identified and isolated will require some modification to suit the Johannesburg situation.

It was the objective of this research to determine whether each of the propositions holds true.

For the first proposition, the literature review already undertaken provided much of the information required to draw conclusions. However, further research into published sources was done to explore the existing structures which are used in a first-world context. This information was added to the literature review in Chapter 2 in the form of deeper contextual and other material. The resources required to fully explore this proposition took the form of published sources in the university and company or government libraries and internet research.

For the second proposition, interviews with local practitioners active in the realm of urban renewal policy or deal-making used the information gathered in the literature review to probe current South African practice. This was with a view to finding gaps which overseas best practice might fill. It was expected that from the interviews, a clear picture of the direction and scope of urban regeneration initiatives in South Africa would be gained. Once the interview process was complete, appropriate foreign methods of urban property financing were put forward. It was expected that first-world methods would be identified to suit the direction in which the industry is headed, and to any gaps which identified would be filled.

For the second proposition, the data gained from investigation of the first proposition was used to try to identify how preferred overseas techniques might be modified to suit the gaps in local best-practice for urban renewal. The following diagram (figure 6) indicates the boundaries designated for the research:

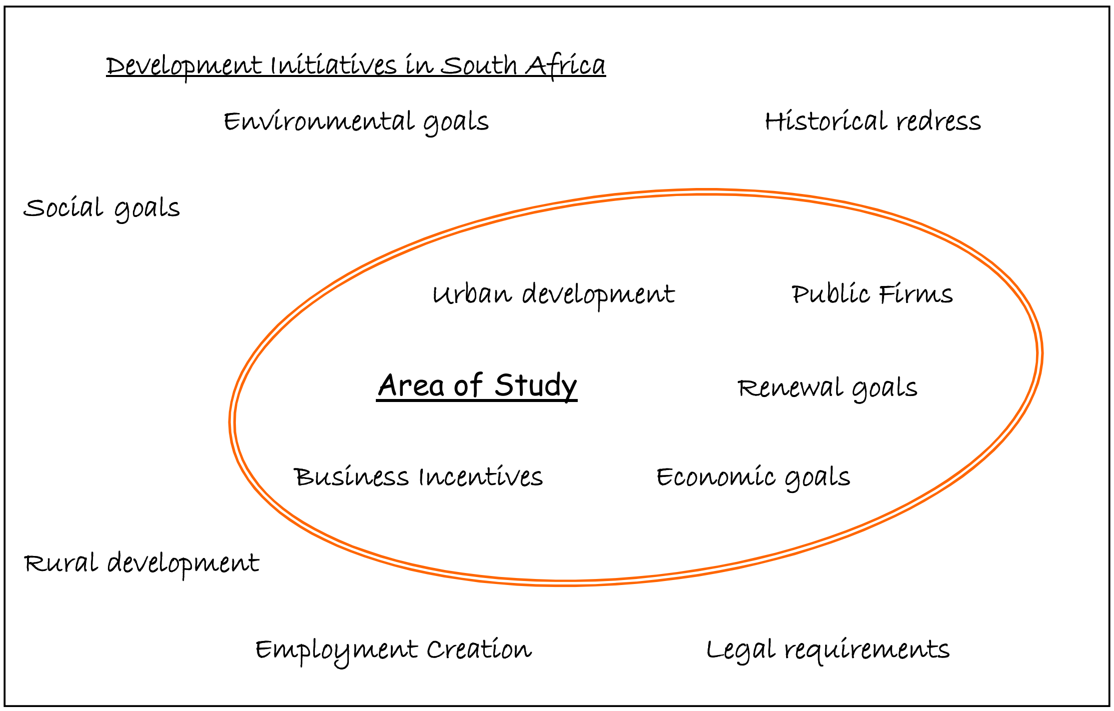

Figure 6. Boundary of Research (developed by this researcher)

It was noted that the type of information expected to result from the research should be of the correct format and in sufficient quantities to prove or disprove these propositions (Chadwick et al. 1984). The nature of the problem was one of isolating successful urban renewal methods and identifying their applicability to the Johannesburg context, and whether there was scope for their modification to suit the Johannesburg situation. Results of the research were ordinal in nature.

3.2.4 *The research population: the case site - Johannesburg*

The research population included all individuals who have some knowledge of urban renewal in Johannesburg. After problem definition, selection of a panel of "experts" having the most learned insights in to the problem followed. To ensure a range of sources and backgrounds of respondents, the selection included individuals employed in public (e.g. Johannesburg Property Company or Johannesburg City Council) and private (e.g. Urban Planners or Facilities Management) entities. These individuals are actively involved in the structuring of urban property deals or in the incentives policies which guide them. There were interviews with urban managers and developers. It was expected that most deals of this kind would involve both public and private entities, with numerous stakeholders involved in the social, environmental and economic aspect of developing inner-city areas. To encourage the participation of the individuals approached, a copy of the final report was offered to them.

Due to the complex legal and social aspects of urban regeneration, a narrow focus was maintained during the interviews and areas not related to the incentive mechanisms were excluded as much as possible. The complexity of the urban renewal field required that to prevent the research from becoming unwieldy, only data relevant to the research problem (§1.4) was collected.

3.2.5 *Sample size and selection*

The sample chosen from those listed above included individuals actively involved in urban regeneration. Approximately 10 individuals were to be interviewed. Should the results not have proved conclusive, further interviews would need to have been held, possibly at additional organizations. The following types of individuals were chosen as candidates:

Initial Interviews will be targeted at the following:

- Property developers involved in the inner-city
- Facilities managers for urban environments
- Property and urban development consultants
- Transport and urban economist
- Academic in the field of Urban Planning
- Academic in the field of Property Economy
- Academic in the field of Property Finance

Public corporations selected for possible further interviews:

- Johannesburg Property Company
- Johannesburg City Council
- Human Sciences Research Council – Urban Renewal Unit
- Development Bank of Southern Africa

Private firms selected for possible additional interviews

- Investment banks involved in property investment
- Quantity surveyors
- Urban Planners

3.2.6 *Sampling methodology*

The sample of individuals selected for interviews was based on their day-to-day involvement in the workings of property development in the city of Johannesburg. As such, the sample was a judgment sample or purposive sample. Purposive sampling is the most common qualitative sampling technique, where the researcher actively selects the productive sample to answer the research question (Marshall 1996). There was potential too for a snowball sample to develop as subjects who are interviewed could have suggested further interview subjects and so forth.

The institutions noted above as potential sources of interview subjects were contacted and appropriate individuals sought out who were in a position to respond to the interviews and who had insight into the Johannesburg situation when it comes to this type of property development. Marshall (1996) notes the importance of considering subjects who support emerging explanations and subjects who disagree during the interpretation of the data.

3.2.7 *Data collection*

Qualitative methodology refers to research strategies allowing the researcher to get close to the data to develop analytical and conceptual components of explanation from the data itself. This required some interaction with the area being studied (Chadwick et al. 1984).

Creswell (1998:110) notes that "an important step in the data collection process is finding people or places to study and establishing rapport so that participants can provide good data." He goes further to emphasize the cyclic nature of data collection and the importance of considering multiple phases in data collection (see Figure 7). Collection of data was through interaction with the interview subjects telephonically at first, followed up by the structured interview. It would have been necessary to conduct more face-to-face interviews if clarification of issues had been required. "Getting close to the data" (Creswell 1998:110) suggests that the interviews should seek out new data sources in each case, for instance an interview with one employee often pointed to further interviews within an organization. This would also have lead to sources of information which were not interview-based such as records of past projects and the arrangements of incentives used. In all cases, respondents did not have knowledge of one another, to reduce the likelihood of interaction or undue influence.

a. The Questionnaire

To enable the interview portion of the study to begin correctly, a designed interview questionnaire was required. Foddy (1993) identified common problems associated with survey questions. For example:

- Misinterpretation of questions by respondents
- Responses by respondents when they know little about the topic
- Large variations in responses resulting from a small change in the wording of a question.
- Answers to earlier questions affect respondents' answers to later questions.

These and other problems were designed out of the questionnaire, by establishing the level of knowledge of the participants, and structuring and wording questions accurately.

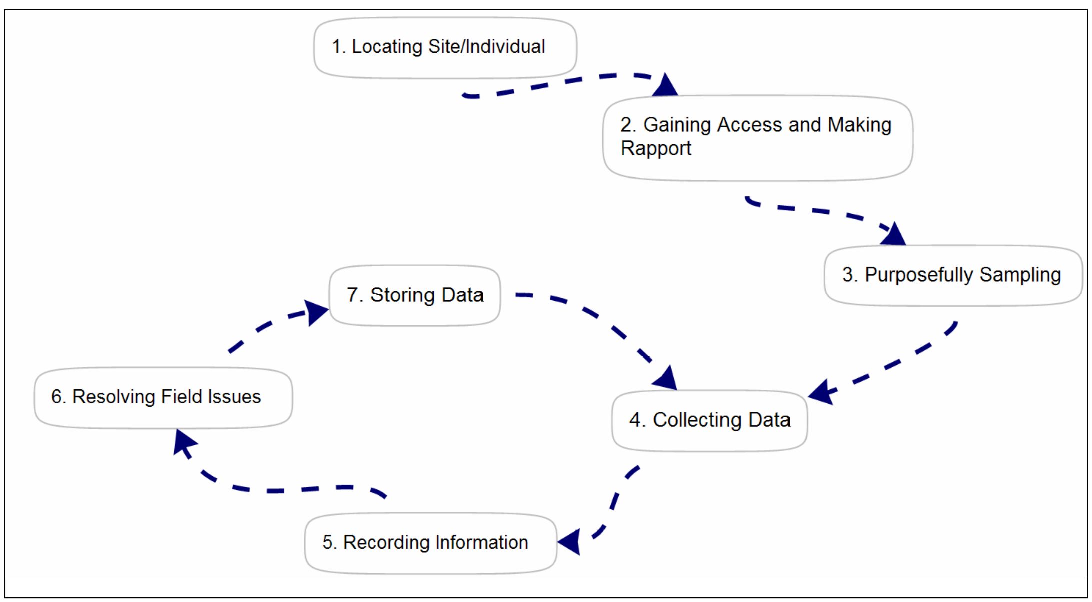

Figure 7: Data Collection Cycle (modified from Creswell 1998)

The interview questionnaire is shown in Appendix A of this report. Questions were tailored to an extent to allow each respondent's particular background to determine the focus of the interview, so that they did not spend time responding to subject areas of which they did not have knowledge. The questionnaire took approximately one-hour to administer in the form of an interview.

b. Implementation

Implementation of the study involved telephonic interviews, face-to-face structured interviews, follow-up and resolution of any issues found during the interviews as they arose. Further literature was then reviewed, including documentation of renewal in Johannesburg.

c. Reliability and validity

Joppe (2000) defines reliability as the extent to which results are consistent over time and an accurate representation of the total population under study, and validity as determining whether the research truly measures what it was intended to measure. Yin (1994) suggests accurate documentation of case study research procedures, and for the investigator to take the attitude that his work could be audited by another seeking to replicate the results of the study.

Morse, et al. (2002), argue that reliability and validity remain appropriate concepts for attaining rigour in qualitative research. The suggestion is that the design of the research had to include strategies that promoted the attainment of rigour. Lincoln and Guba (1985) asserted that in a naturalistic, qualitative research paradigm, reliability and validity could be replaced by credibility, transferability, dependability and confirmability of results. Morse, et al. (2002) go on to emphasise the importance of iteration in the qualitative process, with verification processes built into the research to identify, correct and develop the research model as research progresses. Morse (2002) notes that verification strategies provide hold points in the research process to help the researcher to identify when to continue, stop or modify the research to achieve reliability and validity and ensure rigour. Golafshani (2003) quotes Stenbacka (2001) and says reliability is a quality concept in qualitative research which “should be resolved on order to claim a study is true research.”

Yin (1994) notes that construct validity is problematic in case study research. The criticism is that subjective judgments are used to collect data. Yin suggests the investigator first define clearly what is to be measured or studied, then justify the use of a particular data type as a true reflection of the parameter to be studied. Yin (1994) notes three methods of improving construct validity. Firstly, the use of multiple data sources, secondly, the establishment of a chain of evidence and thirdly, the review of the draft case by key informants. The first two suggestions above were included in this research.

The validity of the research results was dependant on the assumption that the methods and techniques identified in other countries as being effective could be transferred to Johannesburg. The interview technique was relied upon to effectively extract the required information and measure what it set out to – the current best-practice methods for urban regeneration as perceived by the interview sample. Triangulation of source data from interviews, documentation and literature was used to improve the precision of the results. The use of this technique was to improve validity for a small sample size. If figures regarding the profitability of actual projects had been available from the interview sources, these would have improved the validity of the results as they would have enabled direct comparison between current methods. This would have had the effect of improving the precision of the measured results. This information was not available.

i. *External validity*

External validity refers to the ability of the results of research to be generalized beyond the case in question (Yin 1994). If it had been found that developed countries' methods of financing urban renewal were feasible within Johannesburg, an extrapolation could be made to other cities in South Africa. Within the developed countries reviewed in the literature review there is some evidence of external validity within the published source material. Yin (1994) notes that this test has been a major barrier to the use of the case method. A single case may be a poor basis for generalizing. Yin suggests that replication of the findings over other chosen cases - for example, other developing cities or other South African cities - should be used to determine external validity. This may be an opportunity for future research.

ii. *Internal validity*

Yin (1994) notes two aspects to ensuring internal validity. He notes that only "causal" case studies need concern themselves with internal validity. Is the case study trying to determine whether one set of events caused another? This study is causal as it considers each incentive mechanism and whether it is beneficial for renewal. The research was designed to avoid the possibility of concluding that an incentive mechanism resulted in a particular effect when a third factor may have affected the result in a significant way. If the influence of this third factor is not designed out of the study "this is a threat to internal validity" (Yin 1994:35).

The internal validity of the study depended on the questions asked and the resulting discussion during the structured interviews. For face validity, to gain an adequate understanding of the issues involved in choosing an appropriate incentive technique, questions needed to be tailored to probe the required areas, and there needed to be enough questions around each topic to ensure that all areas of interest to this research were covered. Any inferences had to be thoroughly interrogated to reduce the likelihood that incorrect inferences were made. "Is the inference correct? Have all the rival explanations and possibilities been considered? Is the evidence convergent? Does it appear to be airtight? A research design that has anticipated these questions has begun to deal with the… problem of internal validity" (Yin 1994:35).

For criterion-related validity, a measure of the success of various projects overseas is the most effective way of ensuring that projects can be measured against one another and of enabling the research to predict future trends or preferred methods. It was be one of the objectives of the research to seek out a measure of this success. This depended to some extent on adequate local records of projects being available. Here were no record found of these projects and comparison of projects relied on newspaper reports and interview outputs.

In terms of construct-related validity, the notion of "success" of a project is clearly based on numerous issues other than financial return. However, the scope of the research report remained focused on quantitatively measurable factors such as tax revenues earned by the city, number employed or profits by investors when comparing one method with another.

Pre-interview discussions, as well as a follow up, where required after the interviews, ensured that any issues not already laid to rest were addressed.

iii. *Reliability*

With regard to reliability, "qualitative research involves observation of unique events, usually by a single observer and generally without corroboration" (Chadwick, 1984). This lack of corroboration leads to uncertainty with regard to the reliability of the observations and their resulting analysis. The precision and accuracy of the observations during the interviews would be called into question if they could not be corroborated by a second observer.

To improve the internal consistency of results, triangulation was attempted by seeking out collaboration between sources of data and interview results. Triangulation refers to the search for consistent findings from different observers, research situations, methods of observation, times and places. (Chadwick 1984). Golafshani (2003) advocates the use of triangulation to improve research and strengthen a study. Creswell (2003) suggests the confirmation of dubious and contested descriptions through triangulation of data sources. He goes further to suggest that those interviewed are given the opportunity to review the research.

Data triangulation was achieved through comparison of data from published sources with questionnaire and interview results. Published material from completed projects both locally and internationally was also considered as available. The case technique purposefully queried different respondents during the interviews to reduce the noise of inconsistent responses and inconsistent data collection. If the number of interview subjects had been found to be too few, the triangulation of the data will reinforce its reliability. Where data or interview results conflicted with each other or similar sources, they were rechecked to avoid conflicting analysis results. This improved the reliability of the data and helped to focus the final conclusions.

3.2.8 *Data analysis*

Once collected, data was organized according to source, for example public or private organization, local or international. The common points were drawn out of the material, and then comparisons were drawn between different situations, geographic locations and the varying purposes of different developments. The analysis teased out the central themes, and these themes formed the basis of the conclusions. This form of analysis is known as *thematic analysis* and focuses on identifiable themes or patterns in research data (Aronson 1994). The following steps are recommended by Aronson (1994) in using this technique:

1. Collection of data via audio taped interviews.
2. Paraphrasing of common ideas in transcription of the interviews.
3. Identification of all data relating to already classified patterns.
4. Combining and cataloguing of related patterns into sub-themes.
5. Obtaining of feedback from the participants about the identified themes.
6. Building of a valid argument for choosing of the themes.

CHAPTER 4: PRESENTATION OF RESULTS

4.1 Introduction

The consideration of Johannesburg as a case study includes extracting common themes from the interviews, a review of the current situation in Johannesburg, and identification of which of the regeneration incentives uncovered in the literature review will suit the city and its development strategy (City of Johannesburg 2007, 2008). Sources of data for this case study include the interview outputs, contemporary documentation and news reports and the literature review.

4.1.1 *Presentation of Results*

Presentation of the data is guided by an anticipated audience of future researchers, property investors, public officials and built environment professionals.

These individuals are typically involved in the day-to-day policy formation, investment decisions and project management of the types of urban renewal projects which are being discussed. Results and conclusions which would be useful to them include clear definition of appropriate methods for different types of projects and different geographical locations. The types of questions they might ask include:

- Would residential, commercial and industrial-type projects require different forms of financial packaging or incentives?
- How would the long-term effects of a private investor controlling land in a city affect the local residents?
- Would fluctuations in the property cycle and local and national economy affect the choices of different incentive mechanisms for urban renewal?

- How will large projects such as preparations for the 2010 FIFA World Cup and the Gautrain affect the decisions regarding uplifting the inner-city and decision making?

- How will the South African government's nationwide roll-out of new infrastructure affect decision making when it comes to urban renewal?

- Is there scope for a private equity fund of the "Igloo" type (§2.3.14) in the South African market?

- How would private sector involvement in a traditionally public area of administration affect the quality of the final projects?

Data presentation is in an accessible format and will lend itself to informing those individuals involved in the day-to-day workings of renewal. Conclusions are written with this audience in mind.

4.2 Demographic Profile of Respondents

A total of eight interviews with individuals a broad range of fields were undertaken. This was slightly less than originally anticipated, but a broad cross-section of views was achieved. Amongst those interviewed were a property developer, urban specialists, academics, and a transport economist. Generally all were professionals well-established in their occupations with knowledge of the Johannesburg CBD which had been developed up over time. There were differing views on certain items, indicating enough depth in the knowledge of participants to form definite opinions.

4.3 Results pertaining to Proposition 1

Results from the literature review included the following list of urban renewal mechanisms:

1. Business Improvement Districts (BID's) – also known locally as City Improvement Districts or CID's (Adair, et al. 2003)

2. Business Incubators (Ressler 2001)

3. Grants and Gap-funding (Adams, et al. 1999)
4. Tax-based incentives (Berry, 1995)
5. Community Based Development Organisations (Rubin 2001)
6. Community Building Resources (Berry 1995)
7. Federal Empowerment Zones (Greenbaum and Bondonio 2004)
8. Enterprise Zones (Cowden and Eilers 2001)
9. Tax Increment Financing Initiatives (TIF) (CDFA 2007b)
10. Government and City Bond Issues (Firer, et al. 2004)
11. Historic Preservation Incentives (Rypkema 2001)
12. Grant- and Loan-Based Systems (Eisinger 2002)
13. Community Finance Initiatives (Bank of England 2000)
14. Institutional Investment Funds (DETR 2000)
15. Private Finance Initiatives (South African National Treasury 2008)

4.3.1 *Current government-initiated renewal projects in Johannesburg*

The following mechanisms (See Table 6 and Appendix C) are in use in Johannesburg at present (Johannesburg Inner-City Regeneration Strategy 2004).

1. Public-Private Partnership (PPP) or direct funding has been put in place for initiatives such as Greater Newtown, Constitution Hill, Braamfontein regeneration, Greater Ellis Park/ Bertram's/ Doornfontein, Main Street, Drill Hall, Yeoville Rockey Street, Faraday Station, Jeppe Station, Legislature Precinct, Jewel City, Hillbrow-Berea Regeneration Strategy, High Court Precinct, and Kopanong Provincial Government Precinct.

2. Current BID/CID initiatives include the Central, South-Western, Northern, Newtown, Legislature, Transnet Safety corridors, Constitution Hill and Civic Centre. In early stages are Braamfontein, Retail, Louis Botha Avenue/Orange Grove, Ellis Park, New Doornfontein, Fashion District, Benrose Industrial, Diagonal Street and Yeoville.

Table 6 indicates documentary evidence from current initiatives underway in Johannesburg, including the current and proposed activities funded by the Johannesburg Inner-City Office as part of their Inner-City Renewal Strategy. Each of the sets of projects is directly related to the six-pillar strategy outlined in the strategy document and shown in Figure 8.

Figure 8 (as figure 2). Inner-City Regeneration Charter Focus Areas (City of Johannesburg 2007a)

Further detail on each project including funding, stakeholders and programme information is indicated in Appendix C.

Table 6: Current and Proposed Activities aligned with the Inner-City Renewal Strategy – 2004 (see Appendix C).

PILLAR 1: ADDRESS SINKHOLES
Current Programmes and Activities
1. Better Buildings Programme
2. Block-by-Block Database
3. Building Control and Illegal Businesses
4. Inner-City Task Force Special Projects – ‘Blitz’ operations
5. Inner-City Property Database
6. Greater Joubert Park Precinct
Proposed Programmes and Activities
7. Survey of bad buildings in the Inner-City
8. Inner-City Database Sinkhole Maps

9. Liquor Outlets

10. Mapping and Monitoring of Transitional spaces

PILLAR 2: UNDERTAKE INTENSIVE URBAN MANAGEMENT

Current Programmes and Activities

11. Environmental Management and Law Enforcement

12. City Improvement Districts

13. Municipal Court

14. CCTV

15. Credit Control

16. Market Development and Management Programme

17. Informal Trade Development Programme – Enforcement

18. Inner-City Distribution Services

Proposed Programmes and Activities

19. Transitional Shelter Programme

20. Integrated Inner-City Information Management System

22. Legislation Review

23. Social Programmes

24. 'Sense of Place' Niche Retail

25. 'Sense of Place' Public Environment Programme

PILLAR 3: MAINTAIN AND UPGRADE INFRASTRUCTURE

Current Programmes and Activities

26. Infrastructure Maintenance

Proposed Programmes and Activities

27. Utility Infrastructure Programmes

PILLAR 4: PROMOTE RIPPLE-POND INVESTMENTS

Current Programmes and Activities

28. Rissik Street Post Office

29. Greater Newtown

30. Constitution Hill

31. Braamfontein Regeneration

32. Greater Ellis Park / Bertrams / Doornfontein

33. Main Street

34. Drill Hall

35. Yeoville Rockey Street Upgrade

36. Upgrade Faraday Station & Environs
37. Upgrade Jeppe Station & Environs
38. Legislature Precinct / Beyers Naudé Square
39. Chinatown
40. Urban Development Zone Incentive
41. Jewel City
42. Hillbrow-Berea Regeneration Strategy
43. High Court Precinct
44. Provincial Government Precinct –‘Kopanong’

Proposed Programmes and Activities

45. Investment Intelligence & Packaging
46. Fordsburg Square
47. Gautrain Precincts: Park Station
48. New Public Open Space

PILLAR 5: SUPPORT ECONOMIC SECTORS

Current Programmes and Activities

49. Fashion District
50. Hillbrow Health Centre of Excellence/ Medical Precinct
51. Cross Border Shopping Hub
52. Assessment of impact of Integrated Transport Plan
53. Publicly-owned Property Audit
54. Inner-City Investors Liaison

Proposed Programmes and Activities

55. Assessment of Planning zones in the Inner-City
56. Financial instruments and support economic growth
57. Private Sector Residential Development Facilitation
58. Parking
59. Inner-City Tourism
60. Inner-City Marketing and Communication
61. Tertiary Education Sector
62. Joburg Central Library: Centre of Excellence
63. Community Education /Development Facilitation

4.3.2 *The Urban Development Zone*

The UDZ is an accelerated depreciation scheme that acts as catalyst for private sector investments and facilities set up by the National government for urban areas around South Africa (City of Johannesburg 2006, Visser 2008).

The accelerated depreciation allowance is related to the cost of building or refurbishment. New developments benefit from a 20% tax-deduction in the first year, followed by 5% annual depreciation for the next 16 years. Refurbishments realise a 20% tax-deduction in the first year of earning income, followed by a 20% per year depreciation over a four-year period. Table 7 summarises this.

