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Harnessing small scale developers in the development of the inner city of Johannesburg





David Ngonidzashe Chiwetu

A research report submitted to the School of Architecture and Planning, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Science in Development Planning.

September 2019

Johannesburg

Declaration

A research report submitted to the School of Architecture and Planning, University of the Witwatersrand, in partial fulfilment of the requirements for the Master of Science in Development Planning.

Supervised by Professor Alison Todes

Declaration

I declare that this research report is my own work. It has been submitted for the Master of Science in Development Planning to the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination to any other university.

…….

(Signature of Candidate)

……Day of……m…… Year……..

Abstract

The City of Johannesburg spatial plans aim to promote densification in well-located areas, through facilitating development of affordable housing provided by the private sector. City of Johannesburg (COJ) and Johannesburg Development Agency (JDA) have developed a working relationship with TUHF to co-promote priority areas for affordable housing development. TUHF is a financial provider that provides access to finance for small scale entrepreneurs to purchase and subsequently convert or refurbish buildings in the inner cities of South Africa. The research examines the support being provided by COJ, JDA and TUHF in supporting small scale developers in the inner city of Johannesburg.

The conceptual framework explores the challenges of defining small scale developers, and the complexities of their interactions with the municipal instruments to gain development approval and with financial institutions to access credit to finance developments. The research uses semi-structured interviews with the COJ, JDA TUHF and a small sample of developers as well as participant observations in workshops and secondary data to examine how small-scale developers are being supported. The main research finding is that there is no nuanced definition of the small-scale developer from the perspective of the City of Johannesburg and TUHF. Small scale developers face administrative, technical and financial challenges in the property development process and the collaboration between municipal agencies and financial institutions plays an important role in the support of small-scale developers.

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Abbreviations

CBD	Central Business District
CoF	Corridors of Freedom
COJ	City of Johannesburg Municipality
COJ Planning	City of Johannesburg Department of Development Planning
DFI	Development Finance Institution
JDA	Johannesburg Development Agency
JPOMA	Johannesburg Property Owners Managers Association
ICHIP	Inner City Housing Implementation Plan
MoU	Memorandum of Understanding
SDZ	Special Development Zone
SDF	Spatial Development Framework

CHAPTER 1 : INTRODUCING THE RESEARCH

1.1 Introduction

There is a global challenge in the delivery of affordable housing stock. Internationally, attempts have been made by urban planners to formulate ways of better interacting with small-scale developers to transform declining neighborhoods (Saunders, 2016). Policy across Africa has however not recognized the ability of small-scale developers to be the key actors in the large-scale delivery of affordable housing.

Small-scale developers are primarily focused on incremental and brownfield developments on existing residential erven which lead to the increase in density of people living in a neighbourhood (Dunning et al, 2017). Brownfield developments by small-scale developers include the residential sub-division of large homes into multiple flats, infill plots, changes of building use and the construction of new homes in backyards. Small-scale developers deliver low cost housing types that include cottage courts, four-plexes, and single-family houses with up to three accessory units, and walk-up apartments on the scale of 4-12 units (Anderson, 2017).

The strategic spatial plans of Johannesburg have centered on densification in order to address spatial fragmentation of the post-apartheid city (COJ, 2016). The Spatial Development Framework 2040 (SDF 2040) acknowledges that the challenges that exist in the Inner City range from limited affordable housing, 'bad' buildings, crime to limited social infrastructure (COJ, 2016). Densification is viewed as a key spatial planning tool to address spatial fragmentation by facilitating development of affordable housing through the private sector. The SDF 2040 aims to ensure that further development in the City of Johannesburg is strongly led by the availability of infrastructure to enable a transformed spatial vision which is built around a compact city model and urban form.

The Corridors of Freedom (CoF) is a flagship project that has been championed by the City of Johannesburg Metropolitan Municipality to restitch the post-apartheid city along mass transit movement lines (Empire -Perth, Louis Botha and Turffonttein) in order to

create housing, jobs and social opportunities which are in close proximity with each other (Ballard *et al*, 2017).

Small-scale developers in Johannesburg face various challenges in the property development process. They struggle to acquire development approval from municipalities due to time delays and lack knowledge of the planning process. Debt funding is a crucial aspect of creating sufficient returns to equity for small-scale developers and it is harder for emerging developers to access finance due to stricter lending policies being implemented by banks (Zille et al, 2008).

Banks have an impact on the development of cities because they are very selective in their practices of lending and thus prefer clients with an established track record and low risk projects in commercial and office spaces. Coaicetto and Bryant (2014) further argue that banks still exercise considerable control over their funded projects through conditions which must be met by the developer and thus this limits the funding of small-scale developers. Development finance institutions have been entering this space vacated by traditional banks in order to provide development finance to address market failures (Mphigalale, 2015).

The research report explores the potential role of small-scale developers in delivering affordable housing in the inner city of Johannesburg, who if empowered can have a major role to play in the spatial transformation of the city. This involves examining their interaction with municipalities to gain development approval, and with financial institutions to acquire development finance.

1.2 Background

An analysis on Johannesburg's residential property market found that the majority of entry market houses which are valued at (R300 000 or below) are located in the south-western parts of the metropolitan area (CAHF, 2019). COJ (2016:54) notes that "historically, housing for low income residents has been delivered in areas that are distant from main economic sectors on cheap and available land, rather than on land optimal for land development." The significant challenge facing policymakers is the

provision of affordable housing in areas that are well located to places of work, recreation and transport nodes.

The inner city plays a vital role in Johannesburg's economy by providing access to major public transport hubs that connect marginalized communities in Johannesburg South to economic opportunities in the inner city and Sandton nodes to (JDA, 2001). The Inner City Eastern Gateway (ICEG) is located on the eastern fringe of Johannesburg CBD and is viewed as having the potential to perform a central role in the City's spatial vision of providing housing opportunities to well-located areas (COJ and JDA, 2016). The ICEG is strategically between Germiston and OR Tambo International Airport (see Figure 1:1). The Inner City Eastern Gateway Urban Development Framework notes that "several areas within the ICEG are among the older suburbs in Johannesburg and are currently under increasing pressure for transformation and urbanisation" (COJ AND JDA, 2016: 15).

According to the Johannesburg Spatial Development Framework (2040), the city economy is centered on the inner city (Region F) and Sandton (Region E) nodes which comprise 50 percent of Johannesburg's economic output while housing only 23 percent of the population (COJ, 2016) As a result, the City of Johannesburg Planning Department prioritises the inner city and the Corridors of Freedom (CoF) as transformation zones where densification is a key spatial planning tool that is being promoted to address the need for affordable housing in these well located areas of the city (COJ, 2016).

The inner city of Johannesburg and its surrounding neighbourhoods have experienced the trend of the redevelopment of commercial and light industrial buildings into affordable housing stock. The market gap in the delivery of affordable housing units presents an opportunity for small-scale developers to enter the affordable housing market to reduce the housing backlog. However, small-scale developers face barriers to entry into property development as a result of regulatory, financial and technical challenges.

Property developers focused on the affordable housing sector require finance as growth has been hindered by the commercial banks' perceived high risk of the sector. Access to credit is a major problem in South Africa particularly for the small-scale developers who do not have the cash flows required for extensive entitlement, planning, and community engagement processes as compared to larger scale developers (Mphigalale, 2015). Hogarth (2015) notes that delays in planning approvals have negative effects on

the business model of affordable housing developers in inner cities which require quick execution.

TUHF (Pty) Ltd (TUHF) is a residential commercial property financier that has emerged to address declining inner city areas which would otherwise be considered by traditional banks as being risky investments. TUHF provides access to finance to property entrepreneurs that have a passion for purchasing, converting or refurbishing buildings in the inner cities of South Africa (TUHF, 2016). The Johannesburg Development Agency Development Facilitation Unit (JDA DFU) has focused on promoting greater collaboration between the public and private sector to promote the inner city and CoF for affordable housing development (Molema, 2016; Chiwetu 2017).

TUHF and the JDA / City of Johannesburg Planning Department (COJ Planning) have been collaborating to ensure that TUHF is able to finance small-scale developers to co-promote the development of priority areas in the inner city (Inner City Eastern Gateway) and the CoF (TUHF, 2016). This involves streamlining the development application and loan application processes for small-scale developers looking to develop in the Inner City Eastern gateway.

This research will uncover the challenges faced by small-scale developers and the support provided by municipal agencies and financial institutions in the property development process. The research explores the working relationship of City of Johannesburg Planning Department (COJ Planning), (TUHF) and the Johannesburg Development Agency (JDA) in supporting small-scale developers to develop affordable urban neighbourhoods in the inner city and the CoF. This involves developing a conceptual framework that views the complexity of the property development process from the ‘lens’ of the small-scale developer. The research describes some of the methods and strategies used by municipalities and financial institutions to support small-scale developers in the delivery of affordable housing in the CoF and inner city neighbourhoods of Johannesburg. Finally, the research attempts to provide recommendations for municipalities, financial institutions and researchers that will assist in harnessing the growth of the small-scale developer.

1.3 Previous Research

Coaicetto (2001) identifies that although there is widespread acknowledgement of diversity in the development industry; analyses have tended to focus on the most prominent property developers in the higher ends of the residential property market. Todes (2017) highlights that the property development industry in South Africa is not well researched. Harrison (2017) similarly argues that the connection between urban planning and property development is not well understood. Various papers (Massyn *et al*, 2015; McManus, 2017) contribute to addressing the ways in which the public and private sector can intervene to improve the feasibility and affordability of housing units in South Africa's inner cities.

Recent research (Todes, 2017; Harrison, 2017) carried out on the Corridors of Freedom initiative has focused on the points of alignment between the regulatory framework of the City of Johannesburg Department of Development Planning (COJ Planning) and the property sector by identifying the interventions by the COJ to attract a range of property developers to the Corridors. The research builds upon this earlier work by focusing on small-scale developers' interaction with financial institutions to acquire debt finance and with municipal institutions to gain development approval.

1.4 Problem Statement and Research Rationale

The Integrated Urban Development Framework (IUDF) notes that almost 75 percent of South Africa's population will be living in urban areas by 2030 (Department of Cooperative Governance, 2016). According to the 2012 Budget Review, there is an estimated housing backlog of 2.1 million houses and 70 percent of the housing backlog is in urban areas. The Inner City Housing Implementation Plan (2016) states that the demand for affordable housing outweighs the supply of suitable housing in inner city Johannesburg. There is potential for small-scale developers to respond to the scarcity of affordable housing stock however the regulation of property development is complex and lack of access to capital pose a barrier towards small-scale developers trying to enter the market (Zille et al, 2008).

The research rationale is to understand the complexity of navigating the property development process from the perspective of the small-scale developer to better devise strategies that may better assist their efforts to enter the property market and deliver affordable housing at scale.

1.5 Aim of the Research

Property developers are recognised as playing a fundamental role in the production of the built environment (Adams *et al*, 2012). The aims of the research are three- fold, firstly it is to identify the challenges being encountered by small-scale developers in acquiring development finance and regulatory approval from financial institutions and municipal agencies respectively. Secondly, to highlight the challenges being faced by municipal agencies and financial institutions in supporting small-scale developers. Thirdly, the research aims to assist in the building of new knowledge and practice that will support small-scale developers through municipal agencies and financial institutions.

1.6 Research Question

How are small-scale developers supported through municipal agencies and financial institutions in the inner city of Johannesburg?

1.6.1 Research Sub-questions

- What are the characteristics of a small-scale developer from the perspective of the City of Johannesburg and Trust for Urban Housing Finance?
- What are the challenges of small-scale developers working in the inner city?
- What are the municipal instruments supporting the growth of small-scale developers?
- What are the ways in which TUHF supports the growth of small-scale developer?

1.7 Key Concepts and Background of Main Actors

To assist in better framing the research, it is important to define the main concepts of the research and introduce the main actors involved in supporting or interacting with small-scale developers in the inner city of Johannesburg.

1.7.1 Affordable Housing

What constitutes affordable housing can vary widely across the world. The most commonly occurring definition is that of housing which does not exceed 30% of a household's income and meets the local community's expectation of a socially acceptable standard housing unit (McKinney Global Institute, 2014). The affordable housing market in the South African context "is often considered as those properties with a value of R500000 or less, reflecting the maximum home affordable to a family earning R15000, which is the upper limit of many subsidy programmes." (CAHF, 2014: 48).

1.7.2 Small-scale Developer

One of the key concepts within the research is the notion of a small-scale developer, which is a slippery term to define. The research has an interest in defining the 'small-scale' property developer. However, Kozloff (2015) warns that there is no textbook definition of a small-scale but that it is better to characterize them according to the specific context within which they operate. Small-scale developers in the South African context are increasingly being recognised as property entrepreneurs (Urban Landmark, 2006; Mphigalale, 2015, TUHF, 2018). The research characterises small-scale developers according to the notion of emerging entrepreneurs seeking to enter the property development industry and increase the size of their property portfolio. This characterisation of small-scale developers was important in the beginning of the research to enable selection of a sample of research participants based on their interaction with TUHF and involvement within the inner city of Johannesburg.

1.7.3 Municipal Instruments

Municipal instruments in the context of this study are categorized by Adams *et al.* (2012), Harrison (2017) as the main regulatory and policy initiatives available to urban planners. Adams et al (2012) identify four instrument categories by which policy seeks to shape, regulate, stimulate or build the capacity to change developer behaviour. These categories are market shaping, market regulation, market stimulating and capacity building instruments.

1.7.4 TUHF (Pty) Ltd

TUHF (Pty) Ltd (TUHF) is a residential commercial property financier that "provides access to finance for entrepreneurs from all walks of life, to purchase and subsequently convert or refurbish buildings in the inner cities of South Africa" (TUHF 2018: 1). TUHF was established in 2003 as a result of the founding members and directors spotting potential in the abandoned infrastructure of previously popular inner city neighbourhoods such as Hillbrow and Yeoville (TUHF, 2016). In over 15 years, the vision has grown into five branches operating across all eight South African metropolitan municipalities with 40 500 units financed in 598 buildings. TUHF supports landlords and emerging property entrepreneurs to finance and deliver affordable housing units in South Africa's inner city areas. For TUHF, the property entrepreneur is the ordinary citizen taking up an opportunity in their street and neighbourhood to build a property (TUHF, 2016).

1.7.5 Municipal Agencies

To ground the research, there is a focus on the City of Johannesburg Department of Development Planning (COJ Planning) and Johannesburg Development Agency in light of their collaboration with TUHF in the Corridors of Freedom and Inner-City Eastern Gateway Precinct. COJ Planning is organised into five sub directorates that are responsible for City Transformation and Spatial Planning, Building Control, Corporate Geo-Informatics, Legal administration and Land use management (COJ, 2018).

The JDA is "an agency of the City of Johannesburg that is tasked with encouraging and supporting area-based economic development initiatives through the implementation of the City's Growth and Development Strategy and the development of the Corridors of

Freedom" (Johannesburg Development Agency, 2018; 1). The JDA comprises a development facilitation unit that facilitates the development of the inner city, Corridors of Freedom (CoF), public space and affordable urban neighbourhoods by mobilising public and private sector to collaboratively work together (Molema, 2016; Chiwetu, 2017).

1.8 Research Proposition

Before undertaking the fieldwork, the expected findings of the research were that:

- One of the main challenges of small-scale developers is their access to development finance. Development is a very risky process and hence traditional banks focus on the experience, financial position, market type, professional mix of the developer. Small-scale developers have no track record and experience in developing properties and struggle to raise equity that is required by banks.
- The business model used by TUHF allows them to enter areas that are normally considered risky by traditional banks. TUHF's approach assists small-scale developers to address the regulatory, financial and technical challenges faced in the property development process.
- City of Johannesburg influences the viability of projects by small-scale developers through standards, regulations and processing time of development applications. Small-scale developers require greater support and understanding of the challenges they face from COJ in facilitating development.

The research report has a definitional question on small-scale developers as it is important to understand the different kinds of small-scale developers and the varying challenges, they face in property development. There are varying types of small-scale developer and Adams et al (2012) assert that developers have different motives, approaches and strategies which are specific to the institutional, financing, geographical and historical context There is a need for deeper appreciation of the characteristics that comprise small-scale developers.

1.9 Chapter Outline

Chapter 1 (Introduction): This chapter introduced the topic**,** background, research question and outline of the research which is based on "Harnessing Small-scale Developers in the inner city of Johannesburg".

Chapter 2(Literature Review): This is the literature review which conceptually looks at the development industry and its main actors such as small developers, municipalities and development finance banks. This chapter has a focus on defining the concept of small developers and how they interact with finance institutions and municipal agencies.

Chapter 3 (**Contextual Chapter):** This is the contextual chapter that provides a background on the inner city property market and the phenomenon of the 'property entrepreneur'. The chapter has a focus on the City of Johannesburg interaction/ relations with property developers and introduces available sources of finance for small-scale developers in the inner city of Johannesburg.

Chapter 4 (**Research Methods):** This section outlines the research methods that were used to answer the research question and subsidiary questions. The research adopts a case study approach to explore how small-scale developers are supported by municipal agencies and financial institutions in the inner city of Johannesburg.

Chapter 5 (Data Collection and Findings): The data collection is based on the interviews conducted on COJ Planning officials, TUHF officials and small developers. This chapter presents the research findings on uncovering the interaction of property developers with COJ Planning and TUHF in the development application process.

Chapter 6 (Interpretation and Discussion of Findings): This chapter discusses the research findings as collected from the fieldwork and analysed according to the theoretical framework on property development as presented in the literature review.

Chapter 6 (Conclusion and Recommendations): This chapter concludes the research and summarises the findings relative to the research question. The chapter provides recommendations in order to best harness and support small-scale developers in Johannesburg.

CHAPTER 2 : NAVIGATING THE PROPERTY DEVELOPMENT PROCESS FROM THE 'LENS' OF THE DEVELOPER

2.1 Introduction

The literature review develops a conceptual framework based on reviewing property development models that have evolved over the years. The literature is divided into three themes which are:

The first theme of 'development industry' illustrates that the makeup of the development industry is diverse with multiple role players (developers, banks and municipal agencies) which have different interests and motives for facilitating development. The theme finds conceptual tools that assist in describing the concept of "small-scale developer."

The second theme of 'planning and development' describes the relations between small-scale developers and municipal agencies (policy makers) by illustrating the points at which policy makers and property developers interact in the development process. This will be achieved by describing the concept of 'municipal instruments' categorized by Adams *et al* (2012) and Harrison (2017) as the main regulatory and policy initiatives available to municipal agencies.

The third theme of "finance" illustrates how different forms and methods of financing development have spatial implications for the built environment. This is done through reviewing literature on the acquisition of finance by developers and the role of traditional banks in the development of the city.

2.2 Property Development Models

> "Property development is the state of transition or change in the form of real estate toward a different state with an associated change in potential or real value through rezoning of land, development application, subdivision and construction of titled property."
>
> (Drane 2012:2)

Property development happens across different sectors of property which have their individual characteristic conditions (residential, commercial, industrial). Drane (2012:1) states that "property development is a complex activity, with a series of stages involving many players with differing objectives, all operating within the building cycle context and its interaction with business and credit cycles."

It is important to present a theoretical framework that aids in the understanding of the functioning of the property market. A property development model is a "theoretical concept of property development practice that is able to be generalised" (Drane, 2012: 2). Property development is a complex process that draws major attention from multiple disciplines and specialisms such as town planners, economists, geographers and social theorists (Ball, 1998; Drane, 2012). The design of the built environment is influenced by the way in which these professionals view property development from the lens of their own discipline (Guy and Henneberry, 2000). Pratiwi (2005) notes that there have been long-lasting efforts by academic scholars in these disciplines to create models that may be utilised in different kinds of property development research.

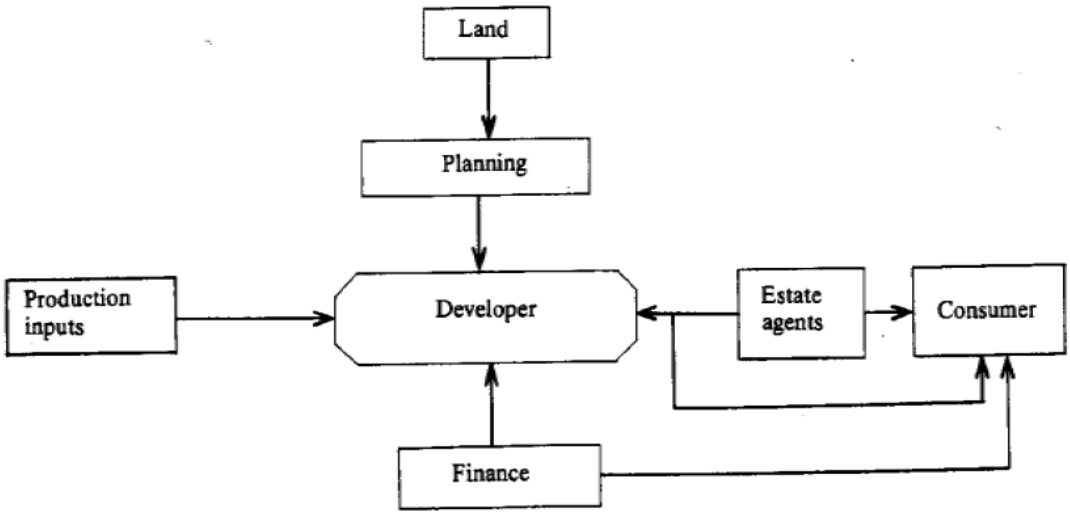
It is recognised that there are three schools of thought in property development literature. These are the neoclassical or mainstream economic perspective, structure or institutional and the agency perspective (Batbileg 2010). Internationally, property development literature has been stuck in a debate between mainstream economic and institutional theory (Drane, 2012). Property development research which has been grounded in mainstream economics views development as an attempt to reconcile supply and demand and there is minimal recognition of individuality in behaviour (Adams et al, 2012). The institutional turn in property research (Healey,1991; Ball,1998) arose due to the mainstream economics approach not appreciating the complexity of the property development process and failing to recognise that development agents may be motivated for alternative reasons to profit.

The institutional approach is argued to help understand the complexity of land markets. Gore and Nicholson (1991) and Healey (1991) are scholars that have attempted to classify and group the numerous models that fall under these two theoretical perspectives (See Figure 2.1 below).

GROUPINGS OF MODELLING APPROACHES	
Gore & Nicholson (1991)	**Healey (1991)**
Sequential or descriptive models depict the development process as a chronological sequence of stages, at each of which certain events occur.	**Event-sequence models** focus on the management of stages in the development process. These derive primarily from an estate management preoccupation with managing the development process.
Behavioral or decision-making models emphasize the roles of different actors in the process and the importance of the decisions they make in ensuring its smooth operation. Although they often retain a sequential format, events are generally presented as secondary to decisions.	**Agency models** focus on actors in the development process and their relationships. These have been developed primarily by academics seeking to describe the development process from a behavioral or institutional point of view.
Production-based models portray the development process as a specialized form of productive economic activity, and tend to view it from the perspective of the economy as whole – that is, they tend to be macroeconomic in flavor.	**Equilibrium models** assume that development activity is structured by economic signals about effective demand, as reflected in rents, yields, etc. These derive directly from the neo-classical tradition in economics.
Structures of provision models contend that different types of development are characterized by different institutional, financial, and legislative frameworks, and as such the search for a generally applicable model of the development process is futile. Instead, each type of development is seen to have its own distinctive "structure of provision", whose features may be built into a separate model. This implies that eventually there will not be just one model of the development process, but a comprehensive set of specific models.	**Structure models** focus on the forces which organize the relationships of the development process and which drive its dynamics. These are grounded in urban political economy.

Figure 2:1 The modelling approaches to property development as undertaken by Healey and Gore and Nicholson (1991) (Batbileg 2010: 6)

By deducing from the above (figure 2.1) descriptions of models by the two scholars, the sequential, behavioural, structures of provision, event sequence, agency and structure models can be regarded as falling under the broader theme of institutional theory (Havel, 2009). The production based and equilibrium models are broadly classified under the umbrella of economics (Batbileg, 2010). For the purposes of this research, it is important to briefly explain the agency model and institutional model.



Relationships between decision agents in the land-development process, Drewett 1973, in Gore and Nicholson (1991) and Healey (1991)

Figure 2:2 Agency Model (Batbileg, 2010)

The agency model is important for recognising the key decision agents involved in the development process. In the agency model, the roles, decisions, relations and interests of actors (developer, finance institution and planning authority) take the central focus. Havel (2009) notes that the developer is viewed as the main player of the agency model and the complex relations of the development process are analysed. Development is viewed as a production process whereby the actors act based on their interests (Batbileg, 2010).

