



Graduate School of Development Policy and Practice
Strategic Leadership for Africa's Public Sector

TURNING THE TIDE: THE JOHANNESBURG DEVELOPMENT AGENCY AND ITS ROLE IN REVITALISING THE INNER CITY

Case study prepared by the Public Affairs Research Institute, University of the Witwatersrand, in partnership with the Graduate School of Development Policy and Practice at the University of Cape Town.

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BACKGROUND

Johannesburg started life as a mining village in 1886. Half a century later it was a fast-growing city, and by 1936 was considered important enough to host the Empire Exhibition. Its rapid expansion continued through the 1960s: The South African economy was booming and, given Johannesburg's undisputed status as South Africa's industrial and commercial capital, large investors poured money into developing the city. In the 1960s and 1970s the central business district (CBD) was almost completely rebuilt, with the new 50-floor Carlton Centre becoming the tallest building in Africa.

Few would have foreseen that, less than 30 years later, Johannesburg would be described as 'a city on the verge of an abyss, slipping inexorably into ruin and decline; where the streets are littered with refuse and garbage; a filthy, chaotic, and uninviting place'¹.

A tight planning regime meant that up to the 1970s most corporate head offices and major retail centres were located in the CBD, which helped to maintain demand for space and property prices. However, Johannesburg was still a relatively small and white place. This was largely due to the apartheid regime, which went to extreme lengths to restrict the flow of Africans from rural to urban areas. Given this centralised pattern of metropolitan development, Johannesburg's infrastructure was under growing pressure by the 1970s. Traffic congestion became a serious problem. The city responded by trying to discourage motor vehicles from entering the CBD, and encouraging people to use public transport. Among other things, it no longer permitted new parking areas or basement parking in new buildings.

At the same time that the city centre was becoming less attractive to many corporate tenants, the newer nodes of Bedfordview and Sandton were developing. In the 1970s, and particularly the 1980s, corporate tenants started to look outside the city centre for a new type of office accommodation for reasons such as easier access, more parking, and better technology infrastructure. At the same time, large corporate landlords, such as the major insurance companies, were investing heavily in new property development outside the city centre. This investment was not driven so much by an increased demand, but by the relatively low rate of real return in equity markets, which made property a more attractive long-term investment. Therefore, at the same time when corporate tenants in Johannesburg were looking for alternatives, large-scale property investment in areas like Sandton had greatly increased the availability of cheap new office space. In some instances, big landlords encouraged their tenants to move from Johannesburg to the new areas as a way of 'demonstrating' confidence in the latter.

One of the factors encouraging the departure of traditional white tenants from residential areas such as Hillbrow, situated on the fringe of the CBD, was that during the 1960s and 1970s a set of new subsidies for first-time white home owners encouraged the movement of people out of city apartments into the growing suburbs.

During the 1980s there was a significant increase in the number of black people (largely young, employed, and relatively well-educated) living in Hillbrow, despite it being designated a 'white' area in terms of the Group Areas Act, which strictly demarcated residential areas permissible for occupation by each race group. In 1982, Judge Richard Goldstone ruled that it was illegal to

1. Martin J Murray, *Taming the disorderly city: the spatial landscape of Johannesburg after apartheid*

evict tenants who were in contravention of the Group Areas Act without providing them with alternative accommodation. This decision gave some security of tenure to black residents in areas such as Hillbrow, and also provided new tenants for landlords, given that many white residents had left for the suburbs.

Following the abolition of influx control legislation in 1986 and the Group Areas Act in 1991, black South Africans began to flood into Johannesburg in far greater numbers than its managers had envisaged or planned for. City managers – still white at that time – made little effort to provide them with access to infrastructure. Among other things, city management failed to provide taxi ranks for the new minibus taxi industry (which was triggered in part by unequal and segregated public transport services). This rapidly growing industry also provided new opportunities for informal traders, but the city did not provide them with facilities. Thus City management at that time largely failed to deal with the rapidly expanding and changing urban landscape and its inhabitants.

Most of the new arrivals streaming into the city could not afford the rentals paid by previously white flat dwellers, and in areas like Hillbrow they could only afford formal rental accommodation if they shared. As a result, landlords allowed the overcrowding of buildings as a way of maintaining their real incomes in the face of demand for more affordable rentals by new black tenants. This significantly increased pressure on buildings, including lifts and plumbing, and increased maintenance costs. Landlords generally failed to respond, and buildings started to decline.