Table 7. UDZ Tax Savings Calculator

UDZ Tax Savings Calculator: Example				
Year	Accelerated depreciation rate for refurbishments (%)	Depreciation rate related to new building (%)	Amount by which taxable income of taxpayer would decrease	
			R 1 000 000	
			In case of Refurbishment	In case of New Build
1	20	20	R 200 000.00	R 200 000.00
2	20	5	R 200 000.00	R 50 000.00
3	20	5	R 200 000.00	R 50 000.00
4	20	5	R 200 000.00	R 50 000.00
5	20	5	R 200 000.00	R 50 000.00
6	-	5	R -	R 50 000.00
7	-	5	R -	R 50 000.00
8	-	5	R -	R 50 000.00
9	-	5	R -	R 50 000.00
10	-	5	R -	R 50 000.00
11	-	5	R -	R 50 000.00
12	-	5	R -	R 50 000.00
13	-	5	R -	R 50 000.00
14	-	5	R -	R 50 000.00
15	-	5	R -	R 50 000.00
16	-	5	R -	R 50 000.00
17	-	5	R -	R 50 000.00
Total	**100**	**100**	**R 1 000 000.00**	**R 1 000 000.00**

This means that, should a developer spend R1 million on a building within the zone, they would be able to claim a R200 000 tax-deduction within the first year, followed by a R50 000 deduction for the following 16 years. In the case of R1 million being spent on refurbishments, the developer could claim a tax-deduction of R200 000 per tax-year for the first five years.

To date the UDZ has attracted approximately R2 billion in investments to Johannesburg's city centre. Tax relief on inner-city investments via the UDZ programme has recently been extended by a period of five years by South African Minister of Finance Trevor Manuel in the 2008 national budget speech (Visser 2008).

4.3.3 *Municipal Bond Issues*

The city's capital expenditure for the year 2007/2008 is expected to be R4.7 billion, with R5 billion and R3.6 billion in the 2008/2009 and 2009/2010 years respectively (City of Johannesburg 2007b).

Johannesburg has issued one retail and three municipal bonds to finance this capital expenditure of the city. A target of R1 billion is set for the retail bond which was issued last year (IDP Review 2007). The institutional bonds are taken up by institutional investors such as banks, while the retail bond is bought by individual investors.

4.4 Interview subject knowledge of international mechanisms for renewal

As part of the interview process, each subject was queried as to their knowledge of various techniques used in developed nations for inner-city renewal. Table 8 indicates the averaged responses. Bars of colour indicate where the average response lies. As expected, this indicated knowledge of the mechanisms already used or in place in Johannesburg. Knowledge of systems used in other countries was generally restricted to theory or secondary knowledge via conferences or published sources.

Figure 9 overleaf shows the layout of the Johannesburg UDZ which is delineated by a heavy black line.

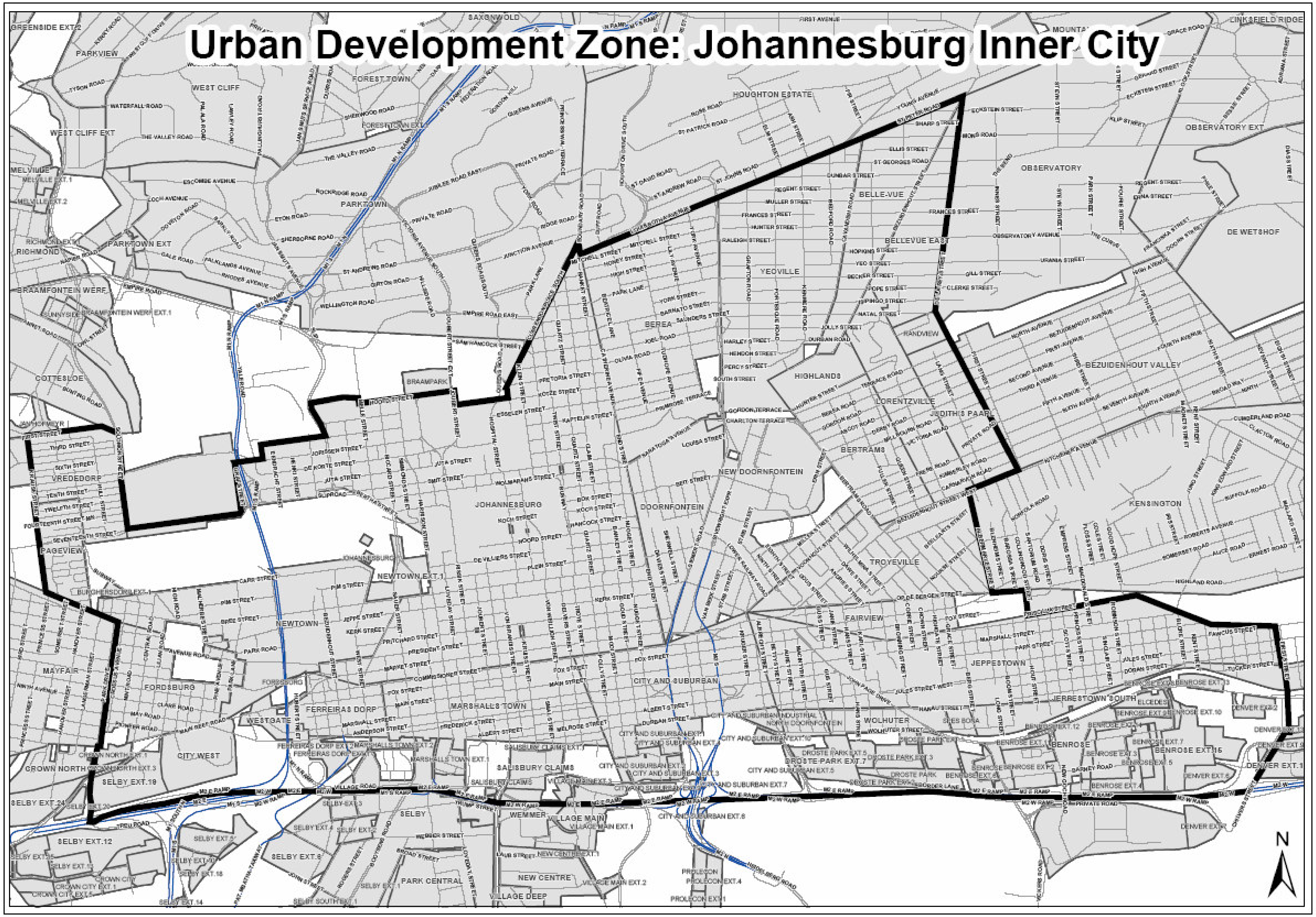

Figure 9. Urban Development Zone: Johannesburg Inner-City (City of Johannesburg 2008)

Table 8. Average self-assessed local understanding of various incentive mechanisms by interview subjects

	First-hand knowledge	Very familiar	Somewhat familiar	Not familiar	No knowledge	*Average*
Business Improvement Districts (BID's) (§2.3.1)	1	2	3	4	5	*1.7*
Business Incubators (§2.3.2)	1	2	3	4	5	*3.0*
Community Based Development Organisations (§2.3.5)	1	2	3	4	5	*2.7*
Community Building Resources	1	2	3	4	5	*2.5*
Federal Empowerment Zones (§2.3.7)	1	2	3	4	5	*3.8*
Tax Increment Financing Initiatives (TIF) (§2.3.9)	1	2	3	4	5	*3.0*
Government and city bonds (§2.3.11)	1	2	3	4	5	*3.5*
Historic Preservation Incentives (§2.3.8)	1	2	3	4	5	*3.0*
Grants and Low-interest loans (§2.3.10)	1	2	3	4	5	*2.3*
Tax-relief incentives (§2.3.4)	1	2	3	4	5	*2.7*
Gap-funding techniques (§2.3.3)	1	2	3	4	5	*3.7*
Institutional Investment Funds (§ 2.3.14)	1	2	3	4	5	*4.2*
Private Finance Initiatives (§2.3.13)	1	2	3	4	5	*2.3*

4.4.1 *Conclusions pertaining to Proposition 1*

The results and literature review in the previous chapter indicate that there are a number of techniques which are currently being used in Johannesburg. Table 8 indicates the most familiar and well-used technique is the BID-type. The techniques least well known are the federal empowerment zones, city bonds and gap-funding techniques, as well as institutional investment funds targeted at renewal. There are also numerous internationally used methods which could be used in Johannesburg to improve urban renewal efforts. The interviews revealed that first-hand knowledge of mechanisms used in developed countries is limited to those already in use in the City of Johannesburg.

4.2 Results Pertaining to Proposition 2

Themes have been drawn from the interview sessions whilst keeping the propositions in mind. In each case, some discussion covered both international and local issues. The maps of interview themes therefore include relevant data for both Proposition 1 and Proposition 2.

The following themes were identified in the interviews and are mapped on the pages following:

- Structuring of interventions
- Government interventions
- Business and City Improvement Districts
- Property investment
- Local and international renewal
- 2010 and other mega-projects
- Transport and access to the city
- Institutional property regeneration fund
- Market failure and planning legacies
- The Property Cycle and investment in the Inner-City

- Social issues and the investor

The interview outputs depended significantly on the respondents' experience and knowledge. In the limited time available, rapport was built with respondents through phone calls, email and a relaxed interview atmosphere. The questions for the interview were sent to respondents prior to the interview to set them at ease before the interview. As a result, the data credibility is expected to be more credible. The state of knowledge among those selected is represented in Table 8 in §4.4. Open-ended questions led to general discussions with respondents, allowing them to freely express their views and opinions.

4.5.1 *Government Interventions*

Recent projects, success stories and bad experiences in Johannesburg formed the basis of the theme around local government's interventions. This theme relied on insights from the respondents to provide information on past, present and future interventions used by Johannesburg and South Africa in supporting renewal. As far as possible, opinion and facts were separated, and respondents were asked to substantiate their opinions. The approach of the City government was noted. See Figure 10 for the map of the Government Interventions theme.

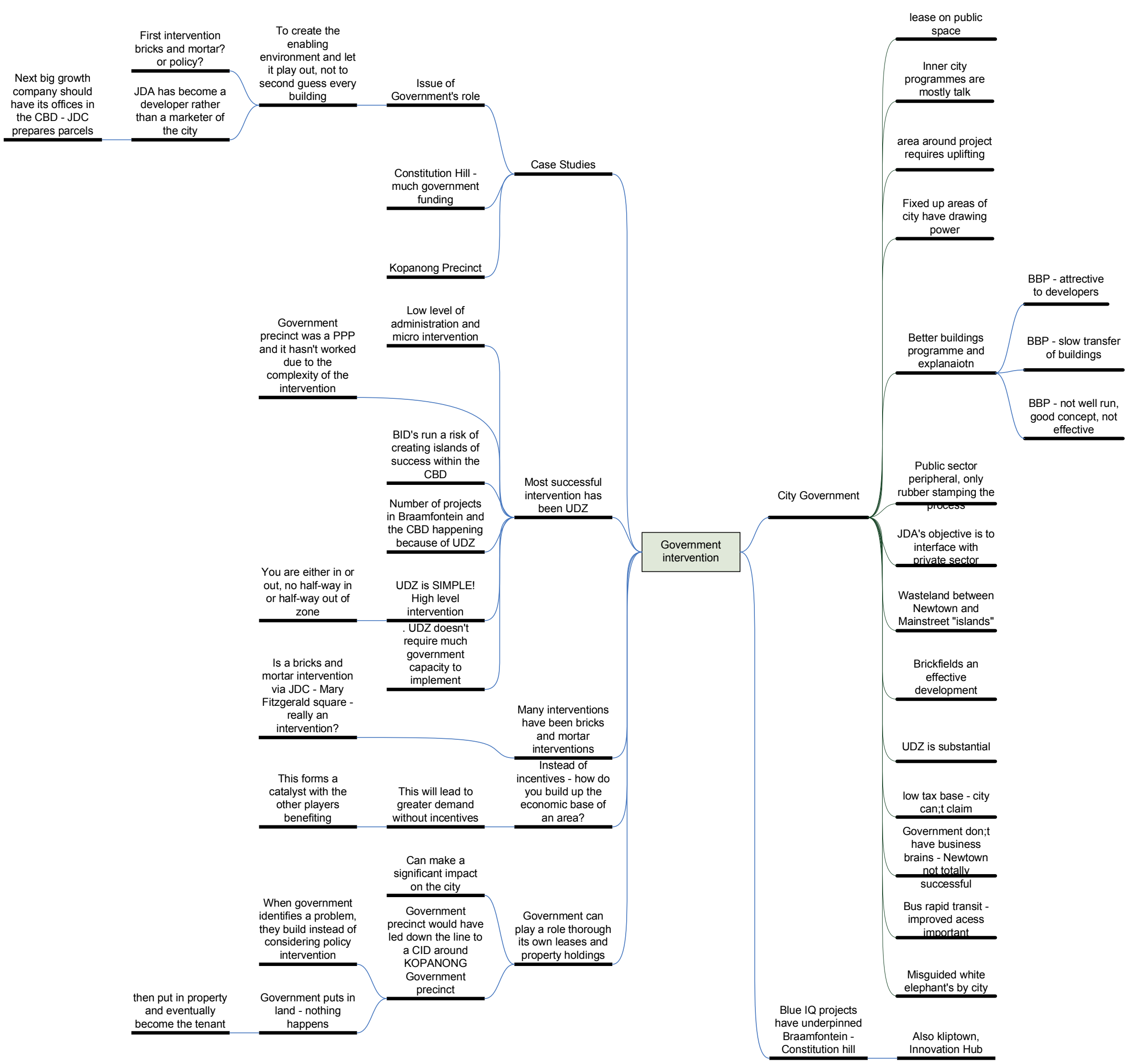

Figure 10: Map of Government Intervention theme

4.5.2 *Private Sector involvement in a traditionally public sector role*

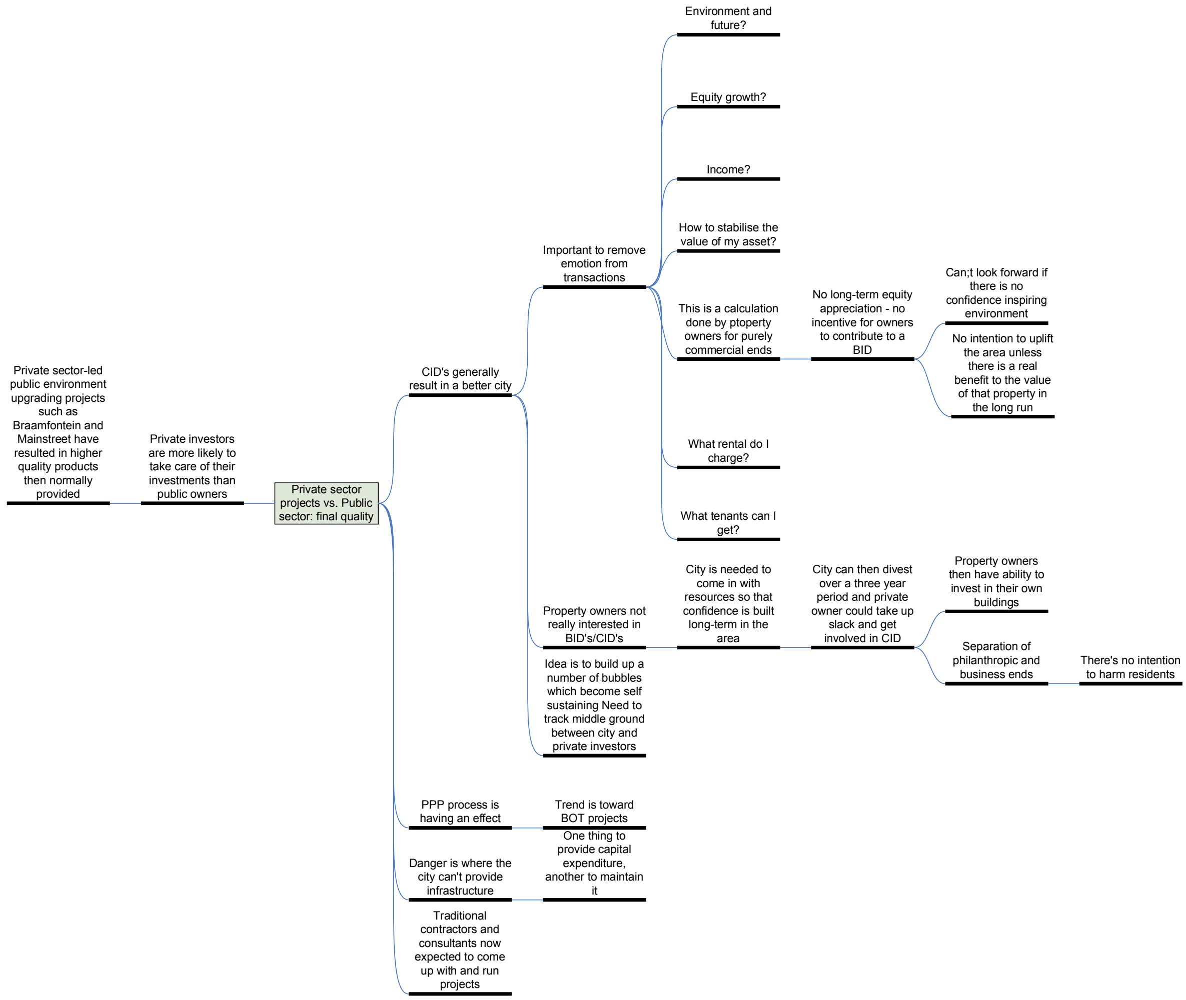

Figure 11: Map of Private Sector Projects vs. Public Sector theme

4.5.3 *Property investment*

The climate for investment and valid measures for investment were discussed with regard to Johannesburg. Figure 11 shows a map of the Property Investment theme.

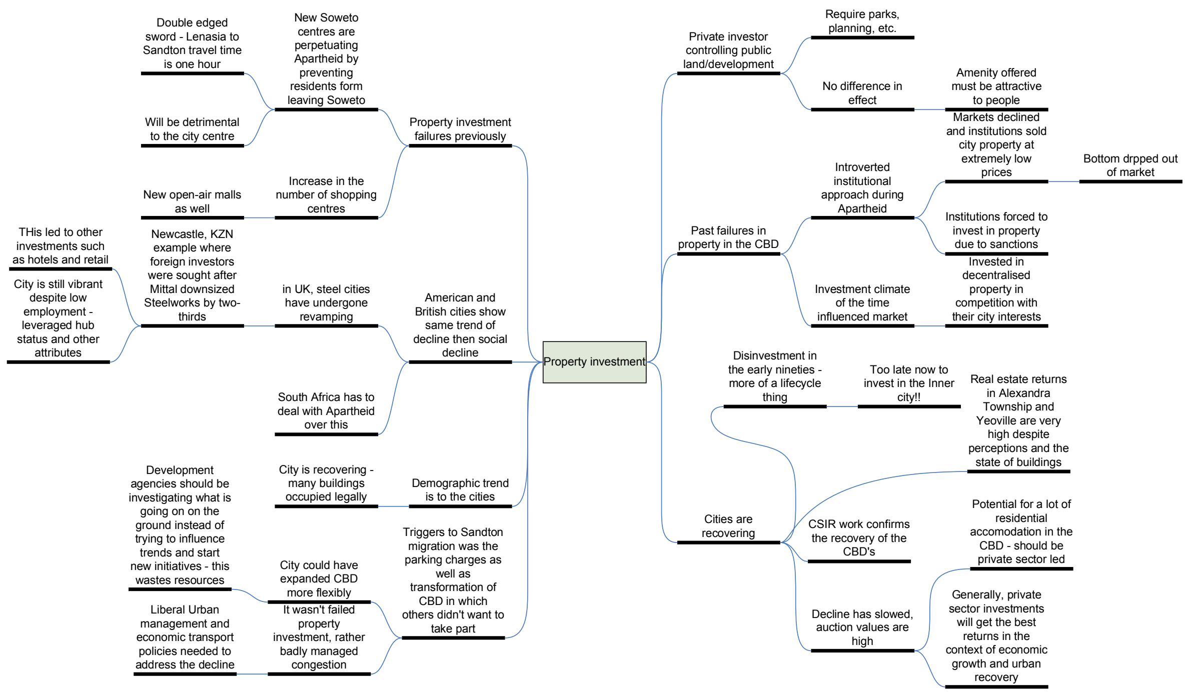

Figure 12: Map of Property Investment theme

4.5.4 *The Property Cycle and Investment in the Inner-City*

The effects of the property cycle on timing and structuring incentives and investment were discussed. There were pertinent insights into how the risks related to investment in higher-risk, lower return regions might be affected by the property cycle and how the peaks and troughs of the cycle might be attenuated. This discussion included the aspects of market theory and how supply and demand mechanisms worked.

4.5.5 *Local and International Renewal*

Figure 13 shows a map of the Urban Renewal Schemes internationally theme. This picked up the best practice methods, successes and failures in schemes worldwide

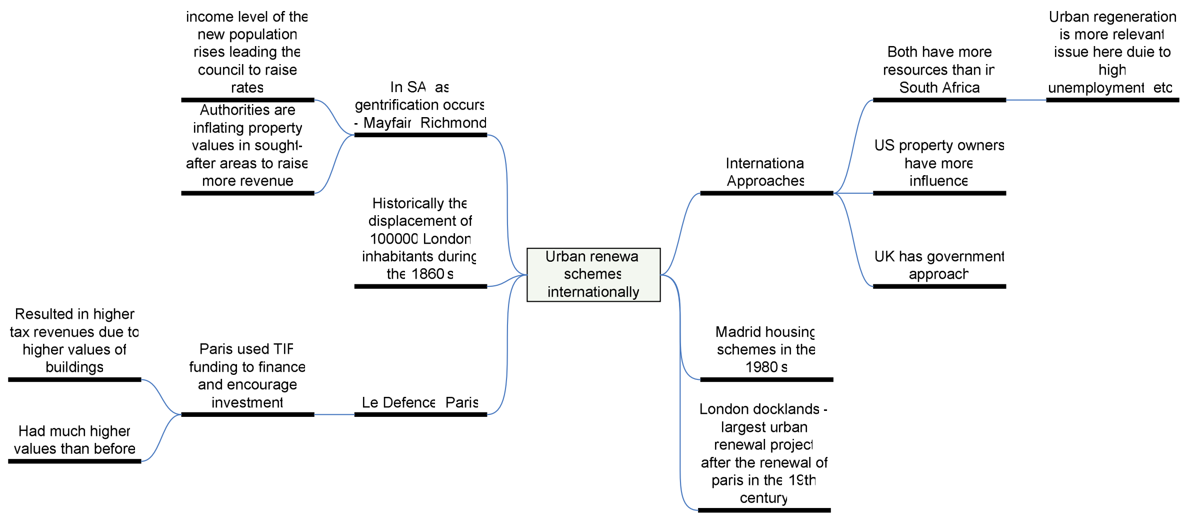

Figure 13. Map of Urban Renewal Schemes internationally theme

4.5.6 *Institutional property regeneration fund*

None of the respondents knew of this type of fund, although there were a variety of opinions on its possible use in South Africa. Figure 14 outlines the responses to this theme.

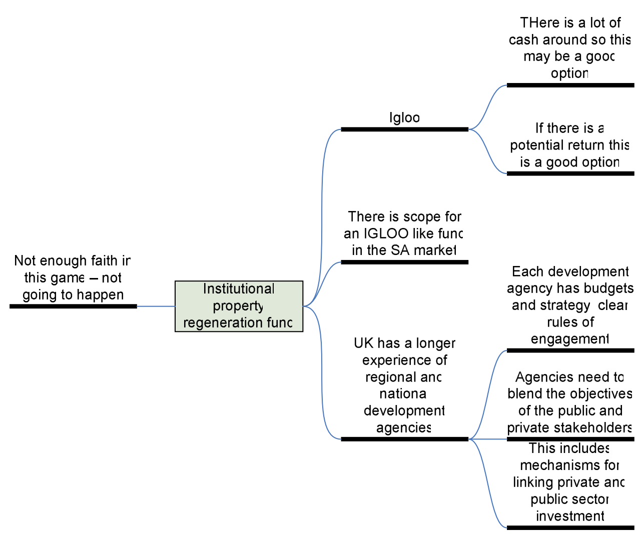

Figure 14: Map of Institutional Property Regeneration Fund theme

4.5.7 *Transport and access to the city*

Transport as a parallel development to renewal in a city was discussed, as well as the changing urban climate of the country, how this affects development, renewal and the demographic and access situation in the city. Figure 15 outlines the responses to this theme.