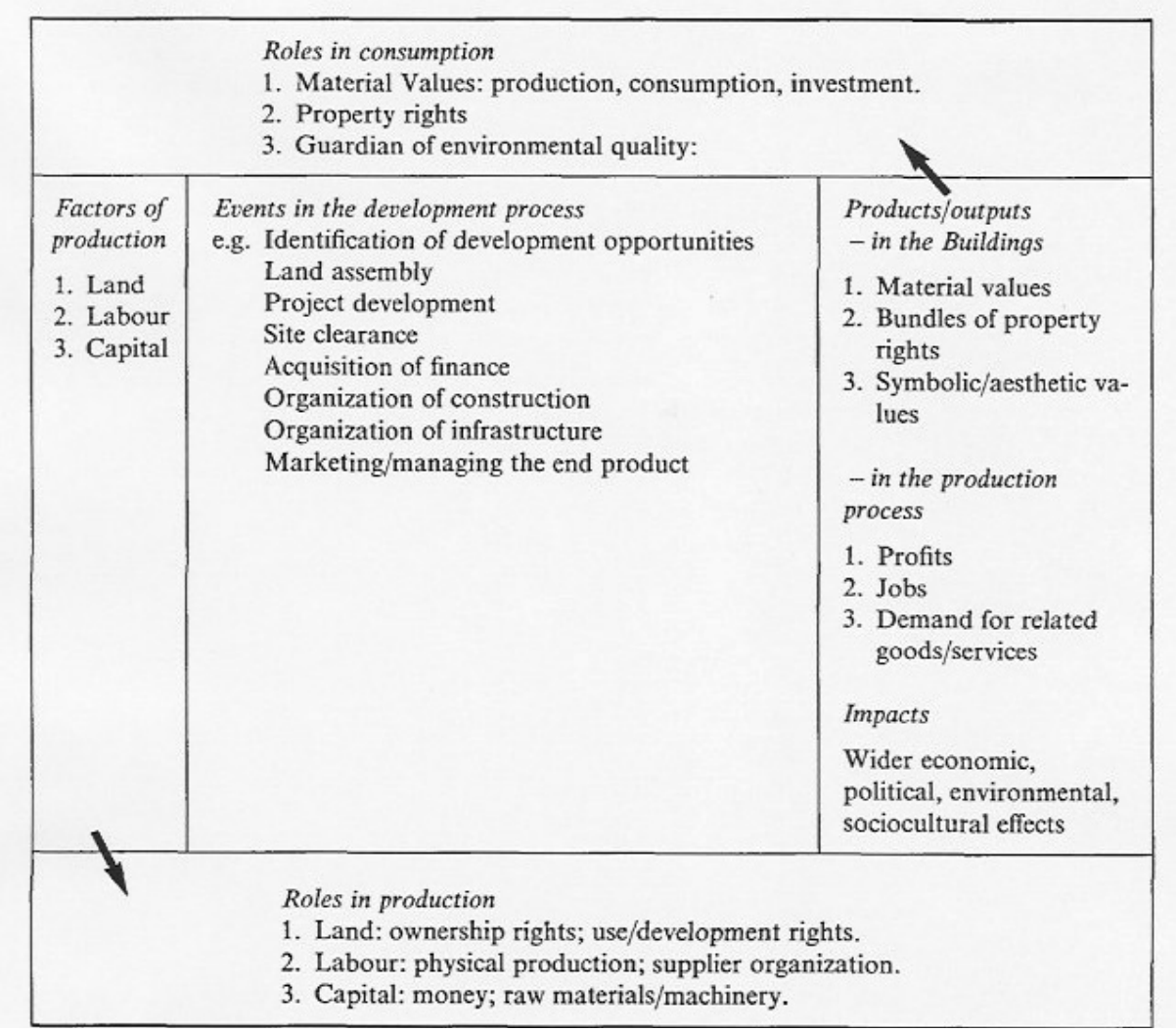


Figure 2:3 A model of the development process (Healey, 1992)

Patsy Healey (1992) reviewed the property development models in figure 2.1 and formulated the 'institutional model' (see Figure 2.3), which has been hailed as making a significant contribution to research in property development (Guy and Henneberry, 2002). The institutional model of the development process links the strategies and interests of the various actors in the development process to the broader economic, social and political context (Adams *et al*, 2012).

2.3 The Development Industry

The first section of the literature review focuses on 'diversity' in the development industry by firstly highlighting the differing roles of property developers, municipal agencies and financial institutions. An attempt is made to conceptualise the small-scale developer, the focal actor for this research. A distinction is made between a competitive and concentrated industry and how market failures that occur in the development industry result in the lack of supply of affordable housing. Finally, the theme introduces the concept of affordable housing and how small-scale developers globally are involved in affordable housing delivery.

2.3.1 Entry conditions and the 'Role' Players

> "The property development industry conceives schemes, assembles land sites and builds properties. The completed projects are then sold on to investors or users, who hold the offices as financial assets or use the houses as homes or financial assets."
>
> (Zille et al, 2008: 33)

The development industry has a dynamic role in influencing urban development and Coaicetto (2006) explains that there has been little policy or empirical work in the international context on the makeup of the industry particularly the diversity that exists in the industry. Adams *et al* (2012) build on this thought by arguing that there needs to be a more comprehensive understanding of the development industry as a requirement for effective urban policymaking. Various players such as the property developer, municipal agencies and different sources of finance such as banks, mortgage trusts and development funds comprise the property development industry (Coaicetto, 2001)

The roles of the main actors (properly developer, municipal agencies and banks) for the purposes of the research are described below and a detailed description is provided in the subsequent themes of the literature review:

i. Property developers are recognised as playing a fundamental role of co-ordination in the production of the built environment (Adams *et al*, 2012). Developers are seen as being able to assemble property rights, raise capital and bring together the labour in order to construct the right product in the right location

(Zille et al, 2008; Adams et al, 2012). Coaicetto (2006) supports the notion that property developers play a pivotal role by indicating that the property developer combines the various elements that comprise the development process which are primarily the site, acquisition of finance, the building design, planning approval and building contractor in order to earn a profit.

ii. The municipal agencies or local planning authorities provide the necessary ingredients in development, which are mainly land and development rights. Coaicetto (2006) identifies planning as focused with the co-ordination of uncoordinated developments and infrastructure as undertaken by various property developers in the city. Literature (Adams et al, 2012; Heurtzen et al, 2015) has begun to acknowledge the role of public planners in shaping and influencing market actors (developers and banks) through the application of planning instruments at their disposal.

iii. Financial institutions have an important role to play in shaping issues that surround the type, location, beneficiary, and level of the development that occurs (Zille et al, 2008). Coaicetto and Bryant (2014) state that with regards to development finance, capital must be provided throughout the different stages that comprise the development process (site acquisition, design, statutory approval, construction and sale and leasing).

To briefly summarise the roles of the actors in the development industry, Gorringe (2011:1) states that the "development industry involves the planning, design and construction, buying and selling, development and management of property. It is the sector where finance and the built environment meet." Development is open to a variety of professionals who can organise or co-ordinate the essential skills to deliver a product in the built environment. There has been an increasing trend of property entrepreneurs gaining an understanding of property development and entering the industry as opportunities arise or on a professional basis. Coaicetto (2006) argues that to take part in the industry nowadays increasingly needs higher skills and costs as the development industry is becoming professionalised with the provision of formal degrees in property studies, real estate, construction management and professional development courses. The implication to draw from the literature is that the development industry is increasingly

becoming more competitive due to the reasons mentioned above which makes it increasingly hard for newer individuals or local players to enter the industry.

2.3.2 Entrepreneurship and Property Development

Hisrich et al. (2005: 8) defines entrepreneurship as “the process of creating something new with value by devoting the necessary time and effort assuming the accompanying financial and social risks and receiving the resulting rewards of monetary and personal satisfaction.” Scholars from varying disciplinary backgrounds such as economics, finance, sociology and marketing have contributed to the existing body of entrepreneurship research. Bull and Willard (1993:184) note that no generally accepted theory of entrepreneurship has emerged and that the existing theory can be grouped into five broad categories:

I. The first category of existing literature has focused on the definition of the entrepreneur. Bolton and Thompson (2000:5) assert that the entrepreneur is “a person that habitually creates and innovates to build something of recognised value around perceived opportunities.” It can be deduced from the definitions of entrepreneurship and the entrepreneur that creativity, innovation and risk taking are important characteristics that all entrepreneurs should possess. It can be argued that the property developer has entrepreneurial characteristics, and this has led to the term “property entrepreneur”. Another categorisation of small-scale developer that exists is based on the notion of property entrepreneurs. Healey (1998) refers to “entrepreneurial developers” whose contribution is as market openers in development activity. Mphigalale (2015) describes small-scale developers in the South African context as “emerging entrepreneurs” who enter the affordable housing market as result of the market gap in the delivery of affordable housing units.

II. The second category studies the psychological traits of people identified as entrepreneurs. This approach is beneficial in understanding the motives and the characteristics possessed by property entrepreneurs that encourage them to enter property development.

III. A third category explores the factors that explain the success of new and existing business ventures. It is argued that entrepreneurs face “four liabilities of newness.” These include the lack of role models to aspire to, the lack of standardised communication channels, lack of credibility and the lack of established clientele. Research has studied the formation of new ventures by analysing the impact of incubators, formal and informal sources of information that supplement the entrepreneur’s formal expertise. Studies have looked extensively on the link between entrepreneurship and economic growth and one of the benefits include job creation.

IV. Research has studied the effect of environmental factors on entrepreneurial actions. This broadly looks at the environmental conditions, market forces and government policy that may support or inhibit the growth of entrepreneurs. Van de Ven (1993) as cited by Bull and Willard (1993) describes the social system macro-perspective framework for studying entrepreneurship. It is defined as the belief that “most entrepreneurial innovations are collective achievements of many people in public and private sectors who develop an infrastructure that supports entrepreneurship” (Bull and Willard 1993:191). This research examines the support being provided to small-scale developers by financial institutions and municipalities and the potential for developing strategies that harness the growth of the small-scale developer.

2.3.3 Conceptualising the ‘Small-scale Developer’

One of the key concepts within the research is the notion of a small-scale developer which is a slippery term to define. Coiacetto (2001) explains that there is the need for understanding the diversity of developers and avoid generalizing them into one category as if they were an “undifferentiated whole”. Similarly, Adams et al (2012:2579) note that “the substantive academic account of what typifies the property developer has yet to be written.” Developers in literature have been categorized according to the frequency with which they undertake projects, size of projects, location, and motives.

International literature (Logan 1993; Coaicetto, 2001; Adams et al, 2012) argues that developers have different motives, approaches and strategies which are specific to the

institutional, financing, geographical and historical context of a particular site. In response to this gap in literature, studies on the property developer have focused on:

- How developer's outlooks concerning community, planning and development differ between places (Coaicetto, 2000)
- Diversity in real estate developer behaviour (Coaicetto, 2001)
- How municipal agencies understand property developers through policy (Adams et al, 2012)
- Developer size-based typologies (Ruming, 2010)

The research has an interest in defining the 'small-scale' property developer however Kozloff (2015) warns that there is no textbook definition of a small-scale but that it is better to characterize them according to the specific context within which they operate. An empirical study done by Coaicetto (2001) into the types of developer behaviour among 17 developers operating in two local councils in Australia elicited responses based on the reasoning of why the developers preferred specific types of development, how they raised the capital necessary to finance the developments and their motives and objectives for pursuing development. This type of analysis is important in understanding the diversity of strategies, information needs and approaches that comprise a developer (Coaicetto, 2001).

This is supported by international literature in the Australian, British and American contexts. Beauregard (1994), Coaicetto (2006a) and Adams *et al*. (2012) argue that the differentiation between small-scale and large-scale developers is based on the size of developments whereby large-scale developers have the ability to create their own location by choosing the layout of residential estates and seeking out large greenfield sites. Small-scale developers are argued to be more primarily focused on brownfield developments particularly the phenomena of infill development which entails the redevelopment of existing buildings.

Ruming (2010) 's three-fold size based typology of developers makes a distinction between small, medium and large developers based upon the types of development undertaken and the degree of interaction with municipal agencies to acquire

development approval. Ruming (2010) constructed the following typology based on interviews with developers and municipal planning officials in Sydney, Australia.

Developer Type	Characteristics of Developer
Small Local 'Mum and Dad'	"Owner builders develop a site which they have owned for a number of years. Generally, are one-off developments."
'One Man Band'	Development is their primary employment. One- Man Band due to the fact that they project manage their own developments. They have an annual turnover of 10 developments in a year and live locally within that particular area or have a great interest in the area.
Medium local and Regional	"They are often small companies made up of five – 15 staff. They build larger developments (townhouses) at around 30 dwellings specializing in a single type of development across various neighborhoods."
Large Regional	"They usually have a consultancy team which is more knowledgeable of local conditions of an area. Regularly undertake greenfield developments and large scale multi-unit proposals."

Source (Ruming, 2010)

Based on this characterisation, Ruming (2010) argues that small-scale developers in the international context have a limited understanding of the development process particularly the planning framework and financial ap appraisal techniques due to the fact they engage in one- off developments and periodic developments as opposed to the medium and large size developers who regularly undertake development. A finding from the same study was that small-scale developers require greater support from local planning authorities and financial institutions particularly as a result of development

controls, systemic delays and development costs and charges that burden this type of developers with the increased need for capital (Ruming, 2010).

Commonalities such as the fact that small-scale developers are new players seeking to start in property development or are concentrated on infill projects can be drawn from these conceptions. Through the review of international literature, this sub-section has highlighted how the term “small-scale developer” is complex to define and depends on the criteria that is placed in characterizing these actors. Chapter 3 looks at how small-scale developers are conceptualized in the South African context.

2.3.4 Industry Structure

The development industry provides residential, commercial, industrial and recreational spaces. When contributing to the supply of residential development, developers have to acquire land through regulatory approvals from the municipal agency and the site prepared with infrastructure so that homes can be built on individual serviced plots (Ball, 2003). Developers can build a variety of ‘products’ to cater for a range of potential residential market categories such as the affordable housing market which will be the focus of this research (Coaicetto, 2001).

Coaicetto (2006a) identifies a key argument that relates to the development industry structure in the Australian context particularly between a concentrated and competitive industry. Developers of varying capacity undertaking projects in a competitive development industry are argued to have less capability to influence the urban form of a city. The competitive industry is argued to induce development in areas which are generally considered high risk by financial institutions such as brownfield sites. A competitive development industry has the implication that planners have a greater influence on the type and location of developments but face an administrative and resource intensive task in trying to co-ordinate the many small developments (Coaicetto, 2006b).

Coaicetto (2006b) argues against a concentrated industry which is characterized or dominated by large powerful players and developers which may affect housing choice and affordability range. A concentrated industry results in larger developers having greater control over the urban form and structure of cities while negating the public

interest. An example of a concentrated development industry is a development industry that may be characterized by the growing residential development industry trend towards gated communities and residential estates that excludes smaller developers as entry costs rise due to the need for increased quality of the finished product.

Coaicetto (2007) acknowledges that the development industry is highly regulated particularly by the planning framework whereby the uniqueness of each project and site means that negotiation among the development players (developer, banks and municipal agencies) is an integral component of the process. Healey (1998) however reviews the interaction between the property development industry and its regulatory environment where she argues that urban policy discussions have tended to focus on facilitating development activity and minimal attention has been afforded to capacity building within the industry in the British context. Healey (1998: 212) proposes that urban policy needs to promote "the capacity of the industry in an area to make and use opportunities, mobilize resources and manage projects in order to deliver a supply of sites and buildings to various demands arising in that area."

One of the major rationales of planning in the development industry is that the industry is part of the capitalist system which results in market failures as a consequence of the market failing to account for externalities and equity (Adams and Tiesdell, 2010; Hogarth, 2015). Externalities occur when the market tends to underprovide public goods such as public spaces and affordable housing as development does not automatically provide affordable products but allocates these on the basis of the ability to pay (Coaicetto, 2007; Hogarth, 2015). Planning is thus justified on the market failure that occurs that results in equity issues such as affordable housing.

2.3.5 Affordable Housing Market

Affordable housing is a slippery concept and is often determined by normative statements. The concept of affordable housing varies widely across the world but the most commonly occurring definition is that of housing which does not exceed 30% of a household's income and meets the local community's expectation of a socially acceptable standard housing unit (Mckinsey Global Institute, 2014).

The global housing crisis is defined by a chronic shortage of housing for the working and middle class (Krekler, 2015). According to the same report, almost 330 million urban households around the world today lack decent housing. Based on these statistics, Hogarth (2015) argues that the affordable housing market represents a potential opportunity for private sector actors both globally and locally. For this research, small-scale developers are conceptualised as having the ability to play a key role in delivering affordable housing options and an emerging movement of small-scale developers in America will be used to highlight an example of this.

It is important to discuss the emerging movement of small developers in cities such as Denver, Colorado and Philadelphia which form part of the Incremental Development Alliance (Anderson, 2017). This emerging movement has been supported by the local planning authorities due to the increasing belief among academics and practitioners in the USA that small-scale developers can tackle the affordable housing crisis. Anderson (2017) states that small developers have been identified as the key role players to design the 'missing' middle housing types that comprise small apartment buildings, cottage courts, four-plexes, and single-family houses with up to three accessory units, and walk-ups on the scale of 4-12 units.

2.4 Planning and Development

The theme introduces four municipal instruments that influence the decision making of developers. The interaction of developers and municipal agencies in the regulatory process will be explored and how the capacity of small-scale developers can be promoted will be considered.

2.4.1 Municipal Instruments

The scholarly focus on attempting to help planners function more effectively in markets has led to classifications on how different types of planning instruments adopted by municipal agencies impact on the decision making of development actors. Municipal instruments in the context of this study are categorized by Adams et al. (2012), Harrison (2017) as the main regulatory and policy initiatives available to municipal agencies. Adams et al (2012) identify four categories by which policy seeks to shape, regulate, stimulate or build the capacity to change developer behaviour in the British context.

I. *Market Shaping Instruments* influence the decision environment by providing the broad context upon which market transactions and actions occur (Heurkens et al, 2015). These instruments comprise development, regulatory and indicative plans which offer insight into what kind of development is being favoured by the municipal agency (Adams and Tiesdell, 2010). For example, this involves the use of spatial plans, strategies and visions which may seek to promote affordable housing, manage incremental development or an integrated approach to development.

II. *Market Regulation Instruments* restrict the developer's parameters of market actions and transactions (Heurkens et al, 2015). A municipal agency has the responsibility to ensure that development occurs in the right location, at the right time and building form corresponds to a city's desired spatial form. Instruments involve the use of development control, obligational requirements between the municipal agency and the private sector developer (Adams et al, 2012). The regulation instruments are enforced to ensure the intentions of the municipal agency are complied with.

III. *Market Stimulus Instruments* impact upon the financial calculations of the developer by simplifying or lubricating market transactions (Adam and Tiesdell, 2010). Stimulus instruments utilised by municipal agencies have the main intention of encouraging development (Heurkens et al, 2015). One of the direct instruments involves the municipal agency kick-starting the development process by resolving physical, infrastructural or ownership challenges faced by developers (Heurkens et al, 2015). A municipal agency may also indirectly seek to induce developers to develop in particular areas or to undertake a certain type of development by price adjusting measures(subsidies) and capital raising actions such as the developing of public amenities (Adams et al, 2012).

IV. *Capacity building* has a focus on enabling collaborative participation by development actors within their decision environments (Heurkens et al, 2015). The aim of capacity building is to facilitate the efficient operation of the other three instruments by bettering the two way communication between developers and municipal agencies (Adams and Tiesdell, 2010). The two way communication entails enhancing the capacity of planners to negotiate successfully with developers while enhancing the capacity of developers to contribute to policy delivery (Adams et al, 2012).

2.4.2 Developers and the Regulatory Process

> "The regulatory system, planning, plays a significant role in shaping industry and setting barriers by the process of allocating land and property rights including development rights, standards and procedures and collaborative approaches to planning."
>
> (Coaicetto 2006a: 426))

Thomas (2001) notes that development control is the most visible part of the land use planning process and engages with the property development industry on a daily basis. There have been concerns globally about the regulatory process being one of the major barriers to small-scale developers entering the development industry (Bramley, 1996).

Gurran et al (2008) note that infrastructure funding is a vital component of the land development process in the British and Australian contexts as private development depends on benefits from access to the use of public infrastructure such as utilities and roads. Internationally there are various sources of funding and providing infrastructure however contributions of developers through the development process are directly managed by the municipal agencies (Blake and Collins, 2004).

Gurran and Whitehead (2011) note that these are called 'Impact' fees in the American context, planning obligations in the British context and development contributions in the Australian context. These charges are justified by the municipal agency on the basis of the impact the new development makes on the need for public infrastructure (Blake and Collins, 2004). Therefore, it is important for developers to be aware of the probable costs of any planning obligations as early as possible in the preparation of a project so that they become part of the development appraisal (Gurran et al, 2008).

Savage (2009) notes that development charges reflect four components which are incorporated differently by municipal agencies dependent upon the context of a development:

I. *Directly Apportionable Costs* whereby a new development must pay to the municipal agency in order to connect to the municipal infrastructure network that comprises of electricity, water and sanitation services.
II. *Shared Direct Costs* of infrastructure such as the upgrading of roads, water pipelines that will benefit all the users of a particular area
III. *Contributions towards Historical Costs* of previously installed infrastructure whereby the developer needs to compensate or contribute to infrastructure services previously existing in an area which benefit his/her new development.
IV. *Externalities* which are costs that may result from a new development such as the increased traffic volumes and the operating costs for municipal agencies in the maintenance of infrastructure.

Impact fees, planning obligations and development contributions can be used interchangeably. In the South African context, these once off capital charges have been known by different names at different times such as Engineering Services Contribution, Bulk Infrastructure Contribution Levy (BICLs), Developer Contributions and Development Charges (City of Cape Town, 2014). The research shall adopt the term "Developer Contributions" in describing how these charges apply in the City of Johannesburg. Savage (2009) highlights development contributions have been used as instruments in the South African context to incentivise spatial restructuring in the post – apartheid city. It has been argued that in the international and South African context, development contributions have become a barrier to entry for small-scale developers who cannot afford the charges that would permit them to carry out developments.

Zoning is a key instrument of planning and is one of the major regulatory tools in the development process. Coaicetto (2000b) argues that zoning favours those who already own developable land such as the landowners identified in the developer typology as 'Mum and Dads'. Therefore, it makes it difficult for professional developers such as the 'one man bands' as zoned land is very expensive to buy. Coiacetto (2000b) notes that the process of rezoning land in the Australian context has long unpredictable waiting periods of up to decades while Nel (2015) explains that the English discretionary system also has a costly and time consuming rezoning process as all new development has to be vetted by the municipal agencies.

Ruming (2010) argues that small-scale developers lack institutional knowledge as a result of their limited understanding of formal planning frameworks. The reasons are attributed to the fact that small-scale developers only undertake development periodically and they have no pre-existing relationships with municipal agencies (Ruming, 2010).

One of the few studies (see Coaicetto, 2000b) to be undertaken to evaluate developer perceptions about planning in two local government areas in Australia uncovered that developers had a preference of 'planning in principle' as they were aware that unregulated development compromises the existence of the resource (land) they share. The developers however were critical of planning, as it exists in practise since they felt that the development process was becoming more difficult to navigate (Coaicetto, 2000b). The major reasons cited were that rules and policies were constantly changing; development process timeframe is often longer than the lifetime of the planning policies and the blanket application of wholesale standard rules and regulations (Coaicetto, 2000b). A major finding from the study however was that policies adopted by those two municipalities affected different types of developers differently.

Regulation of development is complex and increases the risk a developer takes on as rezoning is not guaranteed even if the policy proposes the outcome. The small-scale developer still needs to pay a professional town planner to administer the process, and third parties (affected neighbors of a proposed development) can exercise a democratic right to object to the development (Adams, 2004). From the developer's perspective this equals risk, cost and time delays.

2.4.3 Promoting the Capacity of Small-scale Developers

Internationally, strategies formulated by municipal agencies have tended to rely on larger more sophisticated developers. In order to shape urban development, Coiacetto (2000) states that planners have to influence the actions of the players who build cities which requires an appreciation of the perspectives, actions and strategies of those builders and it is this appreciation that is missing in literature.

