



EMM REGION A RSDF ECONOMIC PLAN

GUIDELINES FOR FACILITATING EKURHULENI'S ECONOMIC GROWTH



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NOVEMBER, 2012



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8 INTRODUCTION

8.1 PURPOSE OF THIS ECONOMIC MODULE

Cities are arguably the most complex of human creations and possibly the least understood as well. Very few people would argue against the notion that key reasons for city formation are the attainment of economy of scale and economic advancement of participants in a city, whether they be individual households or firms. Planners often respond to the need for economic development and growth of urban spaces through the arrangement of spatial structuring elements such as activity nodes and corridors in the belief that the greater the massing of capital investment – in the form of buildings, capital equipment, public infrastructure and other durable goods – the greater the level of economic activity, especially if strengthened through corridors that improve connectivity and mobility.

But much of the functioning of cities is counterintuitive. If the above argument about the massing of investment always held true, then urban decay would not be possible and strong nodes such as CBDs would always flourish. This is clearly not the case in many cities and particularly not in Ekurhuleni. It is however true in many other cities. As a further example, observation confirms the existence of both agglomeration economics (the clustering of economic activity in space) as well as industrial dispersion.

This economic module provides planners with both insight into the economy of Region A and guidelines in formulating and evaluating economic development and growth proposals and applications.

This module presents a comparative economic profile. Region A is analysed in relation to various economic sectors, and to the economies of Ekurhuleni, Gauteng and South Africa. This section also briefly introduces key economic strategies applicable to Ekurhuleni.

It then proceeds to articulate general economic guidelines for consideration by planners in stimulating economic growth. Planners in the main focus on the use and structuring of space. Traditional economics does very well in describing and predicting individual economic preferences and the functioning of markets. However, traditional economics largely deals with spaceless problems. Urban economics provide the tools to apply sound economic principles to problems with a spatial dimension.

These guidelines are based on both accepted traditional economic approaches as well as urban economic theory. This module aims to present these guidelines in a non-technical manner. Key concepts are explained in easy-to-read language and guidelines are presented in a normative rather than mathematical manner. These should suffice to guide the formulation and assessment of most development proposals. However, as noted, much of the functioning of cities is complex and counterintuitive. Additionally, there could be many competing interests and possible outcomes to a particular development proposal, with some significant undesired and unintended consequences. It is advisably that specialist studies are commissioned to assess the impacts of unique or particularly complex development proposals.

Lastly, this module introduces urban financing instruments and incentives. These include amongst other tax incentives zones and development contributions.

8.2 ECONOMIC PROFILE OF REGION A

The following economic profile was prepared from data obtained from Quantec. Quantec in turn obtained this data from STATS SA that collated economic data for the following main place names that broadly comprise Region A:

- P7D04M01C03: Bedfordview
- P7D04M01C04: Benoni
- P7D04M01C05: Boksburg
- P7D04M01C10: Dukathole
- P7D04M01C14: Germiston
- P7D04M01C16: Kempton Park
- P7D04M01C21: Reiger Park
- P7D04M01C28: Kempton Park [Part of P7D04M01]

These main place names were included based on the map of Region A. The reader's attention is drawn to the fact that the borders of the main place names used by STATS SA do not absolutely agree with the borders of Region A. As a consequence the economic profile portrayed in this Module is a reasonable, but not absolute, representation of the economic situation in Region A.

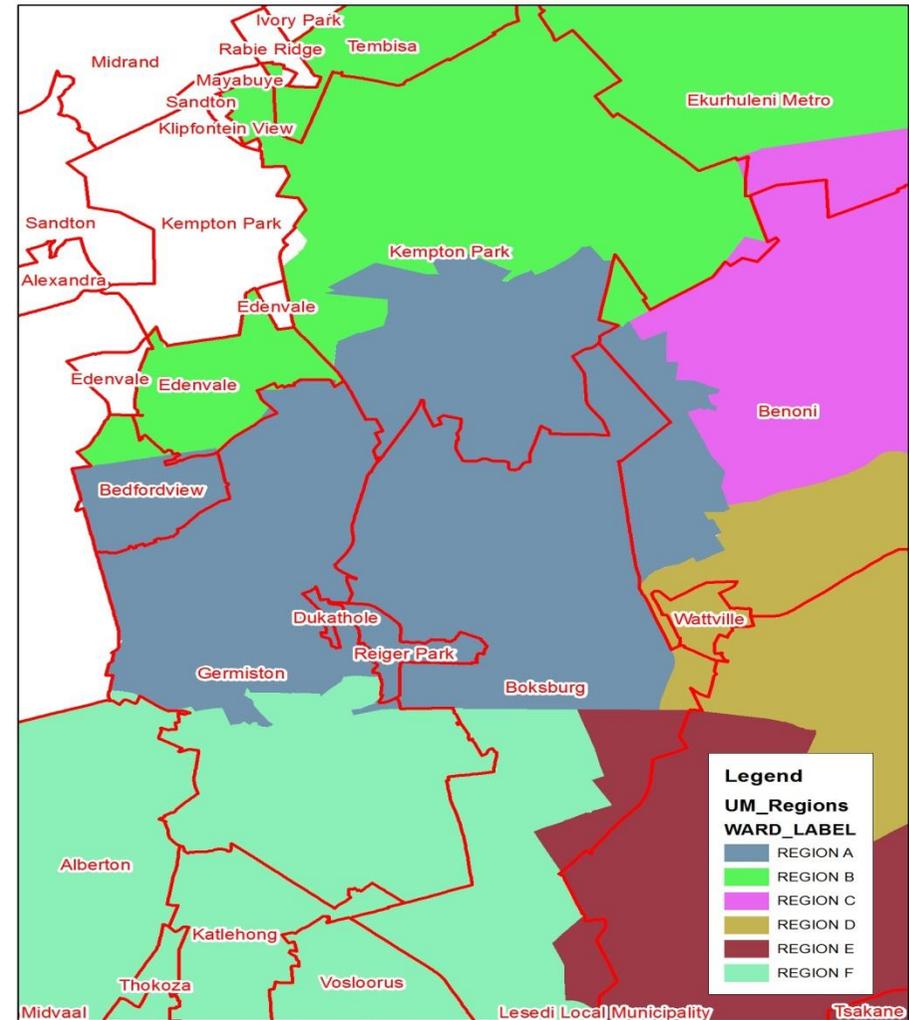


Figure 1: STATS SA SPATIAL ENTITIES (MAIN PLACE NAMES) COMPRISING REGION A

8.2.1 OVERVIEW OF KEY DEMOGRAPHIC AND SOCIO-ECONOMIC CHARACTERISTICS

Ekurhuleni Region A's key demographic and socio-economic characteristics are summarised in the following table and put in context through comparison with Ekurhuleni as a whole, the Gauteng Province and South Africa.

The region covers approximately 658 square kilometres, which translates into 34.13% of Ekurhuleni and 3.89% of Gauteng. Evident is that the area is extremely densely populated when compared with both Gauteng and national population density; however it is less densely populated than Ekurhuleni. Region A houses approximately 1.8% of the country's population, 7.12% of the Gauteng province's total population and 27.09% of Ekurhuleni's total population.

Income levels in Region A higher than is the case in the metropolitan area at large, the province or the country, whether measured as average household income or per capital income. This is in part attributed to the size of the economic active population (74.01%), that would indicate a high concentration of single person economic migrants, as opposed to large households with multiple dependents. Unemployment rates are lower than the national, provincial and metropolitan average.

	Ekurhuleni region A	Ekurhuleni	Gauteng	South Africa
Region area (sq km)	658	1 928	16 539	1 221 219
Population	711 956	2 957 131	11 328 203	50 586 757
Population density (nr of people per sq km)	1 082	1 534	685	41

	Ekurhuleni region A	Ekurhuleni	Gauteng	South Africa
Economically active population (as% of total pop)	74.01%	65.52%	66.32%	51.79%
No of Households	243 267	897 862	3 414 849	13 230 997
Average household income (Rand, current prices)	236 101	188 340	199 218	143 667
Annual per capita income (Rand, current prices)	80 673	57 185	60 054	37 576
Formal sector employment	277 082	770 281	3 096 968	9 999 421
Informal sector employment	47 134	137 591	536 192	2 316 279
Unemployment rate	14.58%	31.03%	29.09%	26.22%
Share of economic output (GVA % of SA 2011 - current prices)	3.70%	8.43%	33.99%	100.00%
Economic growth 2001 - 2011 (GVA % growth pa) (Constant 2005 prices)	4.06%	3.65%	3.92%	3.51%

Table 1: REGION A KEY COMPARATIVE STATISTICS, 2011

Region A is a large and significant local economy in the Ekurhuleni Metropolitan Municipality's economic context. Region A has a resident population of approximately 711 956 people; the area contributes approximately 3.7% to national production and has a share of approximately 2.6% of national employment. Over the period 2001 to 2011, Region A's economy grew by an estimated average of 4.06% per annum, higher than that of either the province or of the country. Region A contributes approximately 43.92% to the total economic output of Ekurhuleni and 10.89% to the total economic output of the Gauteng province.