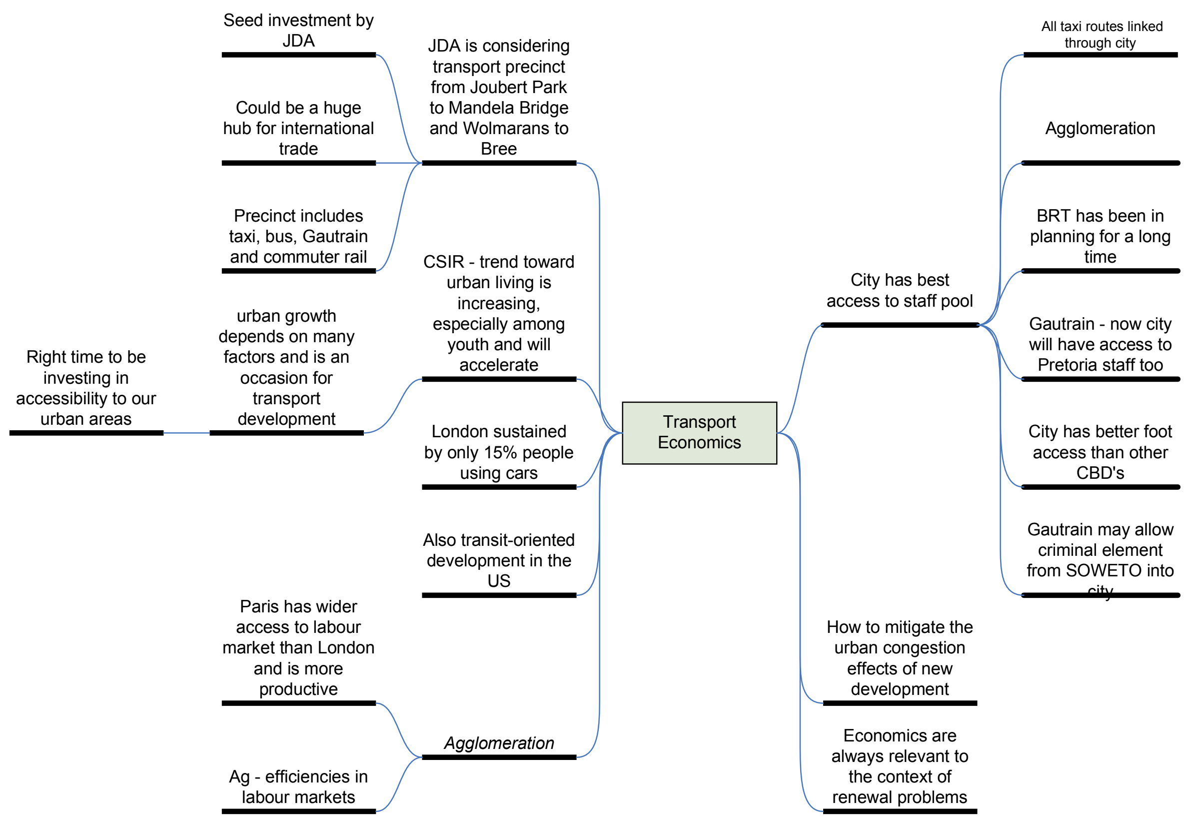

Figure 15: Map of Transport Economics theme

4.5.8 *Social issues and the investor*

This theme is mapped in Figure 16.

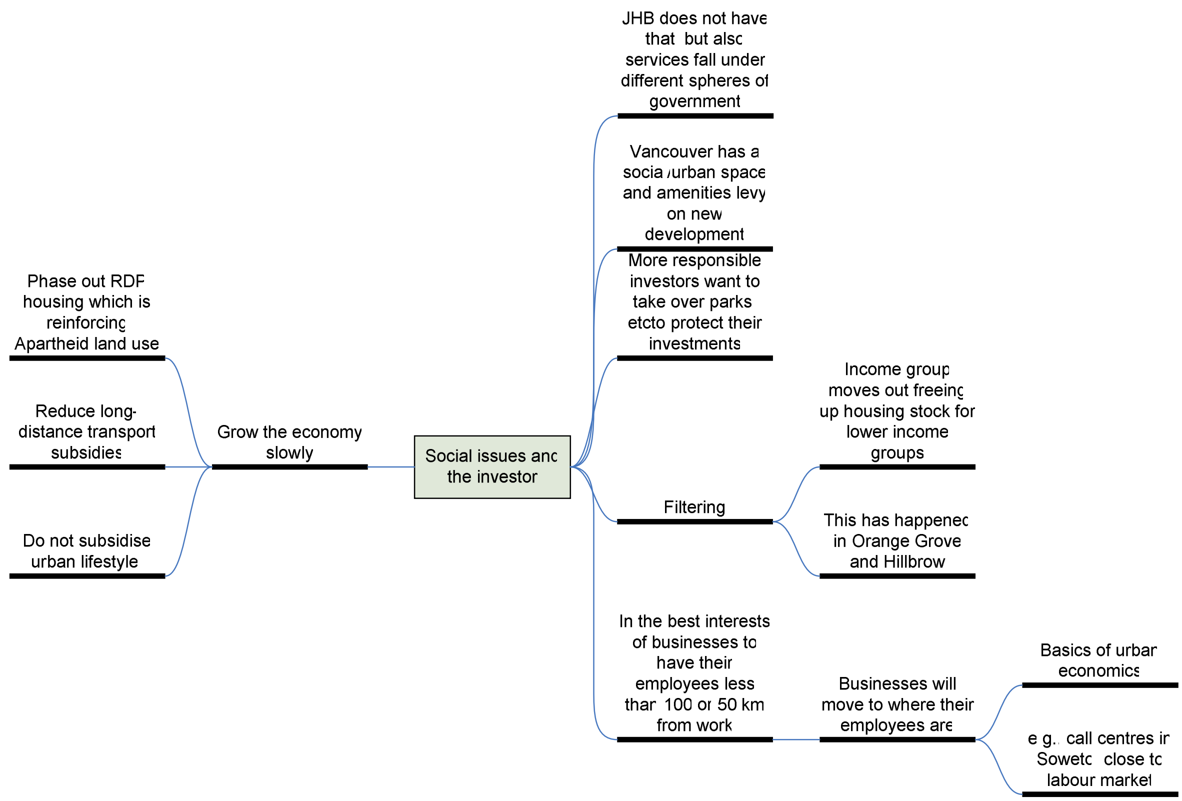

Figure 16: Map of Social Issues and the Investor theme

4.5.9 *2010 and other mega-projects*

The effects of the large capital expenditure projects currently underway in South Africa were defined as a separate theme, and their knock-on effects discussed with respect to the city economy, investor confidence, transport development and other factors. See Figure 17 for the map of the 2010 and other mega projects theme.

4.5.10 *The Property Cycle and Investment*

See Figure 18 for the map of the Property Cycle and Investment theme. This theme collated the respondent's views on the timing of renewal interventions by the public sector, as well as private investor's response to the property cycle.

4.5.11 *Market failure and planning legacies*

See Figure 19 for the map of the Market Failure and planning legacies theme. The chief focus here is respondents' views on past difficulties in boosting the city's property market. Hurdles such as historical planning and zoning, as well as potential changes were reviewed.

4.5.12 *Structuring of Interventions*

See Figure 20 for the map of the Structuring of Interventions theme. This theme focuses on how renewal efforts can be arranged by the public sector or initiated by the private sector.

4.5.13 *Business and City Improvement Districts*

Being the most popular renewal mechanism for the inner-city, all respondents were able to contribute on this topic and this resulted in it being the most developed theme. Generally opinion was positive regarding this mechanism, and new trends and permutations of the standard BID were discussed. See Figure 21 for the map of the BID and CID theme.

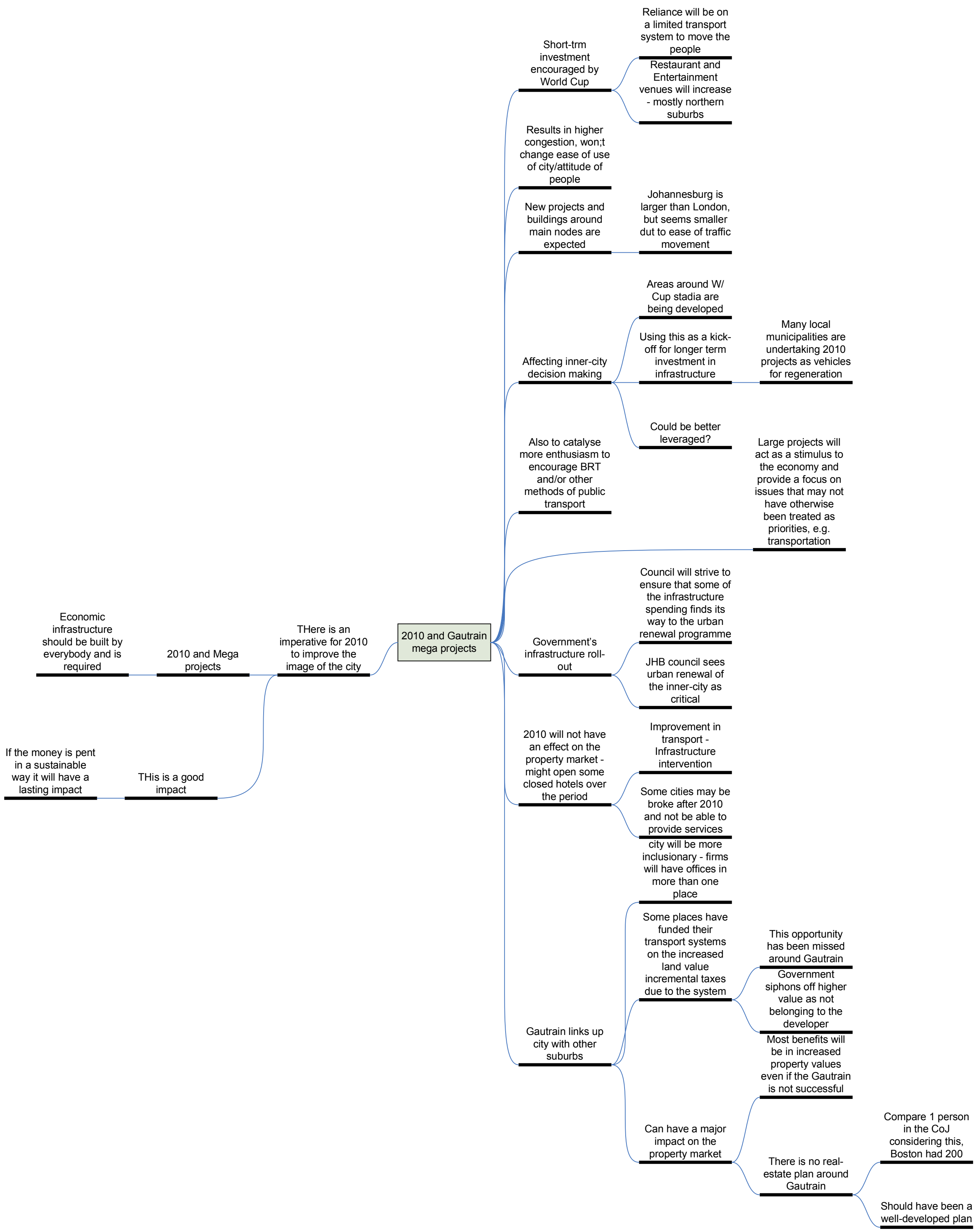

Figure 17: Map of 2010 and Gautrain mega-projects theme

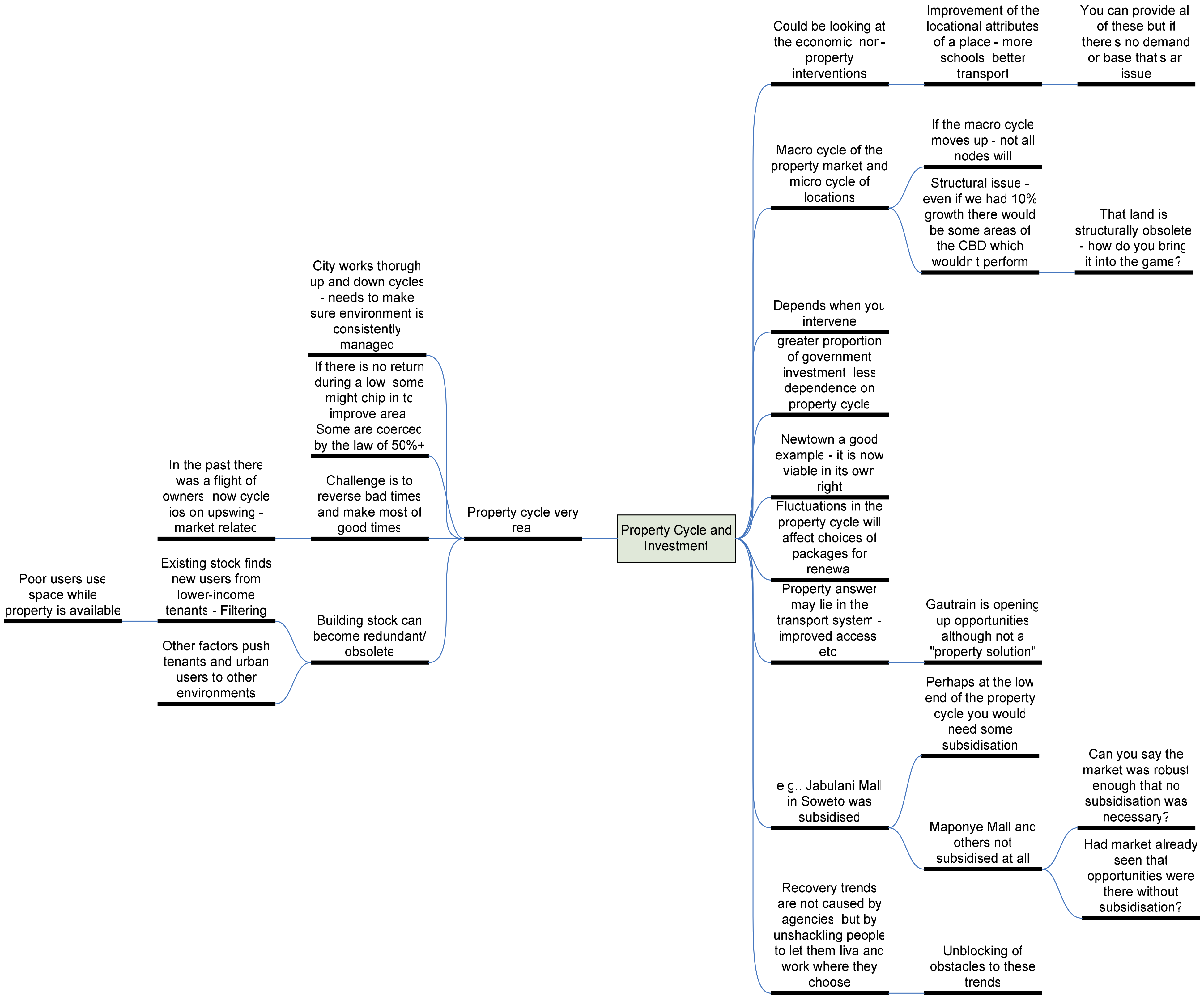

Figure 18: Map of Property Cycle and Investment theme

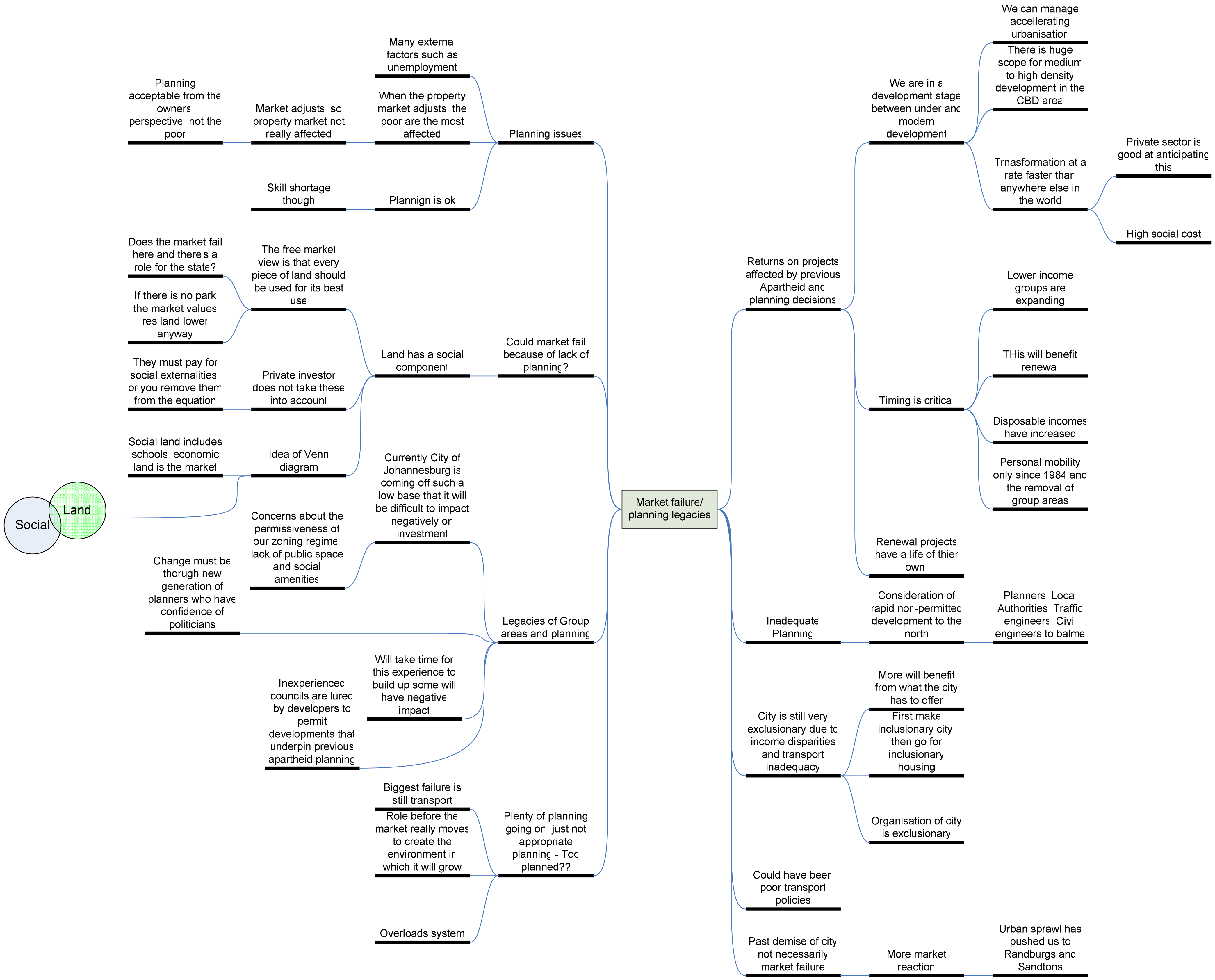

Figure 19: Map of Market Failure and Planning Legacies theme

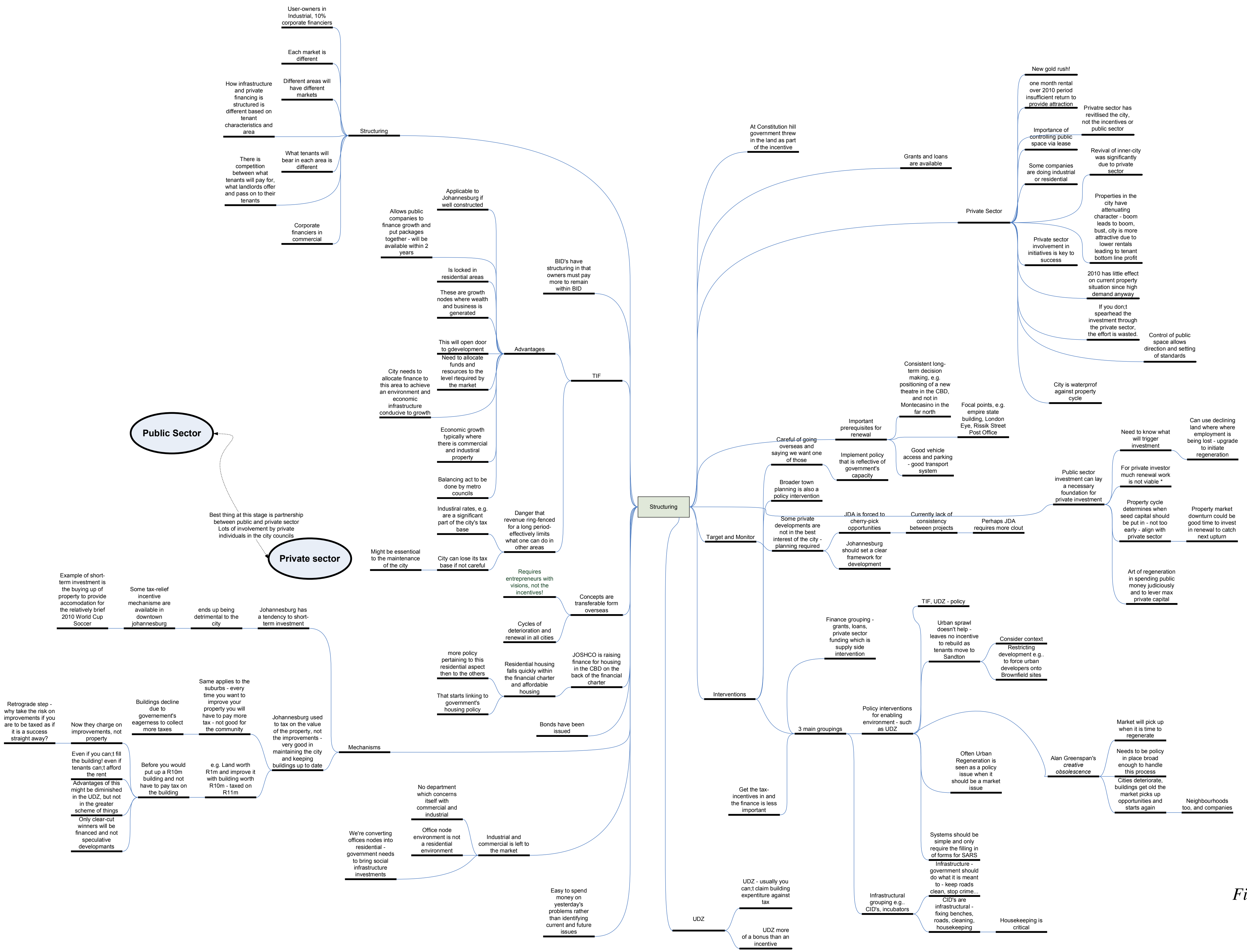

Figure 20: Map of Structuring theme

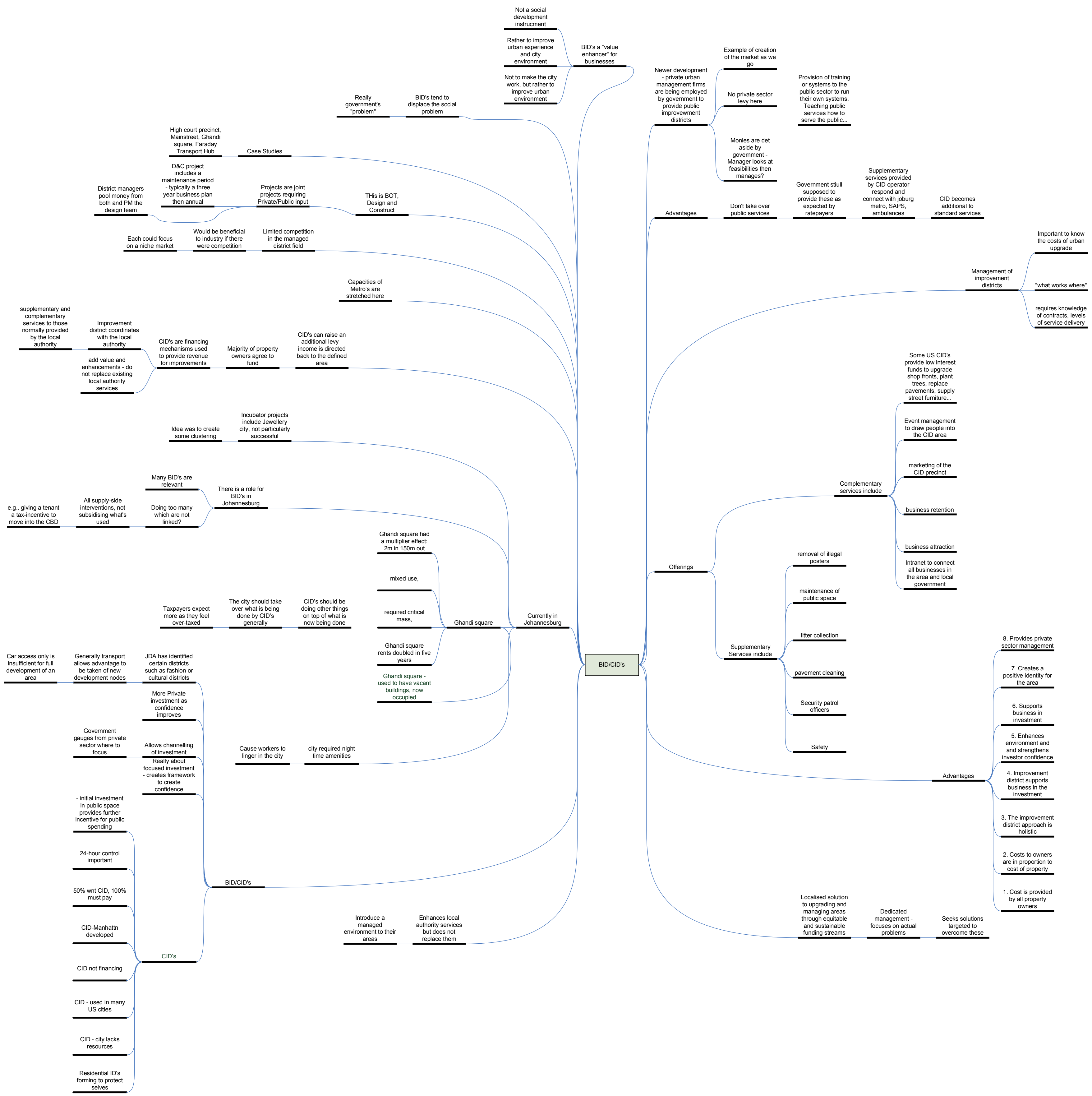

Figure 21: Map of BID/CID theme

4.5.14 *Conclusions pertaining to Proposition 2*

The interviews have led to the identification of a series of themes which were found to recur during discussion with respondents. These themes will be further developed in the next chapter. Despite not all respondents having knowledge of the mechanisms identified in the literature, there is a good argument for translation of the mechanisms from the developed world to the Johannesburg situation. This is encouraged by the numerous projects already underway in Johannesburg as public sector initiatives and some private initiatives.