The shift towards recognizing different types of developers has heightened the need for institutional capacity building. Capacity building is one of the instruments available to

municipal agencies in changing developer behavior (Heurkens et al, 2015). In a research project (see Adams et al, 2012) in Scotland, it was discovered that planning authorities should have market rich information of the mix of developers in an area and that they should communicate and consult more with developers.

This research report seeks to argue that promoting the growth of small-scale developers will broaden the number of role players resulting in less concentration risk in one or two major developers. Small-scale developers due to their limited constraints are more reliant on municipalities and this can be an advantage whereby the planning system works with the small developer to produce the desired urban form as the municipality may have leverage over the design of the development.

2.5 The Role of Finance in Property Development

The theme outlines the main types of finance used in property development and focuses on debt finance where banks have traditionally been the primary sources of lending. The emerging role of development finance Institutions in property finance is then discussed with the aim of illustrating how different sources of funding have spatial implications for cities.

2.5.1 Types of Finance

It has been established that risk lies at the core of development and the developer manages the multiple risks of development by placing the capital at risk. The world of property development finance can be tricky to navigate particularly for first time or small-scale developers (Mirams, 2016). This is as a result of development being characterised by uncertainty in site conditions, engineering and building requirements and construction delays (Coaicetto and Bryant, 2012) . Mirams (2016) notes that different types of lending maybe required for projects undertaken in the international context :

- “A development loan to cover the purchase, development application and preconstruction costs
- A construction loan covers the building costs of a project

- An investment loan if the developer seeks to retain the finished project as a long term investment. “

A key idea to emerge however from Coaicetto and Bryant (2012) is that financing property development cannot be generalised as there are a variety of ways and sources to finance development. It is generally accepted that capital refers to money however in the context of property development it refers to debt or equity (Bryant, 2012). Debt and equity are the most utilised forms of funding used by developers and it is important to establish the difference:

I. *Equity* is when the developer uses their own money to self-fund a project or makes a cash contribution towards the project.

II. *Equity Investor* is when the developer borrows money from an individual investor based on certain conditions that might include the investor acquiring a certain part of ownership or the developer paying back the loan at a certain interest. Coaicetto and Bryant (2014) argue that equity investing is the most expensive form of borrowing as the investor has no guarantee of a return on their investment.

III. *Debt* is the traditional form of funding provided by banks and non-bank intermediaries whereby the expectation by lender (bank) is that the developer repays the principle as well as any interest that is incurred at the end of the loan period (Bryant, 2012). This form of funding is referred to as development finance as the developer has yet to begin a project but requires funding to be provided throughout the development process at key points such as site acquisition, statutory approval and construction of the building (Coaicetto and Bryant, 2014).

Literature (Bryant, 2012: 25) has highlighted the phenomena of the evolution of cheaper longer-term financing options for developers that have resulted in “hybrid capital products that blend the characteristics of debt and equity in order to attract investment.” Coiacetto & Bryant (2014) argue that different methods of financing development have different spatial implications for the built environment. Massyn et al (2015) support this notion by stating that the availability of finance governs the type and distribution of development that occur.

A point to deduce from the literature is that developers use varying strategies and sources of funding developments that are context specific and project specific hence there is the need to uncover the differing financial appraisal techniques of differing types of developers. The next sections review the literature on debt funding options and access to development finance and the impact on the small-scale developer.

2.5.2 Debt Finance

Traditionally, banks have been the primary source of debt funding for developers globally. As noted earlier, loans are secured by the developer before the building is constructed. In the British context, interest on the loan is charged on a fixed or variable basis and the banks would normally take charge or control of the developer's site before transferring funds to the developer on a phase-by-phase basis against the project proposal and cash flow requirements.

Traditional banks place emphasis on the developer when evaluating criteria for lending. To give an example, in the British context some of the terms that dictate the terms of a loan between the developer and bank are:

- Location of the development
- Track record and experience of the developer
- Credit worthiness of the developer
- Size and duration of the loan
- Monetary contribution to the development, which represents the developer's equity stake.

Development is a very risky process and hence traditional banks focus on the experience, financial position, market type, professional mix of the developer. Banks have an impact on the development of cities because they are very selective in their practices of lending and thus prefer clients with an established track record and low risk projects in commercial and office spaces. Coaicetto and Bryant (2014) further argue that banks still exercise considerable control over their funded projects through conditions which have to be met by the developer and thus this limits the funding of smaller projects.

Wassermann (2018) notes that it is a difficult proposition for small-scale developers located in London to secure mainstream development lending from banks. Ruming

(2010) supports this notion by stating that in the Australian context, the small-scale developer has difficulty working on brownfield sites as they are deemed risky and also, they do not have the necessary required level of equity to meet bank requirements. Coaicetto and Bryant (2014) note that large scale developers working on greenfield developments in Australia have better access to debt and equity markets which leads to urban sprawl in major cities such as Sydney. Access to credit is a major problem in South Africa particularly for the small-scale developers who do not have the cash flows required for extensive entitlement, planning, and community engagement processes as compared to larger scale developers (Mphigalale, 2015).

One of the major reasons why banks globally now prefer to work with large scale developers is due to the financial recession of 2008 which led to the accumulation of bank debt as a result of residential developers defaulting loan repayments (Tomlinson, 2012). Banks are thus wary of approving loans to developers who have not secured the required level of presales or number of builds (Tomlinson, 2012). Another important actor to evaluate is that of development finance institutions which provide debt capital and mortgage financing to property entrepreneurs.

2.5.3 Development Finance Institutions

> "Traditionally, Development Finance Institutions have been created by governments around the world to promote economic growth and support social development. They typically provide credit and a wide range of capacity-building programs to households, SMEs, and even larger private corporations whose financial needs are not sufficiently served by private banks or local capital markets."
>
> (De Luna Martinez, 2017: 1)

Development Finance Institutions (DFIs) seek to play a transformative role in the economy and their flexible nature means that they have a different perspective of risk than that of banks. Tomlinson (2006) highlights some of the key characteristics of DFIs:

- They research into businesses and different types of industry not serviced by banks.
- Able to take on higher risks by low interest loans and credit guarantees
- Understand the needs of different sizes of enterprise to design appropriate products
- Sustainable motives rather than profit motivated which reduce risk.

Although there is minimal literature that describes the role of DFIs in promoting small-scale developers, Levin and Viljoen (2013) note that DFIs participate in creating enabling environments to address regulatory and institutional challenges to private sector investment through capacity building in South Africa . DFIs have the potential to play a key role in creating sustainable cities particularly in the Global South (Christianson and Dasgupta, 2016).

In an article on how development finance institutions align and partner the private sector with urban planning in Maputo, Mozambique, it was uncovered that offering concessional financing and risk coverage for emerging developers would assist in strengthening the benefits of urbanisation (O'Sullivan & Rask, 2017). Concessional financing combines donor concessional funds with funds from the DFI's own account and commercial funds from other investors. By combining various sources of funding (public and private) it makes projects viable by equally burdening the risk among stakeholders. The European Bank for Reconstruction and Development (2017) notes that concessional funding is increasingly a key tool that DFIs are using to boost private sector involvement in developing economies to ensure infrastructure delivery and support small and medium enterprises. DFIs can be seen as key roleplayers that mitigate risk associated with emerging small-scale developers whose projects are focused on achieving affordable housing (Mphigalale, 2015).

The research has a case study based on understanding the role of TUHF in promoting small property developers. The research seeks to understand the role of Trust for Urban Housing Finance in shaping the development of the City through their provision of development finance and thus contribute to the gap in literature noted by Coiacetto & Bryant (2014). Massyn et al (2015) asserts that financing arrangements are specific to the developer and cannot be generalised and this is important to understand for this research in the sense that the financial arrangements between TUHF and each developer may vary according to the differing contexts of sites.

2.6 Conceptual Framework

Drane's (2012:6) review of property development theory from the period of 1954 -2012 discovered that "there has been a significant lack of empirical engagement with property developer actors." Knight (2011) notes that there is little research that discusses the property development process or the property developer's perspective, behavior, motives and strategies. The literature review has identified the neoclassical or mainstream economic, institutional and agency perspectives that have influenced property development research.

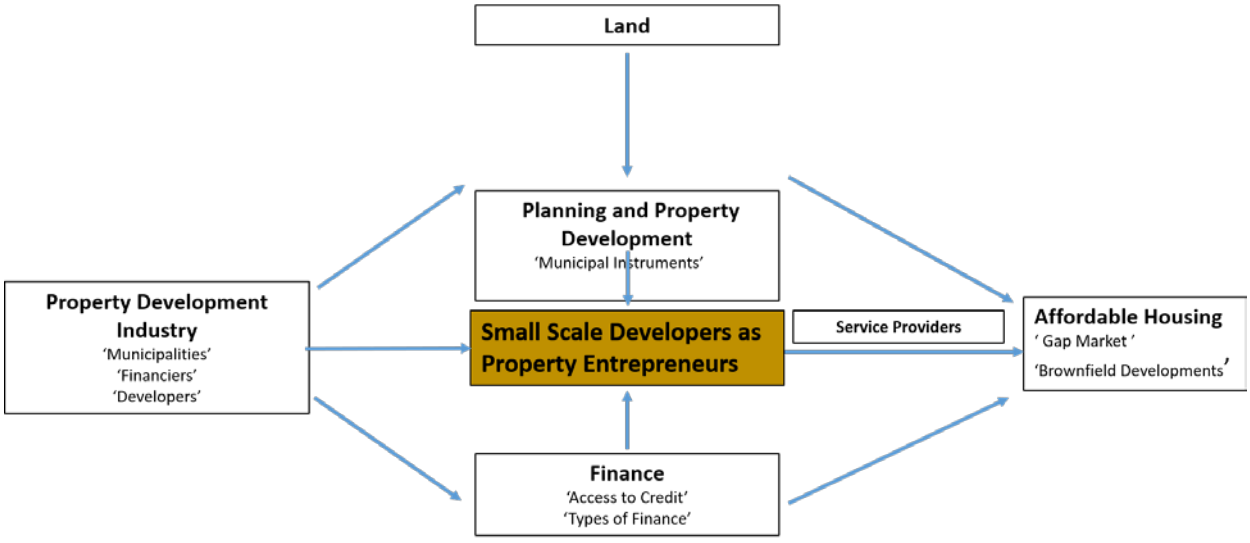


Figure 2:4 The conceptual framework illustrating the relationship of the small-scale developer with the development industry, development finance and urban planning

This research has a focus on three actors involved in the development process which are the property developer, municipal agency (planning authority) and financial institutions. Small-scale developers can be characterized as property entrepreneurs that have emerged due to the market gap in the delivery of affordable housing. The conceptual framework (see figure 2.4) adapts from the agency model by framing the small-scale developer as the central actor in the development process. The research investigates the strategies and practices of small-scale developers in navigating the property development process to acquire development approval and finance from COJ Planning and TUHF respectively. Similarly, the research acknowledges that the housing supply chain comprises building contractors and service providers that directly interact with small-scale developers however the main focus of the study is at the nexus between

the property developer, urban planner and financier. The research adds to the existing literature on South Africa's property development process by examining the support being provided to harness the growth of the small-scale developer.

2.7 Conclusion

The chapter has reviewed international literature relating to the main arguments, debates and phenomena occurring in the property development industry. Property development is a complex process that draws major attention from multiple disciplines and specialisms such as town planners, economists, geographers and social theorists (Ball, 1998; Drane, 2012). Defining small-scale developers is context dependant and in the international context, there is an emerging recognition of developers being categorised according to the size of their developments (Ruming, 2010) and for their potential role in providing affordable housing options in the USA context. Four municipal instruments available to public planners that seek to shape, regulate, stimulate or build the capacity to change developer behaviour (Adams et *al*, 2012). The third section of 'development finance' uncovered how different debt funding options affects the small-scale developers.

CHAPTER 3 : CONTEXTUALISING THE SMALL-SCALE DEVELOPER IN THE INNER CITY

3.1 Introduction

This chapter provides a contextual background on small-scale developers, municipal agencies and development finance institutions operating in and around the inner city of Johannesburg. Firstly, the chapter describes the Johannesburg property market and introduces small-scale developers. Secondly, the chapter focuses on the City of Johannesburg interaction / relations with small developers particularly with the recent interventions in the Corridors of Freedom and in the Inner City. Thirdly, the chapter discusses available sources of finance in the inner city.

3.2 Introducing the Study Area

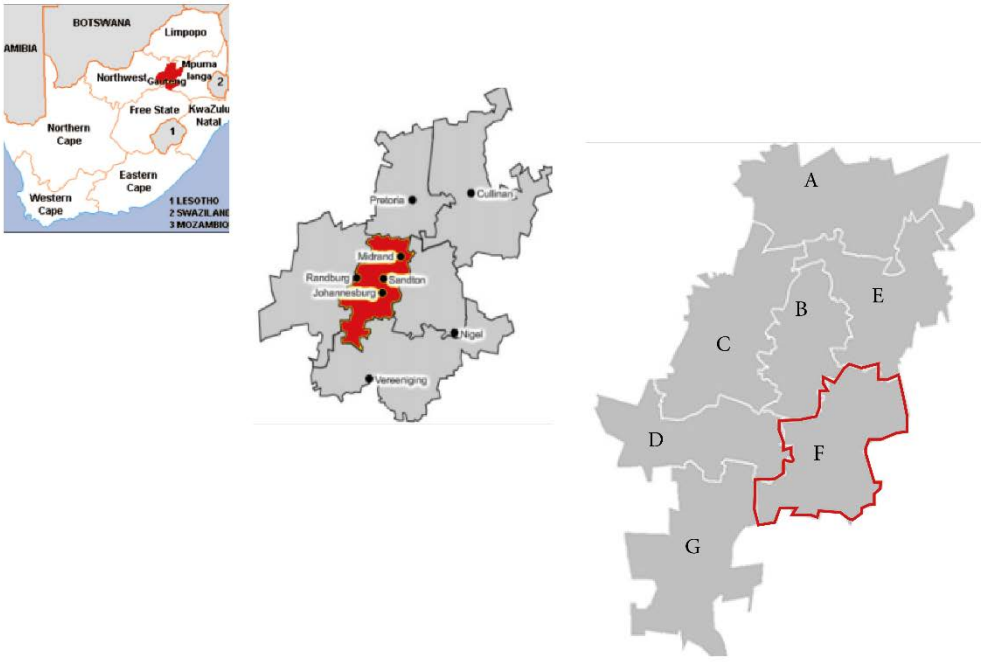
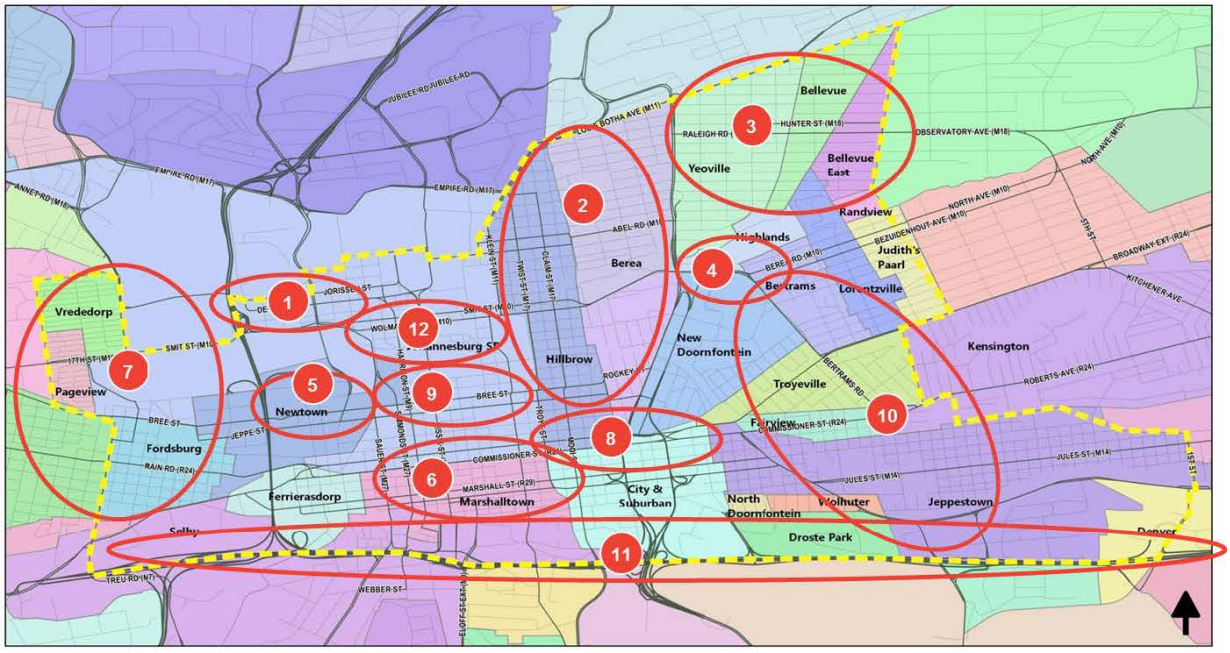


Figure 3:1: Contextual Map of Johannesburg showing Region F

The inner city is located at the core of the Johannesburg Metropolitan Area and Gauteng (Please refer to map 3.1). The inner city of Johannesburg forms part of Region F which is enclosed by Killarney Ridge in the north, Region E (Houghton and Orange Grove) and Parktown to the east, Region D to the west and Klip River to the south (COJ, 2018). Region F comprises the inner city and its lower density residential areas to the east of the City Centre which is commonly referred to as the Inner City Eastern Gateway (JDA, 2001).



1. Braamfontein (corporate offices & student accommodation)
2. Hillbrow & Berea (high-density residential)
3. Yeoville & Bellevue (medium to high-density residential in low-rise buildings)
4. Greater Ellis Park, Doornfontein and New Doornfontein (Manufacturing, sports precinct, education precinct, residential area)
5. Newtown (Newly regenerated cultural precinct)
6. Inner city south-western precinct (offices with corporate core)
7. Fordsburg, Vrededorp and Pageview (Heritage-rich Indian enclave)
8. Inner city eastern core (cross border shopping, light manufacture with regenerated precincts)
9. Inner city central core (mixed-use with retail core)
10. Bertrams, Jeppestown and Troyeville (low-rise high-density residential area)
11. Industrial Belt (Industrial area)
12. The railway seam- Park Station and surrounds

Figure 3:2 Inner City Map (City of Johannesburg Housing Department & Johannesburg Development Agency, 2016)

The inner city consists of the Central Business District, residential areas of Bertrams, Troyeville and Jeppestown to the east of the city centre, Berea and Hillbrow to the northeast and Newtown, Fordsburg, Vrederdorp and Pageview to the west (see Figure 3.2 above) (COJ, 2018). The inner city plays a vital role within the city as a major public transport that provides marginalized communities in Johannesburg South access to the formal economy (JDA, 2001).

Briefly, during the early 1980s and 1990s there was a capital flight to decentralized nodes that led to the decline, urban degradation and challenges of urban management in many areas of the inner city (COJ, 2018). There has been a concerted and combined effort by key stakeholders from the public, civil and private sectors working collaboratively to achieve revitalisation of the inner city and address the housing challenges that result from increased demand.

Since the 1990s, City Improvement Districts (CIDs) have played a major role in the urban regeneration and urban management of Johannesburg among other inner cities in South Africa. A CID is defined as “self-taxing, self-help public private partnerships set up by businesses and property owners to maintain, promote and develop public areas within a perimeter, specifically through the enhancement of public services” (Houston 1997 as cited by Peyroux (2008: 3)) . There has been an ongoing debate in South Africa surrounding the potential risks that CIDs have on the socio-spatial structure of cities which coincided with the court ruling that nullified levies imposed by 19 council approved CIDs that operated in Gauteng. Voluntary CIDS were not affected by the ruling as payments are not compulsory.

The Johannesburg City Forum “represents and promotes sustainable place management and urban management institutions and individuals throughout Johannesburg.” (CID Forum, 2019: 1). Voluntary Management Initiatives previously known as CIDS operate in 19 precincts across Region F. In the inner city, Voluntary Management Initiatives have been formed namely in Yeoville, Hillbrow, Ellis Park, Maboneng, New Doornfontein, Ekhaya and Newtown. A number of property owners within these precincts have voluntarily agreed to fund supplementary services to those provided by municipalities to maintain and manage the public environment.

The development of the Inner City is guided by the Inner City Road Transformation Map

which is a framework through which the COJ and stakeholders from civil and private sector pursue the vision of a transformed, inclusive and sustainable Inner City (City of Johannesburg Housing Department & Johannesburg Development Agency, 2016.). ICHIP is a "proposed housing strategy and implementation plan for the Johannesburg Inner City (2014- 2021) that takes into account all sectors of the housing market and the needs of all income groups with an emphasis on the poor" (ICHIP, 2016:1).

It is important to note that there are various public sector and private entities that operate and work collaboratively in the Inner City through the Inner-City Road Transformation Map and ICHIP. The scope of the research however is limited to looking at TUHF, COJ Department of Development Planning and Johannesburg Development Agency as a result of their collaborative practises in trying to support small-scale developers in developing affordable neighbourhoods in and around the Inner City.

3.3 Small-scale developers and affordable housing in the Johannesburg Property Market

This section provides a brief overview of the Johannesburg property market and describes the current situation and trends that have led to the emergence of property developers to fill in the gap in the affordable housing market.

3.3.1 Overview of the South African Property Market

The Property Sector Charter and Financial Sector Charter are an outcome of the private sector engaging with the government. The Property Sector Charter "prescribes the implementation of broad-based black economic empowerment (BBBEE) in the property market with respect to ownership, control, and management of enterprises in the property sector." (Zille et al, 2008: 122). The implementation of the transformation charter is based on the notion that despite the dawn of democracy, the property sector is dominated by concentrated wealth in bigger developers (Property Charter, 2007).

Harrison (2017) states that the macro- economy and property markets are interlinked and thus understanding Johannesburg's property market requires contextualization in South Africa's macro- economy. In a study on the market size estimation on the South African Property Sector in the financial year 2014/ 2015 revealed that the property market size stands at 5.3 trillion rands with a further 520 billion rands officially zoned

for residential and commercial development (Africa Property News, 2016).

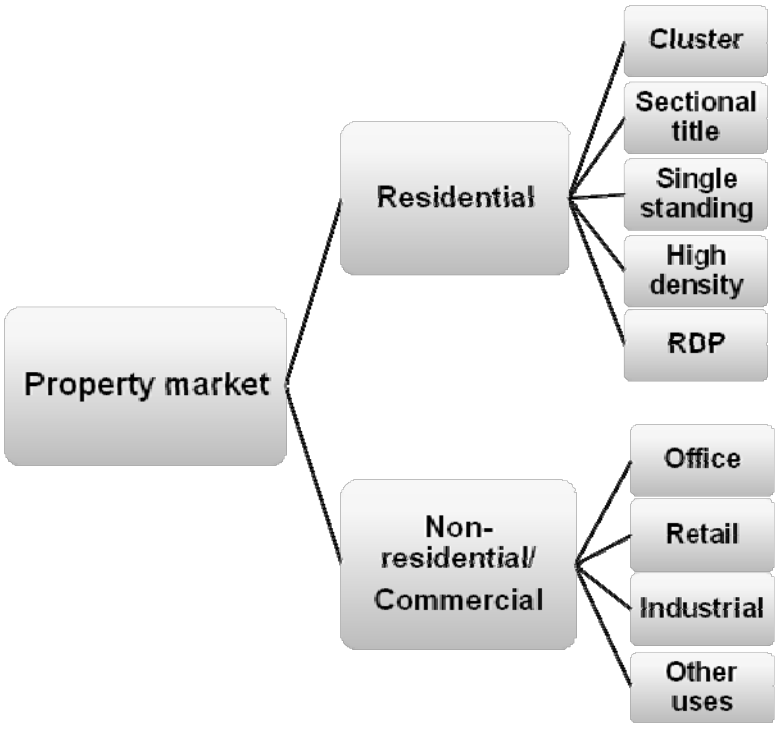


Figure 3:3 The South African formal property market (Source Zille et al, 2008: 25)

Zille et al (2008) divide the formal property market into the residential and commercial uses. The South African commercial property market is divided into four types which include retail, office, industrial and other uses (Harrison, 2017). The scope of the research is focused on the residential property market and the trends shall be outlined. The South African residential property market consists of the formal housing market which has the property types (see figure 4) which are offered to different users who are characterised by socio-demographic characteristics such as income and age.