8.2.2 PRODUCTION

Over the period 1996 to 2011, the economy of Region A did register the highest growth amongst Ekurhuleni, Gauteng and South Africa, averaging 4.51% per annum. However, this annualised growth is misleading. As is evident from **Figure 53**, this growth trend over this period was quite volatile, reaching both lows of -0.86% and highs of $+8.0\%$ over the fifteen-year window. Region A, Ekurhuleni, Gauteng, and South Africa as a whole progressed on similar trends with Region A slightly outperforming the other

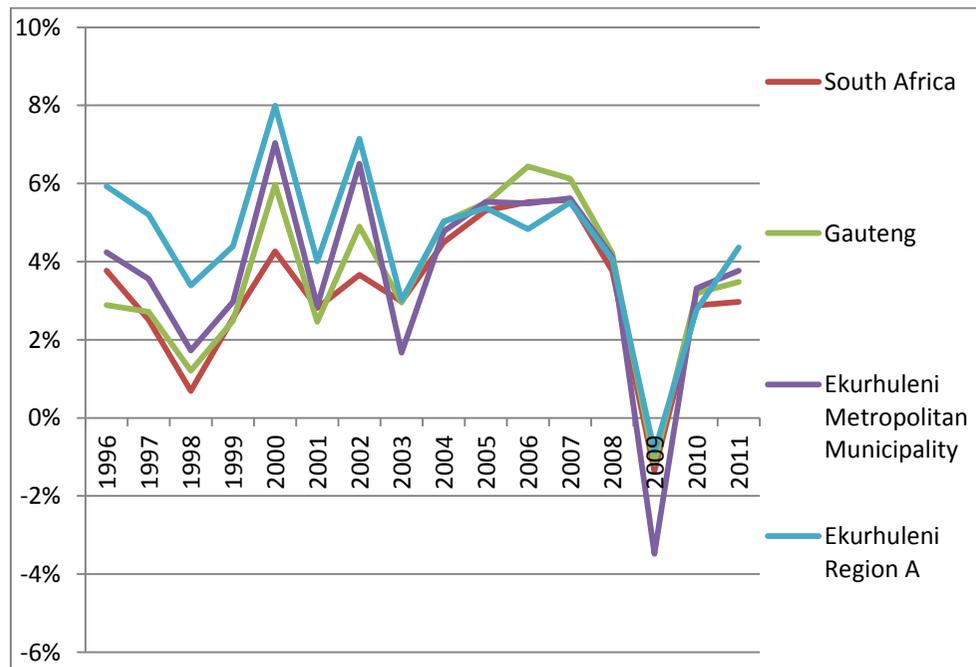


Figure 2: EKURHULENI REGION A GVA GROWTH TREND 1996 – 2011 (BASED ON CONSTANT 2005 PRICES)

regions; whereas in 2006, it underperformed compared to Ekurhuleni, Gauteng and South Africa, averaging a growth rate of 4.83% compared to 5.49% in Ekurhuleni, 6.44% in Gauteng and 5.53% in South Africa.

8.2.3 REGIONAL AND BROAD SECTORAL PROFILE

The structure of Region A's economy shows a fair level of diversity in the local economy. **Figure 3** shows the output shares of the various sectors in the Region A's economy in comparison to the Metropolitan, Provincial and National situation.

Based on 2011 estimates of sectoral output in Region A, it is evident that the finance sector makes the largest contribution of 23.23% of Gross Value Added (GVA). This is higher than in the national and Ekurhuleni economy, where finance only has 21.17% and 20.10% share of GVA.

When comparing GVA contributions of the mining and agricultural sectors of Region A to that of the national and provincial level, one notices that the contributions made are small in comparison. This can easily be explained by the urban nature of the area.

The manufacturing sector in Region A does not display the strength of that industry in Ekurhuleni where it contributes 22.48%, though it still occupies the position as the second largest economic sector in the region. When comparing the other industries of Region A, the sectoral contributions were almost similar to that of Ekurhuleni with marginal differences.

The manufacturing and government sectors contributed the most to the GVA after the finance sectors with 17.81% and 15.52%, respectively.

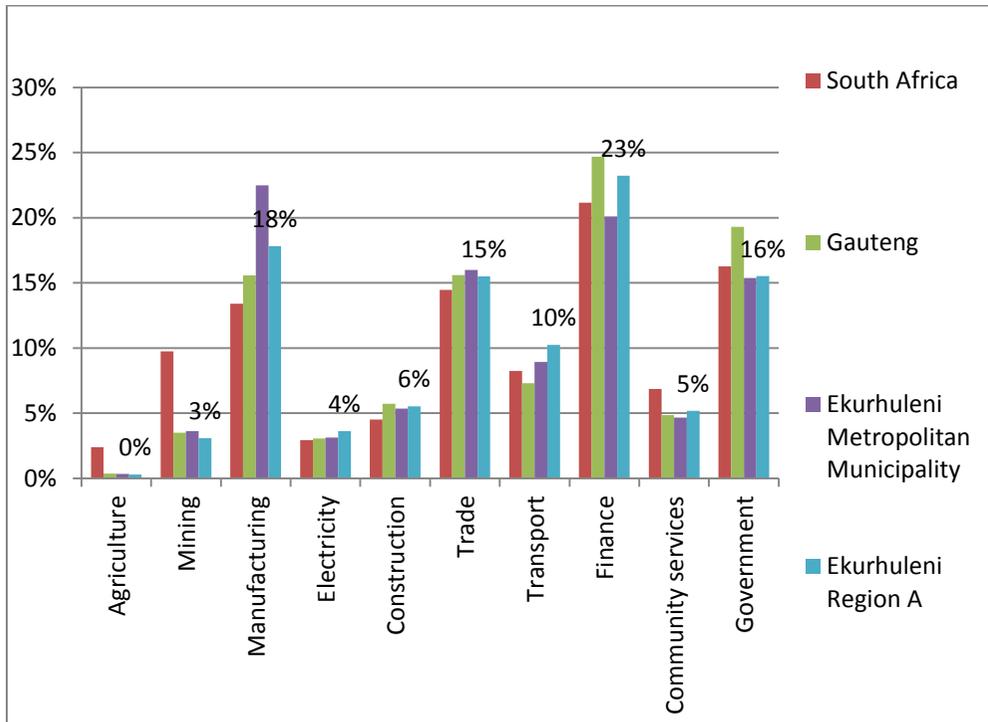


Figure 3: SECTORAL CONTRIBUTIONS TO GVA IN EKURHULENI REGION A (2011 BASED ON CURRENT PRICES)

8.2.4 STRUCTURAL CHANGES

Figure 4 shows the changes in the structure of Region A's economy between 1996 and 2011. It demonstrates the ascendancy of the finance sector and the relative decline of the manufacturing sector.