The themes highlight factors which should be taken into account as criteria and procedures for adapting techniques for Johannesburg are developed. Issues such as transport, government involvement and the timing of incentives according to the property cycle are all pertinent.

4.6 Summary of the results

It was found that not all the incentive mechanisms identified during the literature review were familiar to the interview respondents. The interviews helped to identify areas of need, barriers and backlogs in initiating renewal mechanisms in the city, as well as success stories.

Data collected from documentary and interview evidence indicates that there are significant numbers of projects sponsored by government currently underway in the inner-city. The interviews point to certain of the mechanisms identified in Proposition 1 transferring with minimum alteration to Johannesburg's context.

CHAPTER 5: DISCUSSION OF THE RESULTS

5.1 Introduction

The past decade has seen the city of Johannesburg developing a number of initiatives, beginning from the 'Vision for the Inner-City of Johannesburg' laid out by then Deputy President Mbeki in 1997. An Inner-City Economic Development Strategy (1999), Spatial Framework (1999) and City-Centre Development Framework (2000) followed to guide the work of the Inner-City Office established in 1998 (City of Johannesburg 2007b). More relevant to this study is the Inner-City Regeneration Strategy approved in February 2003 to "raise and sustain private investment leading to a steady rise in property values" (p.11) in the inner-city. Appendix C indicates current and ongoing renewal initiatives within Johannesburg.

This chapter discusses the demographic profile of the respondents interviewed, before developing the various themes drawn from the interviews and mapped in Chapter 4. This serves to resolve the first Proposition regarding which international methods of renewal are best suited to the Johannesburg situation. The chapter continues by selecting from the methods listed in the literature review and listing eight methods with the most potential for use in Johannesburg.

The chapter concludes by discussing each of the selected methods and discussing any pertinent issues which should be considered if they are used locally.

5.2 Demographic profile of the respondents

The choice of subjects interviewed was intended to include individuals having extensive local experience of renewal-type projects. This was the case, although fewer subjects were interviewed than initially planned. This was mainly due to difficulty in arranging interviews. All of those interviewed had a substantial amount of knowledge and experience of this topic and could be termed 'experts'. Through the interviews, different perspectives were offered, from property developers through academics to urban managers. Each gave insight through their experience, anecdotes and views on the current practical problem of renewal.

All the subjects interviewed were white, South African, from middle-class backgrounds and all were male.

5.3 Results pertaining to Proposition 1: Themes drawn from the interviews

The literature review and current documentation revealed that numerous mechanisms for renewal of cities are currently in use internationally. Locally, Business Improvement Districts, the Urban Development Zone, and certain Public-Private Partnership developments are the only mechanisms used for this purpose.

The responses to the interviews informed both Propositions 1 and 2. Here, the interviews served to identify the current knowledge of inner-city renewal mechanisms amongst key individuals who had each been involved in renewal locally for a number of years. The sections which follow include their opinions and perceptions, as well as some idea of the direction which they expect Johannesburg's development to take in the coming years. These themes inform the question of which renewal mechanisms could be adapted to the Johannesburg situation. Wherever possible, the interview responses were triangulated with literature and documentation outputs to increase the accuracy of results.

5.3.1 *Property investment*

The physical decline of cities followed by social decline is limited to neither Johannesburg, nor to South Africa nor to developing countries. American and British cities have shown much the same trends. In the United Kingdom former steel-producing cities have undergone revamping as steel plants moved to more cost-effective locations. The South African situation is somewhat different due to the ongoing legacy of Apartheid-era planning and regulations. One respondent noted that "there seems to be a cycle [of deterioration and renewal] everywhere". This corresponds to the experiences of first-world cities in the United States (Abrams 1966) and UK and Europe (Williams 2006).

Generally, private sector investments will get the best returns in the context of economic growth and urban recovery. The work of South Africa's Council for Scientific and Industrial Research (CSIR) confirms the recovery of the nation's CBD's according to one respondent. Johannesburg is recovering and many buildings which were vacant are now occupied legally. "In the CBD of Johannesburg, the 'rough end' of the private sector is getting a grip on the squatter's buildings". "Against what [owners] invest, the returns are high", commented one individual regarding the real estate returns in Alexandra Township and Yeoville, two examples of blighted areas. This is despite negative perceptions and the state of their buildings. "Rent arrears in Hillbrow are lower than rent arrears in Sandton!" remarked one respondent, adding that "there will be a lot of opportunity for lower income residential and developers can find ways" of making it happen. One interview subject noted that in terms of investing in the inner-city, "if you didn't get in there five years ago you're too late." Another stated: "CBD living is a new phenomenon…the demand for properties in the CBD is growing…specifically [for] the younger generation". Yet another called it the "new gold rush", a reference to Johannesburg's early days. Decline of the city has slowed and property auction values are high. There is "a strong recovery in CBD areas" with the potential for a lot of residential accommodation in the CBD which is expected to be private sector-led. "We fixed up one area and suddenly people saw it was possible" said one investor. A respondent noted, however, "it's no good [fixing up a building] in isolation, you have to do so with a critical mass, you can't fix the buildings, you have to do the entire area around them".

Each sector of the Johannesburg property market is different, with competition between what tenants will pay for, what landlords offer and what they can pass on to their tenants. What tenants will bear in each area is different. For example, industrial sectors typically have 90% user-owners with about 10% being corporate financiers. Commercial properties are more likely to have corporate financiers as their chief investors. The way in which infrastructure and private financing is structured is different based on tenant characteristics and area, and this should be understood and targeted by the city if it wants to successfully attract these investors.

A common thread in many interviews was that private sector involvement in initiatives is the key to success and that if investment is not spearheaded via the private sector, the effort will be wasted. This links back to the incentives researched in §2.3.6, §2.3.9 and §2.3.13 in the literature review regarding private investment in cooperation with the public sector. Many felt that revival of the inner-city was significantly due to the private sector which has been instrumental in revitalizing the city, and neither to incentives nor the public sector. There was a atmosphere of confidence for the most part. On investor claimed: "we have a wonderful set-up here in the city, we're waterproof," against the property cycle, with property values in the city having an attenuating character - fluctuating less than the greater property market. While the market is booming, the city properties rise in value. If there is a downturn in the market, an investor noted that city accommodation becomes more attractive due to lower rentals which directly boost tenant businesses' bottom line.

Property development is a commercial transaction and property owners are unlikely to ever have more than a general interest in the uplifting of an area beyond what it will do for their investment. In short, it is important to remove emotion from transactions involved in private participation in renewal. "This is a calculation that property owners do on the basis of purely commercial imperatives – what is the environment that I am buying into now and what will that environment look like in 10 years time?" said one respondent.

The investor asks the following questions:

- What tenants can I get?
- What is the environment and future of my investment?
- How do I stabilise the value of my asset?
- What income will I achieve?
- What rental do I charge?

- Will I grow my equity investment?

"Where property owners can't see a long-term equity appreciation, what they see is right in front of them…they can't look forward. The environment around them is such that it doesn't give them any confidence," noted one respondent.

5.3.2 *Government Interventions*

The interviews identified a range of views on the role of government in facilitating renewal. Apart from issuing bonds (see §2.3.11), formulating policy and targeting its investment, government can also play a role thorough its own leases and property holdings which are usually significant. "The government needs to come in with its resources and create a public environment that gives property owners confidence, and residents and tenants. Give them confidence in the value of their area," was the comment by one individual interviewed. Another commented that "[Government] should have a very good sense of what they are trying to target, to bring in to an area…incentives should be structured around a programme."

A problem identified in the interviews is the issue of a lack of demand for government initiated projects by private investors (see §1.1). "[Renewal] requires an understanding between the city and its investments and the private sector and its investments," commented one respondent. In the case of Constitutional Court, as seen by one respondent: "Government first says 'We're putting in the land', and then not much happens, and then government says they can put in the property which they then do, and the property's not let and then they move into the property themselves." A legitimate effort towards levering in private investment became a project initiated, funded and occupied by the public sector, gaining no leveraged investment at all. The literature reviewed (See §2.3.4, §2.3.4 and §2.3.9) emphasized the importance of leveraging in private expenditure by initial public sector seed investment. In this case, however, "government funding really made [this project] happen."

Another perceived flaw in city government's approach is intervention by means of building, or 'bricks and mortar' interventions. "Government walks in and says 'let's build' instead of considering policy interventions," complained one individual. This is the situation with Mary Fitzgerald square in Newtown. "Public sector initiatives have been a bit misguided" said one respondent, citing Mandela Bridge and Newtown as areas which consumed huge resources with little increase in property value resulting. After "huge publicity, and huge attempts at pumping it up, it hasn't really worked, whatever [government] put in hasn't had a multiplier effect" on value and didn't result in a spread of renewal. Another disagreed, saying that Newtown "is an area which is [now] viable in its own right." A complaint by another interview subject was that: "politicians are not businessmen, there are no visionaries" and renewal areas such as Newtown are not totally successful without subsidization. Whether a 'bricks and mortar' project can be called a true intervention is questionable. What is clear, though, is that new individual renewal projects will turn out to be white elephants if the areas surrounding the project are not improved as well. Upgraded areas of the city possess the power to draw people, businesses and investment. Commented one respondent: "You almost need a catalyst which is government in this perspective with the other players benefiting around that."

"The most successful intervention so far is probably the Urban Development Zone", commented one subject (see §4.3.1). Advantages of the UDZ include that it doesn't require much government capacity to implement, and is simple to administer and take advantage of. For developers, a form is completed, submitted to the South African Revenue Service, and deductions are calculated. The zone is clearly demarcated (see Figure 4 in §4.3.1) and properties are either inside or outside of the zone. The UDZ is a high-level intervention, but one which has provided encouragement for investors. However, during the course of the interviews it was noted that for some developers the UDZ was more of a 'bonus' than a true incentive. This may indicate that the terms of the incentive are not juicy enough to really pull developers into the city. Nevertheless there are a number of projects in Braamfontein and in the CBD happening because of the UDZ.

Other significant government attempts at partnering with the private sector have come in the form of Public-Private-Partnership (PPP) schemes such as for the Kopanong precinct (A PPP initiated by Gauteng province to create a Government precinct in the central business district of Johannesburg). "[Kopanong] hasn't worked [due to] the complexity of the intervention", noted one respondent. In this case the complexity of the agreements between the city government and private sector has derailed the project. Respondents did underline that "city council cooperation is essential to the whole process" of renewal.

In terms of bringing government resources to bear, one respondent commented: "There is enough tax, the problem is not lack of money. The problem is the use of those taxes." Examples of where the City of Johannesburg via the Johannesburg Development Authority (JDA) has brought land and significant funding into an urban renewal project include the Constitutional Court in Braamfontein (see §4.3.1). The Kopanong government precinct land was also provided by the city with the intent of developing a government area with in the city. This project would have led down the line to a CID in the area around the government precinct. The role displayed at Constitutional Court and at Kopanong Precinct of government as full-scale developer is not ideal. Private investors in the city do feel that many inner-city programmes are mostly talk and that the bulk of the renewal in Johannesburg has been initiated and achieved by the private sector. There was a feeling expressed by some correspondents that "the public sector is peripheral", really only rubber-stamping the process as developers go about their business. Successful renewal requires "the private sector in cooperation with the public sector, but very much led by the private sector."

The general opinion was that development agencies should be investigating what is going on at ground level instead of trying to influence trends and start new initiatives - this wastes resources. "Government's role is to create the enabling environment rather than to second guess every second building" was the comment by one respondent. Another respondent suggested "more primary research identifying what [government] are going to fund" in order to discover how areas of the city are really working and where the money and people are going. He added: "People are always doing things before the planners get there" and "policy tends to follow two or three years after the event." The feeling is that government should really be looking at the longer term goal of building up the economic base of an area rather than applying incentives on a project-by-project basis. This forms a catalyst with the other players benefiting. In Johannesburg, some gentrification of suburbs is occurring, with higher income residents moving in to previously low-income neighbourhoods. Accordingly, authorities are beginning to inflate property values in sought-after areas to raise more revenue. Thus a re-valuation on a property and resulting rates may change based on the income level of the area's inhabitants.

The eventual result of renewal intervention will be a greater demand for building stock and property, a more vibrant core and a more successful city. Government should seek to create the enabling environment and let it play out. Unfortunately, there is a perception that the JDA has become a developer in its own right rather than an enabler for developers and marketer of the city (see Appendix C). "It is essential that there be public sector-private sector partnerships here, because [despite] what the public sector can bring in terms of funding, you have to have the initiative and imagination of the private sector," noted one respondent.

A programme which has been developed by the city over a number of years is the 'Better Buildings Programme' (see Table 6 and Appendix C) where outstanding services and rates arrears on obsolete buildings are written off by the council and the buildings offered to new buyers who are able to pay rates. The new owner "undertakes contractually to spend a certain amount and fix up the building." Popular with developers, this scheme is "a good concept", but has not been well run and is not effective. Comments were made such as "After two-and-a-half-years we are still in the process of getting transfer [of buildings] to us." Transfer of buildings has been slow and owners have lost interest in some cases. The tax-base of the buildings which are in rates arrears is non-existent, providing no income to the city to enable it to provide services. The occupation of these buildings is thus imperative if the city wants to reinvigorate the local economy of the area. Sections §2.3.5 and §2.3.6 of the literature note the importance of reduced bureaucracy in encouraging development by the private sector.

A significant impact will be felt with regards to city access once the city's Bus Rapid Transit (BRT) system is in place. Improved access to the city by workers and visitors will enable the city to draw on a larger pool of labour.

5.3.3 *Institutional property regeneration funds*

None of those interviewed had heard of the institutional property regeneration fund described (See §2.3.14). Opinions were mixed, with some feeling that the lack of faith in the city would stop investors supporting this type of initiative, countered by the opinion that available resources which investors seem to have would mean that this type of investment would be attractive. The establishment of this fund in the UK follows from a history of regional and national development agencies, including mechanisms for linking private and public sector investment. Each development agency has budgets and a strategy, together with clear rules of engagement laid out by the national government. These agencies seek to blend the objectives of the public and private stakeholders.

5.3.4 *Business and City Improvement Districts*

The form of inner-city renewal partnership most familiar to those interviewed was the ubiquitous Business Improvement District (BID), of which there are currently 5 compulsory and 7 voluntary districts in Johannesburg's CBD. Of all the techniques listed in this study, BID's have been the most used and have revealed the majority of success stories from this city. BID's are a local way of upgrading and managing areas through equitable and sustainable funding streams, using dedicated management which focuses on actual problems in the area and seeks solutions targeted to overcome these. The "central business district CID was the original, the others grew out of it," noted one observer. One respondent felt BID's were "really about focusing investments", and that they "often form the first line of defence [and]…help to facilitate the recovery of an area". Section §2.3.1 of the literature review discusses these initiatives.

Examples given of successful districts include Gandhi Square, where a transport hub and mixed-use private development of buildings has resulted in vacant buildings being almost all filled with tenants over recent years. This has resulted in rents doubling off a low base over the last five years. For investors around Ghandi square, a multiplier effect has seen equity value increase dramatically. “When we put our money in, R2m or thereabouts, that sparked off expenditure by private investors of maybe R150m.” This is an excellent example of seed investment leveraging private capital into an area. The investment “created viability, it incentivised the property owners to spend money on their properties and attract a decent quality of tenant. It has been massively successful.” A respondent noted that “most of the buildings around the square were empty, now you cannot get a square metre of space.”

Other BID success stories such as the High Court precinct, Main Street, and the Faraday Transport Hub, are all privately managed BID’s requiring a minimum 51% of property owners to buy-in before the district can be legally established. The minority of owners in the district are then bound by law to join the majority in taking part via payment of a levy.

Locally, BID’s can raise an additional levy for specific improvements or services. The income from the levy is directed back to a defined area of the district. In the US, BID’s are used in many cities using the same formula of 51% in – 100% pay. BID’s (or CID’s as they are also known) were developed on Manhattan in the US to counter the effects of city decline. They are typically the result of a city government not having the resources to provide a full range of services and requiring some private subsidization of services. The initial investment in public space by the private owners of adjacent properties provides further incentive for public spending to take place, and enables services to be rendered in a more focused and efficient manner. A general note was that having 24-hour control is important in maintaining the integrity of the district, allowing mixed use developments to continue trading past normal working hours. It also avoids having to clean up after overnight criminal or other activity if security services only work during the day. For a mixed-use district to really gain momentum, areas of the city require night time amenities to enable residents to venture out and to cause workers to linger in the city past their working hours. “People are not going to live in an inner-city that dies at five o’clock…nightlife incentivises people to live in the city.”

The Johannesburg Development Agency (JDA) has specifically identified certain districts such as fashion or cultural districts where BID’s are in place. The idea here has been to create a clustering effect of business nodes. Incubator projects include Jewellery City, which has not been particularly successful according to those interviewed.

In Johannesburg the concept has now been taken further with residential Improvement Districts forming to protect themselves and bolster property values. Improvement districts are then about focused investment, creating a framework of secured services which increases business or tenant confidence.

BID’s are given impetus by the perception that those already within the district will enjoy a sense of identity and confidence with the increased safety and other services provided and more private investment will be drawn to a district as local confidence improves. The districts allow the channelling of city and private investment into the services required in that particular district. Instead of a general mix of services provided across the whole city, specific services such as security can be improved where necessary. There were differing views as to whether BID’s constituted financing in any form, but if anything they are a mechanism to focus investment from the stakeholders.

General supplementary services over and those of the municipality offered in Johannesburg BID’s include:

- safety
- removal of illegal posters
- pavement cleaning
- security patrol officers

- maintenance of public space
- litter collection
- BID operators responding to and communicating with the Johannesburg Metro Police, SAPS, and ambulances.

Complementary services within the district include:

- intranet to connect all businesses in the area and local government
- event management to draw people into the CID area
- business attraction
- business retention
- marketing of the CID precinct

Some US CID's provide low interest funds to upgrade shop fronts, plant trees, replace pavements, supply street furniture, etc. (see §2.3.1).

The management of the improvement district coordinates all services and offerings with the local authority, including linking into the police, ambulance and fire services of the city and coordinating the resources of the district with the city's resources. Those interviewed noted the importance of 24-hour control, and influence over the public space to enable standards to be maintained continuously. In this way, BID's add value and enhancements but do not replace existing local authority services. BID's enhance the value of an area for businesses and property owners by improving the urban experience and city environment. BID's do not attempt to provide a solution to city-wide challenges, but remain focused on a single district. The BID employs a private company as a district manager. These district managers pool money from both the public and private sector levies and project manage the design and construction of improvements to the district. The projects typically include a maintenance period of three years, after which they are reviewed annually.

Advantages of establishing BID's within a CBD area include that:

- a positive identity is created for the area

- they take a holistic approach to the urban environment
- costs to owners are in proportion to cost of their properties
- the city environment is enhanced and investor confidence is strengthened
- the cost is covered by all property owners
- private sector management is provided
- the improvement district supports businesses' investments

One respondent noted the adaptability of BID's: "they start looking at crime and grime, but as they get on top of that they're able to look at a generally higher level of service provision." The BID's do not take over public services - government is still supposed to provide these as expected by ratepayers. The BID becomes additional to these standard services. There is a feeling that the tasks taken on by BID's are becoming more and more what the city should be providing for its rates. If the city provided the appropriate basic services and even some of the BID offerings, this would allow BID organizations to take on more complex roles such as inter-business communication and general district marketing.

"Improvement districts are a contentious [renewal] instrument" commented one respondent. "They are very locality-oriented, and are considered to be excluding from the area the social problem rather than fixing the social problem. They don't necessarily lead to urban regeneration; all they do is displace the social problem." Disadvantages or criticisms of BID's include that they do not seek "to make the city work", and are not a social development instrument. BID's act in their investor's interests and tend to displace the homeless and poor elements from districts. They act purely in the businesses' interest, and the social implications of cleaning up a district are left to the city to deal with. There is a danger too of developing numerous islands of apparent prosperity in different areas of the city with wastelands between them. Currently the Main Street and Ghandi Square BID's of the CBD are separated from the renovated Mary Fitzgerald Square in Newtown by a swathe of uninviting inner-city blocks.

There was some comment that property owners are only really interested in BID's as a means to an end. There was a perception amongst some subjects that city rates are already more than high enough for what is provided, and that the city should really be initiating the BID functions with its own resources so that confidence is built long-term in the area, attracting more businesses. The city could then divest from the BID over a three-year period and the new private owners could take up slack and get more involved in their own district. Property owners would then have had the opportunity and incentive to invest in their own buildings.

In a newer development, the city government is contracting private urban management firms to provide training and systems to the public sector in order for the city to provide public improvement districts. In this case, no private sector levy is paid, and the city operates the district. This was cited as an example of how the market for urban management is evolving locally.

5.3.5 *Local and International Renewal*

Those interviewed had a range of knowledge of different case studies of international renewal projects. Projects cited ranged from the recent London Canary Wharf and Docklands revitalization - the world's largest urban renewal project since the renewal of Paris by Napoleon in the 19th century - to housing schemes in Madrid in the 1980's. Historically, one subject noted the displacement of 100 000 London inhabitants during the 'renewal' of that city in the 1860's. The development of Le Defence in Paris in the 1990's was also cited. The City of Paris used TIF funding to finance and encourage investment, and developed part of the Metro public transport system in anticipation of the development of the area. New building developers were encouraged to maximize the value of their investment, resulting in buildings with much higher values than there had been previously. The tax-base and revenues accruing to the city were thus much higher.

A property developer noted that many of his ideas for investment in the CBD have been a direct 'crib' from Manhattan where the ideas were pioneered." Another respondent noted that renewal here and in the developed world was "bound to be different because there isn't the same amount of money here. We have urban renewal issues at scale [and] in the US the urban renewal authorities are much wealthier. Our municipalities here are facing a much more difficult problem in scale and extent of addressing backlogs and addressing differences…capacities of municipalities are seriously stretched."

The difference in approach between the UK and US in approaching renewal projects was noted. The UK employs more of a government approach, while in the US, property owners have become influential, and are able to drive policy decision-making by local government. Both countries' cities bring far more resources to this problem than do South African cities, despite regeneration of cities being a critical issue in South Africa with its high unemployment. However, a respondent felt that most international concepts were "definitely transportable" to the local situation.

There was caution expressed as expected with at least one interviewee noting that the public sector should not simply go overseas and say "we want one of those", as local problems require localised solutions.

5.3.6 *Structuring of Interventions*

The interview sessions helped to identify three main groupings of interventions. These are policy interventions to create an enabling environment for business to thrive, financial interventions such as offering low-cost loans or grants, and infrastructural interventions where the city infrastructure is improved – these include BID's. The choice of ideal incentive "will have to be different in different circumstances", noted one respondent, "There's no golden rule that applies to all of them, its all target market, tenant and locality-based."

The policy interventions incorporate initiatives such as the Urban Development Zone (UDZ) (see §2.3.4 and §4.3.2) already in place in Johannesburg, and mechanisms such as Tax Increment Financing (TIF) (see §2.3.9). The policy in place needs to be broad enough to handle the process of 'creative obsolescence' - the cycle of deterioration and regeneration of the city – which affects neighbourhoods and companies. The property market will move once the time is right in the city to regenerate, and policy interventions need to facilitate this, allowing opportunities spotted by private investors to be taken advantage of. With this in mind, urban renewal should be considered as a property market issue and not an issue to be solved by policies. Implementation and action of policies should be simple and accessible by investors and businesses in the city. Urban sprawl does not support the notion of a city reinventing itself in a cyclical fashion, since it leaves no incentive to rebuild obsolete building stock as tenants move to Sandton. Policy here can also include restricting certain types of development, for example greenfield development, forcing developers onto brownfield sites. Broader town planning is also a policy intervention. The important factor here is to implement policy that is reflective of government's capacity. One respondent commented: "The economic growth is in the areas where there's commercial and industrial property, the city needs to allocate resources to these areas [as well as] finance."

