

Impact Fee: Recovering direct and indirect costs of new development

LEVERAGING CAPITAL

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Changing Cities Changing Demands

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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

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The different options for development contributions

Brown Fields
Developments:
where bulk services exist

Greenfield Development:
Where no bulk services are
in place

Combination:
Where there are limited
services

Developer required
and required to
contribute to
services already in
place

Developer
responsible for all
services required

Developer
responsible
for all new services
and required to contribute
to infrastructure already in
place

Development contributions/levies

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Examples of Service Contribution Calculations from Jhb Roads and Stormwater

$$\text{Roads} = \text{New Trips} - \text{Existing Trips} \times \text{Distance} / \text{Lane Capacity} \times \text{Cost of a lane}$$

BENEFITS OF THE DEVELOPMENT CONTRIBUTION MODEL

- 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



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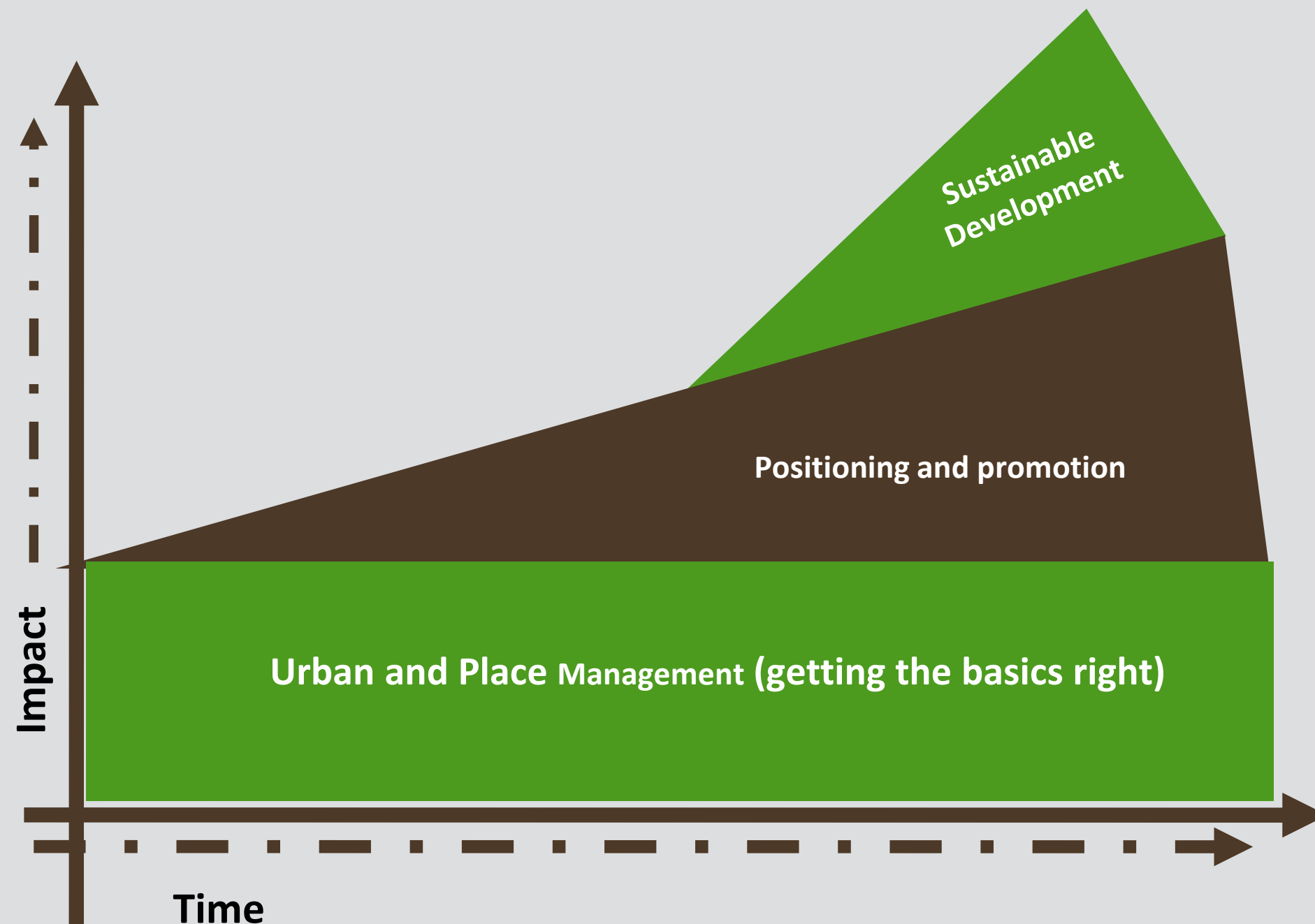
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Improvement Districts (or CID's)