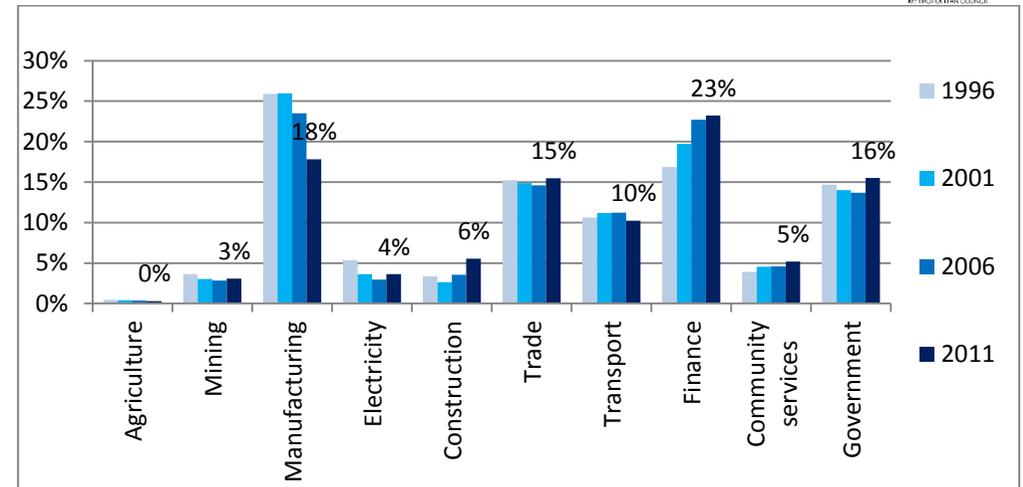


Figure 4: SECTORAL CONTRIBUTIONS TO EKURHULENI REGION A 1996 TO 2011 (BASED ON CURRENT PRICES)

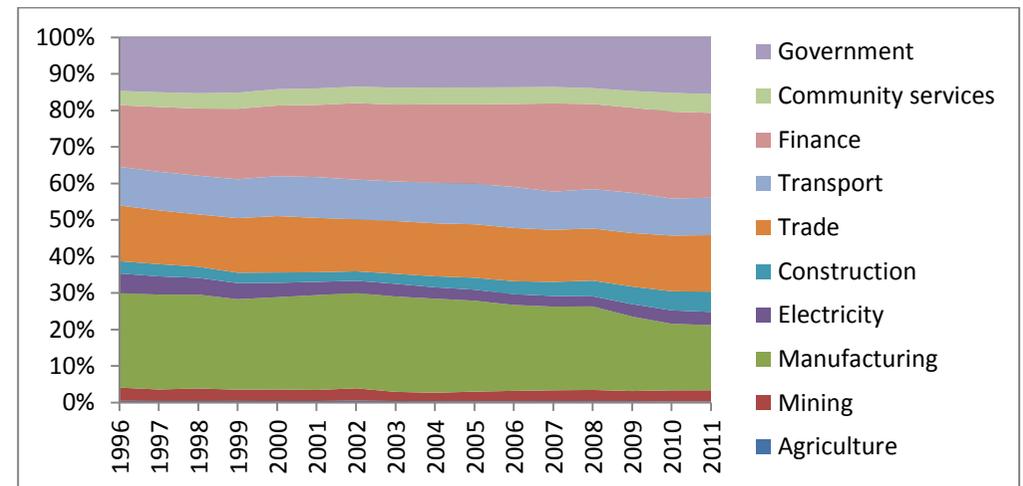


Figure 5: SECTORAL CONTRIBUTIONS TO EKURHULENI REGION A 1996 TO 2011 (BASED ON CURRENT PRICES)

Compared to changes in the sectoral contributions to GVA at the national level, the changes in Region A are in line with broader national trends, except for mining which has increased at the national level.

In Region A, manufacturing’s contribution to GVA decreased from 25.91% to 17.81% over the 1996 to 2011 period. Nationally, manufacturing’s share decreased from 20.18% to 13.4%. Nonetheless, Ekurhuleni in general and Region A to a slightly lesser degree boasts a high manufacturing location quotient, where manufacturing has a comparative advantage compared to other areas in South Africa. The finance, construction, community services, government and trade sectors in Region A exhibited positive results in the share of GVA during the period 1996 to 2011. The sector with the largest increase in its share of GVA was the finance sector, with a contribution to GVA increase from 16.58% to 23.23% over the 1996 to 2011.

The primary sectors make limited contributions to the economy of Region A. Overall, there were few significant changes to the structure of the economy of Region A between 1996 and 2011. The most pronounced changes were the decline of the manufacturing sector and increase in the share of the financial services sector.

8.2.5 ECONOMIC CONCENTRATION AND DIVERSIFICATION

The Tress Index is an economic indicator that measures the level of concentration or diversification in an economy. The index ranges between 0.0 and 100.0, where an index value greater than 50.0 indicates that the economy is relatively concentrated and an index value of less than 50.0 indicates that the economy is diversified. In the context of risk, the closer the index is to 100.0, the more the structural risk that exists for the area. The more dependent the economic activity in an area is on a single (or few)

sector(s), the more risk exists that the area can experience economic hardships as a result of the single (few) sector(s) declining. The following table shows the Tress index of South Africa, Gauteng, Ekurhuleni and Region A for 1996, 2001, 2006 and 2011.

Area	1996	2001	2006	2011
Ekurhuleni Region A	53.7	54.9	55.6	55.8
Ekurhuleni	52	53.5	54.1	53.4
Gauteng	50.4	51.3	50.8	52.4
South Africa	39.4	40.3	40.6	42.6

Table 1: TRESS INDEX OF DIVERSITY OR CONCENTRATION OF PLACES (10 INDUSTRIES)

The Tress index shows that Region A, Ekurhuleni and Gauteng are more specialised than the national economy. Region A had the most highly concentrated economy in 1996, 2001, 2006 and 2011. Region A’s position has remained virtually unchanged. Overall, the trend of the Tress index is increasing, meaning that the different areas are moving away from diversification and that the structural risk for the various areas is increasing.

8.2.6 EMPLOYMENT

The significance of a sector Region A’s economy depends not only on its share of output, or the growth thereof, but also on its contribution to employment and share of unemployment. The following table provides a summary of employment and compares the unemployment figures in Ekurhuleni, Gauteng and South Africa.

Area	Economically active population (% of total population)	Total Employment	Informal Employment	Unemployment rate (%)
Ekurhuleni Region A	74.01%	324 216	47 134	14.58%
Ekurhuleni	65.52%	907 872	137 591	31.03%
Gauteng	66.32%	3 633 160	536 192	29.09%
South Africa	51.79%	12 315 700	2 316 279	26.22%

Table 2: EMPLOYMENT AND UNEMPLOYMENT IN 2011

The above table demonstrates the scale of South Africa’s unemployment problem, considered by many to be the single largest problem facing the country. South Africa’s employment problems are also clearly reflected in subnational statistics. The economically active people as a percentage of the total population in South Africa have increased by 16.95% from 1996 to 2011. Region A’s employment performance compares very favourably with that of national, provincial or metropolitan results. Some 324,216 people or 74.01% of the population in Region A is economically active, with an unemployment rate of just above the 14% level. An estimated 47,134 people are employed in the informal sector, comprising 14.54% of total regional employment. The rate of unemployment also has worsened when compared to 2006, when the unemployment rate was 10.87%.

8.2.7 SECTORAL SHARE OF EMPLOYMENT

Sectoral employment shares show the formal employment in the sectors that produce the output discussed.

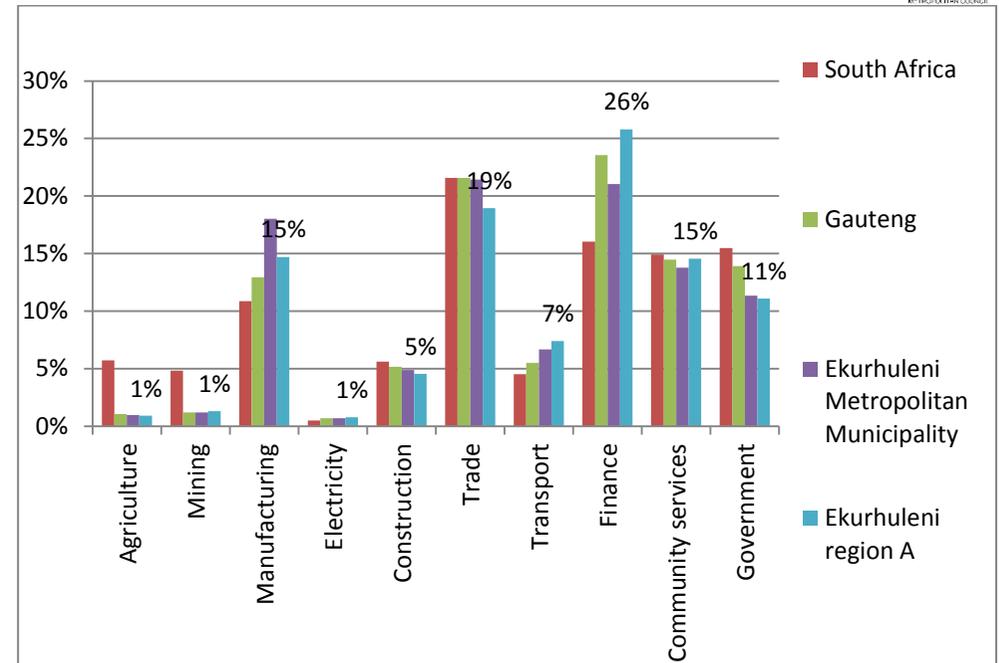


Figure 6: SECTORAL EMPLOYMENT SHARES, 2011

Agriculture, mining, and electricity provided small contributions to production, and it is evident that they also made relatively small contributions to employment: 0.9%, 1.29%, and 0.75%, respectively. Manufacturing with its high location quotient, on the other hand, continues to contribute above national average to output and employment in Ekurhuleni. It contributes a 14.75% share of employment in the region, compared to the 10.88% national average.