A mechanism such as TIF has advantages which could be applied to the city of Johannesburg. This could be used to unlock value in some of the inner-city's high potential areas. The mechanism would have to be well constructed and would enable economic growth in nodes of commercial and industrial property, opening the door to development. "The industrial market is very different to the residential [or] commercial market [and needs separate treatment]" was one comment. Noted one respondent: "There isn't a particular law or an enabling environment for [TIF] yet. I think that we can set up enabling environments that work here." Dangers of the scheme already noted include the risk to the city's tax-base if property values do not increase as expected, and that rates revenue is ring-fenced for a long period. Industrial rates in particular form a significant part of the city's tax-base to ring-fencing these would put cash flows at risk. Section §2.3.9 of the literature review discusses the benefits and drawbacks of TIF in some detail.

Even the tax regime within the city has an influence on developer preferences and can be considered a policy intervention. Section §2.3.4 of the literature review discusses various tax-based incentive mechanisms. The City of Johannesburg used to tax land values only, and not improvements to the land. For example, if a developer buys land worth R1m and improves that land with a building worth R10m, the tax burden is R11m. Previously the tax burden would have been only calculated on the land value, i.e. R1m. The developer would not have had to pay tax on the building. This encouraged maintenance and rehabilitation of ageing buildings as well as new development. However, the more recent moves to tax the land as well as improvement results in buildings declining with less incentive for owners to improve them. Now the tendency will be for only clear-cut winners to be developed, and not speculative developments. The question to be asked here is why would a developer take the risk on improvements to a building if they are to be taxed as if it is a success straight away? What if the developer can't find a tenant? The UDZ initiative does go some way to reducing the tax burden here, in that under normal circumstances building expenditures can not be claimed against tax. There was an opinion that the UDZ is more of a bonus to developers already in the CBD than a real incentive to speculate on new development. "I don't think the…incentives will actually make that much difference, it didn't to me," noted one investor.

The finance groupings would include any form of financial aid given to developers or businesses to relocate. Government grants (§2.3.3), low-cost loans (§2.3.10), subsidies, etc. all fall within this grouping. Bonds (§2.3.11 and §4.3.3) have been issued by the city to finance this type of spending amongst other civic costs.

The infrastructural grouping including BID's (§2.3.1 and §4.3.1) and business incubators (§2.3.2) was also discussed. There is a feeling among owners within the city that the taxes they pay are already high, and that government should be doing what it is meant to do – cleaning, limiting criminal activity, and general housekeeping within the city. BID's mirror this in that they are infrastructural interventions by picking up and complementing the city services.

Generally it was felt that a move toward the policy interventions was preferable to the subsidizing of development. One respondent noted that "it's too easy to spend money on yesterday's problems which are slightly different to today's". This effectively limits spending which could be allocated in other areas to solve current issues. "If the money is spent in social infrastructure and community infrastructure and is sustainable, then it has a long-term impact."

Johannesburg's property market has a tendency to short-term investment, which has a detrimental effect on the city. An example of short-term investment is the buying up of property to provide accommodation for the relatively brief 2010 FIFA World Cup Soccer.

In terms of cherry-picking effective mechanisms from developed cities, the basis of this research, the general feeling was that concepts are transferable form overseas if they are carefully implemented. There was comment though that real renewal of the CBD would require entrepreneurs with vision, not purely incentives! Those interviewed were in agreement that Johannesburg should set a clear framework for its development, and not simply leave the industrial and commercial development to the market as is currently the case. At this time, there is no city department which concerns itself with commercial and industrial renewal of the city.

The Johannesburg Social Housing Company (JOSHCO) is raising finance for housing in the CBD on the back of the financial charter, a transformation charter in terms of the South African Broad-Based Black Economic Empowerment [BBBEE] Act [Act 53 of 2003]. This document was developed by the banking and financial services sector to guide economic transformation of the South African economy. The charter includes allowances for low-cost housing credits, low-income loans and low-cost housing construction. Mechanisms like this might be very effective in regenerating the city. Residential development falls within the financial charter and its affordable housing goals. This links with the South African national government's housing policy. Due to its importance on a national level, there is more policy pertaining to this residential aspect of development than to the other sectors such as commercial and industrial development.

The Johannesburg Development Authority is forced to pick between opportunities, dealing with each on a case-by-case basis, meaning there is currently a lack of consistency in the way different projects are approached, planned and financed. There was a suggestion that perhaps the JDA needs more authority to enable it to organise developments without consulting with the city.

5.3.7 *Transport and access to the city*

Most individuals interviewed stressed the influence of transport within the city as a non-property driver of renewal. Good access to the city of workers and visitors is vital if the city is to function well. Access to labour markets is important to any business or investor, and it is beneficial to businesses if the city can cast a wide net in drawing workers to its CBD. Johannesburg has the greatest access to labour markets out of all the commercial nodes in Gauteng Province. All the major minibus-taxi routes are linked through city, and the Gautrain will increase this through-flow of people. A challenge is securing "dense development without having a massive effect on traffic… A lot more development can be sustained by having mixed modes of transport." One drawback noted during the interviews was a perception that Gautrain may draw a criminal element from Soweto's low-income population into the city as the terminus of the system is at Park Station. Johannesburg has better foot-access than other CBD's in Gauteng province.

The importance of mixed-mode transportation was noted using London as an example: "In the central part of London for example, you've got very high density employment and it can only be sustained because a very high proportion of people come to work by public transport, 15% only come by car." This in a city of 12 million inhabitants. The centring of development around transport networks is also known as transit-oriented development in the US. Challenges for transport planners include how to mitigate the urban traffic congestion effects of new developments in confined CBD areas.

In the study of human settlements, an agglomeration is an extended city or town area comprising the built-up area of a central place (usually a municipality) and any suburbs linked by a continuous built-up area. Study of agglomerations has revealed efficiencies in labour markets can be achieved if transport networks provide a network of good access to all parts of an urban area. A respondent noted that this results in "the length and breadth of labour markets to which companies have access within a given travel time" increasing. For example, the city of Paris which has a more integrated layout of transport networks than the city of London which allows workers from any part of the city to more easily access other areas for work. "The average firm in Paris has access to a larger labour market than London….taking the city as a whole, Paris is more productive than London."

One respondent quoted unreferenced studies by the CSIR which have revealed that trends toward urban living are increasing, especially among youth - this is predicted to accelerate. "Until 20 years ago, people couldn't choose where to live…[now] people are beginning to get the incomes that allow them to act on their freedom of choice." This urban growth depends on many factors and is an occasion for transport development within and between the urban nodes. "Now is the right time to be investing in accessibility to our urban areas," noted one respondent. In keeping with this, the JDA is considering transport precinct from Joubert Park to Mandela Bridge and Wolmarans Street to Bree Street, a significant area including taxi, bus, Gautrain and commuter rail access and transfer points. This, if carefully developed, could become a huge hub for international and intra-African trade. This type of leveraging of location links with the literature reviewed in §3.2.3.

"In Gauteng we have exactly the conditions that make it sensible to be investing in accessibility to our urban areas."

5.3.8 *Market failure and planning legacies*

The demise of Johannesburg during the 1980's and 1990's raises questions about the CBD's ability to recover. Different opinions were given regarding the reasons for Johannesburg's downturn, some saying that disinvestment in the early nineties was a typical urban lifecycle phenomenon. Another said it was due to "a whole variety of factors, you can't put it down to one thing. The fact is institutional capital packed its bags, shut down in the inner-city, wrote off those assets as far as they could…and went and redeveloped in the north." Inadequate planning and planning restrictions related to the Apartheid government's policy continue to affect Johannesburg's efficiency as a city. Original triggers to the migration of businesses north to Sandton were the car-parking charges and lack of adequate parking as well as the economic transformation of the CBD in which many didn't want to take part. Poor planning had the most severe effect on the poor people, with inadequate transport and other issues stemming from the Group Areas Act of 1950 which was only repealed in 1991. Those interviewed added that it may not have been failed property investment, but rather badly managed congestion that caused the city to become unattractive to tenants in particular. The city could have expanded its CBD more flexibly, and has confined its own expansion potential. Not all respondents were doom and gloom: "Even at the bottom…there were nearly 1 million people visiting the CBD every day, if a half-a-percent remain behind in the evening, that's 5000 people!"

Generally, the rapid increase in the number of shopping centres surrounding the CBD since the mid-1970's succeeded in choking off custom from the centre. This was as a result of an introverted institutional approach during the era of Apartheid-related sanctions which prevented offshore investment forcing large cash-rich institutions to invest in property. Developers invested in decentralized property in competition with their city interests. While the suburban investments might have been successful in their own right, properties in the city centre bore the brunt of this short-term thinking. Markets declined and institutions sold city property at extremely low prices. Eventually the bottom dropped out of the market.

Even recently, inexperienced municipal councils are lured by developers to permit developments that underpin previous Apartheid planning. Ironically, new centres in Soweto are perpetuating Apartheid-era planning by persuading residents not to leave Soweto to do their shopping. This style of development is detrimental to the city centre. Respondents noted the importance of planning in the current context: "an office node environment is not a residential environment" and "Private developers want to…build a 2- or 3-storey shopping centre on the top of the existing taxi-rank. They are willing to put the money because they can see the viability." However "it could be that the private developers might not be choosing the area is best for long-term development.” Another observer commented that “huge amounts of money are going into unsustainable housing outside the city. [This] flies in the face of long-term demographic trends.”

As a result of Johannesburg’s urban sprawl and market reaction to the demise of the city, new nodes at Sandton and Randburg siphoned many businesses out of the CBD in the 1980’s and 1990’s. “When you allow urban sprawl, there’s no incentive for urban renewal because companies go off to Sandton,” said one respondent. Individual mobility has increased only since 1991 with the removal of Group Areas. Since 2000, individuals’ disposable incomes have increased consistently while lower income groups are expanding. Economic transformation is occurring at a rate faster than anywhere else in the world. To harness this, liberal urban management and economic transport policies are needed to address the decline. The city and nation are in a development stage between under- and modern development, and its inhabitants have the challenging task of managing accelerating urbanization. This comes at a high social cost. The private sector is good at anticipating the resulting urban demand and the development which must result, and there is huge scope for medium to high density development in the CBD area on this basis.

Properties in areas of the City of Johannesburg are coming off such a low base that it will be difficult to impact negatively on investment via planning anomalies, but the effect on sustainable renewal may be negative in the long-term. The city is still very exclusionary due to lingering income disparities, its layout and organization and transport inadequacy. “Johannesburg should be spending more and more quickly on a development framework,” commented one observer, while another noted that “the way the city is organised is very exclusionary.”

Many interviewed felt the biggest hindrance to the city’s effectiveness is its transport system. This is as a result of limited informal public transport regulation and development in past decades. The task of the city fathers should first be to make an inclusionary city, then go for inclusionary housing and other local initiatives. If the transport system were to be improved, more will benefit from what the city has to offer.

In terms of economic theory, land has a social component. Social land includes schools, and other amenities, while economic land is land as seen by the market. The free-market view is that every piece of land should be used for its best use, and planning is an imposition. In the case of amenities, if there is no park in an area of residential development, the market will value the land at a lower price anyway. There is, however an overlap, where social land enhances the value of economic land in the eyes of the market. Thus residential districts are not easily turned into industrial areas and vice versa. Also, new residential areas are not easily created in an area of no amenity.

The role of government is really to act before the market moves to create an environment in which development can flourish. Opinion on the suitability of city planning viewed the current situation as sufficient, perhaps even excessive. Planning can overload the property market with the municipal system of building permits and plan approval. This also restricts the city's natural tendency to develop according to the needs of its citizens. The real problem noted was the appropriateness of the planning being done. The use of legislation such as environmental laws can "push developers on to brownfield sites and thus limit urban sprawl" suggested one respondent.

Concerns were also expressed by those interviewed about the permissiveness of our zoning regime, and the lack of public space and social amenities within the city. Some private developments are not in the best interest of the city and planning restrictions or guidance is required. It will take some time for renewal planning experience to build up and it was felt some projects might even have a negative impact. Change to the city must be through a new generation of planners who have earned the confidence of the politicians.

5.3.9 *Private sector control of public assets*

A lingering question regarding the private sector becoming involved in the implementation of public policy is their commitment when boom turns to bust. If property owners pull out of sensitive areas of the CBD when returns are low, the areas may become worse off than before. Opinions among those interviewed differed. Most felt that private investors are more likely to take care of their investments than public owners, and that privately initiated and run projects were generally of a higher standard than their public sector equivalents. Some felt that there would be little difference, as long as the development in question offered an amenity to the public that was necessary or attractive.

There is always a danger where the city can't provide infrastructure and either becomes reliant on the private sector to provide what it cannot, or threatens the success of a renewal project due to the inadequate services surrounding the project. In the case of a municipality or even a private company, it is one thing to provide the capital expenditure for a new anchor renewal project, but a completely different challenge to maintain it in the long term.

The extensive Public-Private Participation (PPP) (see §2.3.13) processes currently in use by the National Department of the Treasury for procuring large capital investment projects are having an effect, noted one subject. There is some concern about the experience which private companies such as building contractors and engineering consultants have in initiating or running these projects. Traditional procurement routes of tendering and bidding have fallen by the wayside and these companies have had to develop their own projects, including developing in-house concession expertise. There is a growing trend toward the PPP or Build-Operate-Transfer (BOT) type projects.

In the case of Business Improvement Districts, the general opinion was that BID's generally result in a better city overall. If one were to take the idea of localized BID's and expand it, the idea would be to build up a number of "bubbles" which would have enough critical mass to become self-sustaining.

One subject noted that a middle ground should be sought between city and private investors so that neither ended up over-dependent on the other nor carrying too much of the burden of renewal. The planning of developments was considered critical to ensure enough green space and other amenities.

If an area of the city indicates that even with surrounding improvement there would be no long-term equity appreciation, there is really no incentive for owners to contribute to a BID or any other scheme requiring their resources. The investor can't look forward if there is no confidence-inspiring environment surrounding his investment. The private investor would have no intention to uplift the area unless there is a real benefit to the value of that property in the long run. If this is the case, then the final quality of a renewal project may be high, but limited ongoing commitment from the private investor would mean the long-term maintenance would be inadequate.

Generally, those interviewed felt that private sector-led public environment upgrading projects such as Braamfontein and Main Street have resulted in higher quality products than those normally provided by the city.

5.3.10 *The Property Cycle and Investment in the Inner-City*

The property cycle consists of a macro and micro cycle, meaning that even when the general trend is upward there can be areas of decline. It is important to identify these areas before targeted interventions are initiated. The timing of an intervention is critical. It might be the case that at the low end of the property cycle it would be necessary to subsidize development to tide the city through lean years. A property market downturn might be a good time to invest in renewal to prepare for the next upturn. The real art of regeneration lies in spending public money judiciously to lever the maximum sustainable private capital investment. "Public sector investments will not arrest decline but they will accentuate and accelerate recovery," was the opinion of one respondent. Public sector investment can lay a necessary foundation for private investment. It is important to note that for the private investor large renewal projects are not viable and their investment needs to be underpinned by the city.

One of the subjects interviewed noted the example of Jabulani Mall in Soweto, which was subsidized by the local authority before being constructed in 2007. The malls which followed, including Maponye Mall and others were not subsidized at all. This raised the question of whether the market had already seen the opportunities for retail in Soweto and whether the city was subsidizing something which would have happened in any case. The "But for" test used in TIF programmes and noted in §2.3.9 above, is appropriate here: "But for" the subsidization of Jabulani Mall, would this development have gone ahead? If so, then subsidization was unnecessary. If the development required subsidy, then what was the minimum amount which would have been required to leverage in the private shareholder capital at a suitable gearing? The market may have been or become robust enough that opportunities were there without requiring subsidization.

The city needs to know what will trigger investment. "Public sector investment gets its best returns in the context of economic growth and urban recovery," assured one respondent. Government should gauge from the private sector where to focus its investment by asking "how can you strategically place public investments in the areas most likely to produce [renewal]?". The property cycle determines when seed capital should be put in - not too early - to align with opportunities identified by the private sector. The cycle of up- and downturns "is something that one fights with continually, trying to reverse the bad times and making good of the good times." There was a concern, however, that in South Africa "we haven't yet got the depth of financial and institutional experience" required to implement successful renewal investments.

One should note, though, that there is also a structural property market issue - even if the CBD enjoyed 10% growth there would be some areas of the CBD which wouldn't perform at all. This land is 'structurally obsolete'. The challenge to policy makers is to initiate renewal in these areas using declining land where employment is being lost - upgrade to initiate regeneration. "There are a whole lot of factors that create degeneration of building stock that has uses by other people, poorer people," commented one respondent.

Fluctuations in the property cycle will affect choices of packages for renewal and the timing of their implementation. The greater the proportion of government investment, the less the market and renewal will depend on the property cycle. Close collaboration with the private sector should be sought, to identify when interventions will have the most impact and the desired effect. In some cases, an intervention in the middle of a property recession may be well-timed to take advantage of the beginning of recovery. The city could also consider looking at the economic, non-property interventions.

The new improvements to the transport system, viz. the Bus Rapid Transit (BRT) and Gautrain-linked development will improve access to the city by the workforce, and give it greater reach in attracting people to its offices, shops and amenities. "The only way that [the city will work] is for people to be able to move around day and night, not taking their lives in their hands," mentioned one observer. "Gautrain is opening up opportunities in property development, although it is not a 'property solution' *per se*." Values of properties adjacent and within walking distance of Park Station will rise. Generally transport systems allow advantage to be taken of new development nodes in urban areas. Mixed mode transport is an important development in Johannesburg since car access only is insufficient for full development of an area.

In general, real renewal requires the improvement of the locational attributes of a place including more schools and better transport facilities. If developers are given free reign to convert offices into residential accommodation as is currently happening, the city's attributes will be unable to serve its residents. At the same time the city can provide all of these amenities close to residential property but if there is no demand for property or residential space the area remains blighted. Generally, urban recovery trends are not caused by government agencies, but by unshackling people to let them live and work where they choose. Government's task is unblocking of obstacles to these trends.

Important practical prerequisites for renewal identified in the interviews included:

- Good vehicle access and parking and a good transport system

- Consistent long-term decision making by the development authorities, whether these are the City, the JDA or other influential groups. An example of longer-term thinking might be the positioning of a new theatre in the CBD, and not in Fourways in the far north of the city where it is accessible only to a select few.

- Focal points, landmarks which draw people into the city, for example New York City's Empire State Building, London's Eye, and the old Rissik Street Post Office in Johannesburg.

5.3.11 *Social issues and the investor*

Despite the motive of property investors and businesses to make profit out of their ventures, it remains in their interest to slow the deterioration of any area they find themselves in from a purely self-interested point of view. "Developers' strategy is always to set the property prices so that they are at the highest level possible so that they can make money and at the lowest level possible so that they can attract the people in," said one respondent. Any philanthropic actions of investors are over and above this minimum to maintain the value of their investment. More responsible investors within the CBD already want to take over parks and public space - as in the case of Gandhi Square - to protect their investments. A city with a well-developed urban renewal programme is Vancouver in Canada which imposes a social/urban space and amenities levy on new development. Johannesburg does this, but is hampered by the fact that the various city services fall under different spheres of government. The challenge, noted one observer, is "how do we create cities where different income groups can benefit?"

The impact of increased disposable income is beginning to facilitate choices," noted one respondent, adding that "it is one thing to have the freedom to move where the opportunities are [and another to] get a job which makes it attractive to live in the urban areas where you'd like to live anyway. [This] is only just beginning to manifest itself in the last three years." From an economic point of view, businesses will move to where their employees are. For example, call centres would be expected to establish in Soweto, close to a suitable and large labour market. Transport will again play a major role in making the city more inclusionary – it is in the best interests of businesses to have their employees live less than 100 or 50 km from work. This is more acceptable for the employees too.

The phenomena of filtering and gentrification are relevant to the social impacts of renewal. Filtering refers to the moving out of a residential district of residents as they are able to afford homes in other areas. This frees up housing stock for lower-income residents. "This concept is basically what happened in Hillbrow and Orange Grove" commented one observer. This is a normal and healthy part of a city's churn of inhabitants. Gentrification refers to the restoration of run-down urban areas by the middle class resulting in the displacement of low-income residents. Despite the increase in property values and renewal of the area, gentrification brings with it social problems too.

5.3.12 *2010 and other mega-projects*

There was a general consensus among those interviewed that the large infrastructure and stadium projects associated with Gautrain Rapid Rail Link and the 2010 Soccer World Cup respectively would be beneficial to urban renewal in Johannesburg's CBD. Government and the nation require that the build-up to the World Cup improves the image of the city and leaves a legacy of improvements in transport, facilities and services. "Gautrain is coming at the right time to 'catch the wave'" of increased urbanisation and investment said one respondent. The overall effect of all the preparations and associated work is expected to leave things better than before. It was noted that spending on projects should be done in a sustainable manner for it to have a lasting impact.

The overall funds allocated to the World Cup developments have already had an effect on the city's decisions about the inner-city. Transport projects, sport precinct upgrades and the like have all come to the fore. Areas around World Cup stadia are being developed, although minimal leveraging in of private funding is evident. Generally all spending is directly from the coffers of the National Treasury. This seems to be a missed opportunity for private investors to bring their resources to bear on selected projects surrounding the World Cup. In terms of transport, the event has been used to 'kick-off' a larger strategy for longer term investment in transport infrastructure. Many local municipalities are undertaking 2010 projects as vehicles for regeneration even if on a small scale. In Johannesburg, reliance will be on a limited transport system to move the people to and from the stadia and other venues, which may reveal further gaps in the transport system. One respondent felt that the World Cup "is not going to affect [the CBD] hugely, it's a little overrated for a month's worth of football."

In general, any large infrastructure project will act as a stimulus to the economy and provide a focus on issues that may not have otherwise been treated as priorities, for example, transportation. The Public Transport Infrastructure Systems Grant or PTIS is a nationwide initiative by the Department of Transport which includes projects in Johannesburg. Typical projects include upgrading of taxi-ranks, bicycle paths and public transport schemes. The legacy of the World Cup will then include a general improvement in the planning and implementation of transport in the city.

With regard to the property market, the 2010 FIFA World Cup will not have much of an effect on the property market. There may be opportunities to re-open some closed hotels over the period, or provide residential rental accommodation, but these are expected to leave little lasting effect. If anything, short-term investment strategies will be encouraged by the World Cup, with owners seeking a quick profit. This is not in the long-term interests of the inner-city or Johannesburg in general. The numbers of restaurant and entertainment venues should increase, perhaps mostly in the northern suburbs. It should be noted that preparations for the 2010 FIFA World Cup may drain the coffers of some cities and leave them not able to provide services.

The Gautrain Rapid Rail project is expected to be partially complete by 2010, with the remainder completed by 2012. The project will serve to link up the city with other suburbs, Oliver Tambo International Airport and the City of Tshwane, providing easier access to the City of Johannesburg for its people (see Appendix D for a map of the Gautrain route). It will result in a more inclusionary city with firms having offices in more than one commercial centre, and with the workforce being able to access various parts of the city more easily. New projects and buildings around main nodes are expected to be initiated. Also, the system will catalyse more enthusiasm for Bus Rapid Transit (BRT) and other modes of public transport. There are some who argue that the Gautrain system will cause greater traffic congestion at the station points such as Rosebank, Sandton and Marlboro than is already the case.

In terms of the property market, some opportunities for the city to take advantage of this massive development have been ignored. There are examples of cities, for example Boston in the US, where new transport systems similar to Johannesburg's Gautrain have been funded on the rates increment increase due to the resulting increased land values once the system is in place. In other words, the expected increase in the value of the land and development is anticipated to lead to higher tax-revenues. These are projected and used to pay off the costs of their urban transport system. Government effectively siphons off the higher property value as not belonging to the developers. No scheme of this sort has been put forward, with the Gauteng Department of Transport and the National Treasury footing the entire bill. In Boston in the United States, a staff of 200 worked on the real-estate plan surrounding their most recent transport developments. In comparison, there is 1 person in the City of Johannesburg considering this aspect of the development. This opportunity, which could have had a major impact on the property market, has been missed around the Gautrain. No effective real-estate plan has been put in place around Gautrain. A well-developed plan should have been put in place, since most benefits will be in increased property values even if the Gautrain project itself is not successful.

The South African national government's R450-billion roll-out of new infrastructure including port upgrades, highways and other civil works is expected to have some effect on the renewal of the inner-city. The Johannesburg council sees urban renewal of the inner-city as critical, and will strive to ensure that some of the infrastructure spending finds its way to the urban renewal programme.