A key finding from research done on the South African property market in 2016 showed that the formal residential property accounts for three-quarters of property in South Africa making it the largest component in the property market (Africa Property News, 2016). According to Centre for Affordable Housing Finance in Africa (CAHF, 2015) study, 60% of the total formal residential property market is found in the metropolitan municipalities and the distribution of residential properties on the deeds registry is segmented under four types:

- Properties worth under R300000
- Properties between R300000 and R600000
- Properties between R600000 and R1.2 million
- Properties over R 1.2 billion

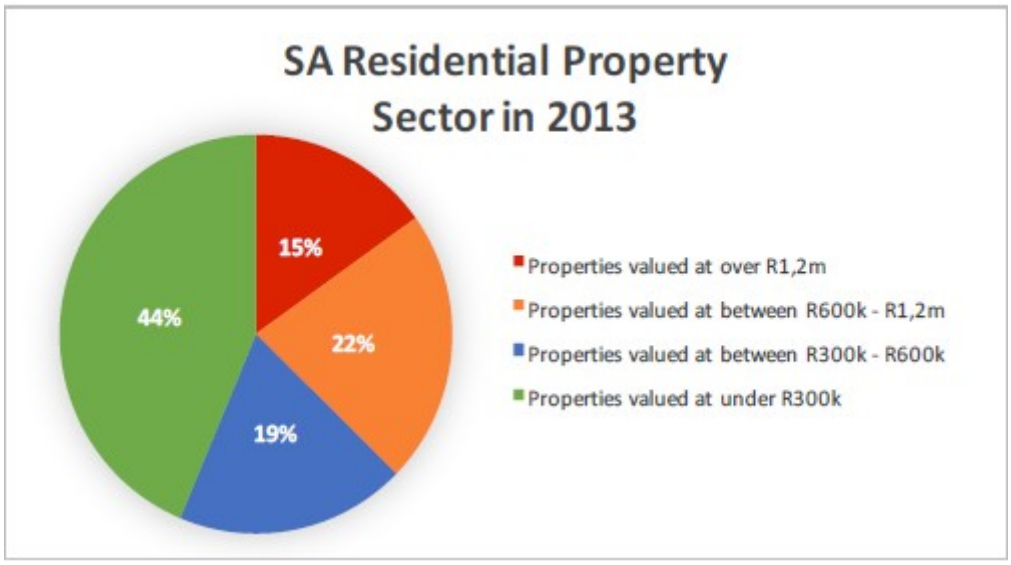


Figure 3:4 South African Residential Property Sector (CAHF 2015; 2)

A key finding from the study (CAHF, 2015) of the SA residential property market from the period of 2009 - 2013 was that entry level and affordable market segments involving properties valued at under R600000 was growing faster than other market segments (See figure 3:4). The most rapid growth across South Africa could be viewed in properties valued under R300000 (44%) which fall under the Government's subsidised housing programme which cater for the lower income brackets of the population (CAHF, 2015).

According to Rust (2012), the implications of the growth trends are twofold. Firstly, property developers have begun to slowly shift their attention towards the gap market which is properties valued under R500000. Secondly, the profile of the South African property market is shifting towards the lower end of market segments which cater for the majority of the South African population. A further interrogation of the statistics reveals that the rapid growth in the property market has been catered by the large subsidy housing programme (RDP) on the urban peripheries of South Africa's cities which have been largely greenfield developments. According to a study on estates

properties in South Africa, there has been an increase in residential estates (gated communities) at an estimated value of 15% of the property market (Lightstone, 2016). It can be concluded that the South African property market has been dominated by greenfield developments which presents a barrier of entry for smaller developers focused on brownfield developments.

3.3.2 Demand and Supply of affordable housing in Johannesburg Inner City

It has been noted that affordable housing varies across different actors and the world. The affordable housing market in the South African context "is often considered as those properties with a value of R500000 or less, reflecting the maximum home affordable to a family earning R15000, which is the upper limit of many subsidy programmes" (CAHF,2014:48). Hogarth (2015) notes that affordable housing encompasses any type of government assisted or privately provided housing that specifically targets households at risk or unable to compete successfully in their local housing market.

An overview of the eight metropolitan municipalities showed that the Johannesburg housing market contains the largest number of households and has the 2nd highest number of residential properties (CAHF, 2014). An analysis of inner city neighbourhoods found that there are very low levels of ownership and that the rental market is the largest (see figure 3:5 below). In a study undertaken using census data (2011) of 92000 households, it was discovered that about 82000 households are renting which has the implication that developers seeking to enter the housing market have to be aware of the product (rental housing) that is in demand (City of Johannesburg Housing Department & Johannesburg Development Agency, 2016.).

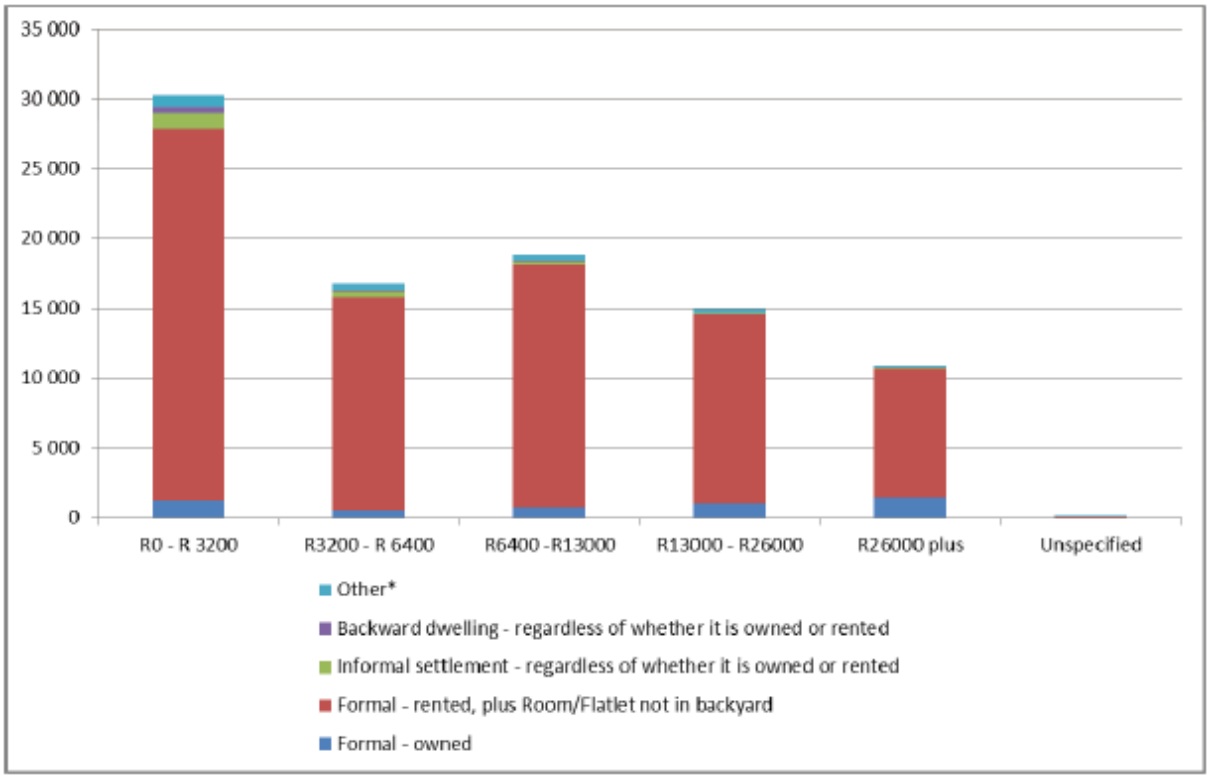


Figure 3:5 Number of householder by Annual HH income, Dwelling Type and Tenure in Inner city neighbourhoods (Source ICHIP, 2016; 34)

Johannesburg's inner city is still recognised as a gateway for opportunity across all income brackets, attracting a vast range of users. Mcmanus (2017) notes that delivery of affordable housing for the lowest income brackets (R0- R3200) is a major challenge in the inner city. Mcmanus (2017) notes that access to affordable housing for the lowest income brackets (R0- R3200) the reasons are twofold, firstly that there is an inadequate supply of housing at all levels which means that opportunities for housing at the lowest income brackets are limited. Secondly, there are constraints for formal private sector developers to be able to reach the lowest income bracket's affordability levels (Mcmanus, 2017).

ICHIP (2016) states that the demand for affordable housing outweighs the supply of suitable housing in inner city Johannesburg. However, the reason for this situation is complex and can be attributed to be a product of the long history of urban decline and the increasing demand for access to the city (City of Johannesburg Housing Department & Johannesburg Development Agency, 2016.). Johannesburg inner city has experienced the trend of the redevelopment of buildings into affordable housing stock. The urban regeneration initiatives that are occurring in the inner city have resulted in

the increase of values of residential and office stock (Massyn et al, 2015).

The emergence of property developers in the inner city has been as the result of their ability to develop small residential units of about 12 – 15 square metres in order to reduce costs and make projects feasible (Massyn *et al,* 2015). The rise in demand for student and rental accommodation in the inner city has contributed to developers experimenting with new measures such as creating communal facilities (cooking and ablution) and internal dry walling (Massyn *et al*, 2015).

3.3.3 Small-scale Developers as Property Entrepreneurs

The concept of a small-scale developer has a different interpretation in the South African context based on whether one views the phenomena from a formal or informal property market point of view. Joseph (2015) notes that the formal property market remains out of reach for many South Africans which has led to a growing small-scale rental market.

Small-scale developers in the South African context are increasingly being recognised as entrepreneurs (Urban Landmark, 2006; Mphigalale, 2015). Urban Landmark (2006) categorise these entrepreneurs as “small-scale landlords’’ who are investors, earning incomes and realising profits while also supplying and managing affordable rental accommodation for other low income households. Mphigalale (2015) identifies small-scale developers as ‘’ emerging entrepreneurs ‘’ who enter the housing market as start -up initiatives due to an existing market gap in affordable housing.

FinMark (2006) defines a landlord as someone who has rights to a property and rents it out to another person. Small-scale landlords are individuals or companies who rent out anywhere between one and one hundred units or may rent out units in up to three buildings. It has been established that different types of landlords operate in the inner cities and townships of Gauteng however few studies have been carried out on the nature of these developers (FinMark, 2006).

In a study carried out by Shisaka Development Management Services in 2005 and 2006 in the two inner city areas of Johannesburg and Tshwane, it was identified that there are five categories of small-scale landlords.

Type of Landlord	Function
Sub- letter landlords	Are mostly tenants and sublet a portion of the unit to someone else
1 Unit landlords	Own a single unit which they rent out
2 Unit landlords	Own between 2 – 200 units which they rent out to tenants
Building Owners	Own a building with rental units that they rent out to tenants
Managing Agent	Landlords do not have a direct relationship with tenants

A major finding from the study was the evidence of a mix between landlords motivated by earning an income and landlords who want to invest, take risk and expand their portfolios (FinMark, 2006). It is then important to make the distinction between the business of a landlord and the business of a developer. The landlord owns the asset (building) while the developer oversees the development process that creates the new asset. It can be argued that this distinction is becoming blurred in practise

A study done by McGaffin *et al* (2018:1) refers to small-scale developers as micro developers that "have responded to the scarcity of affordable housing by producing low income housing stock." The study profiles 10 developers operating in two residential townships of Delft South and Illitha Park in Cape Town. The findings of the study are that there are two categories of micro-developers. The homeowner developer "develops rental units on their own properties for the purposes of expanding their accommodation and supplementing their income" (McGaffin et al, 2018:158). The enterprise developer "has a commercial interest in the project as a business venture and aim to learn and repeat these ventures" (McGaffin et al, 2018: 158).

TUHF characterises small-scale developers as entrepreneurs that seek to start small and increase the size of their portfolio through experience. TUHF 's approach to small-scale developer clients is to facilitate their growth from being part- time property entrepreneurs to full time property entrepreneurs. In the South African context, the small-scale developer is a complex phenomenon which cannot be reduced to a single definition but rather can be characterised according to the notion of entrepreneurs.

3.4 Municipal Instruments and Developers in the City of Johannesburg

This section describes the interaction of the City of Johannesburg with small-scale developers through looking at development contributions in the South African context. The section will also explore the various municipal instruments that have been utilised by the City of Johannesburg in shaping and regulating the market through the Corridors of Freedom initiative and proposed Inclusionary Housing Policy.

3.4.1 City of Johannesburg 'Planning' Toolbox

Brown- Luthango (2015) notes that densification and infill development have been a main component of the policy discourse since independence however implementation has been inconsistent. For the purposes of this research it is important to give a brief overview of the instruments (spatial plans and policies) which shape Johannesburg 's spatial landscape. Harrison (2017) notes that City of Johannesburg's planning policy is guided by a hierarchy of spatial plans that comprise of the Growth Management Strategy, Spatial Development Framework (SDF), Corridors of Freedom (COF) and Strategic Area Frameworks (SAF).

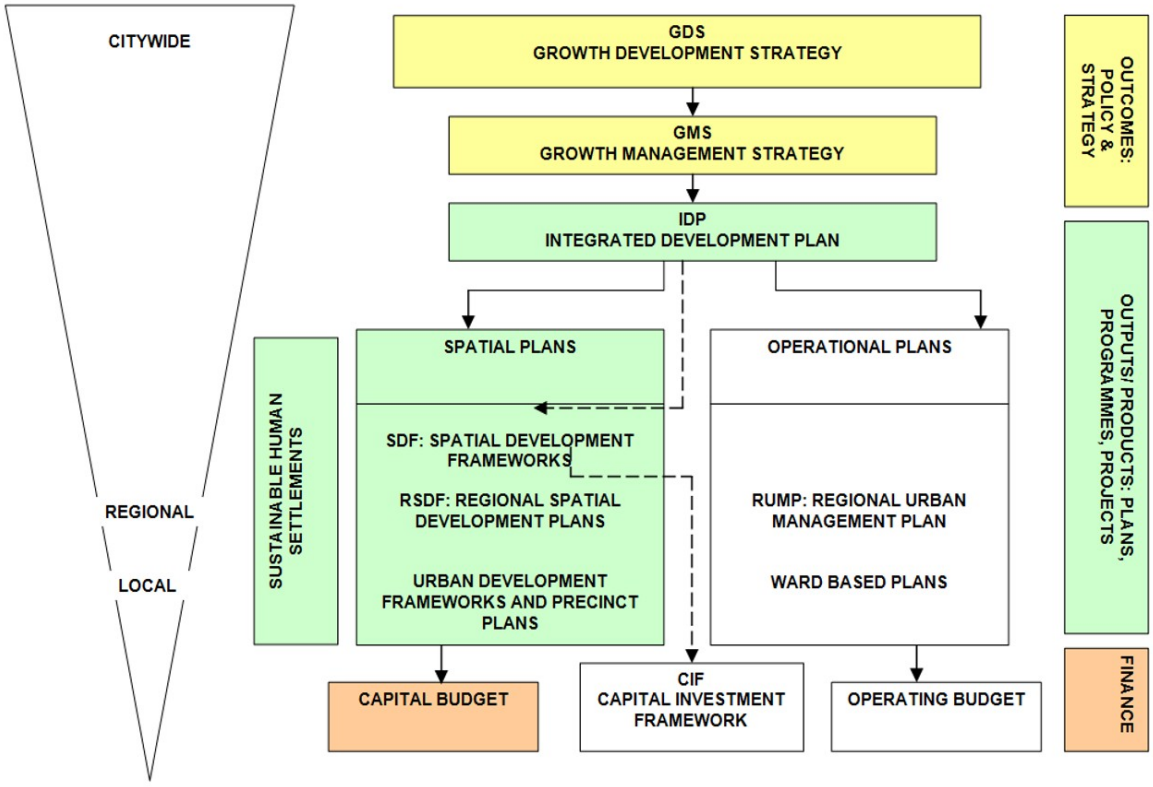


Figure 3:6 Hierarchy of spatial plans and policies in the City of Johannesburg (Klug, 2015)

The SDF is the most important regulatory tool available to municipalities as it gives direction for more detailed spatial frameworks by guiding spatial development and land use decisions taken by municipalities (COJ, 2016; Harrison, 2017). The SDF for Johannesburg 2040 is a "city-wide spatial policy document that identifies the main challenges and opportunities in the city, sets a spatial vision for the future city, and outlines a set of strategies to achieve that vision" (COJ 2016: 12). The SDF aims to ensure that further development in the City of Johannesburg is strongly led by the availability of infrastructure to a transformed spatial vision which is built around a compact city model and efficient urban form.

The SDF for Johannesburg 2040 acknowledges that the challenges that exist in the Inner City range from limited affordable housing, 'bad' buildings, crime to limited social infrastructure (COJ, 2016). The spatial policy document further affirms the importance of the Inner City Transformation Roadmap and Inner City Housing Implementation Plan (ICHIP) in tackling these issues.

Inner City Housing Implementation Plan (ICHIP)

ICHIP is a "proposed housing strategy and implementation plan for the Johannesburg Inner City (2014-2021) that takes into account all sectors of the housing market and the needs of all income groups with an emphasis on the poor" (City of Johannesburg Housing Department & Johannesburg Development Agency, 2016:1). ICHIP is a multi-department and multi-entity supported response to the challenges of urbanisation within the inner city. ICHIP has been formulated for City of Johannesburg Housing Department, City of Johannesburg Social Housing Company (JOSHCO), JDA and City of Johannesburg Department of Development Planning.

The Plan focuses on three primary objectives;

- Establishing Public – Private Partnerships with developers, banks and social housing institutions
- Improving provision of temporary emergency accommodation
- Addressing bad/hijacked buildings within the inner city

According to ICHIP (2016), two pillars of implementation will guide the housing programmes, namely housing delivery which is focused on increasing supply of accommodation and housing facilitation which draws together all the programmes required to establish a platform for housing delivery to take place. ICHIP consists of six delivery programmes and five facilitative programmes. This section shall focus on the Private Sector Rental Delivery Enhancement programme and the Municipal Process Facilitation and Housing Support programme as this section has a focus on understanding the policies and plans that are currently active in supporting small-scale developers.

ICHIP acknowledges that small-scale landlords struggle to access finance from financial institutions particularly as a result of lack of access to equity. The Private Sector Rental Delivery Enhancement programme aims to support small-scale inner city landlords with portfolios of less than 500 units to acquire, refurbish and manage affordable housing stock. The targeted areas for this intervention are Bertrams,

Yeoville, Bellevue, Bellevue East and Jeppestown. The support provided by this programme is the provision of City owned or acquired buildings to previously disadvantaged small landlords. Secondly, the programme establishes a Fund to provide equity to these developers whereby the overall purpose of the programme is to provide support to this emerging sector by providing in R10 million in capital grants to finance 20 new BEE landlords per annum (City of Johannesburg Housing Department & Johannesburg Development Agency, 2016). The JDA Development Facilitation Unit facilitates the implementation of this programme through engagements with TUHF and the Gauteng Partnership Fund (GPF).

The Municipal Process Facilitation programme aims to facilitate incentives and enforce by-laws in order to streamline housing delivery and densification in the Inner City (City of Johannesburg Housing Department & Johannesburg Development Agency, 2016). According to ICHIP, one of the procedures to facilitate densification would be through streamlining planning applications with attention on residential 1 property. With regard to zoning, the emphasis would be on addressing the backlog of properties that still need to be rezoned from commercial to residential. COJ Housing Department and COJ DDP facilitate the implementation of this programme.

3.4.2 Market Regulation Instruments: Land Development Applications

The ‘planning toolbox’ available to City of Johannesburg Department of Development Planning (COJ Planning) enables the municipality to regulate and manage land use and development with respect to policies and legislation governing the spatial landscape of Johannesburg. Furthermore, the ‘planning toolbox’ enables COJ Planning to facilitate the submission of development applications by developers. Town planning schemes regulate aspects such as possible land use, floor area, coverage, building lines and parking provisions. Development of properties within the built environment of Johannesburg is regulated by zoning as contained in the Consolidated Town Planning scheme of Johannesburg (COJ, 2015). One of the limitations of the multiple town planning schemes that governed different areas of Johannesburg before the implementation of a consolidated town planning scheme was that it became confusing to developers and administratively complex (Charlton, 2008).

Therefore, land development applications made by developers to municipalities seek to:

- Rezone land
- Amend or remove the restrictive conditions within the title deed
- Gain the municipality's approval to proceed with a development

When submitting development applications, a developer is expected to pay an application fee upon submission which does not necessarily ensure that the application will be granted (SAPOA, 2015). The different types of applications that may be made by developers to COJ include:

Type of Application	Explanation of Application Type
Rezoning	An application for rezoning has to be submitted to the municipality in order to change the purpose for which the property can be used
Consent Use Applications	An application for consent use for additional land use rights on properties
Removal o f Restrictive Title Conditions	This application removes certain conditions stipulated in the title deed. Examples include specific parking requirements, height requirements of buildings
Consolidation	A developer may consolidate / merge two or more erven to create one erf in order to erect a building over both properties
Subdivision	A developer may seek to divide one parcel of land into two or smaller parcel. Each parcel created is given a separate land title.
Building line relaxation	The function of a building line is to discourage buildings from being erected too close to neighbouring properties or the road

(SAPOA, 2015)

According to SAPOA (2015), property developers' main concerns involve the costs associated with property development such as planning application fees and building

plan fees when calculating the financial feasibility of a development. In a study done to determine how easily municipal fees relating to property development can be obtained from municipalities across South Africa, it was established that obtaining the relevant fees required to compile a feasibility study proved to be a challenge (SAPOA, 2015).

From the developer's perspective, it is being increasingly recognised in the inner cities of South Africa that brownfield or infill projects are more challenging to execute as they incur higher development costs due to multiple landowners which makes land assembly difficult (Hogarth 2015; Harrison 2017). Hogarth (2015) notes, that delays in planning approvals have negative effects on the business model of affordable housing developers which require quick execution. The rationale is that delays in planning approval processes increase the developer's risk and extend the length of the project which results in increased costs of development (Hogarth, 2015).

It has also been identified that lack of access to information relating to market demand and type of housing required by different households in an area creates barriers of entry for new and smaller developers.

3.4.3 Property Development Contributions

Developer contributions are "financial contributions payable by an applicant whose township is proclaimed or rezoning approved and which have the effect of increased usage of any of the services provided by the Municipality" (CityScope 2012: 1). Bulk services include water reservoirs, electrical installations, sewerage treatment and works, roads and storm water (SACN, 2015). Internal services are services (water, electricity and sewerage facilities) which are installed by the developer to link their development with the municipal bulk services. COJ primarily has engineering services contributions and parks contributions which both make up the total developer contribution.

The City of Johannesburg 's Policy for Engineering Services Contributions for Roads and Stormwater deals with the financial contributions that must be made by developers who are granted enhance land use rights. The rationale is that there is a charge to increase these land rights which is paid to Johannesburg Water and City Power to

upgrade the bulk services to accommodate the intensification on landuse.

According to the Policy for Engineering Services Contributions for Roads and Stormwater (2014), COJ is responsible for providing a masterplan to applicants

(developers) indicating the development framework to serve the area. The developer in the application process may enter a deal with COJ to solely undertake the infrastructural improvements whereby the developer's cost in upgrading offsets the amount they have to pay for contributions. The costs of this arrangement may end up being more or less expensive than paying the amount which would originally have been calculated, alternatively the applicant can pay the amount calculated by COJ which would according to the policy be utilised in the impacted area of development (COJ, 2014).

There is also a parks contribution that may be made depending upon the extent to which land use rights are enhanced which is liable to go to Johannesburg City Parks which must then build parks within that particular area. The calculation of developer contributions in City of Johannesburg is dependent upon a formula "which multiplies a standard 'unit of impact' of a specific land use with a unit cost to produce an amount per service (e.g. water or electricity), which are summed together to obtain the developer contribution" (Graham and Berrisford, 2015: 9).

An ongoing argument against developer contributions relates to the methodology being applied in South African municipalities to calculate the charges (Savage, 2009; SACN, 2015). SACN (2015) notes that the method of calculation should be interrogated and corrected to ensure affordability. Developer contributions affect different types of developers differently and it has been stated that in the South African context, these contributions are making it difficult for new and small-scale developers to enter the property market while continuing to exclude previously disadvantaged groups (SACN 2015b).