In the transport and finance sectors, Region A also has significantly greater-than-national average shares of employment. Finally, the figure shows that the trade sector is an important source of employment (18.96%) in Region A.

Area	Population (number)	Employment (number)	Unemployment		Per capita income (Rand, current prices)
			Number	Rate	
Ekurhuleni Region A	711 956	324 216	55 326	14.58%	80 673
Ekurhuleni	2 957 131	907 872	408 415	31.03%	57 185
Gauteng	11 328 203	3 633 160	1 490 311	29.09%	60 054
South Africa	50 586 757	12 315 700	4 377 826	26.22%	37 576

Table 3: CONTRASTING POPULATION, EMPLOYMENT, UNEMPLOYMENT, AND INCOME LEVELS BY AREA

Per capita income in Region A increased since 2006 where it was R49,230 compared to R80,673 in 2011. The per capita income of Region A far exceeds that of Ekurhuleni, Gauteng and South Africa.

8.2.8 REGIONAL POPULATION PROFILE

Region A has a population of 711,956 people. The population in Region A is growing at a rate of 1.5% per annum, more or less on par with that of South Africa, significantly lower than the provincial growth rate and noticeably higher than the national average. This data suggests that Gauteng and Ekurhuleni as a whole are considered attractive destinations for economic migrants from other regions. The area is quite densely populated, with the population density being 1,082 people per km².

Area	Population 2011	Average Annual Population growth (%) 2001 - 2011	Population density (pop. Per km ²)
Ekurhuleni region A	711 956	1.50%	1 082
Ekurhuleni	2 957 131	1.54%	1 534
Gauteng	11 328 203	1.85%	685
South Africa	50 586 757	1.22%	41

Table 4: POPULATION STATISTICS

8.2.9 REGIONAL EDUCATIONAL PROFILE

The following figure portrays the skills profile of people 15 years and older in Region A, Ekurhuleni, Gauteng and South Africa, as recorded in 2001 and 2011.

The figure illustrates that Region A has slightly improved its human capital. Since 2001, the number of people with no schooling as a percentage of the population has decreased from 4.37% to 2.81%. Those with matric have remained unchanged at approximately 29.9%. With regards to formal education, the changes were more pronounced than the country as a whole, showing an increase from 2.49% to 3.8%.

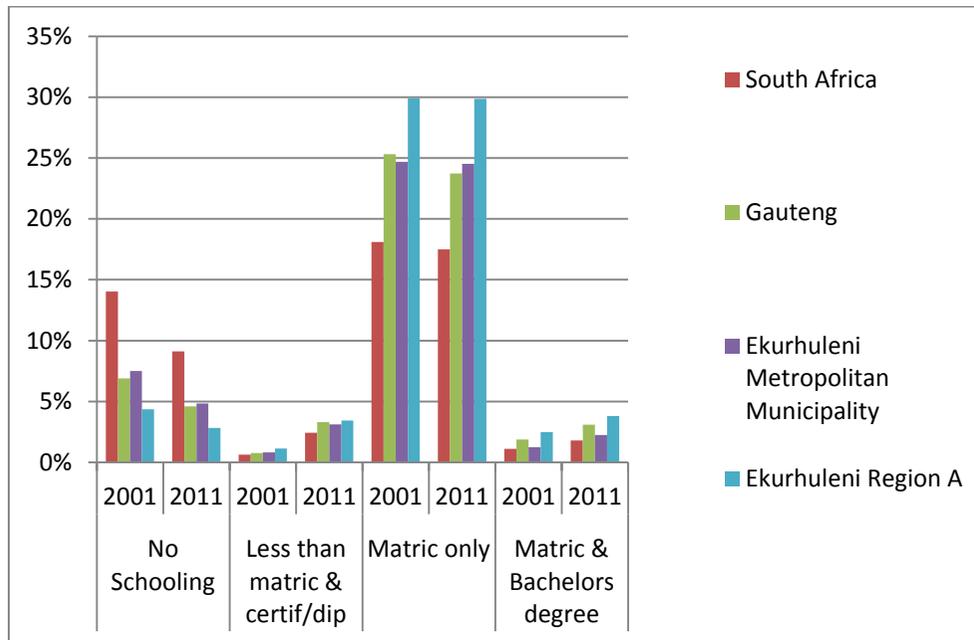


Figure 7: DERIVED EDUCATION LEVELS FOR PERSONS 15 YEARS AND OLDER

8.3 NATIONAL, PROVINCIAL AND METROPOLITAN ECONOMIC STRATEGIES

A number of economic strategies have been crafted for South Africa, Gauteng and Ekurhuleni. These include:

- The National Development Plan, 2012, prepared by the National Planning Commission;

- The Industrial Policy Action Plan (IPAP), 2010, published by the Department of Trade and Industry;
- The Gauteng Employment Growth and Development Strategy, penned by the Gauteng Department of Economic Development;
- The Gauteng Industrial Policy Framework (2010-2014), Version 6 September 2010, published by the Gauteng Department of Economic Development;
- A strategy for a developmental green economy for Gauteng. Final Report: January 2010, also published by the Gauteng Department of Economic Development; and
- The Ekurhuleni Growth and Development Strategy.

As can be expected, the above plans, policies and strategies differ in purpose, scope and spatial level, and there are in some cases also differences in approach. For purposes of a succinct economic module, a detailed summary of each plan, policy or strategy listed above is not possible. There are however some strong commonalities in most of these planning instruments. These are, with reference to RSDF A (this is not a complete list):

- The need to grow the economy, and to take steps to ensure inclusive growth;
- The need to create employment and decent jobs;
- The strengthening of backbone and/or competitive sectors and industries;
- The development of human capital;
- The development of a green economy; and
- Recognition of the role of spatial planning in achieving the above.

8.4 ECONOMIC GUIDELINES FOR IMPLEMENTATION OF RSDF A

The following are guidelines for planners in formulating and evaluating economic development and growth proposals and applications.

8.4.1 FAVOUR DEVELOPMENT PROPOSALS OR APPLICATIONS WITH THE GREATEST MULTIPLIER EFFECT

In a developmental country with high unemployment, all economic development should be welcomed, if such development meets all prevailing legal requirements (e.g. labour and environmental legislation). But some types of economic activity are more beneficial to the economy than others, and where there is competition for land use and space, the most beneficial economic activity should be supported.

The most beneficial development is that with the most backwards linkages and greatest employment multiplier effects.

A backward link is a channel through which material, money and information flow between a company and its suppliers. At scale, this creates both complimentary industries and a network of economic interdependence. Another way to understand backward linkages is as follows: as a particular industry grows, so too do the industries that supply inputs to it. So one can think of the “original” growth industry as the catalytic industry that fuels economic growth in other industries and sectors. The following table demonstrates the relative backward linkages of various sectors:

	Agriculture	Mining	Manu- facturing	EGW	Construction	Tertiary
Agriculture	1.062	0.005	0.148	0.004	0.009	0.008
Mining	0.113	1.079	0.300	0.235	0.224	0.042
Manufacturing	0.902	0.690	2.150	0.499	1.136	0.666
EGW	0.029	0.044	0.070	1.198	0.030	0.022
Construction	0.010	0.011	0.035	0.051	1.232	0.025
Tertiary	0.437	0.468	1.305	0.322	0.501	2.329
Sum of units	2.553	2.296	4.007	2.310	3.131	3.093

Table 5: TOTAL BACKWARD LINKAGES FROM SELECTED SECTORS IN GAUTENG 2007

The sector with the highest sum of units is the one that is, compared to other sectors, the most backwardly integrated with other sectors. Clearly manufacturing is the most backwardly integrated. It therefore stimulates economy-wide intermediate outputs more so than any other sector. The above table indicates that industrial and construction developments should be encouraged.

The following sectors have high potential for both backward linkages and employment multipliers and should be supported¹:

- Transport equipment
- Wood & paper, publishing and printing
- Textiles, clothing and leather
- Food, beverages & tobacco

¹ Gauteng Provincial Government: Department of Economic Development. Gauteng Industrial Policy Framework (2010 – 2014). Version 6. September 2010.