5.3.13 *Conclusions pertaining to Proposition 1*

In conclusion, as indicated by Table 8 in §4.4 above, first-hand knowledge of different types of renewal mechanisms by those interviewed was focused mainly on the techniques which are in use in Johannesburg currently such as BID or PPP-type arrangements.

There was some secondary knowledge from international exposure at conferences and through literature. One respondent noted that "sometimes [foreign renewal practitioners] have more to learn from us than we do from them" (See §2.3).

As for the translation of mechanisms from the developed world to the Johannesburg context, most respondents were positive that this could be achieved with most methods. Some were sceptical, however, and suggested "not enough faith" or "limited financial and institutional experience" as barriers to effective use of foreign methods in Johannesburg. Thus the both literature review and the outputs of the structured interviews support the first Proposition. That is, that *there are urban property development incentive mechanisms which are effectively and consistently used in a developed-world context which can be effectively applied in Johannesburg*. From the discussions above, the literature review (Chapter 2) and other documentary sources, the following techniques have been selected as those having the most potential for use in Johannesburg:

- Business Improvement Districts (§2.3.1)
- Grants and Gap-funding techniques (§2.3.3)
- Tax-based initiatives (§2.3.4) including Enterprise Zones (§2.3.6)
- Historic Preservation Incentives (§2.3.8)
- Tax Increment Financing initiatives (TIF) (§2.3.9)
- Government and City Bond Issues (§2.3.11)

- Private Finance Initiatives (§2.3.13)
- Institutional Investment Funds (§2.3.14)

These are further discussed in the next section as a response to Proposition 2.

5.4 Results pertaining to Proposition 2

Proposition 2 asserts that the methods which have been identified in the literature review and discussed in the interviews will require modification to suit the Johannesburg situation. The following section discusses selected methods which align themselves best with Johannesburg's situation. The discussion which follows bears the outputs of the literature review and the interviews in mind.

5.4.1 *Selection of techniques and their suitability to the Johannesburg situation*

Eight techniques which have proven popular in first-world cities are considered here as viable for use in the Johannesburg environment.

a. Business Improvement Districts (BID's) (§2.3.1)

Business improvement districts have already been tried and tested in Johannesburg's CBD with good results. Despite the fact that they typically require property owners with significant means to subscribe to the BID levy and the fact that inclusion in a BID is not always voluntary, literature, print and word-of-mouth reports and the interviews were all positive about this mechanism.

BID has already adapted itself to the Johannesburg situation and a fledgling private urban management industry is building up around this. Drawbacks such as the displacement of crime and undesirable activity to other areas of the city and the perception that the City tends not to pull its weight in these areas need to be dealt with if local successes are to be sustained. The danger of creating pockets of success in an urban wasteland should be dealt with through planning and effective implementation of complementary techniques. As a sustainable solution, however, BID's may not be ideal beyond the cosmetic upgrade of an area in Johannesburg.

b. Grants and Gap-funding (§2.3.3)

Grants to city governments are already available from the South African National Treasury, but the City of Johannesburg incurs limited grant expenditure apart from a selection of precincts including Ellis Park, Braamfontein and Newtown. Current spending does not leverage maximum private investment, and this should be a requirement. Grants compensate investors for assuming the bulk of a new development's risk. There has been criticism that it is the taxpayer who ends up paying for this. In the UK leverage of up to 4 times public expenditure was achieved over the period 1989 to 2001. Tests such as the "But for" test should be used to determine the optimum public expenditure for this supply-side mechanism.

The temptation to spend on past problems must be resisted, and current trends and problems dealt with to ensure that grant funding is wisely spent. Grants tend to favour developers over end-users, however. This may not be a sustainable solution considering current issues of unemployment and housing shortages. It would be preferable if grant funding could reach those who need it, owner-occupiers and tenants rather than speculative developers. Targeted grants are seen as a good option for use in Johannesburg.

c. Tax-based initiatives (§2.3.4), including Enterprise Zones (2.3.6)

Tax-based incentives are flexible, and can be targeted at owners, developers, tenants, employees and SMME's. The UDZ already in place in the CBD has encouraged some development in the city already. These incentives are a good option in targeted inner-city renewal, with the benefits of relief remaining in the area, benefiting those they intend to serve. Table 3 in §2.3.4 indicates that a city like Johannesburg would benefit from the deferred financial constraint on the municipality and the long-term build-up of the future tax-base of the city. Complexity and bureaucracy should be avoided to make the incentives more attractive to developers, tenants and residents. If these incentives could be combined and structured to mesh with the urban planning framework for the city, they would be highly desirable as a mechanism for the renewal of the city.

d. Historic Preservation Incentives (§2.3.8)

Iconic buildings within Johannesburg have already been identified and targeted for renewal by Johannesburg's Inner-City Renewal Strategy of 2004. In particular, the city actively sought buyers for Turbine Hall in Newtown and the Rissik Street post office, as well as targeting areas such as Chinatown for upgrading (See Appendix B for more detail). The careful restoration and enhancement of historic buildings in Johannesburg will add to its "sense of place" and provide an anchor for future upgrading.

e. Tax Increment Financing Initiatives (TIF) (§2.3.9)

Tax-increment financing is very popular in the United States, and has accounted for billions of dollars worth of renewal development. The ring-fencing of sectors of Johannesburg's tax-base would have to be carefully considered with the city's resources and long-term outlook in mind. Should property prices not increase, the city would be forced to rely on its ability to collect rates in other areas to tide it over. TIF can be used to discourage investment in selected areas, for example those resulting from urban sprawl, which the city does not want to support. This complements planning and zoning policies. TIF has undergone a half-century of testing and improvement on the US, but the transfer here would need careful planning. The city should be careful not to dilute a TIF zone by offering other incentives too closely where the overall effect will be reduced. The potentially high cost of job-creation using this method must be included in any decision to make use of it.

f. Government and City Bonds (§2.3.11)

Johannesburg has a good credit rating, which has allowed it to issue institutional and retail bonds. This use of its credit-worthy position is a good way of raising the funds for the city's capital expenditure. Repayment of the bond will require efficient collection of rates and a stable or growing tax-base in the years to come. The potential for a tax-exempt bond issue should be considered and raised with the South African Revenue Service, as this will encourage investment and allow further development to take place. The use of a US-style Industrial Development Bond with flexible financing options, and financing at lower-than-commercial rates is a recommended option. These allow private firms especially small, medium and micro-enterprises (SMME's) access to capital which could translate to expansion and employment opportunities. As with all bonds, the management of issue, marketing and overseeing the programme are all challenges to be managed.

g. Private Finance Initiatives (§2.3.13)

Private finance initiatives have already been used in the delivery of significant buildings in urban and rural areas. The complexity of the transaction between the private party and the public sector is a major deterrent to this type of investment, despite the gains which can be achieved by the public sector. While this mechanism might be suitable for toll roads and other infrastructure developments, the building of commercial and civil buildings is not well suited to this method. Having said this, it is likely that many more PPP's will be used to procure facilities for government. The transactions should be simplified as much as possible, allowing the private sector to fully grasp the process and risk transfer involved, while freeing up the private sector to manage and administer the process within its limitations. The public sector also should ensure that the quality and performance of the final facility is acceptable.

h. Institutional Investment Funds (§2.3.14)

The listed investment funds noted in the literature review reflect the result of decades of renewal organisation within the UK. As a result, the framework and demand for a financial product such as this is more developed. A development fund of this nature would be a good addition to the methods of funding private participation in renewal initiatives. Real estate investment trusts (REIT's), already listed on the Johannesburg Securities Exchange could also be used as a vehicle to bolster property investment in the CBD.

5.4.2 *Conclusion pertaining to Proposition 2*

The eight selected techniques are supported through literature, interviews and a review of the current activities of renewal in Johannesburg in documentary evidence. There has been enough triangulation of data to enable clear benefits and drawbacks of each method to be noted. The above eight methods have been discussed and various drawbacks and benefits including some modifications suggested for use in Johannesburg.

5.5 Conclusion

A number of the methods outlined have already been used in some form in Johannesburg, but not all have been used to their full potential. Careful planning, gauging of the private sector's needs, and a comprehensive strategy which applies methods which complement each other is suggested.

The 'triple-bottom-line' of economic, environmental and social criteria should be used in guiding the choice of method for a particular project.

CHAPTER 6: RECOMMENDATIONS

6.1 Introduction

This chapter begins by outlining recommendations to the stakeholders identified in §4.1.1 for consideration in developing renewal projects, either through public or private sector investment. Recommendations are first identified from the literature reviewed in Chapter 2, then from the structured interviews held with a number of experts.

The chapter continues by suggesting a framework for basic selection of a renewal method based on the circumstances involved, and suggestions for further research. The chapter ends by drawing together the conclusions of this research.

6.2 Recommendations to stakeholders in inner-city renewal in Johannesburg

6.2.1 *Salient points from the literature review*

The following important considerations when selecting an appropriate scheme are drawn from the literature review in Chapter 2. To be of use in determining the viability of future schemes, some recommendations are phrased as questions which can be used to query each situation and identify the most suitable approach.

The 'But for' test widely used for TIF projects in the US can be effectively applied to other renewal mechanisms. "But for the selected initiative, would the project have gone ahead?", But for the R'x'-million budget, would the project have gone ahead?" In this manner, a break-even investment by the public sector can be optimised to ensure that the public sector does not overspend on these types of projects.

The City should ensure that it has the capacity to manage, implement, monitor, maintain and dispose of any development through its life-cycle.

The three tests imposed by the South African National Treasury (2008) on PPP projects, can also be applied across the board to many types of renewal schemes:

- Is substantial technical, operational [or] financial risk transferred to the private sector?
- Can government afford the envisaged fee?
- Is it a value-for-money solution?

The four channels which the city possesses to promote renewal should be effectively and thoroughly used:

- Assets and resources
- Debt tools
- Creditworthiness, and
- The authority to tax

To attract the private sector, the risk of investing in the less-attractive CBD should be considered, and attempts made to increase the return on investment beyond that of suburban developments. Offerings to the private sector should be juicy enough for them to respond positively, grow in confidence and build ahead of demand. The construction process should be streamlined through reduced permitting and bureaucracy. The city should consider whether there is potential for the selected area to develop good infrastructure, freedom from crime and a good general image. This will improve chances of successful renewal.

The city should play to the business needs of investors as much as possible, ensuring that the private sector understands fully any partnering process and the risks involved. Developers have emphasised the attraction of available land and financial incentives as being more attractive than reduced bureaucracy. Schemes should include flexible options for investors, which allow exit at appropriate points of the initiative. If successful, traditional property investors will be drawn to considering more marginal investments than their risk profile usually allows. Schemes should reverse decay, raise value and kick-start markets to counter perceptions of market failure.

From a sustainability point of view, the City should consider whether incentives will lead to the growth of the economic base of the city, or whether they will lead to an artificially sustained market which may collapse after incentives are withdrawn. The employment opportunities and possible consequences of gentrification of an area should be planned for. Criteria should not be based only on economic results, but should include social and environmental goals as well. Benefits should target the end-users of developments, including owner-occupiers, tenants, residents and SMME's and not simply speculative developers. This will encourage lasting renewal.

Thought should also be given as to whether non-property interventions can be used to supplement the chosen scheme. These include low-interest loans to businesses, job training subsidies, reduction of sales taxes, employee personal taxes for local residents, and business taxes for businesses which employ local employees. The scope for anchor developments of historic or architectural nature should be reviewed, as well as whether the initiatives put in place are linked to a greater urban plan.

6.2.2 *Salient points from the documentary evidence and interviews*

Those interviewed identified numerous aspects of desirable renewal when considering Johannesburg's situation. These are phrased here as questions which can be used as tests in determining an initiative's potential:

- ✓ Does it contribute to the creation of an enabling environment for businesses and investors? Public sector should lay the necessary foundation for a renewal-enabling environment. A good example of this is the current UDZ programme.

- ✓ Does the development result in agglomeration benefits? With improved access, businesses are expected to move to areas where labour markets are most accessible.

- ✓ Does this intervention require a low level of administration and micro intervention by the public sector? Are the resources required appropriate to government capacity?

- ✓ Is the access of the mechanism by the private sector simple and free of bureaucracy?
- ✓ Does this initiative deal with structural obsolescence of regions of the city?
- ✓ Does it manage the accelerating urbanisation, limited resources and high unemployment endemic to South African cities?
- ✓ Does it make the city more inclusionary for all its inhabitants?
- ✓ Does the initiative result in the long-term building up of the economic base of the city and not the use of incentives for their own sake? Does it contribute to the stabilisation and increase of the city's tax base in the long-term?
- ✓ Is there potential for private investors to realise growth of their equity, stabilisation of the value of their asset and increased business confidence?
- ✓ Does the development result from consistent long-term decisions by planners, and consistency in the commercial arrangement of projects by development authorities?
- ✓ Does the intervention take account of the different markets in different areas? Infrastructure and private finance solutions are determined by tenant characteristics and area.
- ✓ Does the development maximise the city's competitive advantage of lower rentals which are more consistent during times of economic downturn?
- ✓ Does the initiative provide more focal points, good vehicle access and parking or amenity to the public? Does it encourage night-time amenity, causing workers to linger in the city?
- ✓ Will the intervention allow continued maintenance of projects by the city, a consistently managed environment and improvement of the locational attributes of an area?

The answers to these queries can help in determining the long-term sustainability of an intervention.

6.2.3 *Recommendations to government and private sector stakeholders*

While the public sector has established a number of frameworks for development of the inner-city, it would appear that these are not as cohesive nor as private-sector championed as they might be. Combination of mechanisms such as TIF (§2.3.9) to drive the goals of the city's urban master planning should be used in conjunction with business incubators (§2.3.2) or tax-based incentives targeted at businesses and individuals. In this way, the macro-planning of the city would be supported, whilst the businesses, residents and workers in the CBD would receive the benefits of mechanisms. This would provide an incentive for people to live or work in the CBD. The importance of private sector involvement in initiatives and not simply bricks and mortar or grant-funded development has been emphasised in this report (see §5.3.2)

The public sector is encouraged to renew their involvement in the city's burgeoning property market, via involvement in the UDZ initiative (§4.3.2), PPP projects (§4.3.1) and Institutional Investment funds or REIT's where possible (§2.3.14). While no renewal specific REIT's are currently available, those listed already have some involvement in inner-city developments. Initiation of renewal projects should be in close cooperation with the public sector, to avoid 'islands' of success developing in swathes of urban decay, and new development should remain within the guidelines of Johannesburg's overall urban goals.

6.2.4 *Framework for Choosing an Appropriate Technique*

Figure 22 below shows a decision tree which can be used as the basis for initial decision-making when choosing an appropriate renewal mechanism.

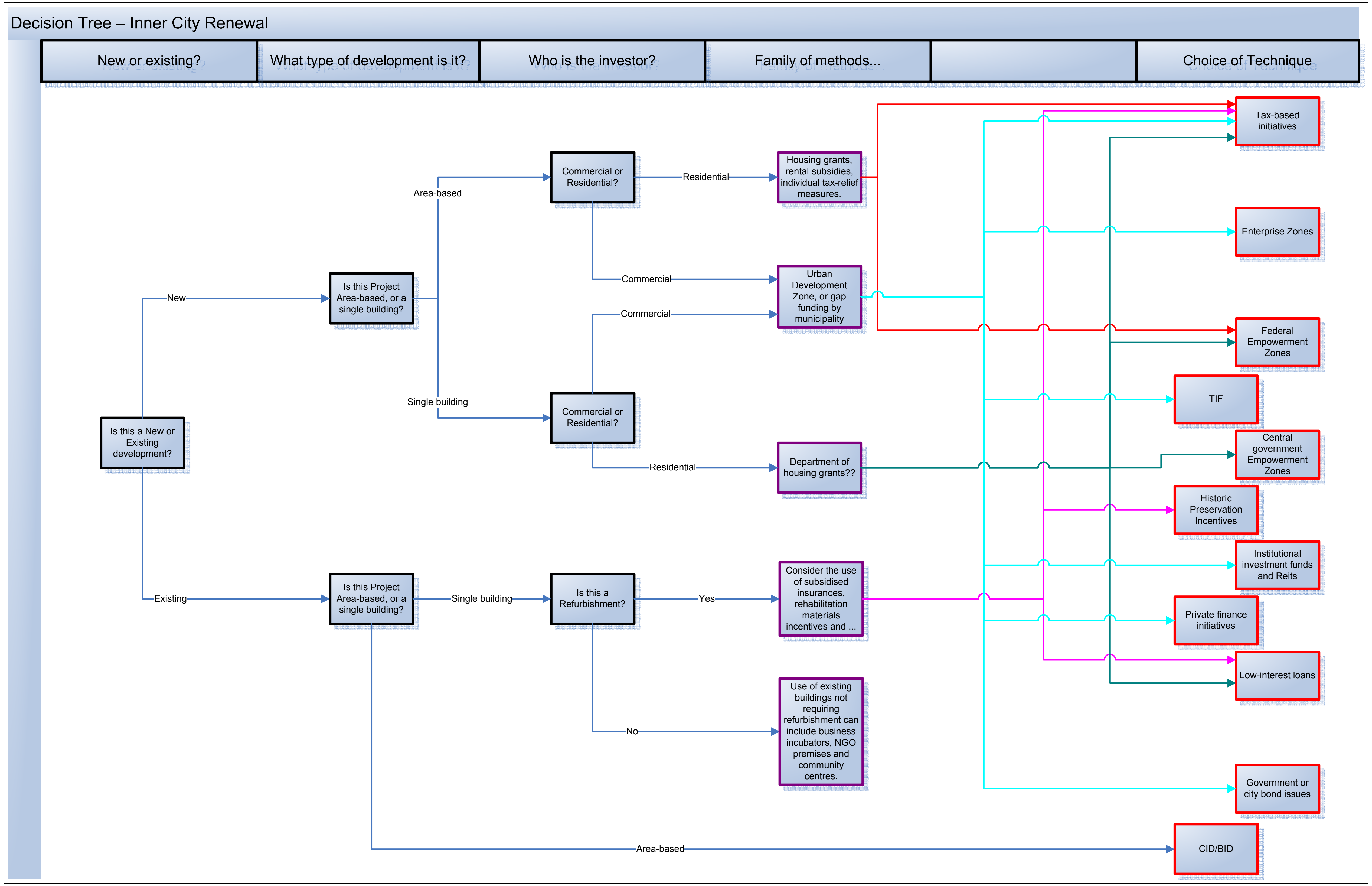

Figure 22.

Decision Tree

6.3 Suggestions for further research

The study did not consider the national property market in South Africa, but focused on the Johannesburg situation. There is scope to expand the findings to other cities and towns in South Africa and Africa. Only incentives to business were considered in this study, and other social and environmental factors dealt with in as efficient a manner as possible without diverting the study from its goal. There is further scope for investigation of social and environmental renewal issues in the Johannesburg city centre.

The focus of this report is on the encouragement of renewal in deteriorated areas within cities, not on the ever expanding new and informal settlements that are spreading around South Africa's cities. Much research has already been done in this area, although there are still concerns that policy is reinforcing outdated systems of urban development. There is a requirement for consideration of how South Africa's rapid urbanization can be dealt with considering the new attraction of CBD-living.

The current study does not tackle the question of existing drivers of inner-city decline, but rather focuses on incentives for businesses to return. Power (2001) implies that financial incentives alone will not halt decline. Other factors influencing urban decline should be researched and possible methods of stemming urban decline researched.

Linked to the cost of renewal in inner-city areas are the costs of development on brownfield sites, which may require expensive rehabilitation if land is found to be contaminated. This study does not investigate ways of reducing this risk for the property investor (McGahren and Hatfield 1998, Bartsch and Wells 2005, 2006). Should property investors be discouraged by the risks inherent in developing brownfield sites, however, undeveloped properties will continue to degrade the environment and opportunities to restore the municipal tax-base and inner-city jobs will be lost (Jaconetty 1999). The protection of potential investor firms against development liability and risk is in the interests of urban renewal and should be further investigated.

In short, this study can not be expected to draw significant conclusions in areas other than the best-practice use of incentive schemes for urban renewal in Johannesburg. The social and economic results which may be evident from this research were not be emphasised. There is thus scope for future research in any of these associated areas.

6.4 Conclusions of Research

This research uses a case study technique to explore the potential uses of international inner-city renewal techniques in the Johannesburg inner-city. The research began with the research problem, *to determine the incentives for inner-city renewal used in other countries in order to establish their applicability to the South African context, specifically Johannesburg, and to determine what modifications to these methods would be required for them to be successful here.*

The research problem was solved via the consideration of two propositions:

a. Find which of the incentive mechanisms used in developed countries are successful and could be realistically and effectively applied to the Johannesburg context.

b. Establish which modifications to the successful methods will be required when applying them to Johannesburg.

A literature review of international best-practice in inner-city renewal mechanisms was followed by a series of structured interviews with selected experts in and around Johannesburg. The results of the interviews were organised into themes which were mapped and developed with the literature review findings in mind. Various pointers for viable renewal projects were developed from this and a number of techniques which are best suited for the Johannesburg situation selected and discussed briefly. The report concludes with a basic flow chart indicating the decision process in selecting appropriate mechanisms for renewal in Johannesburg, and draws conclusions.

The importance of transforming spaces as a contributor to urban renewal was highlighted by Van der Merwe and Patel (2005). This study has investigated the methods which can be used to achieve this transformation of space within the inner-city.

Focus has remained on the most popular international methods of providing incentives to developers, businesses and individuals to return to the blighted city. This began through the consideration of more than fifteen techniques used in developed countries in the US, Europe and the Far East. These methods were reviewed from a historical perspective, and their successes and failures documented. This study found that there had been a significant growth in the number of methods available to local government in the US and UK since the first urban renewal schemes were initiated soon after the Second World War. While US methods tended to become more private sector driven, the UK government retained control of this aspect of development of the urban areas.

Once methods had been identified and explored, local renewal and development experts in Johannesburg were interviewed using a standard set of questions which could be adapted to suit the knowledge area of the participant. These interviews highlighted the differences between the situation in Johannesburg and in other developed countries, specifically the limited government resources and capacity for administration of renewal projects, and broader issues such as high unemployment and social problems.

From the literature review, consideration of contemporary documentation and the interviews, eight methods which were considered best suited to renewal in Johannesburg were selected. These methods were further scrutinised for benefits and drawbacks if used in Johannesburg. Conclusions were drawn regarding the most appropriate practices to follow in revitalising the city.

The study concluded with development of a basic flowchart outlining how appropriate methods for renewal might be selected by stakeholders (fig. 22).

Key findings included the obstacles to Johannesburg's renewal caused by urban sprawl, which not only gives investors other alternatives for development in other urban centres, but perpetuates outdated and discriminatory residential development outside the city centre. The importance of creating and sustaining demand for property was noted. Attracting investors despite perceived risks, building the economic base of an area without relying on cosmetic changes and developing sustainable micro-economies which would last beyond the withdrawal of incentives were all important findings.

The importance of not diluting incentives by offering them in too many areas and reducing their attraction to investors was also shown. This means that specific areas with specific needs should be targeted with tailored incentives selected from the methods chosen above. Truly effective incentives target a limited number of areas with real need and dormant potential (Symms and McIntosh 2004). However, there is also a requirement for simplicity and consistency in the systems used to encourage renewal. Both the limits of government's capacity to administer and the barriers to development put in place by bureaucracy are problems which demand that renewal initiatives are carefully thought through and effectively planned according to the resources at hand. A streamlined construction process in particular is valued by developers.

The city requires a clear understanding of what investors are looking for, and has at its disposal four channels to attract investment, namely its assets, its access to debt tools and instruments, its creditworthiness, and its authority to tax its constituents. Assets are the "cash on hand" which the public sector has in its own account and land and other fixed assets. Debt tools and instruments include tax-free and taxable bonds which the municipality can issue using its credit rating which is based on its creditworthiness. The authority to tax its constituents ensures an income stream of future cash-flows for a municipality if it is able to collect them (Siedman 2006). These tools must be used effectively to improve the confidence of investors and give them the confidence to develop ahead of demand. The timing of interventions is important. The stage in the property cycle – shortly before a downturn, at the low point in a down-turn, or before an upturn – can determine whether values and urban economies are sustained, envigorated or accelerated off a low base, respectively.

The importance of the benefits - such as increased land-values - of any renewal mechanism accruing not only to the developer but to the end-user, either tenant or owner-occupier, was highlighted. This will limit speculative development and cause resources to remain in the areas targeted. Non-financial issues and a triple bottom line approach were also shown to be important. Numerous options for bolstering business in the inner-city were identified, including low-cost, municipality-backed loans, insurances and other ways of managing development risk, and tax-relief targeted at businesses willing to relocate to or invest in the inner-city.

Drawbacks to current methods of renewal in the inner-city included the complexity of Public Finance Initiatives (PFI) already used in Johannesburg, when compared with the simple and successful Urban Development Zone already in place in the Johannesburg inner-city. It was also found that very distressed areas were not conducive to the use of a number of the renewal mechanisms researched. As a result, areas of high potential with good infrastructure, freedom from crime and a good general image should be developed first. Other drawbacks included the cosmetic, unsustainable nature of Business Improvement Districts and the ring-fencing of parts of a city's tax-base for long periods of time by TIF initiatives.

