Impact Fee: Recovering direct and indirect costs of new development

LEVERAGING CAPITAL

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Changing Cities

Changing Demands

Municipalities are responsible for providing infrastructure, services and social amenities which creates growth and stimulates investment.

Most cities are facing financial constraints which limits this role.

Value from public investments are often to the benefit of the private property developers and owners.
Public investments have led to an increase in value that has benefitted private sector developers and property owners.

At the same time cities have grown and demand for infrastructure has increased.

Cities more vulnerable to natural disasters, traffic congestion, water and air pollution, droughts and financial constraints.

The result is: municipalities unable to address infrastructure needs.

How to capture future value for current infrastructural investments?
Development of cities: cost vs future value

**Development Contribution Levies**
- Developers responsible for internal services/infrastructure
- Municipality responsible for external services/infrastructure
- Developers required to contribute towards external services based on the impact of the development
- Each service calculated separately

**Urban Management Levies**
- Urban management companies are set up to provide complimentary services to municipalities
- Emphasis: Safe and clean
- Increasing role in maintaining and investing in infrastructure
- Revenues from additional levies on rates
Development contributions/levies

The different options for development contributions

**Brown Fields Developments:** Where bulk services exist
- Developer required and required to contribute to services already in place

**Greenfield Development:** Where no bulk services are in place
- Developer responsible for all services required

**Combination:** Where there are limited services
- Developer responsible for all new services and required to contribute to infrastructure already in place
Examples of Service Contribution Calculations from Jhb Roads and Stormwater

\[
\text{Roads} = \text{New Trips} - \text{Existing Trips} \times \text{Distance} / \text{Lane Capacity} \times \text{Cost of a lane}
\]
Development contributions are upfront payments by developers for the value that will be realised with the finalisation of the development.

Municipalities do not have to raise capital to provide for this infrastructure but do benefit from the value that these developments and infrastructure provide through future rates and taxes.

The limitation is that the levy is based on the cost of the infrastructure as opposed to the future value of properties benefiting from this infrastructure.

BENEFITS OF THE DEVELOPMENT CONTRIBUTION MODEL
Urban management

CID’s are non-Profit organisations established to manage supplementary and complimentary services in local areas. The CID’s are established when 51% of property owners agreed to set up a SRA for an area. Special Rating Area’s are approved by municipalities (the boundaries). CID’s/ID are the management form of SRA’s. Additional levies on rates are collected by municipalities and given to CID’s to manage these additional services. Once declared 100% of the owners were charged the additional levy.
Urban management

- Urban and Place Management (getting the basics right)
- Positioning and promotion
- Sustainable Development

Time

Impact
Urban management

Great city experience
Downtown experience (truly memorable)
Enjoyable experience (memorable)
Pleasant experience
Poor experience

Easily interconnected with total experience of place
Theme story (vision communication)
Vibrant users (retail, arts, entertainment)
Attractive street life (cafes, vending, events, etc)
Programmed and promoted (information kiosks, historic trails, etc)
Attractive environment - aesthetics (flowers, trees, banners, window display, etc)
Welcoming public space (painted in good repair, good signage, good access, greeters, etc)
Clean and safe
Messy, dirty and unsafe

Creating a downtown experience

Increase positive cues
Decrease negative cues
Urban management

Managing public parking
Upgrading public spaces
Public art
Programmes for areas
Promoting areas
Input into council plans
Managing traders
Clean and safe services
Benefits of CID’s in leveraging capital

- Revenues generated from Jhb City CID’s in 2016 was $6.4 million that was reinvested into public spaces.
- Annual expenditure on maintenance is $4.2 million on public infrastructure.
- Infrastructure investments made by CID’s in Jhb will be $35 million over 5 years.
- $4.9 billion has been investment in CID areas in Jhb.
In 2000 the Cape Town City Partnership was formed between property owners in the CBD and the Cape Town Council. This partnership covered the CBD and played a complimentary role to the CID’s which also existed in the CBD.

It aimed at making the city attractive to investors which meant promotion and addressing social issues.

It targeted positioning Cape Town as a creative city and won the World Design Capital title in 2014.

It provided continual programming of activities that brought communities together and boosted the creative industries.

It played an important role in documenting investment opportunities and growth and assisting in increasing the overall revenues of the city.
Approximately, R16.2 billion of investment has, conservatively, been committed to the Cape Town City Central since 2012.

Cape Town’s official property valuation in the CCID footprint went from R23.7 billion in 2014/2015 currently stands at R30.6 billion. This will increase to R42 billion by 2019 with current plans underway. That is 77% increase in property values in 4yrs (Cape Town Central City Improvement District Annual Report, 2016)
Energy Efficient project: Cape Town Council and The CTP initiated a project to assist property owners to implement energy efficient measures.

Social Programmes: City Walk through the CBD Managing informal trading Drafting a low carbon strategy for the city Mapping the city and promoting districts Incubates organisations with specific social programmes

Church Square free Wifi: Provided for by a private restaurant to together with CTP’s Open City programme.
Urban management

Urban Management companies and associations in new developments

- Established as part of new developments (residential and commercial)
- Property owners contribution is conditional upon purchase (this condition is in the title deeds)
- The UMI’s or Property Owners Association focus on:
  - Clean and safe
  - Approvals for new developments and rights
  - Public space programming
  - Public transport and trading management
  - Infrastructure upgrades in the developments
Potential for UMI to contribute towards resilience objectives of cities

- Future revenue streams can be used for raising capital if there is guaranteed increase in value resulting from investments (TIF)
- Opportunity to include costing for infrastructure in levies. This has been done in several large scale developments
- Facilitation of capital raising through partnerships that are not dependent on government processes and decision making
- Utilisation of public properties in UMI areas to raise additional financing (ODA)
- UMI’s that are established out of new developments have the opportunity to create dedicated capacity to upgrade and maintain infrastructure
Urban management