There were a number of factors that undermined the landlords' willingness and ability to maintain buildings. These included perceptions that black tenants would tolerate a lower level of service. In addition, the high real interest rates of the 1980s and early 1990s made loan repayments relatively expensive, and reduced the income available for maintenance. Finally, declining

property values meant that the main source of value for many buildings was the net rental income (rather than capital appreciation), which landlords wanted to maximise. Individuals rather than corporates owned many buildings, particularly in Hillbrow, and they often had limited capital resources to undertake expensive maintenance. In some instances, landlords simply abandoned their buildings, no longer able to make a reasonable return in the face of rapidly declining property values.

The late 1980s were characterised by a spiral of decline: informal settlements grew near to the city, overcrowding was a feature in many inner-city rental accommodation, and many buildings were abandoned by their owners and taken over by squatters or slumlords. The situation was particularly bad in Hillbrow, but even in the CBD there were buildings that had been abandoned and taken over by squatters. By the early 1990s landlords had started to abandon buildings in significant numbers and property prices had declined sharply. By the mid-1990s a considerable number of corporate tenants had left the inner city, and by the late 1990s the deterioration of the inner city was noticeable.

A NEW VISION

In the wake of the first free general election in 1994 the first democratic local government elections were held in November 1995. Thereafter, the Greater Johannesburg Transitional Metropolitan Council (GJTMC) and four Transitional Metropolitan Local Councils were established. The new local government structure faced considerable challenges – most particularly the integration of previously separate (overwhelmingly under-serviced and poor) black townships around the city. There were also administrative problems: in the late 1990s there were three re-organisations of council structures in what is now the greater Johannesburg area. This created effective administrative chaos. For example, every time there was a re-organisation, vital billing information was lost, and city management had

little idea of who owned buildings or who was resident where in the city. The GJTCM was essentially bankrupt by the end of the 1990s (unable to pay Eskom a R300 million bill for bulk electricity purchases), and was saved by a restructuring grant from the Treasury.

Yet bankruptcy was not a result just of bad management or poor economic times. Instead it was a consequence of the very structure of Johannesburg as an apartheid city. During the 1980s, political activists and left-wing academics had come together in Johannesburg to form what they called at the time a 'service organisation', whose task was to bring high quality research on urban development into the service of the anti-apartheid struggle. The organisation was called Planact. Planact gave advice and assistance to trade unions and civic associations. Established originally by planners and architects, the organisation supported initiatives that would contribute to democratic and egalitarian post-apartheid cities.

In an attempt to 'reform', but definitely not to abolish apartheid in the early 1980s, the P.W. Botha government had brought in a new constitution. It introduced Black Local Authorities (BLAs), ostensibly to give black, African South Africans political rights at local government level, but not a national franchise. Former townships were thus reconstituted as autonomous municipal areas with their own elected local councils. Soweto, a former township of Johannesburg, became after 1982 a city in its own right with its own municipal authority, the Soweto City Council. Almost immediately afterwards, two things happened: firstly, charges for services in Soweto rose dramatically, nearly doubling every couple of months, and secondly, new kinds of political organisations, focused on the local level, emerged. They were known as civics or civic organisations. Most civics quickly joined the United Democratic Front, a broad anti-apartheid grouping with a similar political orientation to the banned and exiled African National Congress (ANC).

One of Planact's contributions at the time was to analyse the financial crisis of Soweto and other BLAs in terms of the apartheid political economy. In essence, they argued that Soweto and Johannesburg were indivisibly part of the same urban economy. Soweto residents worked in factories and in businesses in Johannesburg, and they did their shopping there as well. Yet the new city of Soweto was demarcated in such a way that all industrial and business areas were included in the jurisdiction of the 'white' city of Johannesburg. In effect, industries and businesses, and white residents paid their rates and taxes to the city of Johannesburg exclusively. Soweto residents were deprived of the benefit of any of this income. Instead, Soweto's only revenue was from the rates it could charge for water and electricity. BLAs quickly found that their tax bases were not large enough to support the cost of providing municipal services there. Soweto was no different. Inspired by this analysis, civic organisations mobilised on the slogan: 'One City, One Tax Base'.

In 1998 the new ANC government adopted the Municipal Structures Act, which specified that metropolitan areas should have single-tier integrated municipalities. In 2000, after the second round of inclusive local government elections, Johannesburg's four local councils were combined into a 'unicity', which later became the Joburg Metropolitan Municipality.

At the same time, the boundaries of the city were extended to incorporate Midrand in the North and Modderfontein in the east. A new plan – iGoli 2002 – was launched. It recommended a restructuring of city functions by separating out a number of municipal activities into utilities, corporate entities and agencies, with the city as sole shareholder.