One of the positions surrounding developer contributions in Johannesburg and South Africa as a whole has been that the money collected by municipalities from developers has to be ringfenced to be used in that specific area where the intensification of land use would be occurring (Todes, 2012; Graham and Berrisford, 2015). The rationale for this argument is that developers need to be able to see their contributions being used as intended. In practise however, it is argued that it has been difficult for municipalities

to apply spatial ringfencing due to the fact that infrastructure networks are integrated across multiple areas.Savage (2009) notes that municipalities in South Africa are under pressure to mobilise finance to meet infrastructure investment requirements. The challenges facing City of Johannesburg and other municipalities emanate from the fact that the cost of bulk services is expected to increase which results in consumers having to pay more in household rentals (SACN, 2015). This challenge is compounded by the statistic that municipalities are under-recovering revenues from development charges, amounting to between R487 million and 4.7 billion per year (Savage, 2009). It is important for this research to uncover how developer contributions affect the small-scale developer and the perspective of city officials in understanding the challenges that COJ faces in the application of the instrument.

3.4.4 Market Shaping and Market Stimulating Instruments in the Inner City and Corridors of Freedom

SACN (2011) states that South Africa has used incentives since 1994 as the state has to assume an interventionist role in urban development to restructure the post-apartheid city. Incentives have been applied in three urban development contexts in South Africa which comprise the inner city, greenfield sites and townships. The focus of the research is on inner city areas and this subsection will provide reference to market stimulating and shaping instruments that have been used by COJ Planning to support small-scale developers.

Ovens et al (2007) as cited by Charlton (2008) note that COJ Planning has made attempts to shape the property market by influencing developer decision making to invest in strategic areas by packaging and planning at Gautrain Stations and more recently the Corridors of Freedom. The UDZ is a national tax incentive that seeks to stimulate the property markets of the inner cities of South Africa and COJ has utilised this incentive to attract private developers in the inner city of Johannesburg. The Urban Development Zone tax incentive is a “mechanism aimed at facilitating urban regeneration by encouraging private sector led residential and commercial development in inner city areas within existing public transport infrastructure” (SACN, 2015b: 7).

The Corridors of Freedom is a flagship project that seeks to restitch the post-apartheid

city along mass transit movement lines (Empire -Perth, Louis Botha and Turfonttein) in order to create housing, jobs and social opportunities which are in close proximity with each other. Harrison (2017) highlights that COJ Planning has the aim of encouraging the private sector to perform an active role in the development process by offering cost cutting incentives in order to reduce development costs for developers.

3.4.5 Capacity Building Instruments: Trust for Urban Housing Finance, City of Johannesburg Department of Development Planning and Johannesburg Development Agency

Municipal agencies (COJ Planning and JDA) have engaged in capacity building through engaging with key stakeholders from the financial sector (TUHF) in order to attract or invite prospective developers into the Corridors of Freedom and inner city neighbourhoods. A memorandum of understanding between COJ, JDA and TUHF is built on the foundation of facilitating an enabling environment in order to jointly improve the rate and scale of inner city rejuvenation and Corridors of Freedom to develop affordable urban neighbourhoods (Molema, 2016).

A pilot workshop between TUHF, COJ Planning (City Transformation directorate and Land Use Management Directorate), JDA, investors and small-scale developers and landlords was held in late 2017 with the aim of simplifying the development application process for small property developers by the sharing of knowledge among all stakeholders (TUHF, 2017). It was agreed that COJ Planning, JDA and TUHF would work collaboratively to facilitate and streamline the development application process and the loan application process for the Inner City Eastern Gateway and Corridors of Freedom in order to support small-scale developers.

3.5 Residential Property Finance and Small-Scale Developers

The section gives a contextual background of the financing products that are available to prospective developers in the inner city. This involves describing some of the reasons why commercial banks are risk averse to providing loans that fund rental development. The section concludes by highlighting the financial products being delivered by the Gauteng Partnership Fund (GPF) and TUHF to fund affordable rental housing in the inner city.

3.5.1 Risk Averseness of Commercial Banks to Fund Affordable Housing

Ever since the urban decline in the 1970s, the inner city has been largely redlined by commercial banks due to the inner city grime and crime which has largely affected small-scale developers who are looking to develop in the area. Traditional banks place emphasis on the developer when evaluating lending criteria for loans. Property Professional (2015) notes that developers looking to acquire finance to build, hold or rent out in South African residential property markets are struggling to get funding from commercial banks due to:

- Residential developers defaulting their loans after the financial recession which resulted in tighter policies being implemented by banks.
- Banks being risk averse to loaning finance to developers who have not built a portfolio of properties, thus are less likely to loan to smaller developers.
- Banks are wary of residential rental markets because pre-let agreements are difficult to obtain and since residential leases are usually 12 months long.

Based on these factors, smaller developers are more likely to struggle to obtain funding from commercial banks and therefore financial products tailored for small developers have been limited. TUHF has a specific focus on declining inner city areas which would otherwise be considered by traditional banks as being risky investments.

3.5.2 The Role of TUHF in Financing the Inner cities of South Africa

TUHF was established in 2003 as a result of the founding members and directors spotting potential in the abandoned infrastructure of previously popular inner city neighbourhoods such as Hillbrow and Yeoville (TUHF, 2016). In over 15 years, the vision has grown into five branches operating across all eight South African metropolitan municipalities with a R 2.469 billion loan book (TUHF, 2017).

> "We provide access to finance to people with passion, potential and integrity for purchasing, converting or refurbishing buildings in the inner cities of South Africa. Our hands-on approach and specialised knowledge of the complexities of inner cities enables us to empower our clients to catalyse the regeneration of our neighbourhoods
> and communities."
>
> (TUHF 2016: 1)

TUHF has a commercial profit mandate and secondly a developmental mandate

whereby through providing access for the refurbishment of inner city residential property, positive impacts would result in job creation, urban regeneration and local economic development (TUHF, 2016). Since inception, TUHF ‘s focus has been mainly in the rental housing space due to there being great demand in this market particularly in inner cities.

Massive Small to combat Urban Sprawl

TUHF favours an urban densification approach that focuses on infill development, reuse and conversions of buildings in order to increase inner city density (TUHF, 2016). This urban densification approach is premised on taking advantage of existing service and administrative infrastructure as opposed to greenfield developments that require the installation of new infrastructure. TUHF prefers the massive small approach that entails urban densification occurring on the scale of hundreds of thousands of units coming from smaller projects which increases access to numerous property entrepreneurs to take up opportunities (TUHF, 2018).

Character based lending approach and TUHF property entrepreneurs

The concept of small-scale developers being recognised as entrepreneurs can be viewed through the lens of TUHF. For TUHF, the property entrepreneur is the ordinary citizen taking up an opportunity in their street and neighbourhood to build a property. These entrepreneurs are both old and young men and women, educated or uneducated and TUHF provides support throughout the property development process (TUHF, 2016).

TUHF looks for certain characteristics that make up a property entrepreneur when evaluating potential client’s applications:

- An honest and reliable character
- The entrepreneur has a solid knowledge of the inner city area in which they want to invest
- The entrepreneur must have an interest in urban regeneration
- Confident in attaining profits from their business

Traditional banks place emphasis on the developer when evaluating lending criteria for loans. TUHF has a character based lending approach whereby the institution looks at the person before the project. in particular if the applicant understands the context of the area they want to develop in (TUHF, 2016). When deciding a loan application, TUHF places emphasis on the entrepreneurial character and competence of the individual (TUHF, 2016).

Types of Finance

TUHF has a variety of products and services that cater for supporting property entrepreneurs seeking to enter property development. When considering a loan application, TUHF looks at the collateral value of a building and lends up to 80 percent of the total project cost value, and the entrepreneur contributes 20 percent of their own equity money (TUHF, 2016).

TUHF offers property finance, Intuthuko Equity fund and bridging finance. Property finance is provided for the delivery of small semi-detached houses to buildings with multiple units. This finance covers developments that comprise of conversion of office buildings to residential, construction of new build, conversion and refurbishments among a variety of options (TUHF, 2016). The loan is repaid over 15 years with a 20 percent equity requirement and if a potential developer has no access to 20% equity, TUHF has formed the Intuthuko Equity fund.

The Intuthuko Equity fund “supports previously disadvantaged populations in selected lower income populations to enter the residential property market by contributing equity requirements necessary for a loan approval” (TUHF, 2018; 15). The fund aims to support individuals seeking to enter property development but do not have access to the required equity of 20% to contribute. Bridging finance covers short term loans which are necessary for property developers operating in the inner city to acquire rate clearance certificates from the City of Johannesburg and transfer transaction costs (TUHF, 2016).

3.5.3 The Gauteng Partnership Fund: Funding Affordable Rental Housing

The Gauteng Partnership Fund (GPF) was launched in 2002 by the Gauteng

Department of Housing to address funding challenges in the affordable housing sector (Government Digest, 2013). This has been through providing funding and support to investors, rental housing entities, companies and individuals involved in the delivery of rental housing in the affordable housing sector (GPF, 2018).

The financial model used by the Gauteng Partnership Fund is premised on risk sharing and co-funding with prospective funders. The GPF has a spatial targeting component aligned to its funding requirements. The GPF only funds inner city refurbishment projects, conversion of offices to residential units and greenfield developments for affordable housing (Government Digest 2013). The Gauteng Partnership Fund in partnership with the National Housing Finance Corporation has formed the Entrepreneur Empowerment Property Fund (EEPF). The EEPF is an incubator program that is aimed at previously disadvantaged individuals who encounter challenges of lack of skills and access of capital to enter the property market (Government Digest, 2013).

The programme provides hands-on training and guidance to identify projects, to understand how interest free loans work and how to access them (Entrepreneur South Africa, 2013). According to GPF (2018), potential projects should be in priority areas identified by municipalities for development such as for example the inner city of Johannesburg. Each project should have a minimum of 15 housing units and should cater for households earning R3500 – R15000 rands which represents the affordable housing segment (GPF 2018).

In conclusion, access to funding for small-scale developers is difficult as there are few role-players delivering financial products tailormade for these individuals or companies. GPF, TUHF and the National Housing Finance Corporation have been the prominent funders in the inner city of Johannesburg.

3.6 Conclusion

The chapter has reviewed the background of small-scale developers, municipal agencies and financial institutions operating in and around the inner city of Johannesburg. The chapter firstly uncovered that the growth in South Africa's residential property market is fastest in the properties valued under R600 000. The inner city property market since 2000 has experienced a shift from refurbishments to the conversion of office and industrial buildings for residential use which has led to the emergence of property developers in the affordable housing segment. Secondly, in the South African context, the small-scale developer is a complex phenomenon and recent studies have begun to portray them as entrepreneurs seeking to enter the development industry. Thirdly, City of Johannesburg and other agencies have experimented with various market stimulating and market shaping instruments to attract and support developers operating in the Corridors and Inner City.

CHAPTER 4 : RESEARCH METHODS

4.1 Introduction

This section outlines the research methods that were used in order to answer the research question and subsidiary questions. The research aims to acknowledge the diversity of developers in their approaches and the notion that each project undertaken by the respondents is “a standalone production in an ever-shifting context (market, planning, built environment and finance) requiring an assemblage and management of resources” (Coaicetto and Bryant, 2014: 307). This approach to the research forms the foundation for a more detailed inquiry into the challenges and opportunities facing small-scale developers in differing urban contexts.

4.2 Case Study Method

Yin (2003) asserts that the case study research design is more appropriate for answering qualitative research topics that seek to answer ‘why’, ‘how’ and ‘what’ context specific research questions. The research is exploratory and has a specific focus on uncovering how small-scale developers are supported by municipal agencies and financial institutions in the inner city of Johannesburg.

The rationale for using the case study method is to allow for a deeper inquiry into the challenges faced by small-scale developers in acquiring development approval , and development finance and how they are supported by the City and TUHF. Yin (1984: 23) notes that “a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context when the boundaries between phenomenon and context are not clearly evident.” One of the main advantages of the case study research design is that “it generates an in-depth, context specific information and knowledge on the challenges and realities present in various local urban contexts” (Campbell 2003: 5).

Campbell (2003) argues that urban planning researchers rely heavily on the case study method as it is a tool that gives a rich narrative of the complexity of urbanism. According to Coaicetto (2006), property developers combine the various elements that make up the development process which are primarily the site, acquisition of finance, the design, planning consent and building contractor to maximise a return.

The case under examination for this research are small-scale developers in the inner city, their challenges and how they are supported in the property development process. Yin (2003:14) states that “researchers should constantly check and recheck the consistency of findings from different as well as the same sources.” This would allow the research to gain a more nuanced view of the phenomenon of the small-scale developer and the challenges they face in the development process in acquiring finance and gaining development approval. Due to the short time frame of the research, the unit of analysis are interviews with individuals who have worked extensively with property developers in the inner city and the CoF.

4.3 Research Techniques

This section focuses on the research techniques utilised in the research which include the sampling process and data collection techniques. In addition, the section outlines how the information acquired through data collection was analysed in relation to answering the research question and subsidiary questions.

4.3.1 Sampling process and size

The research had a total of 14 participants and purposefully identified COJ Planning, JDA, TUHF as key respondents due to their involvement with property developers in the inner city. Due to the exploratory nature of the research, snowball sampling was used to identify other participants that have been directly involved with small-scale developers in the inner city. Atkinson (2001:1) describes snowball sampling simply as “identifying respondents who are then used to refer researchers onto other respondents.”

Preceding the research fieldwork, I had a meeting with the Development Impact Co-ordinator at TUHF to fully describe my research and my fieldwork. It was identified that I would interview three respondents from TUHF due to their involvement with small-scale developers in various aspects of the development process. These include a Liaison Officer, Portfolio Manager and Loan Officer. I asked each of the TUHF participants about any potential respondents that would match the criteria for this research and the TUHF Portfolio Manager referred me to the Johannesburg Property Owner Managers Association (JPOMA). JPOMA is an institution operating in the inner city that represents

property developers and I got into contact with the manager and managed to interview her as part of the research.

The research interviewed two officials from COJ Planning. However, after repeated attempts to hold an interview with the JDA official, I was unsuccessful as the prospective participant was extremely busy with their work and was unable to find the time to set up a meeting. The research mitigated the information required by relying on previous research (Molema,2016; Chiwetu, 2017) that explored the role of the JDA in bridging public and private sectors in the development corridors, In addition, I was fortunate to be assisted by the JDA official in identifying a Johannesburg Property Company (JPC) official who has been working in the inner city as part of a task team working on facilitating the delivery of housing and a COJ Housing Department official working as part of an inner city housing task team. However, an interview with the COJ Housing Department official did not materialise due to unanswered emails.

According to Bhattacherjee (2012: 66)," we cannot study entire populations because of feasibility and cost constraints, and hence, we must select a representative sample from the population of interest for observation and analysis." A sample size of 10 developers was decided at the beginning of the research to show the commonalities and differences in the challenges being faced, support being received, and strategies utilised by developers in raising finance and gaining development approval.

The rationale of defining a sample size of small-scale developers through TUHF is because TUHF is one of the major financiers of small-scale property entrepreneurs in the inner cities of South Africa. I only managed however to interview six developers through the snowball sampling approach as access to property developers operating in the inner city and CoF proved to be difficult without utilising existing networks such as TUHF, JPOMA, JDA AND COJ Planning.

The first agreement was that I would follow the site inspector from TUHF on his daily rendezvous meetings with TUHF clients whereby I would introduce the research as per ethical considerations and seek an interview. I managed to interview a married couple using this method, then I was fortunate to attend the two-day *TUHF Programme for Property Entrepreneurship (TPPE)* which had over 30 developers present. I attended it and introduced my research to various developers and got contact details, however I

was only able to secure another three interviews out of seven developers I had contacted. The last two developers were identified through the JPOMA manager and the developers met the criteria of the research of having engaged with TUHF in order to get finance.

4.3.2 Data Collection

Bhattacherjee (2012: 94) states that the case study method can "help derive richer and more contextualized, and more authentic interpretation of the phenomenon of interest than most other research methods by virtue of its ability to capture a rich array of contextual data." Primary data was collected from fieldwork that occurred from August 2018 to October 2018. Primary data was collected through semi- structured interviews and participant observations of the two-day professional development course (TUHF Programme for Property Entrepreneurship) as discussed above. The fieldwork is supplemented by secondary data collection that includes the use of journal articles, policy documents, the internet and existing empirical research done on planning and developers.

Semi-structured interviews

The semi-structured interview is a qualitative data collection strategy in which the researcher asks respondents a series of pre-determined but open ended questions. Given (2008: 4) states that "the development of rich, relevant data rests on the interviewers ability to understand, interpret and respond to the verbal and non-verbal information provided by respondents." Interviews were 45 minutes to an hour long and these developed detailed insights into the property development process particularly because some respondents interviewed as part of the research have over 15 years' experience in the inner city.

Three separate generic interview guidelines were generated and adapted for municipal officials, TUHF participants and small-scale developers (see Appendix C). The interview guidelines respond to the research's aim and objectives (see Chapter 1.4) and the interviews were structured to elicit responses based on:

- The personal background of the developers of how they got involved in property development, the types of projects they have been involved in and the challenges they have faced. The strategies utilised for raising finance and how they got involved with TUHF. The interviews were structured to reflect the developer's attitude towards COJ Planning's spatial vision of densification and affordable housing and to uncover the support that is currently being provided to small-scale developers in the property development process.
- For city officials, the focus was on how COJ Planning and JDA differentiates the various developers operating across Johannesburg. The interviews also explored the policy instruments available to planners to support the growth of small-scale developers and the challenges being encountered by COJ Planning in implementing the available policy instrument.
- Understanding TUHF's role in the development of the inner city of Johannesburg, the types and kinds of developers being supported by TUHF and how TUHF supports small-scale developers. It also explored the characteristics of small-scale developers from the perspective of TUHF and the challenges and constraints they face in supporting them.

Participant Observations

Dewalt and Dewalt (2002: 92) note that "the goal for design of research using participant observation as a method "is to develop a holistic understanding of the phenomena under study that is as objective and accurate as possible given the limitations of the method." I had the opportunity of attending two days (29th and 30th of August 2018) of a professional development course for developers (clients) at the TUHF head office in Braamfontein where I observed the training of developers about the property development process.

I asked for permission from TUHF to attend the course and the developers were informed of the nature of my attendance and that I would be observing the training as part of my research. Laitinen et *al* (2014) note that participant observation gives a detailed and unique insight into an organisation. The rationale for attending the training was to gain a better understanding of how small- scale developers are supported by TUHF and this is explained further in the findings chapter.

4.3.3 Data Analysis

Leech and Onwuegbuzie (2007) explain that one of the most important steps in the qualitative research process is analysing data. The research utilised an inductive analysis and is defined by Thomas (2006: 238) as “approaches that primarily use detailed readings of raw data to derive concepts, themes, or a model through interpretations made from raw data by the researcher.” The rationale for using this approach is to develop a narrative by gaining an in-depth understanding of the experiences and views of the research participants (Thomas 2006).

Using Aronson’s four stage analysis method (1995), the first step involved manually transcribing each interview (audio recorded) according to the interview guidelines and securely storing each copy of the transcript. After the transcription of all interviews, I organised all the collected data according to the research questions (see Chapter 1) in preparation of data analysis. Secondly, key direct quotes from the interviews were identified and common ideas paraphrased. Quotations used in the research are carefully selected for being the most explanatory of my conceptual interpretation of the data and give effect to developing the narrative of the research.

Thirdly, themes emerging from the interviews were brought together to form a comprehensive picture of the information. By referring back to the research’s literature review, I was able to develop themes that would form a storyline. The research findings were structured broadly around three key themes:

- Developing a ‘Portrait of the Small-Scale Developer’
- The Challenges facing small-scale developers and how they are supported.
- Improvements needed to better support small-scale developers

Fourthly, the rationale for structuring the research findings in this format is to create a narrative that would help the reader to understand the process and the motivation for undertaking this research that seeks to inform a broader dialogue on devising strategies that will assist the growth of small-scale developers.

4.3.4 Research Limitations

The research acknowledges that the development application process entails the property developer having to engage multiple service departments within COJ

Municipality. However, the focus of this research was on the interaction of the developer with the planning department. One of the challenges of the research was setting up interviews with prospective respondents. Initially, a sample size of 10 developers was identified, however I managed to interview six. Given the small for sample of developers, the study is exploratory, suggesting some directions a more detailed inquiry into understanding the variety of property developers.

4.4 Ethical Considerations

According to Hickey (2018: 7), “research ethics provide a guideline or set of principles that support researchers in conducting research so that it is done justly and without harming anyone in the process.” Due to confidentiality agreements between TUHF and their clients, TUHF could not directly divulge any of the contact details of their clients to me. The strategies used to identify the small-scale developers have been indicated (see Chapter 4.3.1). As highlighted in discussion of data collection (see Chapter 4.3.2), my presence and objectives of attending the professional development course were made clear to the developers who had attended. Before undertaking fieldwork, I applied for and received ethics approval (please refer to all the documents in the appendix). A full explanation of the purpose of the research was made before the start of each of interview so that the respondents could make an informed decision to be a participant. Before each interview, informed consent was sought and recorded from the respondents to adhere to research ethical practices by:

- Making a commitment to explain the aims, objectives and procedures of the research to all research participants.
- To explicitly explain to all research participants that participation is voluntary and that they are free to withdraw from the research at any time without any explanation.
- To ensure that all research participants that agree to take part in the research complete an informed consent form
- To ensure that the privacy of all research participants is maintained throughout the research and any information shared to the researcher would be treated as confidential.

The research does not involve the participation of vulnerable groups and so before every research I would briefly explain the aims and objectives of the research and sought their approval to continue with the interview. All the research participants were informed that their name and other identifying information would not be included in the final report, unless the research participant explicitly agreed that they would like their name to be included. All research participants were informed about the timeframes of dissemination of the report and that I would share the final copy of the report.

4.5 Conclusion

The chapter has introduced the case research method that was adopted for the research. The chapter has illustrated the data collection techniques that were used to gather raw data for further analysis. The chapter has highlighted the ethical considerations considered during the conduct of this research. The following chapter shall present the research findings based on the fieldwork.

CHAPTER 5 : RESEARCH FINDINGS

5.1 Introduction

This chapter presents the research findings on uncovering the interaction of property developers with City of Johannesburg and financial institutions such as TUHF. The chapter is divided into three sections. Firstly, the chapter will present findings based on introducing the mandates of TUHF, COJ Department of Development Planning (COJ Planning), Johannesburg Property Owners Managers Association (JPOMA) and Johannesburg Property Company (JPC). The second section presents findings based on forming a portrait of the small-scale developer and uncovering the characteristics of a small-scale developer from the perspective of municipal agencies and TUHF. The third section seeks to unpack how small-scale developers are supported by financial institutions and municipal agencies and the challenges they encounter in the development application process. The final section provides the findings based on improving support provided to small-scale developers from the perspective of all the respondents of the research.

5.2 Introducing the mandates of TUHF, JPOMA and municipal agencies

In the interviews with the research participants from TUHF, COJ Planning, JPC and JPOMA, it was important to enquire about the mandates of their respective institutions or agencies in the inner city. This gives a broader picture of the work being carried out by financial institutions and municipal agencies and the relationships that exist between these actors in supporting developers.

5.2.1 TUHF: Financing Property Entrepreneurs in the Inner City of Johannesburg

interviews were conducted with the financial analyst, liaison officer and portfolio manager in order to grasp how TUHF operates as a financial institution. TUHF is structured around four main business units and the respondents are part of the Development Impact Unit. The Development Impact Unit of TUHF is concerned with product development which refers to any new business or potential areas of investment that can be added onto TUHF's existing property portfolio in the inner city.

The TUHF financial analyst highlighted that the Development Impact Unit runs internal training development for clients and then measures the impact of TUHF's investment in the inner city. The Research and Development Function manages the introduction of new pilot initiatives within TUHF's business and liaises with COJ at policy level through sharing information on potential nodal development areas.

5.2.2 Department of Development Planning (COJ Planning)

According to COJ Planning official 1, there are five directorates within the department whereby the City Transformation Unit formulates the spatial policy and plans for Johannesburg such as for example the SDF, precinct plans and plans for the development corridors. The role of the land use management directorate is to interpret these spatial plans and policies and apply them in the various contexts.

5.2.3 Johannesburg Property Company (JPC)

JPC is an entity of the city wholly owned by COJ which is responsible for managing the properties owned by COJ as a property agent. JPC undertakes facilities management and property management for COJ. JPC as a role-player in the inner city which manages state owned properties has recently formed an Inner City Unit which seeks to address the affordable housing shortages currently being faced in the inner city.

5.2.4 Johannesburg Property Owners Managers Association (JPOMA)

JPOMA represents Johannesburg inner city property investors and managing agents and property owners active in the inner city of Johannesburg. The JPOMA manager notes that about 15 years ago as the inner city was going into decline, four developers (AFCO, Cornwell Properties, Ithemba and Jozi Housing) moved in to start the affordable housing market. The main focus of the JPOMA Manager's role has been attracting the young, emerging market of property entrepreneurs who are focused on delivering affordable housing.