- Other non-metal minerals
- Construction
- Metals, metal products, machinery & equipment
- Transport services
- Catering and accommodation
- Electrical machinery and apparatus
- Radio, TV, instruments, watches and clocks
- Furniture and other manufactures.

Clustering of firms in a particular location very often results in spillovers and backward and forward linkages, leading to the formation of competitive supply chains. This is referred to as agglomeration economics. From a spatial planning point of view, such clustering is therefore to be favourably considered.

8.4.2 PROMOTION OF THE GREEN ECONOMY AND GREEN JOBS

The green economy is widely considered to be a key pillar of future economic growth in South Africa, and features prominently in most economic policies and strategies of both national and provincial government. The formation of green enterprises and industries should be strongly encouraged. The following table provides estimates on green employment opportunities².

² IDC OF SA Ltd, DBSA Ltd and TIPS, *Green Jobs: An estimate of the direct employment potential of a greening South African economy*, Pretoria (2011) p8. Website: www.idc.co.za/projects/Greenjobs.pdf [last accessed September 2011].

Green economy category	Segment	Technology/product	Total net direct employment potential (long term)	Net direct manufacturing employment potential (long term)
Renewable (non-fuel) electricity	Wind power	Onshore & offshore wind power	5 156	2 105
	Solar power	Concentrated solar power	3 014	608
		Photovoltaic power	13 541	8 463
	Marine power	Marine power	197	0
	Hydro power	Large hydro power	272	111
Micro-/small-hydro power		100	0	
Fuel-based renewable electricity	Waste to energy	Landfills	1 178	180
		Biomass combustion	37 270	154
		Anaerobic digestion	1 429	591
		Pyrolysis/Gasification	4 348	2 663
		Co-generation	10 789	1 050
Liquid fuels	Bio-fuels	Bio-ethanol & Bio diesel	52 729	6 641
Energy & resource efficiency	Green buildings	Insulation, lighting, windows	7 340	838
		Solar water heaters	17 621	1 225
		Rain water harvesting	1 275	181
	Transportation	Bus Rapid Transport	41 641	350
	Industrial	Energy efficient motors	-556	4
		Mechanical insulation	666	89

Green economy category	Segment	Technology/product	Total net direct employment potential (long term)	Net direct manufacturing employment potential (long term)
Emissions and pollution mitigation	Pollution control	Air pollution control	900	166
		Electrical vehicles	11 428	10 642
		Clean stoves	2 783	973
		Acid mine water treatment	361	0
	Carbon capture and storage		251	0
	Recycling		15 918	9 016
Natural resource mngt.	Biodiversity conservation & eco-system restoration		121 553	0
	Soil and land management		111 373	0
Total			462 567	46 049

Table 6: ESTIMATED GREEN EMPLOYMENT OPPORTUNITIES FOR SOUTH AFRICA

8.4.3 LAND VALUE CAPTURING

Cities are meant to be productive spaces and centers of wealth accumulation. A key feature of any city is that it is located at a physical point in space, meaning that a city requires land. The value of land in a city, or in sub-areas of a city, is generally considered a good indication of the productive capacity or investment potential of a city. Land is a particularly unique factor of production. Unlike other factors of production such as capital and human resource, land (and the fixed structures constructed on it, or the mineral resources contained in it) is immovable and fixed in a

particular location. Depending on the business cycle and ownership arrangements, land can further be viewed as either a capital investment good (for owners of land) or as consumption good with utility bearing properties. Economic actors will tend to view land as a capital investment good in times of rapid growth and property price increases, and as a consumption good when prices are either stable or declining.

A further characteristic of land is that its supply at a particular location is fixed. The supply of land is therefore, in theory, perfectly inelastic. As a result, and in an open market, there will be many competing uses for the same land and the highest bidder, whether in rent or in capital acquisition, will prevail and the value of land will increase.

Repeated observation also generally confirms the following:

- land prices in general fall with increasing distance from city centers at a diminishing rate; and
- the average size of the land area (plot, stand or erf) occupied by a household or business tends to increase the further it is from the city center.

The first point, of higher property prices closer to city centers, has been confirmed through a land rent analysis for Ekurhuleni, the results of which are shown in the following figures. It clearly demonstrates that the average market value (all properties combined) is higher closer to city centers, and lower at further distances.

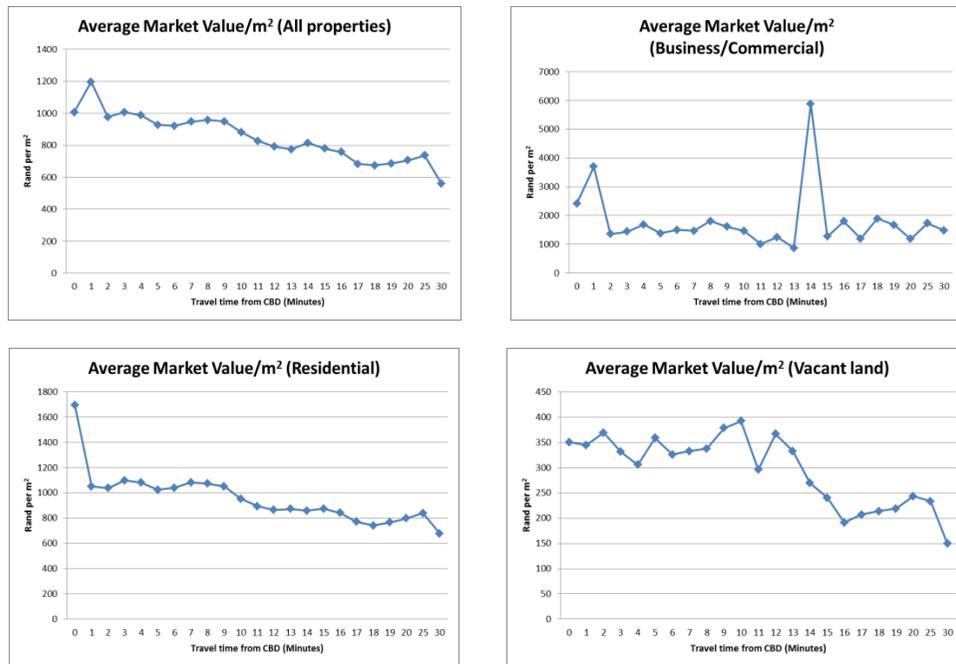


Figure 8: EKURHULENI LAND RENT RETURNS

The data does however show some anomalies. The first is that property prices (all properties) peak at a minute's driving distance from CBDs, the second is that the average value of business/commercial land is about 50% higher at 14 minutes' from city centers, and the third is that vacant land peaks at levels higher than in CBDs at various intervals upto 12 minutes' driving distance from CBDs.

The first and second anomalies are a function of the decay of Ekurhuleni's CBDs and the ascendancy of shopping centers. The third anomaly is largely explained by the existence of contaminated vacant land as well as land unsuited for development due to environmental constraints close to CBDs.

In general though, land values appreciate closer to city centers and strong nodes such as regional shopping centers due to intensive land use and the existence of externalities associated with intense land use and building massing. These externalities include connectivity, infrastructure and increased social contact.

The further distance from city centers, the higher the probably that agricultural will become the dominant land use, with lower average per unit land prices compared to other land uses.

Planners should encourage higher-order land use, land value capture and optimum land use. The highest and best use considers only the uses that are legally permissible (meeting zoning, health, and public restrictions), physically possible (has adequate size, soil conditions, and accessibility), and is economically feasible (income is anticipated). The use that meets these criteria and produces the greatest net earnings (best returns) is the highest and best use.

8.4.4 FLEXIBLE APPROACH TO URBAN DEVELOPMENT FINANCE

Many municipalities adopt an all-or-nothing approach with regard to urban development financing, particularly inasfar as private developers are concerned.

Development charges are one-time fees applied to offset the additional public-service costs of an intensification of land use, such as a new land development or a sub-division. They are usually applied at the time a building permit is issued and are dedicated to provision of additional services, such as water and sewer systems, roads and electricity. The funds collected cannot be used for operation, maintenance, repair, alteration, or

replacement of existing capital facilities and cannot just be added to general revenue. They are essentially user fees levied in anticipation of use, expanding the capacity of existing services to handle additional demand.

Many planners argue for development contributions to fully finance the cost of development. Some even negotiate with developers to fund the cost of capital expansion beyond the immediate impact of the development, with later tax breaks as incentive. Just as many planners, in the quest for local economic development, advocate waiving development contributions and also offering tax holidays (initial exemption from paying property rates) in a bid to attract investment into an area. Both viewpoints have merit, and both ignore some harsh realities.