The mayor of the new unicity was Amos Masondo. Born in Soweto in 1953 and educated there, he had been politically active from a young age, and had been incarcerated in Robben Island from 1975 to 1981. On his release he became a member of the Soweto Civic

Association and joined the General Allied Workers Union. He was a founder member of the United Democratic Front. As the new mayor, Masondo's priorities were addressing poverty, unemployment and crime, access to housing and basic services, reversing urban decay, and responding to the HIV/Aids Pandemic. He also undertook in 2003 to tar every gravel road in Soweto (around 314kms) by 2005, a goal that was seen as unattainable, but successfully achieved.

In 1995 the then GJTMC and the Gauteng provincial government convened an inner-city summit aimed at devising a strategy for revitalising the inner city. The resultant initiative, called 'Inner City Ivukile', proposed the introduction of an inner city 'stabilisation strategy'. However, the initiative petered out, largely as a result of limited inclusion of the business sector in the city, as well as expected changes in city governance.

In 1996 the Gauteng provincial government started an initiative called Vusani Amadolobha, a four-point plan for the regeneration of cities, towns and townships in the province. In 1997 the then deputy president, Thabo Mbeki, announced a new vision for Johannesburg. Entitled 'The Golden Heartbeat of Africa', it had been negotiated in consultation with business, labour and community organisations.

During Masondo's first term, the city developed a new vision to replace The Golden Heartbeat of Africa. Entitled 'Joburg 2030', it set out to develop Johannesburg into 'a world-class African city', and an engine of economic growth and development. 'Joburg 2030' also reflected Gauteng's new vision of a 'smart province' focused on high-value and high-tech economic sectors.

Masondo formulated six priorities for his first term of office, namely good governance; economic development and job creation; byelaw enforcement and crime prevention; service delivery excellence,

customer care and Batho Pele²; inner-city regeneration; and combating HIV and AIDS. This prioritising of inner-city regeneration resulted in a much stronger focus on the area and the allocation of resources. It also paved the way for the establishment of the Johannesburg Development Agency (JDA).

The 'inner city' is located in Region F of the City of Johannesburg, and comprises of the CBD, Braamfontein, Berea, Hillbrow, Yeoville, Bertrams, Troyeville, Jeppestown, Fordsburg, Pageview, Vrededorp, and light industry areas in the south and southwest of the CBD. Most of these areas are the oldest parts of the city.

A January 2001 Inner City Position Paper described the importance of the inner city:

The inner city plays a vital role within the city as a whole. With 7 million m² of floor space, representing a replacement cost of built infrastructure in excess of R 30 billion and housing stock at R1,2 billion plus, the inner city is an asset that the country cannot afford to let waste. It is positioned in a pivotal location with regard to the consolidating formal economic hub stretching from the inner city to Midrand in the north and the Johannesburg International Airport in the east, or what is known as the 'Gauteng Golden Triangle'. It is the major public and quasi-public transport hub in Johannesburg, with 800,000 people travelling into the inner city every day to work, trade, conduct government business, and onward travel. It remains the largest employment centre in greater Johannesburg and the home to the head offices of major corporations, the mining houses, banks and assurance companies and as such is a major economic generator and employment and service centre.

The inner-city visioning process resulted in four structures tasked with inner-city renewal.

2. Batho Pele (SeSotho for 'People First') was introduced by the Mandela administration to encourage public servants to act in the best interests of citizens, and provide them with better services.

- The Inner City Development Forum (later the Section 79 Inner City Committee. This committee makes recommendations to the Section 80 committee, and is intended to include a wide range of stakeholders. Section 79 and Section 80 committees are committees established in terms of the Municipal Systems Act. Both have an oversight mandate. Section 79 committees have powers and duties delegated by Council, and Section 80 committees have powers and duties delegated by the Executive Mayor.)
- The Section 80 Inner City Committee.
- The Inner City Office (later the Johannesburg Development Agency).
- The Region 8 directorate and office (later the Region 8 Inner City Task Team, and then the Region F directorate. After the 2006 reorganisation of the City's regions, Region 8 and parts of Region 9 became the current Region F.)

The City of Joburg's website states that the goal of the Inner City Regeneration Strategy is 'to raise and sustain private investment in the inner city, leading to a rise in property values'. The strategy identified five intervention pillars. The first was intensive urban management, which included the goals of better service delivery, stricter enforcement of byelaws, improved management of informal traders and taxis, and maintenance of public space. The second was the maintenance and upgrading of infrastructure: The goal was to create an attractive environment for business, and to improve the quality of life of city residents. The third was to support high-potential economic sectors.

The fourth pillar was to address "sinkholes". This term was given to properties and areas that had been abandoned, were overcrowded or badly maintained. The sinkholes were seen to have the potential to pull down the value of surrounding areas and to create a self-perpetuating cycle of decay by discouraging private-sector investment. The final pillar of the strategy was to promote 'ripple-pond' investments: These were conceptualised as the opposite of the sinkholes. They

would lift up surrounding areas by providing incentives to private investors. An important requirement for this kind of investment was that the City would ensure that the environment around the investment was 'especially well managed'.