> "The then councilor asked the four developers if they could create an organization that could interact with Council instead of individually approaching Council so as to have one voice representing developers. It started off very informal, couple of meetings and then about 5 or

> 6 years ago, other members started to join and became more formalized and now we have 51 members including Johannesburg Housing Company and First National Bank. "
>
> (Interview, JPOMA Manager, 17 October 2018)

5.3 A 'Portrait' of the Small-scale Developer in the inner city

One of the challenging aspects throughout the research was defining the small-scale developer that operates in the Inner City. Both the researcher and research participants see that defining the small-scale developer in the Inner City requires forming a portrait that considers some of the characteristics that have been noticed by the research participants from their wealth of experience of working in the inner city and the Corridors of Freedom (CoF).

5.3.1 Developer Profiles

Five of the developers interviewed have financial arrangements with TUHF and hence have received debt finance to undertake their projects. Developer 2 had previously engaged with TUHF and noted that he did not get into any arrangements with TUHF however he was looking towards entering the inner city market. In order to have a better understanding of the six developers, the initial questions of the interview were structured to find out how these developers got involved in property development, how long they have been involved, the size of their firm, the types of projects they have been involved in and the strategies they have utilized to raise finance for these projects.

Length of period in property development

All six developers have been involved in property development for a period ranging from 12 to 20 years. This provided the researcher, the opportunity to investigate their experiences and challenges of how they begun in property development, and the methods and strategies they have utilized in the inner city to finance and undertake their projects.

Entry into property development

One married couple (Developers 1) have been involved in the property market as part time property entrepreneurs. Both husband and wife have full time jobs and over 15 years ago, they started buying flats and individual townhouses in which they resided in and around Johannesburg and then rented them out. The married couple have primarily focused on delivering affordable rental housing and noted that they once undertook a student accommodation project. The interview with the married couple was conducted at the premises of their current project which is being financed by TUHF in the Rosettenville Area and is a two storey townhouse being renovated. Rentals at the townhouse are expected to be in the range of R4000 – 5000 for two-bedroom units.

Developer 2 has an educational background in quantity surveying and has always worked closely with property developers which increased his exposure into property development. In order to facilitate his involvement in property development, he enrolled in a postgraduate diploma in Property Development at Wits University and has worked on a full time basis as either a consultant or employee of a property investment company. Developer 2 has been involved in property development for an excess of 15 years, firstly as a solo venture and now works as part of a firm that carries out projects. His experience ranges from retail, industrial parks and commercial office projects. Developer 2 has recently entered affordable housing development and is busy with two projects, one in the City of Ekurhuleni which comprises 250 residential type 1 units and the second project is a mixed use development in Lenasia. During the interview he expressed interest in undertaking affordable housing projects in the inner city in the future.

Developer 3 noted that his path into property development was a familiar one due to the fact that his family had always been involved in the property industry particularly the inner city and so his transition after his university education was a natural step for him. Developer 3 works alongside his brother and they run a family firm which has been mainly involved in inner city brown field and green field projects for affordable housing. Developer 3 has recently been scouting for new projects to undertake and notes that their affordable housing projects have been financed through TUHF and Gauteng Partnership Fund (GPF) which are the only financiers of affordable housing in the inner city.

Developer 4 has been involved in several businesses over the last 46 years. He has been part of a property development firm that has operated in the Kempton Park area

producing and specializing in the delivery of residential complexes. The firm is looking into expanding to deliver student accommodation as they have seen a gap in the market and so recently had engaged with TUHF to possibly look into entering the inner-city market.

Developer 5 got involved into property development about 12 years ago in a part-time capacity as a solo venture. Developer 5 started off by buying individual flats in the Yeoville, Berea and Bellevue areas and refurbishing them in order to rent out. Developer 5 has been involved in affordable housing development and is a TUHF client. His current project in Yeoville is valued at R2 million.

Developer 6 became involved in property development after he approached TUHF in 2008 for assistance in financing a project in the Bertram's area. The first project involved refurbishing a building into a student accommodation flat. After the success of the first project, he has since increased his portfolio and has founded a firm that operates in the inner city area. Developer 6 has primarily been involved in affordable housing projects in the Bertrams, Berea and Yeoville areas.

Financing strategies and the size of the developer firms

Developer	Financing Strategies	Size of Firm
1 (Married Couple)	At first, selling their small properties in order to finance new ventures. In order to achieve higher yields in property, they tapped into their pensions. They got into contact with TUHF in 2018 as they ventured into the inner city area	Married couple working together as a part time venture.
2	Financial leverage through debt financing from traditional banks by using equity of between 20 – 30%	Company has a number of divisions structured like subsidiary companies. The property development subsidiary has a

		complement of about 10 people. The company has a portfolio size of over 200 million rand which are mostly retail shopping centers.
3	Inner city financing through TUHF and Gauteng Partnership Fund	Firm operates a contractor model on a project to project basis where they bring in the contractor team when commencing a project. On a project they typically have about 50 people on site employed excluding professional services such as plumbing, electricity and engineers.
4	Initially debt financing and the firm now mostly uses its own money from its existing portfolio.	The firm offers in-house services that focus on planning, architectural concept and design, township establishment, rezoning applications, site development, construction and sales. The firm employs 315 workers where some workers are on a contract basis.
5	When he started around 2006, it was easier as he could go to the bank, get a loan, then after the introduction of the National Credit Act and global recession, banks tightened. During that period, he was working full time, and had started to build a portfolio, where his salary would pay for his expenses and save the profit from the properties. From 2009 until	He registered his firm in 2012 and initially had three employees that comprised himself, site manager and administrative worker at the office. The firm currently has 10 personnel that comprise of a couple of maintenance managers, rental managers and caretakers. The firm does not have its own development team but uses main and sub-contractors.

	2016, he bought properties using his own money. Current project in Yeoville being financed by TUHF and is worth 2.5 million rands.	
6	The founding owner approached TUHF for funding for the first project in 2008. The main strategy of the firm has been to save money from a successful project that is reaping rewards in order to finance another development. The rationale is to avoid looking for more funding finance.	The firm started in 2008 and currently employs about 14 people working on 10 affordable housing and student accommodation projects in the inner city.

Developers and Planner's perspective of affordable housing and densification

One of the assumptions of the research is that small-scale developers in the inner city area are more likely to be working towards the spatial objectives of COJ Planning. All six developers were questioned about how they relate with the spatial vision of affordable housing and densification. All the developers voiced their support for the need to supply and promote affordable housing and densification respectively in the inner city. It is also important to point out that TUHF's objective in the inner cities of South Africa is to contribute to the urban regeneration by the conversion and refurbishment of old housing stock into affordable housing rental stock. Therefore, individuals that get funding from TUHF must contribute to the densification and provision of affordable rental housing stock for the inner city market.



*Figure **Error! Use the Home tab to apply 0 to the text that you want to appear here.**3 Example of developer 1(married couple) project in Rosettenville (TUHF Site Inspector)*

> "All of our projects have been the refurbishment of existing buildings; we have not developed any new buildings or greenfield developments."
>
> (Interview, Developer 1, 25 August 2018)

> Our Berea building is the biggest with four storeys and 41 units. It is student housing accommodation that houses just over 80 students living in shared rooms with communal facilities. The other projects comprise 13 – 15 units and target the affordable rental housing market.
>
> (Interview, Developer 6, 23 October 2018)

> "So, my building is less than 20 units and does not need to comply with inclusionary housing component. Some of my flats in the inner city are R2000 per month and my self-contained bachelor flats, have gone down from 45 square metres to about between 18 – 25 square metres and there we can charge about R2500 per month. Yes, we are densifying, but to get R2100 per month, we need to go a lot smaller, quality may drop."
>
> (Interview, Developer 5, 24 October 2018)

Developer 2 as noted previously has been involved in mostly commercial and industrial park projects, during the interview, he aligned himself towards the city's vision of densification and provision of affordable housing by mentioning that there is a need to take advantage of the inner city as a lot of people need access to the city for employment opportunities hence directing energy into affordable housing would cut the costs of the

population moving from Johannesburg South to the CBD. Furthermore, it would provide the opportunity for capitalising on existing infrastructure capacity in the CBD.

The JPOMA manager indicated that the focus of JPOMA is affordable housing as 80 percent of its membership base is involved into affordable housing. The developers complained about the rates and charges as they strive to keep administrative costs such as electricity and water as low as possible as these additional costs are usually passed onto the tenant which alters the prices of rentals in the affordable housing market. According to the JPOMA manager, the price of bachelor flats range from R1800- 2500 whereby administrative costs would begin at R600.

> "Small-scale developers already owe the bank; you find the City (COJ) saying affordable housing but city charges are not affordable at all."
>
> (Interview, Developer 6, 23 October 2018)

Developer's concerns have been in reducing administrative costs in order to deliver affordable housing as the profit margins are tight. The interviews with the developers highlighted that the challenges of costs are that the small-scale developer still has salaries to pay employees, pay Council rates, paying back the bank and building maintenance which reduce the feasibility of projects. All the developers interviewed indicated that they required support from COJ in reducing administrative costs in order to continue delivering affordable housing products.

According to the planning officials, one of the major challenges facing planners is having uniformity of vision with bigger well-known developers to develop affordable housing products as they may be inflexible due to having perfected a specific design and business model that can be reproduced in any scenario.

> "The problem from a morphological perspective, you end up with a city that looks exactly the same, that does not comply to policy. These developers more than often incredibly difficult to convince otherwise."
>
> (Interview, COJ Planning Official 1, 10 September 2018)

The COJ Planning official notes that the approach to this challenge has been to engage developers in the CoF and illustrate through case studies and designs, that developers can still acquire profits and still obtain spatial objectives and goals of the city. From the planning official's perspective, this strategy was more receptive to the smaller developer who was new and flexible and required support and guidance from the Planning department.

The COJ Planning officials were asked about the potential role that could be played by small-scale developers in delivering affordable housing and it was noted that their flexible business models and incremental approach to developing is beneficial for restructuring the urban form of the city

> "Small-scale developers can play the biggest role in the spatial transformation of the city. What our Spatial Development Framework (SDF) is saying is that basically the type of development we want is rezoning of smaller properties and development of those. Massive small, if we want to build 300 000 houses in the city, we would rather have 10 000 developers doing 30 units each than 10 developers doing 30 000 units each because the smaller thing is more incremental and happens over time. Supporting small-scale developers influences the economy differently, instead of just concentrating on huge developers and influences the location of where we want to develop."
>
> (Interview, COJ Planning Official 2, 12 October 2018)

5.3.2 Characteristics of small-scale developers from the perspective of TUHF and COJ

Research participants from TUHF and COJ were questioned about their institutional definitions of small-scale developer. All the research participants experienced a challenge and difficulty in providing a definition of the small-scale developer, however after thought, the respondents gave accounts of what would comprise a small-scale developer based on their perspectives and experiences of working in and around the inner city.

'Client' Segmentation

TUHF differentiates the clients that form part of its loan book according to categories. TUHF has client segmentation into three categories which comprise "starter", "emerging" and "established clients". One of the main objectives of the research was to identify how

TUHF characterizes the “small-scale developer’’ and also establish how the financial institution differentiates the different developer clients that form part of its loan book.

> “Difficult to define but from TUHF’s perspective, a starter client means a new entry into TUHF’s business. You might have a portfolio of ten buildings and experience, but we label you as a starter, or you might be a completely new entry into the market with no experience. A starter client may have a portfolio size of less than 5 million rands. An emerging client has a property portfolio size of between 5 and 20 million rands and an established client has significant cash flow and an estimated property portfolio size of between 30 million and 100 million rand”
>
> (Interview, TUHF Portfolio Manager, 17 September 2018)

In the interviews with the TUHF financial analyst and portfolio manager, both respondents were keen to illustrate through the use of examples of that the client segmentation is a guide or set of ranges that helps TUHF group its clients and that it is difficult to accurately define the three categories of starter, emerging and established.

> “We have a different definition of small-scale developer as a “starter client” and is not an exactly nuanced definition. The starter client would be your small-scale developer starting out an investment project and the project maybe one or two projects below the value of 2.5 million rand and that’s what we would describe as a starter client.”
>
> (Interview, TUHF Financial Analyst, 15 August 2018)

According to the interviews held with the TUHF research participants, it was found that TUHF categorizes the small-scale developer as a “starter client” which loosely represents the small-scale developer and that the majority of TUHF’s clients are sitting in the ‘starter’ category which highlights the increasing support being provided to emerging property entrepreneurs.

Type of Development

Research participants from COJ Planning described the ‘small-scale’ developer according to the type of project they are involved in and both emphasized the need to appreciate different contexts. One of the major findings was that COJ Planning does not have a formal way of describing different types of developers but rather focuses on the types of development being undertaken by developers across Johannesburg.

> "We do not differentiate developers; we are more concerned about the development in itself. Our focus is not so much in understanding necessarily who the developer is, but what they are developing, where it is located and what would be the benefits to the City. In my personal opinion, no formal way of doing it, no way of saying what constitutes a big/ small/ medium development. It really is context dependent, what is a big development in the inner city might be a completely different scenario for arguments sake in the Randburg area. It really is contextual and there are the bulk/ coverage aspects of development, we do not look at the money aspects of it."
>
> (Interview, COJ Planning Official 1, 10 September 2018)

However, the COJ Planning officials were keen to give their own perspective on what would characterize the 'small-scale' developer based on their experience of working in and around the inner city area.

> "I would consider a small-scale developer, a person that is doing one building at a time, it might be a significant building and in a way, I might consider it a small-scale development. There is no definite definition for it."
>
> (Interview, COJ Planning Official 2, 12 October 2018)

> "Not to define from a monetary value, but from the perspective of the official, what I have been seeing as an official, are typically the guys that develop their own properties, that either do build in the backyard or convert into student housing. In terms of building size about three or four storey buildings at best. This is the way I would at least define it, there is no formal way for us to define it."
>
> (Interview, COJ Planning Official 1, 10 September 2018)

The officials did indicate that COJ Planning is still trying to focus on the individual property owners in the suburban areas (CoF) around the inner city to become developers in their own right. COJ Planning official 1 noted a trend of building conversions in industrial areas particularly from the inner city towards the south of Johannesburg and commercial warehouses being converted into residential components along Louis Botha Avenue towards the Kew Area

I also asked the JPOMA manager about how the organization characterizes small-scale developers operating in the inner city.

> "I would say anybody who has three buildings or less, but not big buildings so maybe 20 -30 units. That is what we would look at as a small developer. Our big guys, you are looking at a scale of around 5, 500 units in total."
>
> (Interview, JPOMA Manager, 17 October 2018)

Emerging Previously Disadvantaged Individuals

There is a growing recognition by TUHF, JPOMA and JPC to provide support for the growth of previously disadvantaged individuals in the inner city property market due to their potential for catering for the lower ends of the housing market. The Liaison Officer indicated a different perspective of the TUHF 'starter' client based on his interactions and role in working with 'starter' clients over the past 15 years. The Liaison Officer noted that the starter client category mainly comprises previously disadvantaged individuals who have just begun to enter the residential property market or might have been working as a caretaker in a particular building or as a plumber and now want to acquire skills to be able to manage their properties. The Liaison Officer highlighted the motivating factors that encourage previously disadvantaged individuals to pursue property development:

> "If you expose previously disadvantaged individuals to business, it becomes their livelihood, immediate consumption possibly and not so much long-term investment. It becomes a source of income to pay rent, buy food and necessities."
>
> (Interview, TUHF Liaison Officer, 15 August 2018)

> "As the JPC, we do deal directly with developers, we have worked with quite a number of developers as an entity. We have what we call a transformation strategy, where we look at the property market and we have seen how the ownership and participation is skewed. We are trying to realign that to make sure there is more youth participating, and women participating."
>
> (Interview, JPC official, 15 October 2018)

The JPOMA manager highlighted that the focus of her role has been assisting the younger populations, specifically the black emerging market who need support,

mentorship and assistance with the municipality. The increasing support being provided to emerging previously disadvantaged individuals has been due to the fact that they are providing affordable rental housing products and are catering for a gap in the market which has been redlined by investors and more prominent large scale developers that are focused on commercial projects.

5.3.3 What are the challenges of small-scale developers operating in the inner city?

Based on the international and local review of literature, one of the expected findings of the research was that the main challenges being faced by smaller developers are lack of equity and challenges in acquiring development application approvals from City of Johannesburg. The issue of equity repeatedly came up in all the interviews as all research participants indicated that lack of equity (20-30 percent of a project) hampers the ability of small-scale developers to qualify for debt financing from banks.

One of the major issues between developers and town planners has been the time it takes for development applications to be processed. Most of the research participants revealed that the turnaround times in the processing of planning approvals and building plan approvals affected developers particularly the small-scale developer as they are still liable for paying rates for holding the land.

> "There needs to be more interdepartmental coordination to avoid a situation where I'm going to ten different offices for stamps. We need a one stop shop."
>
> (Interview, Developer 3, 20 September 2018)

> "The affordable housing market margins are very tight and delays in approval of development applications results in extra costs increases of the project which results in the project not becoming viable as rentals may not increase in a weak economy. "
>
> (Interview, Developer 4, 29 September 2018)

> "As part of my heritage application, submitted my plans to Provincial Heritage Resources Authority Gauteng (PHRAG) after approval, the application goes to COJ where it might take between 12 weeks to three months. Three months for a building in the inner city where a building is empty, risks vandalism and hijacking and theft of pipes and three or four months with no rental is crippling."
>
> (Interview, Developer 5, 24 October 2018)

The COJ Planning officials acknowledged that the processes of getting planning approvals, legal administration and connections to water and electricity are lengthy however they provided a rationale for why rezoning processes may take as much as 18 months.

> "In the actual planning approval, one of the big things that makes it take longer is that you are getting an application that has to be circulated to Pikitup, Joburg Water among other entities which have to take the developer's application and consider it, give responses back and then the planner can actually assess whether it can get approved or not. The City has to do due diligence, so developers often say the process is hampering them but if the City just approved everything, there would not be enough water, electricity and densification would occur in areas that make sense. So, for us to ensure development occurs thoroughly, we have to do due diligence and as there is a balance about being thorough and quick."
>
> (Interview, Development Planning Official 2, 12 October 2018)

The review of international and local literature uncovered that development contributions have been a contentious issue between developers and municipal planning agencies. The COJ Planning official confirmed that parks contributions are not ringfenced in any area which means that if a developer densifies in a particular neighborhood, the park may not be built in the area. Another major issue has been the way in which the parks contribution is calculated. The parks contribution is not currently calculated according to land value hence in areas where land values are high, the developer would pay more for the parks contribution. The COJ Planning official noted that the effect has been that it ends up pushing developers onto cheaper land on the outskirts of the city where parks contributions would be lower which leads to urban sprawl. It was noted that there is currently a review of the developer contributions policy and this is likely to be changed or rectified so as to ringfence developments and rationalize the parks contribution calculation so that it is not calculated on land value. The policy review illustrates some of the measures being taken by COJ in order to make development more favourable.

Developer's Perspective of Challenges

Unexpectedly, all of the developers that were interviewed as part of the research had between 10 – 20 years of experience in property development, which provided the opportunity to enquire about the challenges faced by the developers throughout their

property development career. Challenges faced by the developers illustrated the complexity of the development process and covered aspects of the construction and building industry such as the management of contractors, inner city issues of crime, urban decay and municipal rates and charges which are considered to be expensive.

> "One of the challenges has been accessing information about COJ, to know which department to go to. How to access that particular information and know which office to go to. Major challenge was not knowing how City procedures work, needed assistance with that."
>
> (Interview, Developer 1, 25 August 2018)

> "Technical expertise and knowledge around the property development cycle is very capital intensive. Technical studies cost in excess of 2 – 3 million rand just for you to test whether a proposed development is going to work or not."
>
> (Interview, Developer 2, 5 September 2018)

> "Better and more efficient financing models. Urban decay and crime remain a key factor limiting expansion of urban renewal in the inner city."
>
> (Interview, Developer 3, 20 September 2018)

> "The National Credit Act (2007) is wonderful in a first world country, but South Africa has a different context where someone is blacklisted over a R200 non-payment, not because the bank does not want to but it cannot cause of NCA (2007). It works against the small developers, because of the default, banks protect themselves and they are too scared to risk themselves in that category of people earning R3000 and less. "
>
> (Interview, Developer 4, 29 September 2018)

Institutional Perspective of Challenges facing Small-scale Developers in the Inner City

The fieldwork aimed to elicit the perspectives of research participants from the institutions about the challenges being faced by small-scale developers particularly because these officials in varying roles have interacted with many developers as part of their duties and responsibilities of working in the inner city.

The COJ Planning officials and former city official highlighted information sharing as the support that is mostly needed by the small-scale developer. The former City official notes that the experience and skill set of the small-scale developer is generally more limited

than main stream developers who have focussed internal development professionals leading projects. Furthermore, it is noted that by the former city official that small-scale developers do not use a full team of professionals to interact with COJ and thus are more reliant on the Planning department for professional advice.

The TUHF Portfolio Manager acknowledged that small-scale developers struggle with challenges of experience, understanding and finance. Lack of experience occurs as a result of the potential small-scale developer not having worked in the inner city and lacking knowledge of property management. The second challenge of lacking understanding refers to how small-scale developers have difficulties in making financial calculations for deal appraisals and strategies of dealing with building hijackings in the inner city. The third challenge of personal finances is because traditional banks look at an individual's balance sheet before they loan money and the TUHF Portfolio Manager noted that generally small-scale developers have bad balance sheets which makes them a credit risk towards traditional banks.

The TUHF Portfolio Manager highlighted that inner city properties over the last decade have become more expensive which has affected the location of areas which small-scale developers would have the capacity to develop in. The resultant effect has been that it has become more challenging for the small-scale developer who wants to emerge in the inner city market.

> " In 2002, you could have bought a property for R30000 or maybe less , nowadays looking to 280 – 400000 rand per unit , difficulty for the new guy to enter the market hence they have to work in the inner city neighborhoods or suburbia of Betrams, Kensington , Brixton and Rosettenville."
>
> (Interview, TUHF Portfolio Manager, 17 September 2018)

The JPOMA manager indicated that some small-scale developers in the Yeoville area tend to have issues with heritage buildings that are over 60 years, however JPOMA manages to assist them through the heritage application process to the relevant departments at COJ. She also noted that there have been incidences of rogue organisations in the inner city area that prey on small-scale developers in order to get bribes out of them. Over the time she has been involved in the inner city, she finds that

small-scale developers are desperate for information and help as they regularly call her during the day asking for assistance. Uncovering challenges being faced by small-scale developers in the inner city is vital in order to understand the level and kind of support being provided by TUHF and COJ.

5.4 How are small-scale developers in the inner city supported?

One of the objectives of the research involved unpacking the ways in which small-scale developers are supported by municipal agencies. The interviews with the research participants were designed in order to enquire among the developers about the kind of support they have received from TUHF and COJ Planning and whether it was the right kind of support they needed. The interviews with the municipal and TUHF officials were intended to elicit responses on how municipal agencies and TUHF support small-scale developers in the inner city.

5.4.1 Stakeholder Collaboration

The notion of collaboration between institutions was a constant theme that kept arising in the interviews. According to the COJ Planning officials, the Memorandum of Understanding (MOU) that exists between COJ Development Planning, TUHF and JDA is based on sharing information in order to devise a process whereby development applications made by TUHF's clients can be fast-tracked in the priority areas such as the inner city and the corridors. Most of the developers noted that once they become TUHF clients, engagement with COJ Planning in the development application process became a bit easier as TUHF supports its clients throughout the development application process.

> "It has been encouraged through the MOU, that developers pitch up with clear concise development plans about what they want to do, have a discussion of possible interventions and actions. When they submit, there is already in principle, that support agreement from policymakers and that they also submit all their necessary documentation with the applications."
>
> (Interview, COJ Planning Official 1, 10 September 2018)

> "It was made easier by the fact that TUHF was at the forefront, it's a bit easier than when you are going on an individual basis. I had the assistance of the portfolio manager throughout the way."
>
> (Interview, Developer 6, 23 October 2018)

The TUHF Liaison Officer noted that TUHF has chosen to align itself with COJ in terms of understanding proposed developmental areas or precincts in order to acquire support for TUHF's property entrepreneurs along these development lines as a means of revitalizing in the inner city areas. From TUHF's perspective it is important for the institution to be aware of COJ's plans for housing and development in the inner city so as to tailor the right financial products for its respective clients. The JPOMA manager noted that JPOMA has a close relationship with TUHF since TUHF is a JPOMA member and most of the small-scale developers that interact with JPOMA come from TUHF.

