Johannesburg levers its real estate portfolio to unlock value

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City Resilience Program

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Johannesburg's approach to managing its portfolio

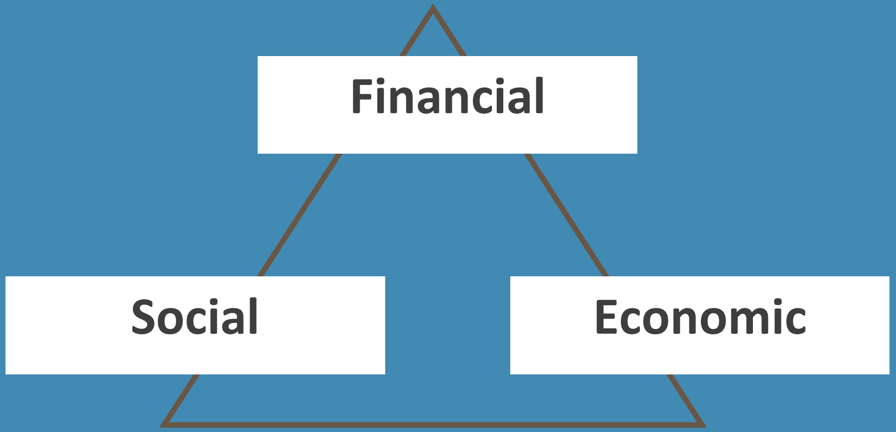
- In 1998 Johannesburg council was facing bankruptcy from decades of debt and unviable LA's prior to 1994
- It needed alternative sources of revenue and started seeing the value of its property portfolio
- In 2000 it established a dedicated property company The Johannesburg Property Company (JPC)
- JPC's mandate was to unlock value from council owned properties
- It entered into a management agreement with the council
- Johannesburg Property Portfolio: +30,0000 properties, 77 000ha and valued at R8.8billion
- Intention was to realise and increase this value: social, economic and/or finance

A different approach to managing council's properties: Liabilities to Assets

- Converting trapped and unleveraged land
- Creating a register and valuation of properties to recognise initial value
- Reducing costs of managing and maintaining land
- Using unused land as catalysts for investment and development
- Leveraging property for public infrastructure development
- Using public property strategically located in the core of cities to address city's objectives of integration

Property management to asset management: Realising value

*To maximize **financial returns and revenue, improve efficiency** in respect of property owned and/or occupied by the State.*

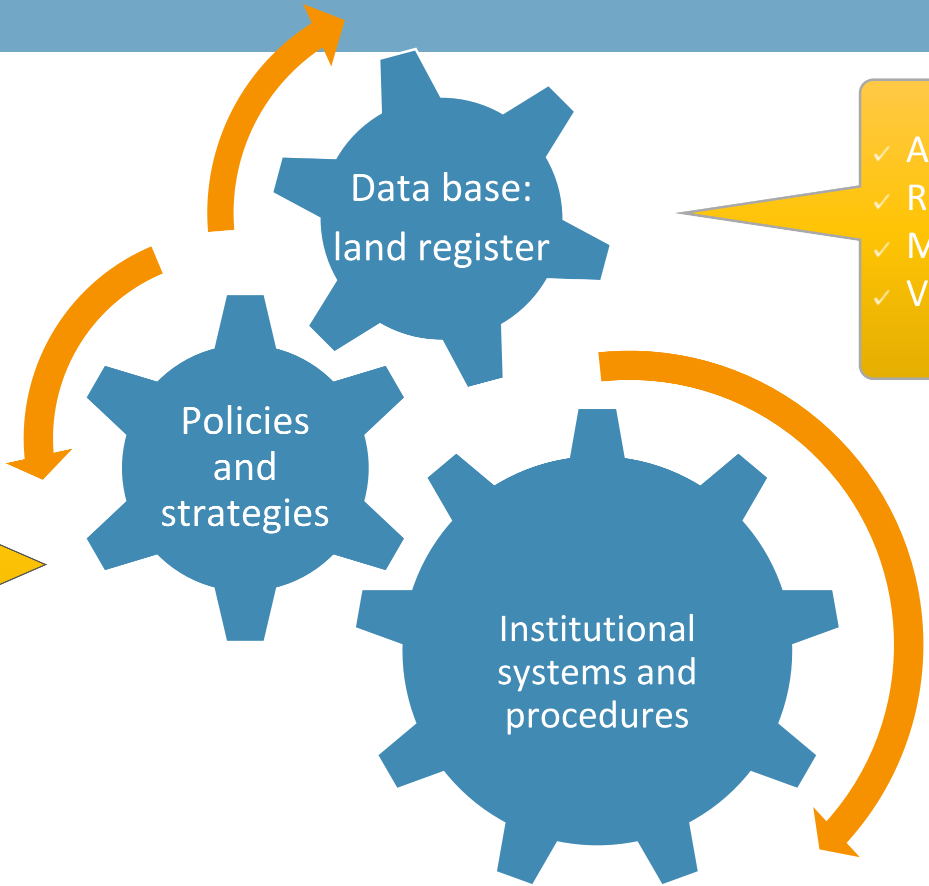


*To maximize the **social benefit** of property in that this is a State asset to be used for the public good.*

*To maximize the **economic development opportunities** that the property offers – how can the land be used to stimulate economic growth.*

JPC Strategy, 2003

Key requirements for property asset management



- Audit
- Register
- Map larger portions
- Valuation - approxim

- Social
- Economic
- Financial
- Housing

Governance, decision making, procedures for transactions
Capacity

Policies and strategies to unlock value and build resilience

Social

- ✓ Leases with NGO's that provide social services - social resources unlocked
- ✓ Management agreements on open land and sports/recreation centres - costs of maintenance reduced and private investment in public spaces for in the well being of residents
- ✓ Conditions on transactions for land for social investments and management of public spaces