There are also planners that wish to employ development charges as a developmental lever to direct growth. This is wrong: a development contribution is a fiscal instrument to finance the cost of infrastructure capacity necessary to service the development. As such, the instrument should be spatially neutral.

Ekurhuleni has developer contribution (bulk contributions) policies in place for its main engineering services. A study conducted on the impacts of the MSDF proposals in 2011 measured the average bulk costs associated with development and quantified probable developer contributions based on the nr of building plans approved in Ekurhuleni over several years. The results were then compared against actual development contributions received. The study concluded that there is significant under-recovery in development contributions.

Wherever possible (legislation and municipal policy permitting), a more pragmatic approach is proposed, along the following lines:

- A development is to be held fully responsible for bulk contributions in conditions of high property prices in that particular location, or where

the approval of the development application will result in leapfrog development contributing to urban sprawl and significant additional infrastructure development costs.

- Development in areas characterised by urban decay, or development that will spur economic activity in deprived areas leading to an increase in local employment, economic activity or that initiates an active property market should be considered for special arrangements such as lessor or delayed development contributions, or a tax holiday to lessen the impacts of development contributions.

8.5 SOME NOTES ON URBAN FINANCING INITIATIVES

Following are some notes on current thinking, innovative ways and best practices in financing urban infrastructure. Not all these are common practice in South Africa, and their application should be considered within the South African legal framework.

8.5.1 VALUE CAPTURING FINANCING (VCF)

VCF represents an innovative means of maximising a city's assets. It is a finance mechanism which not only shares the risks and costs of urban development between public and private actors, but also the rewards. VCF sees some of the costs associated with making urban development succeed internalised within the balance sheets of the developments themselves. Public goods are consequently provided by urban development without the proportional draw on the public resources which would otherwise finance them. This potentially means that value capture is an attractive idea to the

public sector (as it provides additional resources for public goods) and for the private sector (as it ensures that the value created by development is at least partly locally re-invested rather than being more broadly dispersed).

There is often, however, some confusion between VCF and other development finance mechanisms possibly because VCF can involve relatively complex financial and contractual arrangements, which can change according to the local development context, legal frameworks and the purpose of the funding. Value creation can result from a number of public sector interventions, including:

- Land use change using planning and regulatory tools. e.g. zoning, restrictive land use planning and planning permission.
- Enhanced infrastructure provision. e.g. road, rail, metro and airport links, as well as basic utility provision.
- Environmental improvement. e.g. remediation of polluted land, or tackling of dereliction.
- Enhanced service delivery and image. e.g. destination marketing, iconic architecture, event hosting and management, policing and cleaning.
- Population increase. e.g. residential development and increases in tourist flows as a result of enhanced area infrastructure and image.

8.5.2 PARTNERING FOR DEVELOPMENT: PUBLIC PRIVATE PARTNERSHIP (PPP)

Urban development plays important role in country development; the possible good of urbanization can solve many problems such as housing, environment, infrastructure systems etc. Contracting for infrastructure and

services allows governments to arrange with private companies to provide services or facilities that meet government specifications. Generally, governments contract with private organizations to provide a service through three mechanisms: service, management and leasing arrangements.

- **Service contracts** - The government uses public-private partnerships to modernize government housing projects, obtain defence equipment, and expand schools, prisons and hospitals. Contracting has become one of the most important methods of privatizing water and wastewater treatment services in many countries.
- **Management Contracts** - Governments are also using management contracts to provide services more efficiently while maintaining ownership control.
- **Lease Contracts** - Lease contracts are also used extensively for both public services and commercial operations. Companies leasing facilities assume responsibility for operation, maintenance and replacement of non-fixed capital assets.

8.5.3 SOUTH AFRICA'S APPROACH TOWARDS PPP'S

Partnerships in infrastructure and property developments are being actively promoted through a number of fiscal incentives, including:

- The Urban Renewal tax incentive;
- Technical assistance for projects that are implemented through the regulated PPP processes;
- Social housing grants (that provide a larger capital grant for the construction of affordable rental housing in urban restructuring zones); and
- The Neighbourhood Development Partnership grant.

What are the Potential Advantages of Public-Private Cooperation?

- PPPs can increase competition and efficiency in service provision, expand coverage, and reduce delivery costs.
- Involvement of the private sector ensures that projects and programs are subject to commercial discipline and sound financial due diligence.
- By outsourcing or working in partnership with the private sector, governments can benefit from the strong incentives for private firms to keep costs down.
- PPPs allow government to extend services without increasing the number of public employees and without making large capital investments in facilities and equipment.
- Partnering with the private sector gives local governments the ability to take advantage of economies of scale.

How Do Governments and the Private Sector Cooperate?

The ways in which governments and the private sector cooperate most frequently include

- Contracting for services and facilities management,
- Co-ownership or co-financing of projects,
- Build-operate-transfer arrangements,
- Informal and voluntary cooperation between government and the private sector, and
- Passive government financing of the private provision of services.

Tax incentives and rates arrangements

As in most countries, one of the main disconnecting issues in terms of sustainability is the presence of urban sprawl resulting in extensive urban decay³. In order to address these concerns governments internationally and nationally have utilised tax measures to support efforts aimed at regenerating these urban areas by attracting developers with a capital allowances to areas where interest would otherwise be lacking with interests⁴.

What are Tax Incentives?

Incentive takes the form of a tax allowance covering an accelerated depreciation of investment made in either refurbishment of existing property or the creation of new developments within the inner city⁵. Furthermore, it can also be used as a method to integrate public-private partnerships in

³ UrbanGreenFile. 2005. Sustainability in Tshwane. Sprawling the city. Urban Green File, vol. 10. August, pp. 27.

⁴ SARS. 2009. Guide to the Urban Development Zone Tax Incentives. <http://www.capetown.gov.za/en/Planningportal/Documents/UDZ%20Guide.pdf>. Date of access: 4 Dec. 2012

⁵ Creamer Media. 2012. Engineering news online. <http://www.engineeringnews.co.za/print-version/company-announcement-appointed-principal-contractor-for-cape-towns-newest-office-tower-2012-02-29>. Date of access: 7 Dec. 2012.

mixed-used developments that provide social facilities in new commercial and residential developments⁶.

In South Africa, the core objectives of incentive are to address neglected zones in the largest cities to promote urban renewal and development by promoting investment by the private sector in the construction and/or improvement of commercial and residential buildings, which includes low-cost housing units. Incentive in South Africa are supported by the Department of Housing's Comprehensive plan for the development of sustainable human settlements by encouraging private investment in affordable rental housing in the inner city⁷.

The Municipal Planning Financial Tools for Economic Development

The Urban Development Zones (UDZ's) programme is one of the most critical tools that can be used for economic development in South Africa⁸. UDZ's are based on the built environment and uses incentive packages to attract targeted investments and technology in the identified zones for infill development of redevelopment in order to prevent the city from future urban sprawl.

⁶ EPA (Environmental Protection Agency. 2011. A Guide to Federal Tax Incentives for Brownfields Redevelopment http://www.epa.gov/swerosps/bf/tax/tax_guide.pdf. Date of access: 7 Dec. 2012.

⁷ SARS. 2009. Guide to the Urban Development Zone Tax Incentives. <http://www.capetown.gov.za/en/Planningportal/Documents/UDZ%20Guide.pdf>. Date of access: 4 Dec. 2012

⁸ Pretoria Provincial Government: Department of Trade and Industries. Policy development for the development of special economic zones in South Africa. Notice 45 no. 349683. January 2012.

Local governments give planning commissions latitude to waive certain zoning requirements for infill projects. Infill incentives are offered for a number of reasons⁹:

- Infill development reuses properties that may have been underutilized or blighted, helping to catalyze revitalization.
- It also has the potential to boost jobs, purchasing power, and public amenities in urban core neighbourhoods and generate tax revenue for local government.
- Infill housing is dense in comparison with housing in suburban areas and represents an effective way to meet a jurisdiction's affordable housing or population growth needs.
- Located in proximity to existing transit routes or within walking distance of services and entertainment, infill development can reduce auto use and accompanying congestion and pollution.

Prime locations for infill development include CBD's, transit corridors and locations near employment, shopping, and recreational and cultural amenities.