- CIDs are non-Profit organisations established to manage supplementary and complimentary services in local areas
- The CIDs 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 CIDs to manage these additional services
- Once declared 100% of the owners were charged the additional levy

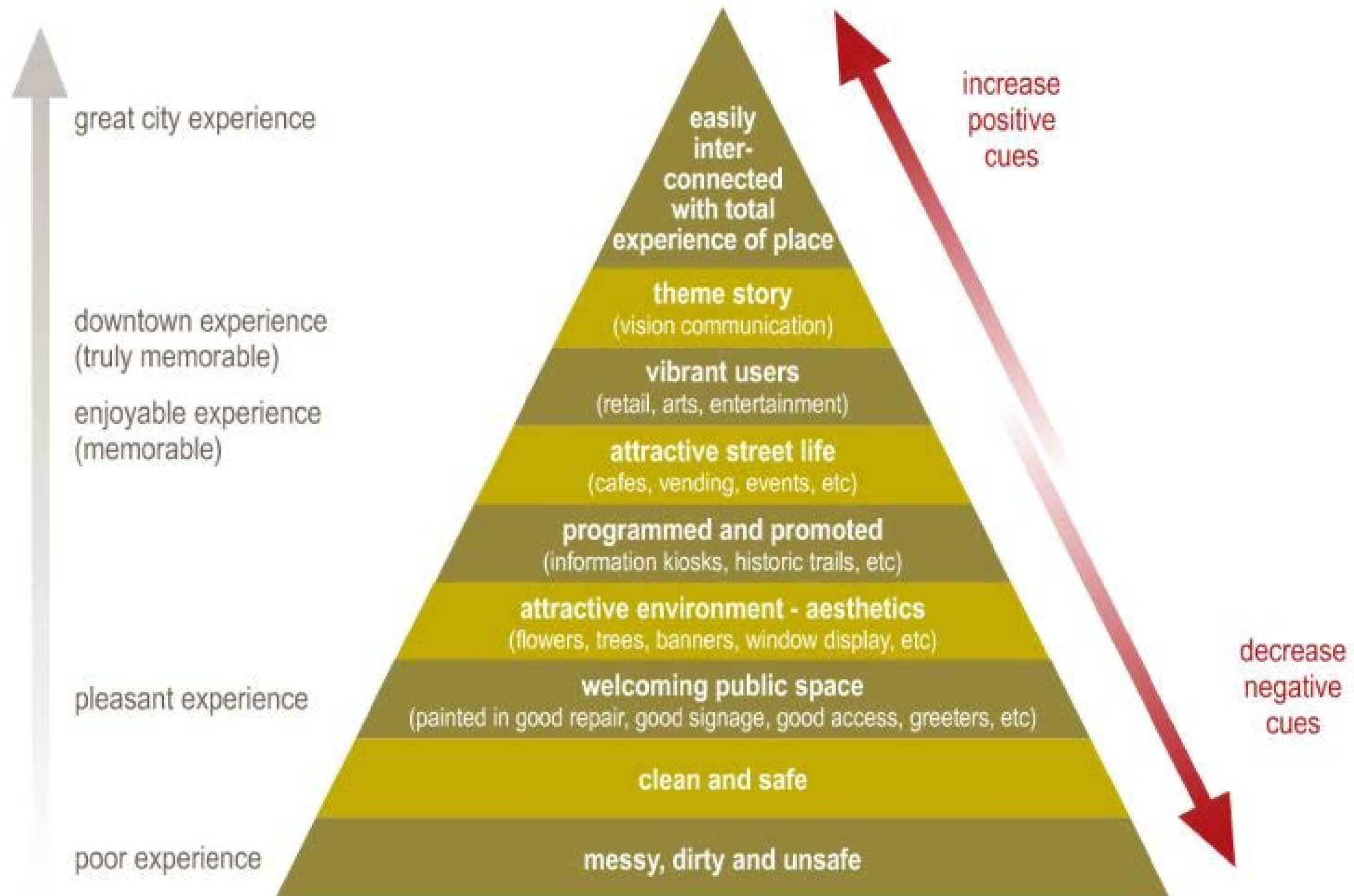
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Urban management

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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