Since most of the mechanisms discussed in this research have not been used in Johannesburg, knowledge by those putting policy in place is limited, and further investigation of Enterprise Zones in the UK, Tax Increment Financing (TIF), Institutional Investment funds and the adaptation of current real estate investment trusts on the local market (REIT's) to support inner city investment should be undertaken by public and private investors alike. Measures to simplify PPP processes should be considered, as well as the potential for government to secure a developer's cash flow by signing a long-term lease for tenancy of an appropriate commercial development, if viable.

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APPENDIX A – QUESTIONNAIRE AND COVER LETTER TO RESPONDENTS

Thesis topic: **Strategies for providing incentives for Inner-City Renewal in Johannesburg**

This thesis is in partial completion of the requirements for the degree of Masters of Business Administration.

Please read this introduction thoroughly before responding to questionnaire

The purpose of this study is to distil current **best practice, "thought-leadership",** and **state-of-the-art** in providing incentives for renewal in the Johannesburg CBD. The official approach being taken by the City of Johannesburg will feature in responses, but is expected to form only part of the results of this study.

Best practice is phrase used to describe an activity or procedure that has produced outstanding results in another situation and could be adapted to improve effectiveness, efficiency, ecology, and/or innovation in another situation.

Thought leader is a buzzword used to describe a person who is recognized among his or her peers for innovative ideas and demonstrates the confidence to promote those ideas. The term can also be applied to companies, usually small businesses.

State-of-the-art is used to describe the highest degree of development of an art or technique at a particular time; "the state of the art in space travel", also used to describe cutting edge technology.

Overview of this investigation

This study uses a Case technique to gain an understanding of the current best-practice and thought leadership in the field of urban renewal mechanisms in Johannesburg. This case technique seeks out the opinions of a selected sample of respondents. These respondents are usually "experts" in the field and the method seeks to eliminate the complexities and difficulties of dealing with large sample sizes whilst ensuring good validity of results. In the interests of simplicity, the qualitative study will take the form of a series of structured interviews. This case study technique uses a planned series of individual "interrogations" usually by means of questionnaires. The results will inform a set of conclusions. The propositions put forward in the section above will be tested and proved or disproved within the scope of the study, and current best-practice will be distilled from the interviews.

All responses will be kept anonymous with a listing of respondents to be included in the final report, separate from responses. The questions below form a general base from which the first round of interview questions will be developed. These questions will be sent to a range of individuals with different working experience, and thus specialist knowledge in different aspects of urban renewal. Should any of the questions seem of inadequate depth, or in too much depth, please note this in your response, so that your interview can be appropriately tailored.

Please be as specific and detailed as possible. Some questions will require lengthy responses. If there are areas of uncertainty or the questions are unclear, please note this so that these questions may be revisited in the interview. Responses can be typed or handwritten.

All correspondence or queries should be directed to this researcher at:

Gregory.skeen@arup.com

082 374 5551 (c)

011 303 2548 (w)

Thank you

Gregory Skeen Pr Eng

Wits Business School MBA Candidate

Student Number 0617381T

Introduction

The purpose of the study is to distil current best-practice, “thought-leadership”, and state of the art in incentivising renewal in the Johannesburg CBD. The official approach being taken by the City will feature in responses, but is expected to form only part of the results of this study.

i Briefly describe **your** field of expertise and career involvement in areas related to inner-city renewal.

ii For how many years have you been involved in urban renewal, city planning or the built environment?

iii Do you have experience or knowledge of urban renewal schemes other than those in South Africa?

a. How would you describe your knowledge of the following mechanisms for urban renewal:

The five-point scale is represented by the numbers from 1 to 5, as follows:

1 First-hand knowledge

2 Very familiar

3 Somewhat familiar

4 Not familiar

5 No knowledge

	First-hand knowledge	Very familiar	Somewhat familiar	Not familiar	No knowledge
<u>Business Improvement Districts (BID's)</u>	1	2	3	4	5
<u>Business Incubators</u>	1	2	3	4	5
<u>Grants and gap-funding techniques</u>	1	2	3	4	5
<u>Tax-based initiatives</u>	1	2	3	4	5
<u>Community Based Development Organisations</u>	1	2	3	4	5
<u>Enterprise Zones</u>	1	2	3	4	5
<u>Federal Empowerment Zones</u>	1	2	3	4	5
<u>Historic Preservation Incentives</u>	1	2	3	4	5
<u>Tax Increment Financing Initiatives (TIF)</u>	1	2	3	4	5
<u>Low-interest loans</u>	1	2	3	4	5
<u>Government and city bonds</u>	1	2	3	4	5
<u>Business Improvement Districts and Community Finance Initiatives</u>	1	2	3	4	5
<u>Private Finance Initiatives</u>	1	2	3	4	5
<u>Institutional Investment Funds</u>	1	2	3	4	5
<u>Other Incentive Schemes</u>	1	2	3	4	5
<u>Local Government Incentive Tools</u>	1	2	3	4	5

The following questions should be answered in as much detail as possible:

a. If you have had first-hand experience of any of the above incentive mechanisms, please provide details here - be as specific as possible

b. If you can cite any good case-studies of where these or other mechanisms have been used, please state them here. Include published sources if appropriate.

c. What would you describe as the advantages of each mechanism with which you are familiar?

d. Are these advantages applicable to the Johannesburg situation?

e. What is your knowledge of the financial requirements and structuring of the methods above which you have selected as appropriate? Provide details for each one.

f. Would residential, commercial and industrial-type projects require different forms of financial packaging?

g. How would the long-term effects of a private investor controlling land and its development in a city affect local residents?

h. Would fluctuations in the property cycle and local and national economy affect the choices of different financial packages for urban renewal?

i. How will large projects such as preparations for the 2010 FIFA World Cup and the Gautrain affect the decisions regarding uplifting the inner-city and financial decision making?

j. How might the government's R450bn roll-out of new infrastructure over the coming years affect the City's financial decision making when it comes to urban renewal?

k. IGLOO is the UK's first institutional property regeneration fund. IGLOO, a £200 million project, aims to fund urban regeneration developments in UK towns and cities, and retain its investment in these projects over the long term to ensure they are successful.

The fund invests in partnerships with local authorities to achieve regeneration in the difficult mixed use (residential and commercial) neighbourhoods around towns and city centres, which institutional investors often ignore.

Is there scope for a private equity fund of the IGLOO-type in the South African market?

l. In your opinion, how would direct private-sector involvement in a traditionally public area of administration affect the quality of the final projects?

Additional background questions

m. The slow demise of South Africa's inner-cities indicates that there have been numerous failures in fixed property investment in these areas. What were the reasons for this, and how do we avoid repeating them to ensure successful investment?
n. De-apartheiding of the cities – housing and city planning. While gaining permission for development and securing finance might be achievable, the legacy of city planning and group areas might be an obstacle to renewal. Do you agree? How might this be overcome?
o. There is evidence of inadequate planning in the recent development of Johannesburg. Will this affect investment and returns on urban renewal projects?
p. How should social issues, incl. poverty, housing and crime be dealt with from the investor's and financier's perspectives since these affect the risk and reward of their investment?

q. How should local and national political agenda's be dealt with? These issues may be as simple as zoning of various portions of cities, or might include the effects of black empowerment or other national policies.

Ends.

APPENDIX B – CONSISTENCY MATRIX

Consistency Matrix

Research Problem

To determine the incentives for inner-city renewal used in other countries in order to establish their applicability to the South African context, specifically Johannesburg, and to determine what modifications to these methods would be required for them to be successful here.

Sub-problem	Literature Review	Hypothesis or Propositions or Research questions	Source of data	Type of data	Analysis
Establish the incentive mechanisms used in developed countries that are successful and could be realistically and effectively applied to the Johannesburg context.	Symms and McIntosh 2004 Williams 2006 Greenbaum & Bondonio 2004 Berry 1995	There are urban property incentive structures which are effectively and consistently used in a first world context for urban redevelopment which can be applied successfully to the Johannesburg situation.	Literature Review Interviews	Literature review information, Interview responses	Case study with working document reviews.
Establish which modifications to the successful methods will be required when applying them to the Johannesburg context	Mandy 1991 Adair 2003	The strategies for urban redevelopment which have been identified will require some modification to suit the Johannesburg situation. These modifications will suit implementation in a less developed environment where urban decay has taken place and historically disadvantaged low-income tenants and small and medium enterprises may need to co-exist.	Interviews Working Documents	Interview responses, Project data	Case study and triangulation of literature and working document reviews

APPENDIX C – CURRENT AND PROPOSED RENEWAL INITIATIVES IN JOHANNESBURG

(Johannesburg Inner-City Regeneration Strategy 2004)

PILLAR 1: Address Sinkholes

Current Programmes and Activities

1. Better Buildings Programme			
Description	Continued implementation of Better Buildings Programme and fast track implementation of CoJ social housing programme via targeted area approach and dedicated Action Team.		
Time frame	Q3 2004 – Q2 2007		
Milestones	15 buildings by Q2 2004, total of 55 buildings by Q4 2006		
Responsibility	Johannesburg Property Company (JPC)		
Anticipated cost	R 21 580 735	Allocation	R21 580 735 (JPC)
Activity Status	Current		

2. Block-by-Block Database			
Description	Ongoing survey of inner-city built stock on a block-by-block basis to identify by-law and building code infringements, illegal activities etc.		
Time frame	Q3 - Q4 2004 (Phase 1)		
Milestones	Q3 2004: Inner-City, Q4 2004: Peripheral Areas		
Responsibility	Inner-City Task Force		
Anticipated cost	R 300 000	Allocation	NONE
Activity Status	Current		

3. Building Control and Illegal Businesses			
Description	Intensive programme (building closures, clean-ups, legal action, etc) to identify and take action against building control violations and illegal businesses.		
Time frame	Q3 2004 – Q2 2007		
Milestones	Q4 2004: All dangerous buildings, Q4 2006: Action instituted remaining identified		
Responsibility	Inner-City Task Force		
Anticipated cost	R 30.0 m	Allocation	NONE
Activity Status	Current		

4. Inner-City Task Force Special Projects – 'Blitz' operations			
Description	Multi disciplinary operations (including a range of other law enforcement agencies) in identified areas where severe decay exists including breakdown of law and order which have a severe effect on the whole city e.g. Hillbrow. This includes a dedicated outside enforcement team focusing on specific areas.		
Time frame	Q3 2004 – Q2 2007 (ongoing)		
Milestones	Estimated no of operations		
Responsibility	Inner-City Task Force		
Anticipated cost	R 5.0 m	Allocation	NONE
Activity Status	Current		

5. Inner-City Property Database			
Description	To provide a comprehensive data base of all properties in the CBD (Core) with owners and agents contacts.		
Time frame	Q4 2003 – Q2 2005		
Milestones	Q2 2004: Core CBD: Q2 2005: Extended area		
Responsibility	Johannesburg Property Company (JPC)		
Anticipated cost	R 150 000	Allocation	R 150 000 (JPC existing: 2003/2004)
Activity Status	Current		

6. Greater Joubert Park Precinct			
Description	To stabilise and eventually uplift the Greater Joubert Park Precinct, a CBD sinkhole area broadly bounded by Smit Street, End Street, Kerk, Jeppe and Rissik Street. This complex project involves immediate 'clean-up', followed by production and implementation of strategies for future economic development. (The Greater Joubert Park Precinct link to Project 47: Gautrain Precincts: Park Station) Phase I (short-term) Operational Management focus: • Regularisation of taxi areas and informal trading sites (MTC) • Clean-up and enforcement blitz (Inner-City Task Force) • Ongoing informal trading management (MTC) Phase II: Planning and strategy focus: • Conceptualisation, planning, property surveys and development of strategies for regeneration Phase III: Detailed planning and begin implementation • Follow-up specific project planning concurrent with targeted interventions (for example, via Better Buildings Programme) Phase IV: Full implementation • Full implementation of Strategy developed in Phase II		
Time frame	Overall Q1 2004 – Q4 2008		
Milestones	Phase I: Q1-Q2 2004; Phase II: Q1-Q2 2004; Phase III: Q3 2004- Q2 2005; Phase IV: Q3 2004-Q2 2008		
Responsibility	Phase I: Inner-City Task Force, MTC & JRA; Phase II: EDU; Phase III EDU/JDA; Phase IV: JDA		
Anticipated cost	R 6.7m to the end of Phase III	Allocation	Phase I and Phase II: R5.7m capex and opex (EDU) Phase III: R1.0m EDU/JDA (sought)
Activity Status	Current		

Proposed Programmes and Activities

7. Survey of bad buildings in the Inner-City	
Description	Develop and maintain a database of all buildings in the Inner-City, including residential areas, indicating which are 'bad buildings' in terms of a predetermined set of criteria
Time frame	Q3 2004 - Q4 2005
Milestones	Q3 2004: Inner-City, Q4 2004: Peripheral Areas, Q4 2005: on GIS

Responsibility	Region 8 Office / Inner-City Task Force / Johannesburg Property Company		
Anticipated cost	R 300 000	Allocation	NONE
Activity Status	Proposed		

8. Inner-City Database Sinkhole Maps			
Description	To create a baseline map of Inner-City sinkholes against which progress of eradication can be measured, and emergence of new areas to be targeted for action can be identified. This will assist in identifying development opportunities (including buildings appropriate for demolition, conversion and refurbishment)		
Time frame	Implemented in Q4 2003 and updated on a bi-annual basis		
Milestones	Q3 and Q4 2004, Q2 and Q4 2005, Q2 2006		
Responsibility	Johannesburg Property Company (JPC)		
Anticipated cost	R 800 000	Allocation	NONE
Activity Status	Proposed		

9. Liquor Outlets			
Description	To draw up a database of liquor outlets in the Inner-City and monitor trends and process for issuing of liquor licenses by the Gauteng Provincial Government.		
Time frame	Q3 2004 – Q4 2005		
Milestones	Q3 2004: Special projects Hillbrow/Berea; Q3 2005: All areas; Q4 2005: Database complete		
Responsibility	DPTE / EDU		
Anticipated cost	R 200 000	Allocation	NONE
Activity Status	Proposed		

10. Mapping and Monitoring of Transitional spaces			
Description	To map and monitor transitional spaces against a pre-determined set of urban blight indicators to ensure that there is no further deterioration or those possibilities for investment can be highlighted. Areas include Parktown edge (between Hillbrow and suburbs), Judith's Paarl, parts of Joubert Park and Bellevue East, Booysens, Pageview, Fordburg, Vrededorp, Bertrams, Bez Valley, Mayfair, Yeoville, All peripheral areas		
Time frame	Q3 2004 – Q2 2007		
Milestones	Q3 2004: Implementation; Ongoing monitoring till Q2 2007		
Responsibility	Region 8 Office / Inner-City Task Force / DPTE / EDU		
Anticipated cost	R 800 000	Allocation	NONE
Activity Status	Proposed		

PILLAR 2: Undertake Intensive Urban Management

Current Programmes and Activities

11. Environmental Management and Law Enforcement	
Description	These tasks form part of the brief of the Inner-City Task Force, operated from the office of the Region 8 Director, but with cooperation from the JMPD, SAPS and SANDF

Time frame	Q3 2004 – Q2 2007		
Milestones	Ongoing projects, mass operations, clean ups, crime prevention (sustained)		
Responsibility	Region 8 / JMPD / SAPS / SANDF		
Anticipated cost	R 4.0 m	Allocation	NONE
Activity Status	Current		

12. City Improvement Districts			
Description	Programme to support and maintain current, and establish new, City Improvement Districts (CIDs). Registered CIDs are Central and South Western, Northern. Voluntary CID's include Newtown, Legislature, Transnet safety corridors, Constitution Hill and Civic Centre. CIDs planned or under consideration are Braamfontein, Retail and Louis Botha Ave/Orange Grove, Ellis Park / New Doornfontein, Fashion District, Benrose Industrial, Diagonal Street and Yeoville.		
Time frame	Q3 2004 – Q4 2004		
Milestones	Braamfontein and Retail CID application Q3 2004 Newtown, Transnet Safety Corridors Q4 2004		
Responsibility	CJP		
Anticipated cost	R 450 000	Allocation	NONE
Activity Status	Current (and some proposed)		

13. Municipal Court			
Description	Establishment of dedicated court for rapid processing of matters relating to by-law enforcement and legal infringements. Court allocated, magistrate identified, prosecutors being trained. The court should only commence once the by-laws are promulgated. Approval of Premier awaited and fines to be finalised.		
Time frame	Q3 – Q4 2004		
Milestones	Appointment of prosecutors and administrative staff		
Responsibility	JMPD / Legal Services / Department of Justice		
Anticipated cost	R 750 000	Allocation	NONE
Activity Status	Current		

14. CCTV			
Description	Monitoring of activities in Johannesburg CBD via close-circuit television cameras. JMPD responsible for current contract with outside service supplier Future CCTV installation will be project-linked and subsumed within project budgets		
Time frame	Ongoing		
Milestones	Planned increase in CBD to 360 cameras Q3 2003.		
Responsibility	JMPD / CMU		
Anticipated cost	R 90.0 m (R 30.0 m per annum)	Allocation	R 90.0 m
Activity Status	Current		

15. Credit Control			
Description	Action and reporting on credit control activities on rates and service charges by Revenue Department (Inner-City Credit Control and Legal Action).		
Time frame	2003 / 2004		
Milestones	Hand over R 3.0 bn (R 4.4 bn at 31 Jan 04); Collect R 55.0 m (R 180.0 m at 31 Jan 04) Inner-City Collection: R 164.0 m (R 140.0 m at 31 Jan 04); Arrangements: R 23.0 m (R 49.4 m at 31 Jan 04) *Exceeded targets to date*		
Responsibility	Inner-City Credit Control and Legal Services		
Anticipated cost	R 50.0 m	Allocation	NONE
Activity Status	Current		

16. Market Development and Management Programme			
Description	Facility Management of taxi ranks, Formal markets and Informal Markets (operational or under improvement) at Metro Mall, Yeoville, Hillbrow, Faraday, Kwa Mai-Mai and Jeppe. Site under development at Windybrow. Analysis of current trading activities in the COJ. The registration/ licensing of informal traders in the COJ. The development of type A,B,C & D type markets. Support and training of the informal traders.		
Time frame	Proposal with City Council to agree 5 year management contract for each facility. Market roll-out complete by end 2005		
Milestones	Windybrow in development: Q3 2004 Workshop with role-players: Q3 2004, Site identification: Q3 2004, Market development and hand over to MTC Q3 2004 – Q4 2005, Training 300 informal traders: Q3 2004 Survey and analysis complete Q3 2004, Roll out of markets Q3 2004 – Q4 2005		
Responsibility	EDU responsible for market demand and location identification MTC responsible for development, implementation and operation		
Anticipated cost	R 2.5 m – Windybrow (cap ex) R 11.0 m for 2004 for CoJ R 12.0 m for 2005 for CoJ (included is R3.0 m operational expenditure for Metro Mall per annum) R 25.0 m (cap ex) R 34.6 m (op ex over 3 years)	Allocation	R 2.5 m (City Council – capex for Windybrow) R 23.0 m (CoJ) R1.4m (EDU existing: 2003/2004)
Activity Status	Current		

17. Informal Trade Development Programme – Enforcement			
Description	By law enforcement and policing of restricted trade zones.		
Time frame	Ongoing		
Milestones	Ongoing		
Responsibility	JMPD / ICTF		
Anticipated cost	Departmental cost of JMPD	Allocation	Incorporated in JMPD budget
Activity Status	Current		

18. Inner-City Distribution Services			
Description	Investigate the Feasibility of an Inner-City Distribution System for the City of Johannesburg. The feasibility study will include the status quo, findings and recommendations on the distribution system – both road based and light rail. The report will be submitted to Council during May 2004.		
Time frame	Q4 2003 – Q1 2004		
Milestones	Feasibility Study: Q1 2004		
Responsibility	Department of Development Planning, Transportation and Environment – Transport Planning		
Anticipated cost	R 250 000	Allocation	R 250 000 (CoJ)
Activity Status	Current		

Proposed Programmes and Activities

19. Transitional Shelter Programme			
Description	Review and redefine current policy. Prepare implementation plan.		
Time frame	Q3 2004 – Q1 2005		
Milestones	Implementation Plan: Q1 2005		
Responsibility	Housing		
Anticipated cost	R 240 000	Allocation	NONE
Activity Status	Proposed		

20. Integrated Inner-City Information Management System			
Description	The development of an Integrated Inner-City Information Management System to improve intelligence on monitoring Utility service delivery to support regeneration by (1) developing relevant indicators; (2) obtaining information against those indicators via interrogation of Utility business and operational plans, and specific information requests; (3) establishing baseline to be followed by bi-annual updates for presentation of information; and (4) institutionalising regular reporting (5) produce breakdown of urban management programme, activities and budget for the Inner-City vis-à-vis Region 8, and priorities for intervention re revised by-laws and development guidelines.		
Time frame	Q3 2004 – Q2 2007		
Milestones	Develop Indicators (Q3 2004); Establish Baseline (Q3 2004); Bi-annual reports (Q4 2004, Q2 2005, Q4 2005, Q2 2006, Q4 2006, Q2 2007)		
Responsibility	CMU		
Anticipated cost	R 4.0 m	Allocation	NONE
Activity Status	Proposed		

21. CID Evaluation			
Description	Evaluate effectiveness of CID initiatives, including enabling environment, to identify lessons for improved performance and connection to areas of economic concentration as well as the prospects of extending the idea of CIDs to less prosperous business areas.		
Time frame	Q 1 – Q4 2005		
Milestones	To be agreed		
Responsibility	JDA		
Anticipated cost	R 120 000	Allocation	NONE
Activity Status	Proposed		

22. Legislation Review			
Description	Review current national, provincial and locally-relevant legislation relating to hindering effective urban management with a view to identifying additional, revised or new powers to allow for faster and more effective legal interventions (including increasing the powers of Municipal Court, reviewing ordinances that delay implementation of enforcement measures in respect of 'bad' buildings, and revising legislation that makes it difficult for the CoJ to prosecute those guilty of illegal electricity connections)		
Time frame	Q3 2004 – Q2 2006		
Milestones	Q3-Q4 2004 Monitor, Q1-Q2 2006 Submission		
Responsibility	Legal Services		
Anticipated cost	R 100 000	Allocation	NONE
Activity Status	Proposed		

23. Social Programmes			
Description	Development of strategy and programme to address issues of poverty reduction and social exclusion within Inner-City activities (including homelessness, street children, drug abuse etc). Development of the strategy in line with the city wide strategy to be complete by June 2004.		
Time frame	Q3 – Q4 2004		
Milestones	Business Plan, Expansion and alignment of departmental, regional and external roll players deliverables to optimalise collation of anticipated deliverables for 2004-2006		
Responsibility	Region 8 / Social Services		
Anticipated cost	R 200 000	Allocation	NONE
Activity Status	Proposed		

24. 'Sense of Place' Niche Retail			
Description	Retail sector investigation i.e. facilitate establishment of coffee shops and similar activities		
Time frame	Q3 2004 – Q2 2005		
Milestones	Completed investigation and Implementation Plan		
Responsibility	EDU		
Anticipated cost	R 200 000	Allocation	NONE
Activity Status	Proposed		

25. 'Sense of Place' Public Environment Programme			
Description	Development of Public Environment Programme to create coherent streetscapes (including attention to street lighting, planting and street furniture)		
Time frame	Q3 2004 – Q1 2005		
Milestones	Design and Development Manual		
Responsibility	JDA		
Anticipated cost	R 500 000	Allocation	NONE
Activity Status	Proposed		

PILLAR 3: Maintain and upgrade infrastructure

Current Programmes and Activities

26. Infrastructure Maintenance			
Description	Ongoing maintenance of Inner-City infrastructure: roads and stormwater drainage, traffic lights, road markings and signage, water and sanitation system, and power. Maintenance work primarily reactionary (apart from JRA planned roads rehabilitation programme). Inner-City Task Force (Infrastructure Unit) produces regular data break out from relevant Utility records and reports to S79 Committee.		
Time frame	Q3 2004 – Q2 2007		
Milestones	Ongoing maintenance		
Responsibility	Inner-City Task Force (Infrastructure Unit)		
Anticipated cost	UAC annual budget	Allocation	UAC annual budget
Activity Status	Current		

Proposed Programmes and Activities

27. Utility Infrastructure Programmes			
Description	Improve intelligence on forward planning and cyclical maintenance of Utility infrastructure programmes in the Inner-City by interrogation of Utility business and operational plans, as the first phase of developing a long-term 10 year plan with indicative budget. Begin by establishing baseline to be followed by bi-annual updates for presentation of information; and institutionalising regular reporting.		
Time frame	(Phase One) Q3 2004 – Q3 2005		
Milestones	Develop information requirements (Q3 2004); Establish Baseline (Q3 2004); Bi-annual reports (Q4 2004, Q2 2005, Q4 2005, Q2 2006)		
Responsibility	CMU / DPTE		
Anticipated cost	R 2.0 m	Allocation	NONE
Activity Status	Proposed		