Private Development Initiatives: Amounts Which Will Be Allowed As Tax Deductions

In respect of the erection of a new building or the extension of or addition to any building:

- An amount equal to 20% of the cost pertaining to the erection or extension of or addition to the building in the year of assessment

⁹ Policy Link. 2012. Infill investments. <http://policylink.info/EDTK/Infill/> Date of access: 4 Dec. 2012.

during which the building is brought into use by the taxpayer solely for the purposes of that person's trade; and

- an amount equal to 8% of the cost in each of the 10 succeeding years of assessment.

In respect of the improvement of an existing building or part of a building:

- An amount equal to 20% of the cost pertaining to the improvement of the building in the year of assessment during which the building is brought into use by the taxpayer solely for the purposes of trade; and
- An amount equal to 20% of the cost in each of the four succeeding years of assessment.

In respect of the erection of any new building or the extension of or addition to any building, to the extent that it relates to a low-cost residential unit:

- An amount equal to 25% of the cost pertaining to the erection or extension of or addition to that building in the year of assessment during which the building is brought into use by the taxpayer;
- An amount equal to 13% of the cost in each of the five succeeding years of assessment; and
- an amount equal to 10% of the cost in the seventh year of assessment.

In respect of the improvement of any existing building or part of a building, to the extent that it relates to a low-cost residential unit:

- An amount equal to 25% of the cost pertaining to the improvement of the building in the year of assessment during which the building is brought into use by the taxpayer; and

- an amount equal to 25% of the cost in each of the three succeeding years of assessment.
- Given below are examples of depreciation amounts approved by the City of Johannesburg (City of Johannesburg, 2012):

Urban Development Zones Tax incentives for Ekurhuleni

In 2006 the Municipality of Ekurhuleni identified the Urban Development Zone in terms of section 13 Quat of the income tax act, 1962 (act no. 58 of 1962). Given below is a point to point description of Ekurhuleni and Kempton park's Urban Development Zone¹⁰:

- From the corner of Kempton Road and Gottfried Avenue,
- Along Kempton Road in a western direction to Monument Road,
- along Monument Road in a northern direction up to CR Swart Drive,
- west along CR Swart Drive up to Kelvin Street,
- south along Kelvin Street for approximately 450m,
- east for approximately 320m up to the railway line,
- south along the railway line up to Albatross Street,
- northeast along Albatross Street and Gottfried Avenue up to Kempton Road.
- Germiston demarcated area: point to point description: From the corner of Power Street and End Street,
- along Power Street in a eastern direction up to Railway Street,
- southeast along Railway Street and Labassee Road up to Van Lingen Street,

¹⁰ National Treasury. 2006. Urban Renewal Tax Incentives. <http://mfma.treasury.gov.za/MFMA/Urban%20Development%20Zones/Urban%20Renewal%20Tax%20Incentive%20-%20Guide%20for%20Investors.pdf>. Date of access: 4 Dec. 2012.

- southeast along the western boundary of South Germiston X4 up to Ostend Road,
- along Ostend Road up to the railway line, north along the railway line,
- later turning west along the railway line,
- northwest along Hardach Street up to Keswick Road,
- northeast along Keswick Road turning northwest along the northeastern boundary of Germiston X4,
- across Hardach Street following the northern boundary of North Germiston and Germiston X8,
- along the western boundary of Germiston X6 up to Rose Innes Road,
- southeast along Flag Street turning northeast up to President Street,
- southeast along President Street up to the railway line,
- south along the railway line up to Jack Street,
- south along End Street up to Power Street.

8.5.4 INNOVATIVE DEVELOPMENT INCENTIVES AND INITIATIVES

Following are some examples of innovative incentives and funding mechanisms around the globe¹¹:

Funding for the design and construction of parking structures and transit infrastructure

This is considered one of the most useful and important incentives for the repair of large commercial sites such as regional shopping centers and malls, which will be possible only if the under-utilized parking lots are urbanized to support higher density, mixed-use development. Structured parking will be needed, and the investment for it can be considerable, making government financial support essential.

Tax increment financing (TIF)

This is an instrument used to underwrite redevelopment projects. Applied to a district, TIF is typically used to pay for on-site and off-site infrastructure improvements. Bonds are issued based on the projected future increase of the local taxes within a certain redevelopment area.

Business Improvement District (BID)

Also called a BIA (Business Improvement Area). This is an overlay area that can be funded through a special assessment collected from commercial property owners within the district or area. The funds will pay for

infrastructure improvements in the process of sprawl repair. They generally require legislative authorization.

Reduce lot sizes, setbacks, and parking requirements

Many localities are updating their zoning code to address the challenges of developing smaller parcels. Key incentives modify regulations to allow for reduced residential lot sizes, reduced setback requirements, and reduced street and parking standards.

Zone for mixed-use development

Local governments may put in place a residential/mixed-use zoning designation to specifically encourage infill practices such as allowing housing development above stores. To ensure availability of affordable housing, the jurisdiction can amend the zoning regulations to establish an overlay zone for the residential/mixed-use district that permits the development of affordable housing "by right" on the areas covered in the overlay.

Upgrading infrastructure and amenities

A key strategy for encouraging infill development, particularly housing, is a focused public investment strategy to improve antiquated infrastructure and add public amenities such as parks, libraries and streetscapes.

¹¹ Tachieva. 2010.

Lowering of impact fees

Offering lower impact fees for infill projects can more accurately reflect the true costs for providing services through existing infrastructure. This more calibrated approach makes infill parcels more attractive, and builds greater equity into metropolitan growth patterns.

Permitting by right

Fast track permitting, applied within targeted infill development areas, allows developers of infill parcels to get their application processed ahead of non-infill applications. Affordable housing projects with slim profit margins can benefit substantially from speedy development review and approval.

Increase density allowances

Increasing the maximum allowed density for infill areas in the city's zoning regulations is an important incentive. Higher densities permit more intensive development of a parcel and allow the developer the opportunity to spread development costs over more units. Local governments can also provide "density bonuses" to developers of infill sites that designate a certain percentage of housing units as affordable. In this way, localities can both encourage efficient use of the land and promote the inclusion of affordable housing units within a project.

8.6 CONCLUSION

This module profiled the economy of Region A that compares very favourably with that of the performance of Ekurhuleni, Gauteng and the country on a number of key indicators such as employment and household income.

Useful economic guidelines were articulated to assist planners in constructing and assessing development proposals and applications, particularly with respect to desired land use based on the employment multipliers and backward linkages of particular sectors.

Likewise, this module also noted national tax concessions with regard to urban development.

The reader's attention is drawn to the possibility that all of the above data and information provided can change over time.

ANNEXURE A: LEGISLATIVE APPROACH TOWARDS TAX INCENTIVES

EXTRACT OF SECTION 13quat

Income Tax Act, 1962 (Act 58 of 1962)

Chapter II: The Taxes

Part I: Normal Tax 13quat. Deductions in respect of erection or improvement of buildings in urban development zones

(1) For the purposes of this section—

‘cost’ means the costs (other than borrowing or finance costs) actually incurred in erecting or extending, adding to or improving a building or part thereof and includes any costs incurred—

- (a) in demolishing any existing building or part thereof;
- (b) in excavating the land for purposes of that erection, extension, addition or improvement; and
- (c) in respect of structures or works directly adjoining the building or part so erected, extended, added to or improved, for purposes of providing— (i) water, power or parking with respect to that building or part; (ii) drainage or security for that building or part; (iii) means of waste disposal for that building or part; or (iv) access to that building or part, including the frontage thereof;

‘developer’ means a person who—

- (a) erects, extends, adds to or improves a building or part of a building with the sole purpose of disposing of that building or part thereof immediately after completion of that erection, extension, addition or improvement; and
- (b) does not use the building or part which is to be disposed of as contemplated in paragraph (a) for purposes of his or her trade in any other manner;

‘purchase price’ in relation to any building or part of a building purchased by the taxpayer means the lesser of—

- (a) the actual cost to the taxpayer to purchase that building or part; or
- (b) the cost which a person would have incurred had that person purchased that building or part under a cash transaction concluded at arm’s length on the date on which that taxpayer purchased that building or part;

‘urban development zone’ means an area demarcated by a municipality in terms of subsection (6), the particulars of which were published in the Gazette in terms of subsection (8);

(2) There must be allowed to be deducted from the income of the taxpayer an allowance determined in terms of subsection (3) or (3A), in respect of the cost of the erection, extension, addition or improvement of any commercial or residential building or part of a building which is owned by the taxpayer and is to be used solely for purposes of that taxpayer’s trade, if—

- (a) That building is situated within an urban development zone;
- (b) The erection, extension, addition or improvement was commenced by the taxpayer or the developer, as the case may be, on or after the date of publication of the notice contemplated in subsection (8) in respect of that

urban development zone, in terms of a contract formally and finally signed by all parties thereto on or after that date; and

(c) the erection, extension, addition to or improvement by the taxpayer or developer covers either the entire building or a floor area of at least 1000 m² of that building;

(d) in the case where the taxpayer purchase that building or part from a developers- (i) the agreement to purchase was concluded on or after 8 November 2005; (ii) that developer has not claimed any allowance under this section in respect of that building or part; and

(iii) if the developer improved the building or part as contemplated in subsection (3)(b) or (3A)(b), that developer has incurred expenditure in respect of those improvements which is equal to at least 20 per cent of the purchase price paid by the taxpayer in respect of that building or part.