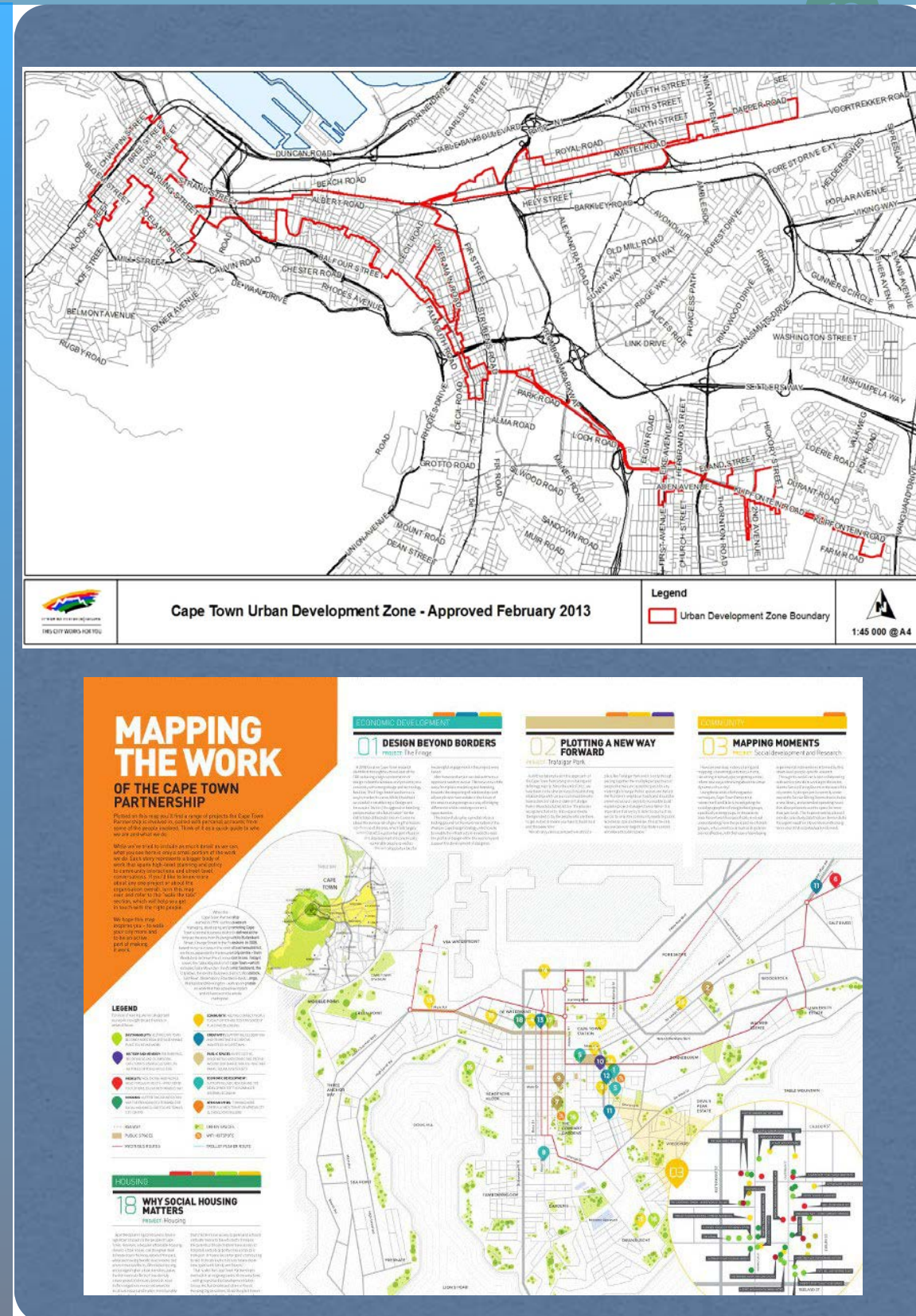
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- Revenues generated from Jhb City CID's in 2016 was \$6,4million that was reinvested into public spaces
- Annual expenditure on maintenance is \$4,2million on public infrastructure
- Infrastructure investments made by CID's in Jhb will be \$35million over 5 years
- \$4,9billion has been investment in CID areas in Jhb

City Partnership

- ✱ 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.



City Partnership

The City Partnership model together with the CID's has a direct effect of increasing the value of properties and contributing towards making cities more functional. They play a role in identifying specific needs of local communities and creating direct programmes and projects to address these:

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 R23,7billion in 2014/2015 currently stands at R30,6 billion. This will increase to R42billion by 2019 with current plans underway. That is 77% increase in property values in 4yrs (Cape Town Central City Improvement District Annual Report, 2016)



City Partnership

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.



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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

UMHLANGA NEW TOWN AND RIDGESIDE URBAN MANAGEMENT ASSOCIATIONS



UMHLANGA RIDGE NEW TOWN CENTRE



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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

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