The JPC official noted that there is an Inner City Partnership Forum driven by the Mayor whereby the COJ meets with a number of developers, facility managers, town planners and anyone involved in the property space where issues such as safety and waste management get discussed. According to the JPC official, JPC collaborates with different entities such as South African Institute of Black Property Practitioners (SAIBPP) which advocates for transformation in the property sector by driving SMME support. All the officials were keen to stress the importance that collaboration between different stakeholders holds in supporting small-scale developers in the inner city.

5.4.2 How do municipal agencies support small-scale developers in the inner city?

Municipal Agencies

COJ Planning official 1 noted that the Inner City Housing Implementation Plan (ICHIP) policy comprises different tools, plans, structures and mechanisms to assist different types of developers particularly, emerging young black developers to interact in the inner city. This is with reference to the Private Sector Delivery Enhancement programme and Municipal Process Facilitation and Housing Support programme listed under the strategies of the ICHIP. Interestingly it was highlighted that from a policy perspective, the policy does acknowledge that there are additional forms of development (small-scale

rental market) and landlords which have not been accommodated in previous policy platforms.

COJ Planning officials highlighted the importance of the SDF as a city-wide instrument that gives direction to all the spatial policies. COJ Planning is pursuing policy transparency in outlining the priority areas that the municipality is likely to invest in so as to push/encourage developers into these areas such as for example, the development corridors and inner city. One of the proposed initiatives by COJ Planning to be implemented around 2020, involves looking to merge all the inner-city spatial plans into a consolidated spatial plan.

In line with the policy aim of inclusionary housing, there is an incentive of density bonuses, whereby developers are granted additional rights to increase density on their site, if they have an inclusionary housing component of around 20 percent of the development. Another private sector incentive to be highlighted by COJ Planning Official 1 is the mayoral project that has resulted in the release of 71 council owned properties in the inner city to be developed by the private sector. According to the COJ Planning official, the arrangement is that there is a rental agreement for a certain period of years with the private sector to develop the buildings and pocket the profits and after the time period, the City then retains ownership of the converted building. However, what remains to be seen is whether small-scale developers would benefit from this initiative.

One of the main mechanisms to be formulated by the COJ Planning to support small-scale developers according to both officials is the Special Development Zone (SDZ) initiative. The SDZ initiative according to the officials has been a ground-breaking first for the City in assisting developers in the undertaking of bulk rezoning and technical studies in the Brixton, Orange Grove and Knowledge Precinct areas. One of the important findings of the research is that the SDZ initiative has recently got stalled due to concerns about infrastructure capacity in the areas. Upon further clarification, the concerns were as a result of whether City Power, PikitUp and Joburg Water would have enough capacity to undertake bulk rezoning for a whole area as opposed to individual rezoning of properties.

All of the developers interviewed for this research indicated that they have not yet received any direct support from COJ Planning. The developers also expressed that

they had difficulty accessing information from COJ which would contribute to lack of knowledge of procedures or product information and reinforces the earlier point made by planning officials for the need of increased information sharing.

> "You know about SDZs when you know about them, so there is no clear information of these products in the manner that this is how we are supporting smaller developers and this is how we are supporting larger developers."
>
> (Interview, Developer 5, 24 October 2018)

> "COJ is trying to incorporate standard procedures of getting developers to interact with the City before they submit their applications, before they have to undergo the massive uncertainties of the comments process. "
>
> (Interview, Development Planning Official 2, 12 October 2018)

The JPC Inner City Unit is aware of the challenges of access to information and attempts to engage with developers through the undertaking of roadshows in each region to make sure that people / stakeholders know how to communicate with COJ and how to access this information. COJ has also formed an inner-city office open to the whole inner-city which channels concerns and enquiries from developers and other stakeholders to the JPC official's unit.

.

> "One of the things identified is that a lot of inner city enquiries were all over, so we wanted to channel them through this office which organises them according to the relevant municipal entity."
>
> (Interview, JPC official, 15 October 2018)

Another way in which developers in general will be supported is through informal engagements between city officials and developers whereby the city officials are attempting to create a sense of certainty in the development application process and also give the small-scale developers professional guidance through these discussions.

Developers that were interviewed as part of the research were asked what kind of support, they would like to receive from COJ Planning. The responses ranged from the desire for less expensive rates from COJ, better access to information regarding the

spatial vision of the city and the tools that would help developers achieve them and streamlining of development applications.

> "Improvements are needed with regard to charges from the City, considering the small-scale developers are trying to enter into the property industry to provide affordable housing."
>
> (Interview, Developer 6, 23 October 2018)

> "I think COJ could promote the small-scale developers more in that they could say that they have a vision for densification and affordable housing and maybe we as small-scale developers can go through a fast-track process and have a dedicated office that does the approvals quicker."
>
> (Interview, Developer 5, 24 October 2018)

> "We required support with doing building plans, it takes a long time to do zoning, as we usually would have to wait 18 months."
>
> (Interview, Developer 1, 25 August 2018)

The research findings show that COJ Planning's focus has been formulating capacity building mechanisms between COJ Planning and developers in order to reduce risks associated with acquiring planning approval.

5.4.3 JPOMA: The 'voice' of the developers

The JPOMA manager highlighted that the organisation fights a lot to keep the administrative costs of developers down. When there is proposed electricity hikes, the organisation is first to reject the rate increases as these would impact the developers by forcing them to offset these charges onto tenants which distorts the affordable housing market.

> "Developing in town is a tricky one, JPOMA supporting smaller guys, bigger guys and the community as well. We get to speak to guys from Jozi Housing and Ithemba who then support us due to their vast knowledge and experience in the Inner City property market. "
>
> (Interview, Developer 5, 24 October 2018)

JPOMA manager noted that JPOMA does not offer any financial assistance to the smaller developers but provides them with mentorship and assistance with COJ. According to the JPOMA manager, there are two ways of mentoring that are in operation that are based on linking smaller developers with experienced actors. The first method relies on her experience of working for 15 years in the inner city and hence she can refer the small-scale developers to reputable contractors that may be experts in the inner city on contracting and utilities.

The second method is based on linking the bigger developers such as Jozi Housing, Ithemba and JOSHCO with small-scale developers. The big developers have to donate an hour a month in a mentorship capacity where they discuss any challenges or share information about the inner-city property market. Developer 5 has received help from this mentorship initiative and indicated in the interview that he would speak with representatives from Jozi Housing and Ithemba who would share their vast knowledge and experience of working in the inner-city context.

The JPOMA manager highlighted that the support that been provided by COJ Housing Department in the form of a newly formed Inner-city task team which is focused on projects teams in the inner city. According to the JPOMA manager, this task team is very dynamic in the sense that they assist JPOMA and the small-scale developers in pushing for the approval of town planning applications. I made several attempts to get in contact with the Special Task Team through the aid of the JPOMA manager however I was unsuccessful in my attempts to set up an interview.

5.4.4 Financial Institution support for small-scale developers in the City of Johannesburg

Most of the research participants highlighted the desire for traditional banks to start delivering financial products for small-scale developers in the inner city. The JPOMA manager highlighted that First National Bank had recently joined as a member as they have a property division. However, TUHF is the only major financial institution alongside the Gauteng Partnership Fund (GPF) that is currently providing financial support for small-scale developers in the inner city.

> "I hope that big banks like ABSA and FNB will start to develop small developers in the inner city."

(Interview, Developer 5, 24 October 2018)

One of the major objectives of the research was to understand how TUHF supports small-scale developers in the inner city. The three research participants from TUHF have distinct roles and responsibilities that support TUHF's "starter clients" throughout the property development process.

> "I provide the financial expertise on the business perspective of developing new nodal areas and development of small-scale developers through assisting with the policy framework that interacts with them such as the Inthuthuko Equity Fund. I also provide financial analysis on grants and deal appraisals whereby the predominant part of the role is new product development, which at this point is focused on green spaces and greening in social housing at small / medium scale developments."

(Interview, TUHF Financial Analyst, 15 August 2018)

> "I am the liaison officer in TUHF and have been working for TUHF and in the inner city for 15 years. The job description is to liaise between TUHF and any other stakeholder such as for example community groups and COJ. Part of my job entails handholding new emerging entrepreneurs who want to be financed for new projects but lack experience but possess and exhibit passion, desire, interest and little bit of understanding in the rental market. "

(Interview, TUHF Liaison Officer, 15 August 2018)

> "We are required to do a few things, but as a portfolio manager, I have a portfolio of clients that own buildings that are being managed. We do not manage the portfolio on behalf of the client , that is the client's responsibility, we manage cradle to grave in terms of TUHF's funding requirements which would be engaging an existing client , generating new transactions with new clients and due diligence on the client and portfolio. "

(Interview, TUHF Portfolio Manager, 17 September 2018)

Character Lending Approach

In order to understand in greater detail how TUHF as a finance institution differs from other traditional / commercial banks, it was important in the interviews to find out about TUHF's lending approach. TUHF is not a balance sheet lender but a character lender that focuses on the feasibility of a project whereby a potential client's proposal must be able to finance itself by covering the costs of rates, charges and property levies.

> "Traditional banks require 40%, TUHF has lesser equity requirements. In our first meeting with TUHF, they were very responsive not like the traditional bank where there is a lot of administration and ask too many questions. They just absorbed and listened and liked to interact with us. Also, they do due diligence for you, if you identify the property, they give you advice to say whether a development is feasible or not."
>
> (Interview, Developer 1, 25 August 2018)

> "My current building has been financed by TUHF. That is where the guys in town get their funding from. Spoke to them (TUHF) and took this deal to them, margins were a bit tight for them. As far as strategies are concerned, you never build a portfolio, if you do not loan money. Banks like TUHF are necessary in the inner city."
>
> (Interview, Developer 5, 24 October 2018)

The three TUHF respondents emphasized the fact that character assessments are done on potential clients due to the fact that TUHF wants people that are passionate about the inner city. TUHF supports individuals that have a knowledge of the inner city and show an interest and passion in the space of inner city property development. According to the TUHF portfolio manager, character assessments are the most critical component of the due diligence process.

Upskill to Upscale

All the three research participants throughout the interviews highlighted the notion of "upskill to upscale" which loosely refers to TUHF's strategy of supporting the growth of their 'starter' clients to increase the size of their portfolios. TUHF seeks to grow their 'starter' clients to have more clients in the "emerging" and "established" client categories.

TUHF aims to improve the skill and capabilities of their clients and one of the ways in which they facilitate this progression is through the duties and responsibilities undertaken by the portfolio manager and the liaison officer. TUHF provides mentoring to assist small-scale developers (starter clients) through portfolio managers who manage cradle to grave relationships and assist with the management of the business and finer details of the starter client's projects. A notable observation in the interview with the liaison officer was the passion he displayed for explaining his role in aiding previously disadvantaged individuals through the property development process. The

liaison officer in similar comparison to the portfolio manager builds one on one relationships with the starter clients and this is illustrated through the quote below:

> "My responsibilities are enabling a person with no understanding of real estate to be hands-on and learn from practical experience. Someone who has never had education but for example who has been a caretaker in a building for the last 30 years doing credit control and controlling the conduct of residents in a building. This is the person that I want to help, acquired skills from being on site, that is the person I want to help. Through our supporting caretaker workshops, risk is minimized as he understands how to undertake business in the rental market. All we are doing is we are polishing him up and enabling him."
>
> (Interview, TUHF Liaison Officer, 15 August 2018)

Through this strategy, TUHF is fostering the massive small densification approach that comprises of development occurring on the scale of hundreds of thousands of units coming from smaller projects in order to effect change in the inner cities of South Africa.

> "More players like TUHF would do the city a whole lot of good. If we could have more development facilitation capacity."
>
> (Interview, COJ Planning Official 1, 10 September 2018)

Financial Support

Due to TUHF being a major role player in financing developments in the inner city, it was important to enquire about some of the common challenges being faced by the institution and small-scale developers which are part of TUHF's loan book. One of the greatest challenges to be noted by all three respondents is the lack of equity to finance projects particularly among previously disadvantaged individuals who might have the right idea and adequate knowledge of the inner city. TUHF has developed the Inthuthuko Equity Fund which has been described in Chapter 3 in order to assist previously disadvantaged individuals who cannot raise the 20% equity required to finance developments.

Mentoring and Property Education: TUHF Programme for Property Entrepreneurship (TPPE)

One major form of support provided by TUHF is in the form of mentoring through the roles of the portfolio manager and liaison officer. All three TUHF participants explained that TUHF has recognized that education is critical in supporting small-scale developers to understand the property development process.

> "We have concluded that there should be a portion of education in this whole idea of empowerment. The TPPE training programme is linked and aligned to University of Cape Town and is very helpful in enlightening the small-scale developers. We are beginning to see changes in capacity to manage and capacity to plan, capacity to file documents and techniques to attract funding to increase their portfolios."
>
> (Interview, TUHF Liaison Officer, 15 August 2018)

> "TUHF is a great example in the inner city, it is a lender but they are offering support; they have talks, seminars and it's not just about lending money and leaving the guys. There is a lot of education to assist these smaller developers."
>
> (Interview, JPOMA Manager, 17 October 2018)

The TUHF Programme for Property Entrepreneurship training workshop was held at the TUHF offices in Braamfontein on the 29th and 30th of August 2018. The researcher and a number of research participants (developers and TUHF officials) attended the workshop on both days. In attendance were just over 30 TUHF developer clients. On the first day, the session was primarily led by Prof. Francois Viruly who is one of the leading experts on the South African property market.

Prof Francois Viruly primarily focused on educating the TUHF clients about the South African property market cycle. The lecture was very informative as the clients were shown how the country's macro-economic performance has a bearing on how the property market cycle operates and the direct implications it has for developers.

One of the important points that could be drawn from the lecture was the emphasis on getting the developer clients to be aware of the types of risks and challenges they may face in property development and thus being able to carry out accurate feasibility studies. There was education on the varying types of development costs and charges that a developer may accrue, as one of the challenges highlighted by the TUHF financial

analyst was that smaller developers tend to get the technicalities of financing their projects wrong.

The TPPE workshop is an important platform of engagement between the TUHF clients (developers) and TUHF (bank). Initial observations during the two days were that the TPPE workshop is an important platform of engagement between the TUHF clients (developers) and TUHF (bank). During the lunch breaks, conversations with a variety of clients highlighted the positive benefits of the TPPE training which they had never previously received from their engagements with traditional banks. The TPPE training has the benefit of getting many developers into one space which provides networking opportunities amongst the developers themselves to build support networks.

The second day was focused on increasing the entrepreneurial appetite of the clients and balancing this appetite with sound property finance principles. This session was more interactive than the first day and the TUHF clients could contribute their ideas and share some of their professional experiences and challenges in developing properties.

TUHF clients were being taught about the core competencies of being a property entrepreneur. The main point was that the TUHF clients need to understand and prioritize the needs of the inner city population and context. There was an interactive discussion between TUHF representatives and the clients about the major challenges being faced in the inner city such as building hijackings and having a competent professional team. The developer clients were getting educated about how to acquire development finance and also the different types of financial products that are available in the property market. Some developers noted that there were not getting this kind of property development education at traditional banks.

The developer clients were getting educated about how to acquire development finance and also the different types of financial products that are available in the property market. Some developers noted that there were not getting this kind of property development education at traditional banks and hence were appreciative of this education being provided by TUHF. A number of developers when asked about their perceptions of the support they were receiving from TUHF noted that the cost of finance (loan repayments) was still a bit of a challenge but were still cognizant of the fact that TUHF is the only player providing financial products to the small-scale developer in the inner city. The

support being received by developers through the assistance of portfolio managers and liaison officer has been noted as the right kind of support as they get to be mentored through COJ processes and regulations.

Regarding the kind of support required from TUHF by the developers interviewed as part of the research, most highlighted the desire to get support in the form of recommendations of reputable contractors. One of the developers suggested that information centres and liaison officers be located across various areas in the inner city to offer advice and guidance before, during and after construction to developers.

5.5 What improvements in support are needed for small-scale developers?

The final question in all the interviews I conducted with respondents was to find out what kind of improvements are needed to support the growth of the small-scale developer. The intentions were to draw upon the experiences and perspectives of the respondents who have been operating in the inner city and have a much better understanding of the inner city context.

Throughout most of the interviews it emerged that the participants felt that there is a lot more that needs to be done in order to support small-scale developers in the inner city. Most of the improvements are required in the support provided by TUHF and City of Johannesburg. Respondents highlighted that there needs to be more financial players that provide support like TUHF and that COJ needs to do a lot more in supporting small-scale developers directly. The table below shows a summary of the responses provided by the respondents of the research.

Actor	Common Areas of Improvement	Actor Perspectives
Developers	Common ideas of improvement were: • Access to cheaper finance • More players like TUHF in the inner city • Assist smaller developers in the development application processes • Improve urban management in the inner city. • Better information sharing among all stakeholders • A one stop-shop that has all COJ departments in the same place rather than going to 10 different offices.	• Better and more efficient financing models • Incentives to small and medium sized businesses who create employment • A network of service providers in the construction industry that are certified by TUHF.
TUHF officials		• All private entities need to start working together • Big banks need to engage more with developers • Property owners need education about property
Municipal Agency officials		• A transition in thinking whereby both developers and City negotiate together. • COJ needs to improve capacity in sharing information with developer

JPOMA Manager		• Administration support from COJ. City Improvement Districts have made a positive difference in the urban management

5.6 Conclusion

The research found that there are different approaches of understanding the small-scale developer. The profiling of the six developers illustrated some of the ways in which developers get involved in property development and the varying innovative strategies used to raise finance. Development is a complex and risky process that requires the small-scale developer to be able lead all aspects of the project from buying sites, to coordinating design and running the construction project. The small-scale developer faces administrative, technical and financial challenges in the development process. Collaboration between different stakeholders from the public and private sector play an important role in supporting small-scale developers. COJ Planning with the assistance of the JDA has been focusing on capacity building through engaging with TUHF and developers in order to facilitate increased delivery of affordable housing products in the inner city and the Corridors. The following chapter shall discuss these 'findings' by linking them back to existing theory of the interaction of property development, planning and development finance.

CHAPTER 6 : INTERPRETATION AND DISCUSSION OF FINDINGS

6.1 Introduction

This chapter discusses the research findings as collected from the fieldwork and analysed according to the theoretical framework on property development as presented in the literature review. The chapter links the research findings to the research question by firstly describing the varying approaches of defining the small-scale developer and assessing the potential of the 'massive small' approach to development. Secondly, the chapter will discuss the potential for financial institutions to align with the spatial policies of municipalities. Thirdly, the chapter explores the planning interventions in the property market and their implications for supporting the growth of the small-scale developer.

6.2 Approaches to Defining the Small-scale Developer in the Inner City of Johannesburg

It is observed by the researcher and research participants that the term "small-scale developer" is challenging, complex and difficult to define in practice. The research findings on the definition of small-scale developers reinforce Kozloff (2015)'s assertion that there is no textbook definition of a small-scale developer but that it is better to characterize them according to the specific context within which they operate. Adams et al (2012:2579) note that "the substantive academic account of what typifies the property developer has yet to be written." The section uncovers varying approaches of defining the small-scale developer and assesses the potential of the Massive Small approach to developing the inner cities of Johannesburg.

6.2.1 Small-scale Developer as the Property Entrepreneur

The research findings reinforce the categorization made by Mphilagalale (2015), Urban Landmark (2006) and TUHF (2018) of small-scale developers being property entrepreneurs that have arisen as a result of the market gap in the provision of affordable rental housing stock. The research findings indicate that the small-scale developer in the inner city context are primarily focused on the neighborhood areas or suburbia as they are mostly zoned Residential 4 and do not have to go through the rezoning process. According to TUHF officials, one of the most important characteristics of the small-scale developer is that they understand the inner city areas in which they are investing. Based

on the interviews with the COJ Planning officials, a useful approach to understanding the property entrepreneur is the private individual that does not use a full team of professionals and generally needs to lead all aspects of the project from buying sites, to coordinating design, to running the construction project.

6.2.2 Property Portfolio Size and Financing Strategies

The research found that small-scale developers interviewed have varying portfolio sizes. Coaicetto and Bryant (2012) argue that it is important to understand the financial appraisal techniques of developers in order to develop financial products that will best tailor for small-scale developer needs. For the small-scale developer in the inner city who has enough capital or equity, they currently only can acquire debt financing from TUHF and the Gauteng Partnership Fund which are the major finance players that support small-scale developers. However, research findings on developers' financial strategies indicate that without access to formal property finance, small-scale developers use varying unorthodox strategies such as tapping into their pension funds and working part-time to raise capital that finances once-off developments.

Ruming (2010)'s developer size-based typology is beneficial in conceptually recognising the individual landowner and detailing the growth of the small-scale developer with regard to size of firm, size of developments and number of projects undertaken.

6.2.3 Small-scale Developers as focused on affordable housing and densification

The profiling of developers intended to deduce how developers got involved in property development, how long they have been involved, the size of their firm, the types of projects they have been involved in and the strategies they have utilized to raise finance for these projects. Analysis of the findings shows that these small developers had varying backgrounds of property education, strategies of raising finance and portfolio development which suggests that this kind of analysis is important in developing market rich information and knowledge of small-scale developers operating in Johannesburg (Coaicetto, 2001).

The interviews with developers found that the examples of products being delivered by small developers being financed by TUHF are flats ranging from two to four storeys and

roughly contain between 10 – 30 units. The projects that have been undertaken in the inner city by the developers interviewed were mostly brownfield developments comprising refurbishments and conversion of buildings. Although the sample size of developers interviewed for the research was lower than the expected number, it is the view of TUHF respondents that this has been the development trend in the inner city over the last 15 years.

Massyn *et al,* (2015) note that the emergence of property developers in the inner city has been as the result of their ability to develop small residential units of about 12 – 15 square metres in order to reduce costs and make projects feasible. The research findings also show that it is the view of COJ Planning officials that small-scale developers are more likely to be involved in the redevelopment and conversion of existing buildings to deliver affordable housing products.

6.2.4 Massive Small through the collective action of small developers focused on affordable housing and densification

The idea of 'massive small' is a movement committed to transforming the way we understand and work with cities. This entails the shift from the focus on large scale greenfield developments on the periphery of cities towards harnessing the collective initiative of active citizens undertaking thousands of 'small change' projects. 'Massive small' is premised on urban densification occurring on the scale of hundreds of thousands of units coming from smaller projects of roughly 20 unit projects.

The COJ planning officials from their experience in the CoF encountered that small-scale developers rely more on the planning department for professional input as they do not have the capacity to pay for the technical aspects of the project. The Memorandum of Understanding (MOU) between City of Johannesburg Department of Development Planning (COJ Planning), Johannesburg Development Agency(JDA) and TUHF identifies small-scale developers being financed by TUHF as the prospective cohort of small-scale developers that are being targeted to take up new development rights . There is minimal literature that explores partnerships between planning authorities and financial institutions in supporting small-scale developers. This partnership represents an opportunity for COJ Planning and other municipalities to capitalize on TUHF's objective in the inner cities of South Africa to facilitate an enabling top-down policy

framework that promotes the bottom-up initiative of small-scale developers through 'massive small'.

Massive small and local economic development

One of the major findings of the research has been the recognition from TUHF and JPOMA of small-scale developers in the inner city as being characterized by previously disadvantaged individuals. From a local economic development (LED) perspective, there is a need to promote the small-scale developer as it has been noted in the Property Charter (2007) that the property sector remains characterized by income and social services inequalities. The property sector has been largely dominated by a few players and by specifically targeting small-scale developers looking to enter property development, there is potential of spreading wealth and diversifying the socio-economic composition of the residential property sector.

6.3 The Alignment of Financial Institutions with Spatial Policies to Provide Support for Property Entrepreneurs

Literature (Zille et al, 2008; Mphigalale, 2015) notes that that access to credit is one of the biggest barriers for small-scale developers who do not have the cash flows required for extensive entitlement, planning approval and community engagement processes. Interviews with all research participants confirm the notion by Miriams (2016) that the world of property development finance can be tricky to navigate for the first time or small-scale developer. This section of the chapter discusses lessons that can be learnt from TUHF's approach of supporting small-scale developers in the inner city and whether this approach can be adopted by other financial institutions.