PILLAR 4: Promote Ripple-pond investments

Current Programmes and Activities

28. Rissik Street Post Office			
Description	To secure a developer for the building through a sale or lease agreement		
Time frame	Initiate project: Q1 2004		
Milestones	Tender: Q1 2004; Appoint: Q2 2004; Development: Q3 2004		
Responsibility	Johannesburg Property Company (JPC)		
Anticipated cost	R 2.7 m	Allocation	R 2.7 m (JPC)
Activity Status	Current		

29. Greater Newtown			
Description	Major precinct development to promote creative industries, cultural activities and tourism via improvements to public realm, transport network and buildings. Associated major residential development.		
Time frame	Q3 2004 – Q2 2007		
Milestones	Implementation Q2 2007		
Responsibility	JDA		
Anticipated cost	R 600.0 m	Allocation	R 300.0m (National, Provincial, Local Government) R 300.0 m (Estimated private sector investment)
Activity Status	Current		

30. Constitution Hill			
Description	Major new precinct development to develop Constitutional Court, accommodation for Ch9 institutions, new public open space, heritage, tourism, retail and commercial activities, along with community and recreation facilities.		
Time frame	Q3 2004 – Q2 2007		
Milestones	Implementation Q4 2006		
Responsibility	JDA		
Anticipated cost	R 854.3 m	Allocation	R 474.3m (National, Provincial, Local Government) R 280.0 m (Estimated private sector investment) R 100.0 m (Estimated donor finance)
Activity Status	Current		

31. Braamfontein Regeneration			
Description	Development of upgraded public realm through development partnerships to lever in private sector investment, promote business confidence, support improvement and use of property stock, encourage evening usage and improve urban management via the establishment of a CID.		
Time frame	Q3 2004 – Q2 2007		
Milestones	Implementation Q2 2007		
Responsibility	JDA		
Anticipated cost	R 80.0 m	Allocation	R 27.5 m (Local government) R 12.0 m (Estimated private sector investment in corporate precinct) R 40.5 m (Estimated private sector investment)
Activity Status	Current		

32. Greater Ellis Park / Bertrams / Doornfontein			
Description	Project focusing on Ellis Park Sports Precinct, Bertrams and Doornfontein to upgrade public environment in Precinct and surrounding residential areas, improve transport network, access, parking and holding areas. Could increase in importance depending on Soccer World Cup 2010 bid.		
Time frame	Q3 2004 – Q2 2007		
Milestones	Investigation Q4 2004; Business Plan Q4 2005		
Responsibility	JDA		
Anticipated cost	R 600.0 m	Allocation	R 69.0 m (Seed capital from Local Government)
Activity Status	Current		

33. Main Street			
Description	Continued upgrade of Main Street from Anglo American to Gandhi Square to promote retail activity and consolidate existing office sector.		
Time frame	Q3 2004 – Q1 2005		
Milestones	Implementation Q3 2005		
Responsibility	JDA / Private Sector		
Anticipated cost	R 12.0 m	Allocation	R 2.0 m (Local Government) R 10.0 m (Private Sector committed)
Activity Status	Current		

34. Drill Hall			
Description	Conversion of Drill Hall into public open space, tourism attraction and recreation facility. Promotion of investment in nearby commercial and residential property.		
Time frame	Q1 - Q2 2004		
Milestones	Implementation Q2 2004		
Responsibility	JDA		
Anticipated cost	R 11.0 m	Allocation	R 11.0 m (R 5.0 m COJ existing: 2003/2004) (R 6.0 m CoJ)
Activity Status	Current		

35. Yeoville Rockey Street Upgrade			
Description	Project under JDA 'Main Streets' programme involving improvement of public realm, addressing transport network, stabilising current economic activities and promoting investment.		
Time frame	Q3 2004 – Q2 2007		
Milestones	Business Plan Q3 2004; Implementation Q2 2007		
Responsibility	JDA		
Anticipated cost	R 20.0 m	Allocation	R 2.0 m (Seed Capital – JDA) R 18.0 m (Private Sector Investment plus allocation from UAC capex)
Activity Status	Current		

36. Upgrade Faraday Station & Environs			
Description	Creation of multi-nodal transport facility (rail, bus, taxi), market trading and retail facilities, upgraded public realm and residential units.		
Time frame	Q1- Q2 2004		
Milestones	Implementation and handover to MTC by Q3 2003; evaluation complete by Q2 2004		
Responsibility	JDA		
Anticipated cost	R 45.0 m	Allocation	R 45.0 m (CoJ)
Activity Status	Current		

37. Upgrade Jeppe Station & Environs			
Description	Creation of multi-nodal transport facility (rail, bus, taxi), market trading facilities, upgraded public realm and residential units. Upgrade surrounding commercial and industrial areas.		
Time frame	Q1 2004 – Q4 2005		
Milestones	Implementation and handover to MTC Q1 2004; Evaluation: Q2 2004		
Responsibility	JDA		
Anticipated cost	R 8.0 m	Allocation	R 8.0 m (CoJ)
Activity Status	Current		

38. Legislature Precinct / Beyers Naudé Square			
Description	Development of the Gauteng Legislature Precinct and Beyers Naude Square into an integrated cultural and heritage precinct		
Time frame	Q3 2004 – Q2 2007 (to be completed by 2009)		
Milestones	Planning completed: Q4 2004; Implementation to commence: Q2 2005		
Responsibility	Gauteng legislature		
Anticipated cost	R 60.0 m	Allocation	To be allocated for buildings from provincial government and for Square from CoJ
Activity Status	Current		

39. Chinatown			
Description	Development of upgraded public realm of existing Chinatown to enhance distinctive nature of area development partnerships, promote business confidence, support re-investment in property stock and new businesses appropriate to Chinatown, promote tourism to the area, encourage new residential in middle income sector and improve urban management through the establishment of a CID		
Time frame	Q3 2004 – Q2 2007		
Milestones	Development framework complete; Business Plan: Q 4 2004; Implementation: Q2 2007		
Responsibility	JDA		
Anticipated cost	R 2.0 m	Allocation	NONE
Activity Status	Current		

40. Urban Development Zone Incentive			
Description	Designation and implementation of the Urban Development Zone Incentive. Approximately one-third of the Inner-City (690ha) may be designated. Actions are: a) establish boundaries and promulgate; b) design system for granting of certificates; c) identifying additional measures to complement the UDZ, especially on boosting demand for space by tenants in the demarcated area; and d) determining appropriate indicators to monitor impact of the UDZ; e) associated marketing to development and investors		
Time frame	Q3 2004 – Q2 2007		
Milestones	Effect legislation by Q2 2004, Finalise, market and implement legislation: Q2 2005 – Q2 2007		
Responsibility	EDU		
Anticipated cost	R 3.0m (R1m pa)	Allocation	Promulgation and system: R 120 000 (EDU – existing) Marketing: R 120 000 (EDU – existing)
Activity status	Current		

41. Jewel City			
Description	Jewel City is a vital generator of economic activity in the inner-city, with a turn over of R 1.5 billion per annum. Programme for support of jewellery sector to be developed, (could include urban upgrading and development) residential development, retail, additional manufacturing, improved security and tourism development		
Time frame	Q3 2004 – Q2 2006		
Milestones	Feasibility study: Q4 2004; Commencement of Implementation: Q2 2006		
Responsibility	EDU/JDA		
Anticipated cost	R 50.0 m	Allocation	R 400 000 (EDU existing: 2003/2004 for feasibility study)
Activity Status	Current		

42. Hillbrow-Berea Regeneration Strategy			
Description	Investigation of potential and development of strategy to promote ripple-pond investments in Hillbrow. Development of a strategy and implementation plan for the regeneration of Hillbrow. May result in further projects		
Time frame	Q1 2004 – Q2 2004		
Milestones	Audit, strategy, implementation plan		
Responsibility	EDU		
Anticipated cost	R 120 000	Allocation	R 120 000 EDU existing
Activity Status	Current		

43. High Court Precinct			
Description	Development of upgraded public realm in precinct of the High court through development partnerships, promote business confidence, support re-investment in property stock, encourage new residential in middle income sector and improve urban management through the establishment of a CID		
Time frame	Q3 2004 – Q2 2006		
Milestones	Business Plan Q4 2004; Implementation Q2 2006		
Responsibility	JDA / Private sector through CID		
Anticipated cost	R 15.5 m	Allocation	R 10.0 m (Private sector) R 5.0 m (CoJ) R 500 000 (EDU)
Activity Status	Current		

44. Provincial Government Precinct –'Kopanong'			
Description	Consolidation of provincial government real estate and functions in upgraded major precinct, including 10 government buildings, three new commercial developments and 150,000 m² of new construction. The precinct will extend from Rissik Street (east) to Sauer Street (west), Pritchard Street (North) and Fox Street (south), and will include new open space to be created between Commissioner, Market, President & Sauer, and pedestrianisation of other areas. R280m has already been spent on purchasing properties.		
Time frame	Q3 2004 – Q2 2007		
Milestones	Implementation complete Q2 2007		
Responsibility	Gauteng Provincial Government		
Anticipated cost	Not quantified	Allocation	NONE
Activity Status	Current		

Proposed Programmes and Activities

45. Investment Intelligence & Packaging			
Description	Develop more consolidated and pro-active view of potential ripple-pond investments via improved intelligence from developers and property industry, with a view to promote and package development opportunities.		
Time frame	Q3 2004 – ongoing		
Milestones	Programme in place, Data base packaging		
Responsibility	JDA		
Anticipated cost	R 3.0 m (R 1.0 m per annum)	Allocation	NONE
Activity Status	Proposed		

46. Fordsburg Square			
Description	Development of upgraded public realm through development partnerships, promote business confidence, support use and investment in property stock and improve urban management via the establishment of a CID. CJP to initiate with personnel support from JDA.		
Time frame	Q3 2004 – Q2 2006		
Milestones	Development framework complete: Secure finance: Q4 2004: Implementation Q2 2006		
Responsibility	Private Sector (CJP) /CoJ		
Anticipated cost	R 15.0 m (R2.5m public finance to lever R12.5m private finance)	Allocation	NONE
Activity Status	Proposed		

47. Gautrain Precincts: Park Station			
Description	One of five Station precinct upgrades to be implemented under the Gautrain project, creating commuter, taxi, trading and commercial facilities. (This project links to Project 6: Greater Joubert Park Precinct)		
Time frame	Q3 2004 – Q2 2007		
Milestones	Business plan: Q2 2005: Implementation Q2 2007		
Responsibility	JDA		
Anticipated cost	R 50.0 m	Allocation	R 10.0 m (Seed Capital by Local Government included in JDA indicative allocations for Gautrain precinct programme: indicative allocations subject to budget approval) R 40 m (Shortfall)
Activity Status	Proposed		

48. New Public Open Space			
Description	Develop new public open space for recreation, cultural and environmental purposes through demolishing dysfunctional buildings		
Time frame	Q3 2004 – Q3 2005		
Milestones	Strategy & Implementation plan		
Responsibility	City Parks (Under JMOSS system)		
Anticipated cost	R 5.0 m	Allocation	NONE
Activity Status	Proposed		

PILLAR 5: Support Economic Sectors

Current Programmes and Activities

49. Fashion District			
Description	Create distinct and viable Fashion District to promote growth and sustainability of enterprises, promote cross border shopping and tourism, and improve access to social and economic opportunities.		
Time frame	Q3 2004 – Q2 2007		
Milestones	Implementation Q2 2007		
Responsibility	JDA / EDU		
Anticipated cost	R 25.0 m	Allocation	R 10.0 m (CoJ – 2004/5) R 5.0 m (CoJ – 2005/6)
Activity Status	Current		

50. Hillbrow Health Centre of Excellence/ Medical Precinct			
Description	This project aims to stabilise, consolidate and promote economic development in the Medical Precinct north of Constitution Hill via precinct development and business support. It involves: a) an economic assessment of the area;(b) a sectoral feasibility study to identify development opportunities (c) a business plan for the creation of a major medical precinct; (d) integration into the wider project plan and improvements to the RHRU/Esselen St Clinic Health Centre of Excellence node; and (e) integrated redevelopment and regeneration opportunities for the wider communities in the area.		
Time frame	Q3 2004 – Q2 2007		
Milestones	Investigation Q4 2004; Implementation Q2 2007		
Responsibility	JDA		
Anticipated cost	R 60.0 m	Allocation	R 28.0 m (Seed Capital in JDA budget) R 180 000 (EDU)
Activity Status	Current		

51. Cross Border Shopping Hub			
Description	Project under JDA 'Catalytic Projects' / EDU Joburg 2030 programme aimed at establishing a Cross Border Shopping Hub.		
Time frame	Q3 2004 – Q2 2006		
Milestones	Pre-feasibility study: Q3 2004, Project proposal: Q3 2004, Implementation complete: Q2 2006		
Responsibility	CoJ Marketing Department / EDU / JDA		
Anticipated cost	R 10.0 m	Allocation	Part of R 80.0 m indicative budget for 'catalytic' projects
Activity Status	Current		

52. Assessment of impact of Integrated Transport Plan			
Description	Investigation of impact of Integrated Transport Plan on Inner-City, with particular emphasis on intended reduction in number of taxi ranks		
Time frame	Q1-Q2 2004		
Milestones	Completed report by end Q2 2004		
Responsibility	EDU (DPTE)		
Anticipated cost	R 250 000	Allocation	R 250 000 (EDU existing)
Activity Status	Current		

53. Publicly-owned Property Audit			
Description	Investigation of publicly-owned property portfolio in the Inner-City to determine condition, ownership, current use, intentions and maintenance programme, with details drawn from JPC exercise on Inner-City Property Database, Inner-City Task Force block-by-block survey, Department of Public Works register, and local and provincial government property records.		
Time frame	Q4 2003 – Q2 2005		
Milestones	Scoping commenced, Audit complete		
Responsibility	JPC		
Anticipated cost	NONE	Allocation	NONE
Activity Status	Current		

54. Inner-City Investors Liaison			
Description	Programme focused on identifying and meeting the needs of the business sector in the inner-city, especially the property sector. In particular involves establishment of Investors Forum, and two functions with investors by June 2004.		
Time frame	Q3 2004 – ongoing		
Milestones	Programme in place		
Responsibility	EDU		
Anticipated cost	R 360 000 (R120 000 pa)	Allocation	R 80 000 (EDU existing: Q2 2004)
Activity Status	Current		

Proposed Programmes and Activities

55. Assessment of Planning zones in the Inner-City			
Description	Assessment of current zoning regimes in the Inner-City in respect of relevance to prevailing conditions and plans for area development. Identification of priority areas for rezoning to promote new development in line with precinct plans.		
Time frame	Q3 2004 – Q3 2005		
Milestones	TORs, completed report		
Responsibility	EDU / JDA		
Anticipated cost	R 200 000	Allocation	R 200 000 –(EDU existing: 2003/2004) (possible DPTE)
Activity Status	Proposed		

56. Financial instruments and support economic growth			
Description	Development/expansion of residential Rates Rebates, packaging and marketing issues		
Time frame	Q3 2004 - Q2 2006 (and possibly ongoing)		
Milestones	Investigation complete Q2 2005, implementation commenced Q2 2006		
Responsibility	EDU		
Anticipated cost	R 500 000	Allocation	NONE
Activity Status	Proposed		

57. Private Sector Residential Development Facilitation			
Description	Support the residential development sector in the Inner-City, especially in relation to building conversion and the construction, sale and letting of middle to upper income residential units.		
Time frame	Q3 2004 – Q3 2005		
Milestones	Status quo assessment complete: Q4 2004		
Responsibility	EDU /JDA		
Anticipated cost	R 300 000	Allocation	NONE
Activity Status	Proposed		

58. Parking			
Description	Development of coherent plan for parking in the Inner-City, with emphasis on identifying and promoting opportunities for private sector parkade development		
Time frame	Q3 2004 – Q3 2005		
Milestones	Audit, strategy, Business Plan		
Responsibility	JDA / DPTE		
Anticipated cost	R 500 000	Allocation	NONE
Activity Status	Proposed		

59. Inner-City Tourism			
Description	Development of Inner-City Tourism Strategy.		
Time frame	Q3 2004 - Q2 2005		
Milestones	Completed strategy		
Responsibility	COJ Tourism & Marketing Department / EDU / Region 8		
Anticipated cost	R 120 000	Allocation	120 000 EDU existing
Activity Status	Proposed		

60. Inner-City Marketing and Communication	
Description	Development of Inner-City Marketing and Communication Strategy.
Time frame	Q1 – Q4 2004
Milestones	Development of campaign, implementation of campaign
Responsibility	COJ Tourism & Marketing Department / EDU / Region 8

Anticipated cost	R 120 000	Allocation	120 000 EDU existing
Activity Status	Proposed		

61. Tertiary Education Sector			
Description	Investigation of Inner-City Education Sector (higher education institutes and private sector colleges) to identify opportunities to strengthen linkage and promote economic agglomeration.		
Time frame	Q3 2004 – Q3 2005		
Milestones	Strategy developed and other milestones to be confirmed		
Responsibility	EDU		
Anticipated cost	R 200 000	Allocation	R 200 000 (EDU existing: 2003/2004-study only)
Activity Status	Proposed		

62. Joburg Central Library: Centre of Excellence			
Description	To develop the Central Library into a Centre of Excellence which would include inter alia, an Arts Centre, Literacy Centre, an upgraded modern Children's Library and provide Internet Access to library users (Cyber Space) as well as to promote lending service with CEDA College.		
Time frame	Phase i Q1 2004 – Q4 2004, Phase ii Q1 2005 - Q4 2005, Phase iii Q1 2006 - Q2 2007		
Milestones	MICHAELIS Art Library / MPHATLALATSANE Literacy Centre / Children's Library established, other milestones to be confirmed		
Responsibility	Region 8 & LIS		
Anticipated cost	R 900 000	Allocation	R 40 000 (MTN over 3 years) R 75 000 (Friends of the Library for upgrading Children's Library) R 75 000 (Friends of the Library for Cyber Space) R 710 000 (Shortfall)
Activity Status	Proposed		

63. Community Education /Development Facilitation			
Description	To develop an education programme to facilitate the development of community groups (who feel victimised) to become aware of and understand relevant by-laws of the City; in order to foster a culture of co-operation and promote good relations, especially with informal traders, taxi-owners, illegal occupants, etc.		
Time frame	Phase i Q3 2004 – Ongoing		
Milestones	Investigation, strategy, proposal call and implementation		
Responsibility	EDU / JDA/ Inner-City Office		
Anticipated cost	R 3.0 m	Allocation	NONE
Activity Status	Proposed		

APPENDIX D – LONG-TERM DEBT SYMBOLS

Long-term debt symbols

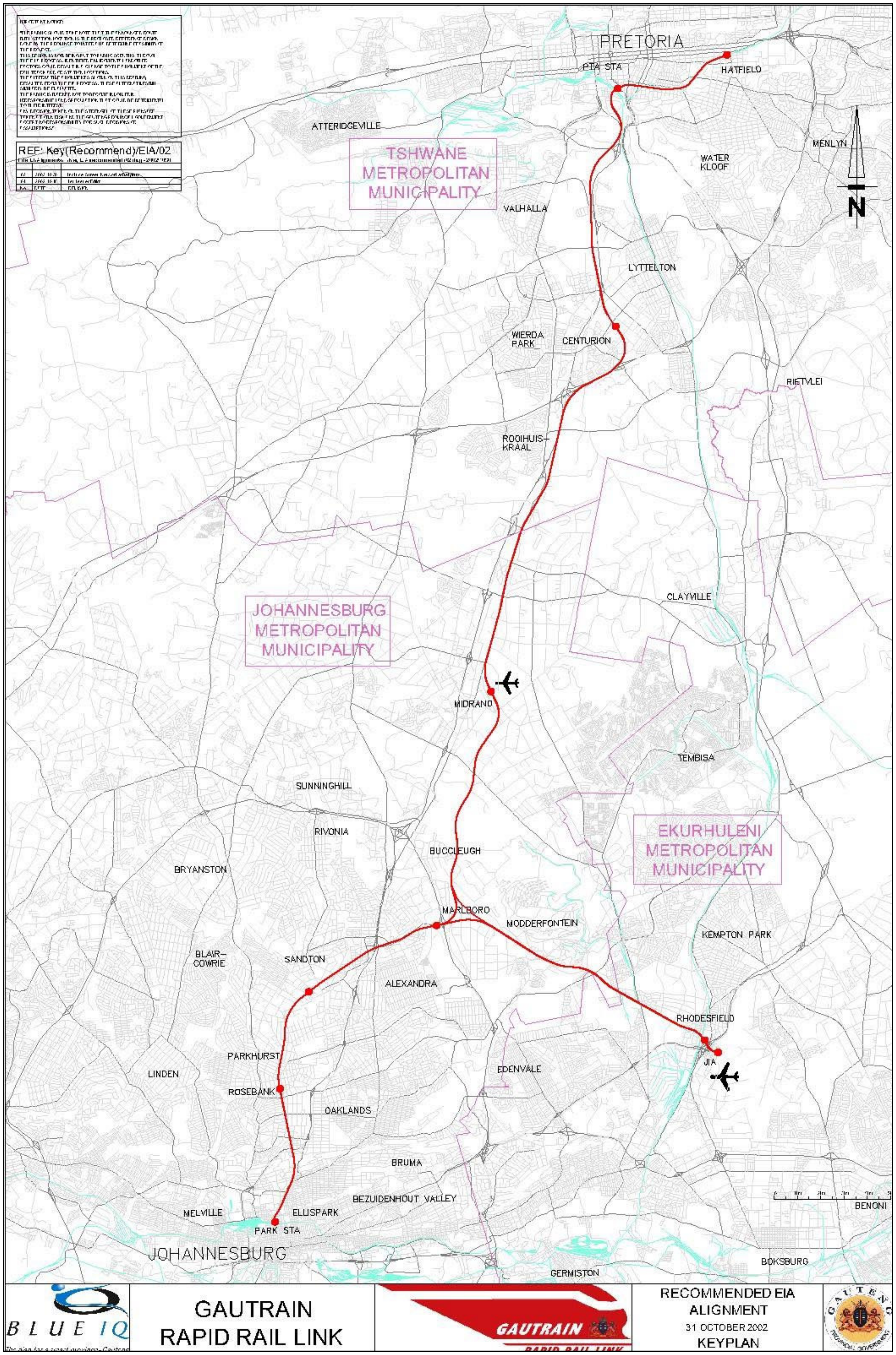
Moody's	*Standard & Poor's*	*Fitch IBCA*	*Duff & Phelps*	*Interpretation*
Aaa	AAA	AAA	AAA	Highest quality
Aa1, Aa2, Aa3	AA+, AA, AA-	AA+, AA, AA-	AA+, AA, AA-	High Quality
A1, A2, A3	A+, A, A-	A+, A, A-	A+, A, A-	Strong payment capacity
Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-	BBB+, BBB, BBB-	Adequate payment capacity
Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-	BB+, BB, BB-	Likely to fulfil obligations; ongoing uncertainty
B1, B2, B3	B+, B, B-	B+, B, B-	B+, B, B-	High-risk obligations
Caa, Ca	CCC+, CCC, CCC-	CCC, CC, C	CCC	Current vulnerability to default
D	D	DDD, DD, D	DD, DP	

Source: Interpretation from Richard Cantor and Fred Packer. Federal Reserve Bank of New York. Readers should note that individual credit agencies may not agree with this interpretation. Rating agencies do not design their rating scales to conform with each other or with easy summaries.

Note: in 2000 Fitch IBCA acquired Duff & Phelps. [Source: Credit Rating and Bond Issuing at the Subnational Level, a Training Manual, The World Bank 1999]

Source: CLGF (2006)

APPENDIX E – MAP OF GAUTRAIN RAPID RAIL LINK


REF: Key(Recommend)/EIA/02
PRETORIA
PTA STA
HATFIELD
ATTERIDGEVILLE
TSHWANE METROPOLITAN MUNICIPALITY
MENLYN
WATER KLOOF
N
VALHALLA
LYTTELTON
WIERDA PARK
CENTURION
RIETVLEI
ROOIHUIS-KRAAL
CLAYVILLE
JOHANNESBURG METROPOLITAN MUNICIPALITY
MIDRAND
TEMBISA
SUNNINGHILL
RIVONIA
BUCCLEUGH
EKURHULENI METROPOLITAN MUNICIPALITY
BRYANSTON
MARLBORO
MODDERFONTEIN
KEMPTON PARK
BLAIR-COWRIE
SANDTON
ALEXANDRA
RHODESFIELD
PARKHURST
JIA
LINDEN
EDENVALE
ROSEBANK
OAKLANDS
BRUMA
BEZUIDENHOUT VALLEY
BENONI
MELVILLE
ELLISPARK
PARK STA
JOHANNESBURG
BOKSBURG
GERMISTON
BLUE IQ
GAUTRAIN
RAPID RAIL LINK
GAUTRAIN
RECOMMENDED EIA ALIGNMENT
31 OCTOBER 2002
KEYPLAN