Economic

- ✓ Use properties to stimulate economic investment
- ✓ Can use specific properties to target identified industries or sectors
- ✓ Development of bulk and internal infrastructure by private developers supports further investment and development

Policies and strategies to unlock value and build resilience

Housing

- ✓ Development leases with conditions and required outputs
- ✓ Provide land specifically for low cost housing at a reduced value
- ✓ Provide land for open spaces and social services in newly developed low cost housing projects

Financial

- ✓ Take advantage of all opportunities and ensure commercial approach
- ✓ Preference for leases for commercial for ongoing annuities, and realisation of the asset
- ✓ Condition of transactions - ongoing contributions to managing public spaces
- ✓ Investment in bulk and internal infrastructure by developer

Procedures and systems

Identifying and assessing value potential of strategic sites against resilience objectives	Considering opportunities and constraints to realising this value	Designing and costing options to realise this value	Establishing required systems and processes	Implementation
Land audit against market/social analysis, city objectives, infrastructure Investments	Reviewing the specifics of the site: physical, market, land use, restrictions, infrastructure	Producing options: land uses, densities, infrastructure and market demand, objectives and financial viability	Determining the process of levering private financing/public investment against returns (S,E and/ or F)	Ensuring decision making, capacity and resources are in place. Detail implementation plan.

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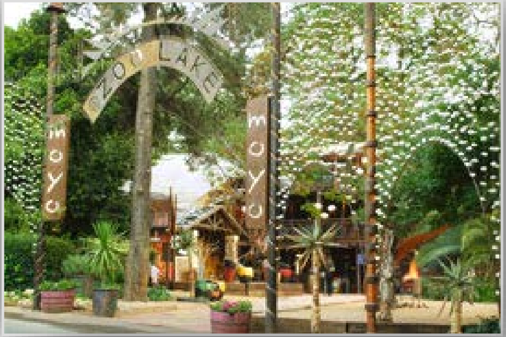
Social value derived from municipal properties

Public space management through management contracts with residents and CID's



Benefits and value derived:

- Well managed and used
- Safe and attractive
- Increases well being of users
- Property value in area increases
- Management of flood water and retaining of green spaces
- Reduces cost to maintain and secure

Realising value can result in substantial economic and social impact on local local areas and economies

An old grain silo built in the 1920's in the waterfront of Cape Town was converted into a modern, contemporary art gallery.

Zeitz Museum of Contemporary Modern Art Africa (MOCMAA) is funded by the Zeitz Foundation (of Jochen Zeits. The development included the surrounding area and the necessary infrastructure.

The silo's were originally owned by a government entity who sold the land to the V&A Waterfront Company that was set up to develop the waterfront. By providing this property as a contribution to the development, the company has leveraged large benefits in the forms of auxillary

Realising commercial value and linking revenues to infrastructure investments and social programmes

- ODA generates revenue
- Obligation to provide bus shelters
- Obligation to advertise programmes for the council for specified times

Rights for new forms of advertising were given for limited time to raise finances to fund part of **All Africa Games in South Africa**

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Economic value realised through municipal properties

Newtown Junction:

- ✓ Redevelopment of precinct with R1.3billion/$92million worth of investment in retail and commercial
- ✓ Upgrading of environment with public art and creative spaces
- ✓ Creation of 2700 jobs with construction and an estimated 4800 in operational phase
- ✓ Stimulated further development of adjacent areas
- ✓ Developers manage and fund Newtown Improvement District

Economic and financial value realised through municipal properties

Fairlands Property Development

- 35ha/84acres unused land adjacent to the highway with severe gullies and power lines
- Through tender awarded development for commercial and retail
- Result:
  - R1,6billion/$114million investment including internal services that stimulates development
  - Lease agreement of 30yrs (option to extend) with upfront payment of R30million
- Benefits:
  - Infrastructure
  - Revenue
  - Valuable asset post lease
  - Management and use of land

Economic and social value realised through municipal properties

Jabulani Soweto

- 34ha of unused land in the centre of Soweto
- Awarded to a developer on condition that several social and housing targets be met.
- Result:R3.3billion/$R236million investment into:
  - Housing units: 4199 including 1919 low cost apartments, social and affordable and market housing
  - Retail centre: 18 000m2
  - Office and hotel: 30 000m2
  - Transport hub: Rail, BRT and Taxi's
  - A regional theatre linked to an outdoor amphitheatre
  - A clinic
  - Police station
  - Public Hospital

Economic and social value realised through municipal properties

Jabulani Soweto

The results:

- ✓ 2000 income from property management a loss
- ✓ 2004 income derived from rentals R30million/$2.2million/annum
- ✓ 2015 income up to R131million/$9,2million from rentals
- ✓ By 2016 R3.8billion/$267million third party investments on council land with 346,000m2/ new development
- ✓ Historic land value of R8.8billion/$629million with current market value of R34billion/$2.4billion

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Effects on resilience of Johannesburg

Social (recreational, welfare, well being, environmentally sustainable, housing)	$14million worth of social facilities built, open space management, 2000 affordable houses, leveraging private revenues for public space management (safe and clean) through conditions of sale/lease
Economic value being leveraged from public property development and management	$71million value of investment in marginalised areas (outside of key economic nodes), 10,000 jobs created from construction, property value increase from developments on public land, infrastructure created for additional investment
Financial resilience by increasing sources of revenue and creating sustainable annuities	Financial benefits have been very positive and the emphasis on commercial leases will ensure ongoing incomes. Reduction in costs to manage land is an additional benefit. Increase in rates resulting from catalytic land developments a further benefit

Thank You

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