6.3.1 TUHF's developmental impact in the Inner city

It has been noted that TUHF is the major financier of property entrepreneurs in the inner cities across South Africa. Coiacetto and Bryant (2014) argue that there is a gap in literature that connects various sources and types of finance with spatial implications for cities. TUHF's approach which targets emerging property entrepreneurs shows how finance can play an innovative role in the provision of affordable housing and

rehabilitation of inner city buildings. The alignment of financial institutions and spatial planning policies has the potential to widen the base of developers and introduce new players.

Broadly, a major lesson that can be learnt from TUHF's way of operating is that it is possible to mitigate the risks associated with financing residential development in inner cities that have been redlined by investors. TUHF's approach has been anchored by various partnerships and memorandum of understandings (MOU) with academic institutions and several service departments of the City of Johannesburg. This demonstrates that institutional capacity building between financial institutions and other stakeholders is essential for creating an enabling top-down framework that supports the growth of the small-scale developer.

The lack of financial players supporting small-scale developers in the inner cities has an impact on the potential and growth of small-scale developers entering this space. Financial institutions have a major impact on the spatial form of cities and hence the lesson that can be drawn from the findings is that there is a need for more lenders to align with the spatial policies of municipalities.

6.3.2 Handholding small-scale developers through the property development process

One of the major characteristics of TUHF's approach is that it has adopted a hands-on approach in the inner city which has enabled TUHF to have market rich knowledge of the complexities of the inner cities which enables TUHF to support its small-scale developers. TUHF's character-based lending approach provides an alternative way for financial institutions to begin to evaluate the capabilities of small-scale developers that mostly do not have the required equity to contribute to financing projects.

The research found that TUHF handholds and mentors small-scale developers in the property development process through the duties and responsibilities of the Portfolio Manager and Liaison Officer. It can be learnt that by handholding and mentoring small-scale developers, TUHF mitigates the risks associated with providing financial loans to small-scale developers in the inner city. The handholding of small-scale developers along the property development process demonstrates that small-scale developers

require greater technical skill and education from financial institutions to be able to develop and manage projects.

Gorringe (2011:1) states that the “development industry involves the planning, design and construction, buying and selling, development and management of property. It is the sector where finance and the built environment meet.” This assertion highlights the complexity of the development industry and also indicates that technical skill is a necessity for a small-scale developer to be able to effectively manage the facets of residential development. The researcher and number of research participants concur with Coaicetto (2006a)’s notion that for a property developer to take part in the property industry nowadays increasingly needs higher skills and costs as the industry is becoming more professionalised with the provision of formal degrees in property studies, real estate, construction management and professional development courses.

The interviews with the developers and JPOMA manager confirmed that this type of support being provided by TUHF was beneficial and that it should be used generally by other traditional banks. The support being received by developers through the assistance of portfolio managers and liaison officer has been noted as the right kind of support as they get to be mentored through COJ processes and regulations. Financial institutions need to gain a deeper understanding of the context of the areas in which they wish to finance and undertake developments.

6.4 Planning interventions in the inner city property market

Heurtzen *et al* (2015:5) note that “the conscious use of market shaping, stimulating, regulation and capacity building instruments offers planners’ opportunities to realise public objectives in urban regeneration objectives through changing the parameters of private sector development and investment decisions.” This section of the chapter discusses the findings based on the various policy instruments available to City of Johannesburg and their implications for supporting small-scale developers.

6.4.1 Shaping the Residential Market to deliver affordable housing products

The Spatial Development Framework 2040 recognizes the inner city as a transformation priority and envisions densification as a key spatial planning tool to address spatial fragmentation by facilitating development of affordable housing through the private

sector. The need for increased recognition of the small-scale developer in policy is critical as supported by Adams *et al* (2012) who argue that there needs to be a more comprehensive understanding of the development industry as a requirement for effective urban policy making.

The Inner City Housing Implementation Plan (ICHIP) driven by COJ and JDA is important from a policy perspective in its recognition of the role of upcoming small-scale developers in delivering rental units to cater for the affordable housing market. Differentiating the types of developers means that COJ Planning will be able to design policies and instruments that specifically target the small-scale developer and shape the residential market more effectively.

According to the development planning officials, the precinct plans that form part of the Corridors of Freedom (CoF) policy detail the city's desired urban and development form of the three priority precincts (Orange Grove, Brixton and Knowledge). The precinct plans chart out a road map for how developers, supported by the city, could take on new projects. The research found that small-scale developers are more reliant on COJ Planning for professional input as they usually do not have the backing of a professional team. This presents as an opportunity for COJ Planning to be able to shape the product being built much more effectively as they engage with the developer.

6.4.2 Lubricating market transactions for the small-scale developer

Market stimulus instruments impact upon the financial calculations of the developer by simplifying or lubricating market transactions in order to cut development costs (Adam and Tiesdell, 2010). Interviews with the Development Planning officials revealed that the Inner City Housing Implementation Plan (ICHIP) strives to induce the private sector to deliver affordable housing in the inner city through incentives such as capital or operating subsidies and rate incentives.

The development application process has been highlighted by academic and built environment practitioners as being a hindrance to developers due to the time delays. The research uncovered that one of the strategies being utilised to lubricate market transactions for developers and investors is the streamlining and fast-tracking of development applications. ICHIP has a specific programme that streamlines housing

delivery in the inner city and the interview with the JPOMA manager uncovered that there is an inner city task team that is streamlining development applications by small-scale developers in the inner city.

The Special Development Zone (SDZ) initiative is the main instrument or tool developed by COJ Planning in order to facilitate faster development application processes in the three precincts around the inner city. The research found that COJ Planning intended for the SDZ to target individual landowners to take up new development rights in the development corridors. COJ Planning has set up an internal approval process which has earmarked any land use, site development plan or building plan submitted within a COF area as being a priority for approval. This means that COJ Planning is able to direct development into the priority areas.

Research findings highlight that small-scale developers are more likely to benefit directly from market stimulating mechanisms that cut development costs as the main challenge noted by all respondents were property rates and charges. The interviews with TUHF officials indicated that tax incentives such as the Urban Development Zone introduced by National Treasury has had a positive impact on reducing costs of small-scale developers.

6.4.3 Risk Management: Reducing risk and uncertainty in the development application process

Interviews with the Development Planning officials noted that the Planning Department does not restrict development rights within the inner city as supported by the SDF 2040 so as to attract private sector development and facilitate increased densification.

Research findings on administrative challenges encountered by small-scale developers in their interaction with municipal agencies reinforce the assertion made by Ruming (2010) that small-scale developers require greater support from local planning authorities as a result of development controls, systemic delays and development charges that burden these types of developers with the need for increased capital.

The research found that for small developers the complexity of rezoning, with its need for feasibility studies and payments of development contributions contribute to weakening the attractiveness of sites which have high development potential but need to be rezoned to start building. According to respondents from TUHF and COJ Planning, this has resulted in small-scale developers in the corridors and inner city neighbourhoods focusing on the conversion of buildings to residential use which bypasses rezoning procedures. The findings on developer contributions confirms the assertion by Savage (2009) that development contributions have become a barrier to entry for small-scale developers as the costs can make the project unfeasible.

COJ Planning has developed a risk management tool for the developers whereby they sit with developers early in the project cycle to help shape the development. This way the problems and opportunities of a development are identified and negotiated prior to submitting applications also builds capacity between the planner and developer.

6.4.4 Capacity building alongside spatial planning tools to enhance policy delivery

Existing research (Molema, 2016; Chiwetu, 2017; Harrison, 2017) shows that there has been an increased focus on institutional capacity building in the corridors and Inner-City Eastern Gateway. The research uncovered through the interviews with the planning officials that COJ planning is aware of the challenges facing property developers and through engagements with the private sector is trying to mitigate these challenges. At the forefront of initiating engagements with the private sector has been the role of the Johannesburg Development Agency Development Facilitation Unit in communicating, promoting, meeting, and championing the Corridors of Freedom (COF). The JDA has been involved in linking the smaller developers to TUHF who had an appetite to support new developers. This entailed working with TUHF to present the COF as a real development zone in which their clients could develop rental housing for a similar market to the inner city.

The research found that there are various partnerships being formed between City of Johannesburg and the private sector (TUHF and JPOMA among other actors). Research participants from TUHF and JPOMA indicated that urban management initiatives in partnership with COJ have been beneficial in maintaining and managing the public

environment in the various parts of the inner city which has assisted in reducing risks associated with uncertainty in site conditions for small-scale developers

Tiesdell and Adams (2010) state that institutional capacity building provides an opportunity for planners to better understand the motives and behaviour of private sector actors, in order to identify the different types of developers and investors which are likely to share common policy agendas with the planning authority. The research found that COJ Planning has been engaging developers through the assistance of the JDA in the form of forums that aim to capacitate developers around newly adopted City policies and fasttrack development facilitation processes. Adams *et al* (2012) note that the two-way communication entails enhancing the capacity of planners to negotiate successfully with developers while enhancing the capacity of developers to contribute to policy delivery. The focus on institutional capacity building by COJ Planning has the potential of facilitating or harnessing the growth of the small-scale developer through the massive small approach.

6.5 Conclusion

This chapter has discussed the research findings in line with the research questions and according to the theoretical framework as presented in the literature review. The chapter has discussed approaches of understanding the small-scale developer and has argued that the products being developed by small-scale developers in the inner city of Johannesburg are consistent with City of Johannesburg objectives of increased densification and affordable housing. TUHF's approach of providing empowerment finance to small-scale developers provides a good foundational precedent for financial institutions seeking to support small-scale developers. Finally, the chapter discussed the four available policy instruments that shape, regulate, stimulate and build capacity of the market.

CHAPTER 7 : CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

This chapter concludes the research and summarises the findings relative to the research question. The intention of this chapter is to consolidate the significance of the findings and analysis of the research in order to develop a set of recommendations that will support the growth of small-scale developers in the inner city and to assist in the building of new knowledge and practise in co-ordinating the actions of various role-players (developers and financial institutions) in the spatial development of cities. Finally, the chapter sets out the limitations of the research and proposes areas for future research that will contribute to gaining a deeper understanding of the property development process from the perspective of the small-scale developer.

7.2 Research Question and Research Sub- Questions

This research focused on understanding how small-scale developers are being supported by municipal agencies and financial institutions in the inner city of Johannesburg. In order to examine this question holistically, the research aimed to find conceptual tools that describe the small-scale developer in the context of the inner city and subsequently highlight the challenges being faced by small-scale developer in acquiring development finance and regulatory approval.

7.2.1 What are the characteristics of a small-scale developer from the perspective of City of Johannesburg and TUHF?

The research findings noted that City of Johannesburg Department of Development Planning (COJ Planning) and TUHF do not have nuanced definitions of the small-scale developer. These findings confirmed the research assumption that the small-scale developer is a slippery term to define. However, the respondents of the research defined

the small-scale developer from the perspective of their experience of working in and around the inner city of Johannesburg.

City of Johannesburg Department of Development Planning (COJ Planning)

The research found that COJ Planning Department does not differentiate the kinds of developers as they are focused on or more concerned about the types of products and developments being undertaken or produced by developers and how they impact on spatial form of the city. From officials' perspective, there is no formal way of differentiating small, medium and big developments and that such a definition would have to be context dependent.

Through the Corridors of Freedom (COF) initiative, the officials distinguished between two types of small-scale developers that they have engaged with or witnessed undertaking developments. It was noted that there are developers who have converted existing homes into student accommodation and rental housing and property owners or individual property owners that want to take up new development rights in Brixton, Auckland Park and Orange Grove. The research found that the current focus of COJ Planning is to support the individual property owners to become developers in their own right through the provisions of the CoF.

TUHF

TUHF as a financial institution provides loans to individuals to finance their development projects and segments their clients according to three categories which are 'starter', 'emerging' and 'established'. TUHF has a different definition of the small-scale developer as a "starter client". The starter client would typically be the small-scale developer starting out an investment project and the project maybe one or two projects below the value of 5 million rands. The research found that previously disadvantaged individuals are entering the property development space and according to TUHF, most of their

starter clients / small-scale developers are property entrepreneurs that buy, own and collect income from their buildings.

From the perspective of TUHF officials, the research found that the small-scale developers are primarily focused in the inner city neighborhoods and suburbia that is zoned residential four which does not require the developer to undergo rezoning processes.

7.2.2 What are the challenges of small-scale developers working in the inner city?

The research found that challenges being experienced by small-scale developers can be grouped into three categories namely, administrative, financial and technical.

Administrative

A key issue that was highlighted by research participants is the time delays and inefficiency of the interdepartmental co-ordination when a developer is preparing a development application which results in the developer having to visit about ten different offices for stamps. Planning approvals take long for the small-scale developer as research participants indicated that these may take between eight months and three years and this is a challenge in the inner city due to the small-scale developer being exposed to building hijackings and vandalism. However, it was also discovered that COJ Planning has no control over the circumstances as the approval of development applications relies on the input of comments from external departments. Rates increases for electricity and water were increasingly mentioned as a hurdle in keeping costs to the developer minimum. In conclusion, administrative challenges being faced by small-scale developers decreases profit margins which make it more difficult to provide affordable housing which is similar to Hogarth (2015)' s argument that delays in planning approvals have negative effects on the business model of affordable housing developers which require quick execution.

Financial

Risk lies at the core of development and the developer manages the multiple risks of development by placing the capital at risk. Traditional banks are unwilling to provide debt

finance to the small-scale developers as they have no track record of developing properties and have bad balance sheets. This fits in with the argument made by Mphigalale (2015) that access to credit is one of the biggest barriers for small-scale developers who do not have the cash flows required for extensive entitlement, planning approval and community engagement processes. The research found that small-scale developers in the inner city have to rely only on TUHF should they need debt finance for their projects and thus the lack of multiple financial providers in this space restricts the financial products that developers can choose.

Technical

Findings from interviews with Development Planning and TUHF participants indicated that small-scale developers in the inner city lack the necessary technical skill to be able to effectively undertake financial calculations for deal appraisals. Small-scale developers struggle with capacity to manage projects particularly contracts. The researcher and number of research participants assert that to take part in the property industry nowadays increasingly needs higher skills and costs as the industry is becoming more professionalised and property development becoming more complex.

7.2.3 What are the municipal instruments supporting the growth of small-scale developers?

The research found that from a policy perspective, the Inner City Housing Implementation Plan (ICHIP) attracts previously disadvantaged developers, young and upcoming developers to interact in the inner city property market through subsidies and rate incentives provided in the Private Sector Delivery Enhancement Programme. One of the strategies being utilised to lubricate market transactions for developers and investors is the streamlining and fast-tracking of development applications in the inner city priority areas such as the Inner City Eastern Gateway and the Special Development Zone precincts.

COJ Planning is incorporating a standard procedure of getting developers to interact with the City before they submit their applications. Interacting with developers early in the project cycle helps identify the problems and opportunities of a development which are then negotiated prior to submitting applications. This initiative is likely to reduce the uncertainties that small-scale developers undergo through in the application process.

The research uncovered that COJ Planning with the assistance of the Johannesburg Development Agency (JDA) has been involved in capacity building through formalising relationships between existing developers and the COJ Planning. The JDA has been involved in linking the smaller developers to TUHF to present the COF as a real development zone in which their developers could develop rental housing for a similar market to the inner city. The research findings indicate that small-scale developers require more direct support from COJ Planning through measures that reduce their development costs.

7.2.4 What are the ways in which TUHF supports the growth of the small-scale developer?

The main way in which TUHF supports small-scale developers is through providing access to credit to individuals who are typically considered a credit risk in the property market. TUHF is a character lender and thus the risk assessment undertaken by TUHF focuses on the individual's entrepreneurial ability and knowledge of the inner city as opposed to the selective practises of banks who lend to developers with an established track record. The research found that TUHF actively collaborates with various departments of the COJ to fast-track the development application processes of small-scale developers that are clients of TUHF.

One of the innovative ways in which TUHF supports small-scale developers is through the professional development course (TUHF Programme for Property Entrepreneurship) which is run in conjunction with University of Cape Town. This partnership between a financial institution and university shows the ways in which capacity building is beneficial for the mentoring and professional development of small-scale developers.

7.3 Areas of Future Research

The research acknowledges that the development application process entails the property developer having to engage multiple service departments within COJ Municipality. However, the focus of this research was on the interaction of the developer with the planning department and thus future research can explore the interaction of the developer with all relevant service departments in the municipality in acquiring development application approval.

The research has uncovered that developers use alternative strategies that comprise using pension funds and saving money through working part time in other employment to raise finance to undertake their projects which adds to the growing literature on alternative financing strategies of development in the South African context. Future research can begin to explore different financing strategies used by developers that have no access to credit from financial institutions so as to potentially harness the growth of the small-scale developer. and more importantly begin to explore the diversity of developers operating in the inner city.

The capacity of municipalities is limited and thus researchers need to focus on the diversity of developers operating in the spatial landscape of Johannesburg. By undertaking more research on the types of developers, this will lead to better urban policymaking that targets the small-scale developer and begins to tackle the complexities that lie in defining the small-scale developer.

7.4 Recommendations

> "In order to shape urban development, planners have to influence the actions of the players (private sector interests) who actually build cities. This requires a sound understanding of the perspectives, actions and strategies of those builders. This is something that is sadly missing in planning literature and research "
>
> (Coaicetto, 2000: 353)

The research findings indicate that in order to harness the growth of the small-scale developer in the development of the inner city of Johannesburg, planning departments and financial institutions need to begin to acknowledge the diversity of developers that operate in the spatial landscape of the city so as to formulate tailormade strategies that have the desired impact. Adams *et al* (2012) support this argument by highlighting that the sectoral and geographical disaggregation of the development industry will lead to future spatial planning policies shifting away from general conceptualisations of 'private sector' and 'developer' towards place-based definitions.

One of the interventions to be unanimously mentioned by developers and officials is the need for a one stop shop that reduces the administrative delays that burden the small-scale developer. It is the view of the researcher and a number of research participants that the presence of JPOMA in the inner city represents an opportunity of being able to

keep track and recognize the impact of small-scale developers that operate in and around the inner city by potentially having a database of developers that could also be accessed by the COJ Planning Department.

Capacity building is an important tool in facilitating the growth of the small-scale developer. Through more engagements with financial institutions, municipalities can leverage finance to play an important role in achieving the objectives of spatial policy. In conclusion, there is a growing body of literature illustrating how supporting the growth of small-scale developers has local economic development benefits. The research has shown the developmental impact of TUHF's work with small-scale developers which has resulted in previously disadvantaged individuals being able to emerge in property development and contribute to the transformation of the property sector. The researcher and research participants from TUHF and COJ Planning concur that supporting the growth of small-scale developers has the potential to cause a positive ripple effect in the spatial transformation of the post-apartheid city.

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Appendices

Ethics Clearance

[redacted]

SCHOOL OF ARCHITECTURE AND PLANNING
HUMAN RESERCH ETHICS COMMITTEE

SCHOOL OF ARCHITECTURE PLANNING

CLEARANCE CERTIFICATE
PROTOCOL NUMBER: SOAP037/07/2018

PROJECT TITLE:	Harnessing the growth of small scale property developers in the Inner city of Johannesburg
INVESTIGATOR/S:	David Chiwetu (Student No: 728411)
SCHOOL:	Architecture and Planning
DEGREE PROGRAMME:	Masters of Science in Development Planning (MScDP)
DATE CONSIDERED:	09 October 2018
EXPIRY DATE:	09 October 2019
DECISION OF THE COMMITTEE:	Approved

CHAIRPERSON _____
(Professor Daniel Irurah)

DATE: 11 - 10 - 2018

cc: Supervisor/s: Alison Todes

DECLARATION OF INVESTIGATORS

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to endure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to resubmit the protocol to the Committee.

Signature _____ **Date** 11/10/18

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Appendix A: Consent Form

Harnessing small-scale developers in the development of the inner city of Johannesburg

I hereby confirm that I have been informed by the student researcher of the purpose of this research, the procedures to be followed, and my rights as a participant. I have received, read and understand the written participant information sheet.

☐ I agree to participate in this study by being interviewed by the researcher

☐ I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason and without there being any negative consequences. In addition, should I not wish to answer any particular question or questions, I am free to decline. I understand that there are no rewards for participating in the study.

YES /NO I agree to audio recording of this interview

YES /NO I agree to my name being used in the report

Signature of Participant: _____

Date: _____

Signature of Researcher: _____

Date: _____

Appendix B: Participant Information Sheet

Greetings

My name is David Chiwetu and I am a Masters student in Development Planning at the University of Witwatersrand. I am investigating how small-scale developers focused on affordable housing are supported through municipal agencies and financial institutions

Part of the research involves interviewing people who are involved with property development and it is for this reason, I would like to invite you to take part. If you agree, you will be asked to sign a consent form and participate in a face to face interview which will take no more than 45 mins to an hour to complete. With your permission, I would also like to record the interview using a digital device. We will arrange a time to meet, which is convenient for you and at your premises if that is appropriate. During the interview, I will ask you questions based on understanding the ways in which the City of Johannesburg support small-scale property developers who are focused on affordable housing. The research aims to grasp the main regulatory and policy initiatives available to COJ in supporting small property developers in the inner city of Johannesburg.

Your participation in this interview is voluntary, you may refuse to answer any questions that make you uncomfortable, and you may withdraw at any time without incurring any costs. There are no payments or other forms of reimbursement that will be provided in recognition of your participation.

There are no known risks or disadvantages of taking part. Although the interviews will be recorded if you agree, this is only done so that the questions and your answers can be entered onto a password-protected computer, which will only be accessed by the researcher and analyzed. Your name and other identifying information will not be included in the final report, unless you explicitly agree that it can be mentioned in the research. This study will be written up as a research report. If you wish to receive a summary of this report, I will be happy to send it to you. The research report will be publicly available through the Wits System.

I will be undertaking this research under the guidance of Prof. Alison Todes. If you have any questions, concerns, or comments or if you would like a copy of the final report, please feel free to contact me at 728411@students.wits.ac.za or Professor Alison Todes at alison.todes @wits.ac.za

Let me express my appreciation for your willingness and interest to participate in this study.

Name of researcher David Chiwetu…….

……

Appendix C: Interview Guidelines

Small-scale Developer

- How long have you been involved in property development?
- May you please explain how you got involved in property development?
- May you please explain the size of your firm with regards to the numbers of people who are employed, and the size of projects undertaken?
- What are the types/kinds of projects that you have been previously involved in and what are you currently involved in?
- May you please explain the way in which your firm operates or works?
- May you please explain the strategies you have utilised to raise finance for these projects
- How did you first get in contact with Trust for Urban Housing Finance?
- What are the ways you have been supported by TUHF in property development?
- May you please comment if it is the right kind of support you require? Or is there any other kind of support that is needed?
- How do you relate to the City of Johannesburg's spatial vision of densification and the focus on affordable housing?
- May you please tell me about your engagement with the City of Johannesburg in the development application process?
- What is the kind of support that you receive from COJ?
- From your perspective, what are the ways in which COJ might change their practises to enable small-scale developers?
- What are the challenges you have faced or are currently facing in developing properties?
- From your perspective, what improvements / support do you think smaller developers require in the development process?

City Officials

- How does City of Johannesburg/ Johannesburg Development Agency categorise or differentiate the variety of developers operating in the City?
- What are the various policy instruments targeting the variety of developers operating in the inner City of Johannesburg?
- From the perspective of the City of Johannesburg, what are the characteristics that constitute a small-scale developer?
- May you please tell me more about the Memorandum of Understanding between the City of Johannesburg, TUHF and the Johannesburg Development Agency?
- May you please tell me more about the City of Johannesburg's engagement with small-scale developers?
- How does the City of Johannesburg/ JDA assist small-scale developers in creating buildings which better meet policy objectives that target affordable housing?
- What are the challenges / constraints in working with small developers?
- How does City of Johannesburg/ JDA approach these challenges and constraints?

TUHF Participants

- May you please explain the mandate of Trust for Urban Housing Finance and how they carry out this mandate?
- How many developers does TUHF support and what kind / type of developers is being supported?
- What is the size of the loan book of TUHF?
- How does Trust for Urban Housing Finance view its role in the development of the Inner city of Johannesburg?
- From the perspective of TUHF, what are the characteristics of small-scale developers?
- May you please explain the criteria that TUHF looks for when evaluating loan applications from small-scale developers?
- How does TUHF support small-scale developers operating in the inner city of Johannesburg?
- What are the challenges and constraints in working with small-scale developers?
- How does TUHF view City of Johannesburg processes and regulations as responding to small developers and what changes may be needed?
- From the perspective of TUHF, what are the improvements or support which can be provided by Financial Institutions and Municipalities to better harness the growth of small-scale developers?