(3) The amount of the allowance contemplated in subsection (2)—

(a) in the case of the erection of any new building or the extension of or addition to any building (other than a building in respect of which paragraph (b) applies), is equal to— (i) 20 per cent of the cost to the taxpayer of the erection or extension of or addition to that building, which is deductible in the year of assessment during which that building is brought into use by that taxpayer solely for the purposes of that taxpayer's trade; and(ii) eight per cent of that cost in each of the 10 succeeding years of assessment;

(b) in the case of the improvement of any existing building or part of a building (including any extension or addition which is incidental to that improvement) where the existing structural or exterior framework thereof is preserved, is equal to— (i) 20 percent of the cost to the taxpayer of the improvement, extension or addition which is deductible in the year of

assessment during which the part of the building so improved, extended or added is brought into use by the taxpayer solely for the purposes of that taxpayer's trade; and (ii) 20 per cent of that cost in each of the four succeeding years of assessment.

(3A) The amount of the allowance contemplated in subsection (2) —(a) in the case of the erection of any new buildings or the extension of or the addition to any building, to the extent that it relates to a low-cost residential unit, (other than any improvement in respect of which paragraph (b) applies) is equal to— (i) 25 per cent of the cost to the taxpayer of the erection or extension of or addition to that building, which is deductible in the year of assessment during which that building is brought into use by that taxpayer;(ii) 13 per cent of the cost in each of the five succeeding years of assessment; and (iii) 10 per cent of the cost in the year of assessment following the list year contemplated in subparagraph (ii);

(b) in the case of the improvement of any existing building or a part of a building, to the extent that it relates to a low-cost residential unit, (including any extension or addition which is incidental to that improvement) where the existing structural or exterior framework thereof is preserved, is equal to— (i) 25 per cent of the cost to the taxpayer of the improvement, which is deductible in the year of assessment during which the part of the building so improved, is brought into use by taxpayer; and (ii) 25 per cent of that cost in each of the three succeeding years of assessment.

(3B) For the purpose of subsection (3) or (3A), where the taxpayer purchased—

(a) a building from a developer, the purchase price of the building is deemed to be cost incurred by that taxpayer in respect of the erection, extension, addition to or improvement of the building as contemplated in (3) or (3A); and

(b) part of a building from a developer— (i) 55 per cent of the purchase price of that building or part, in the case of a new building erected, extended or added to by that developer as contemplated in subsection (3)(a) or (3A)(a); and (ii) 30 per cent of the purchase price of that building or part, in the case of a building improved by that developer as contemplated in subsection (3)(b) or (3A)(b), is deemed to be costs incurred by that taxpayer in respect of the erection, extension, addition to or improvement of that part of a building.

(4) No deduction shall be allowed under this section, unless the taxpayer has obtained or determined the following for submission to the Commissioner in such form and within such time as may be prescribed by the Commissioner—

(a) a certificate issued by the municipality to the taxpayer confirming that the building is located within an urban development zone within that municipality;

(b) the total amount of the costs to the taxpayer (other than a taxpayer contemplated in paragraph (d)) of the erection, extension, addition or improvement and the extent that those costs relate to any portion of the building in respect of which a certificate of occupancy has been granted;

(c) particulars as to whether the costs referred to in paragraph (b) were incurred in respect of the erection or extension of or addition to a building as contemplated in subsection (3)(a) or the improvement of a building as contemplated in subsection (3)(b); and (d) in the case of a taxpayer who purchased the building or part of a building from a developer—(i) the purchase price of that building or part; (ii) the amount of the purchase price deemed to be a cost incurred by the taxpayer in terms of subsection (3A); and (iii) a certificate from the developer in the form prescribed by the Commissioner confirming that the requirements in subsection (2)(b), (c) and (d) have been met.

(5) No deduction shall be allowed under this section in respect of any building or part of a building— (a) where that taxpayer ceased to use that building, or part solely for purposes of that taxpayer's trade during any previous year of assessment in or prior to which an allowance contemplated in subsection (2) was claimed;

(b) which has been disposed of by the taxpayer during any previous year of assessment, or

(c) which is brought into use by the taxpayer after 31 March 2014.

(6) For the purposes of this section, one area may be demarcated by a municipality where—

(a) that area is a developed urban location with the municipality of Buffalo City, Cape Town, Ekurhuleni, Emalahleni, Emfuleni, eThekweni, Johannesburg, Mafikeng, Mangaung, Matjhabeng, Mbombela, Msunduzi, Nelson Mandela, Polokwane, Sol Plaatje or Tshwane;

(b) that area is demarcated through formal resolution by the relevant municipal council;

(c) that area is prioritised in that municipality's integrated development plan adopted and undertaken in terms of Chapter 5 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as a priority area for further investments to promote business or industrial activity or residential settlements to support such activity;

(d) that area proportionately contributes or previously contributed a significant portion of the total revenue collections for all areas located within the current boundaries of that municipality, as measured in the form of— (i) property rates; or (ii) assessed property values, and where the contribution from that area is under.

(e) significant fiscal measures have been implemented by that municipality to support the regeneration of that area, including— (i) the appropriation of significant funds for developing the area in the annual budget of the municipality; (ii) special tariffs for categories of residential, commercial or industrial users; or (iii) partnership arrangements with the business community for the promotion of urban development within that area;

(7) (a) Subject to paragraph (d), the area demarcated in terms of subsection (6) may not exceed— (i) where that municipality has a population of not more than 500 000 persons, a total area of 150 hectares; or (ii) where that municipality has a population of more than 500 000 persons, 150 hectares plus 20 hectares for each additional 100 000 persons included in that population.

(b) Where that municipality has a population of 2 million persons or more, the municipal council may demarcate two areas in lieu of the one area demarcated in terms of subsection (6) provided that— (i) the two areas do not in total exceed the one area contemplated in paragraph (a)(ii); and (ii) each area otherwise satisfies the requirements of subsection (6).

(c) For purposes of this subsection, the population of a municipality shall be the population figures as determined by Statistics South Africa in the Census for 2001 and the total population of that municipality must be rounded to the nearest multiple of 100 000.

(d) The area demarcated in terms of subsection (6) may exceed the limits contemplated in paragraph (a) where— (i) the municipality proves to the Minister that the excess area is integrally related to the area within the limitation contemplated in paragraph (a); (ii) the municipality can prove to the Minister that sound economic reasons exist for demarcating a larger area; and (iv) the Minister is satisfied that the demarcation of the excess area would fall within Government's affordability constraints.

(8) The Minister must publish by notice in the Gazette particulars of an area demarcated by a municipality after that municipality has proved to the Minister that (10A) Every developer who erects, extends, adds to or improves any building within an urban development zone must, if the estimated cost of that erection, extension, addition or improvement is likely to exceed R5 million—

(a) inform the Commissioner within 30 days after commencement of the erection, extension, addition or improvement of the estimated costs thereof in respect of the building or the parts which the developer intends to sell and the estimated selling price of that building or those parts; and

(b) inform the Commissioner within 30 days after sale of the building or all anticipated sales of any parts of the building have been concluded of the actual costs incurred in respect of that building or parts and the actual selling price of that building or parts thereof. (10B) If the Commissioner has reason to believe that the information provided in the certificate by a developer as contemplated in subsection (4)(d)(iii) is not correct, the Commissioner must disallow any deduction claimed under this section, unless sufficient information is provided to the Commissioner to prove that the information contained in that certificate is correct.

(11) The Commissioner must on an annual basis submit a report to the Minister containing information relating to—

(a) the number of taxpayers which have during the relevant year claimed an allowance in terms of this section;

(b) the total amount of the deductions by taxpayers allowed in that year in terms of this section; and

(c) the total amount of the costs to those taxpayers which are or be allowable as a deduction in terms of this section.