ESTABLISHMENT OF THE JDA AND ITS EARLY YEARS

'The perception of any city is primarily informed by the quality of its public spaces, as well as the state of its landmarks'. Johannesburg: Ten Ahead

In 1999, the city government adopted a Spatial and Economic Framework for the Inner City, which identified the goals of promoting investor confidence and supporting economic growth as key to its revitalisation. It acknowledged that investor perceptions of the inner city were largely negative, and that investment in the area was widely considered as high-risk. It also recognised that the inner city had to compete for investor attention and funds with other areas. Changing perceptions was a key challenge.

The Johannesburg Development Agency (JDA) was established in April 2001, essentially by transforming the city's Inner City Office into a company with a board of directors appointed by the City. Its establishment was part of the city restructuring process called for in the 'iGoli 2002' strategy, and reflected the economic vision for the city set out in 'Joburg 2030'. As such the JDA is a wholly owned city agency, subject to all legislation applicable to its parent. The JDA started up with just five staff members, and has remained relatively small; by 2005 it had 35 staff, and today it has about 50. In 2001, its objectives were to:

- Promote economic growth by developing and promoting efficient business environments in defined geographic areas;
- Regenerate decaying areas of the city;
- Unlock public- and private-sector investment in marginalised areas;

- Undertake area-based regeneration projects in areas judged not to be meeting their potential;
- Promote economic empowerment;
- Promote partnerships and co-operation between stakeholders; and
- Develop and implement best practice in area-based development management.

Its overarching aim was to create an environment that would attract new investors, and increase occupancy levels and property prices. Its mandate initially only covered the inner city, but was later extended to the entire metropole.

The first CEO of the JDA was Graeme Reid. Graeme was a lawyer by profession, and had had a history of working with community-based organisations. He had practised as a lawyer and taught law, and thereafter had joined Planact, becoming the General Manager in the early 1990s. After 1994, many Planact staff took up senior positions in local governments around the country. Johannesburg and Pretoria (Tshwane) had a number of former Planact staff in senior management. When Graeme Reid joined the City of Joburg many of his new colleagues were, in fact, old Planact colleagues. They shared, not only a common history of political struggle, but values and ideas about the city that Johannesburg should be. They often shared long and deep friendships as well. A former colleague, who had returned full time to the Planning department at the University of the Witwatersrand, referred to this network as the 'Planact mafia'. It said something about the close relationships that existed between them. Wherever they were, colleagues in the same city, or in same organisation or even in different cities and different organisations, they could call on each other for advice or for support.

Reid spent three years as the Inner City Manager for Johannesburg, during which time he established the Inner City Office (which then became the JDA). Established in 1998, the Inner City Office gained a reputation as the most innovative organisation in the municipality.

Getting Attention

Reid faced a big challenge in his new role: given the enormous task at hand, where should the JDA start? The inner city takes up 18 km², and was and is very diverse, encompassing many different kinds of buildings, landlords and tenants, and stages of prosperity or decay. Soweto is also a vast area, and in 2001 faced enormous development challenges.

Following on from the strategy adopted at the Inner City Office, Reid and his team decided that a relatively small number of 'mega projects' would be the central strategy to send a strong signal that things were changing in the City. His intention was to show that the City had confidence in the future of the inner city (and Soweto), and was prepared to back that up with considerable amounts of money. Hopefully this would change the negative perceptions of investors, as well as their potential tenants, and turn the tide of disinvestment.

Amos Masondo was critical in creating the kind of political "space" within which the JDA flourished. He recognised the importance of restoring investor confidence in the city, and understood that large-scale attention-grabbing projects were central to that goal. The JDA was also championed and supported by Khetso Gordhan, city manager at the time of the Agency's establishment.

In the early years, the JDA received much of its funding from Blue IQ, a capital infrastructure investment agency established by the Gauteng government. The JDA acted as project manager and project facilitator, deriving its operating costs from project management fees. (In 2012, Blue IQ was merged with the Gauteng Economic Development Agency to form the Gauteng Growth And Development Agency).

One of the JDA's first showcase projects was the development of Constitution Hill, a multipurpose

heritage site on the northern edge of the city between Hillbrow and Braamfontein. It would be anchored by a new Constitutional Court, built next to the notorious Old Fort Prison complex, where some of the country's best-known political prisoners – including Mahatma Gandhi, Nelson Mandela and Walter Sisulu – were held before and during the apartheid years.

It was a brave and audacious project, and getting it approved took a lot of advocacy, despite the historical symbolism of the intended site. The national government had to agree to place the constitutional court, symbol of the country's new-founded democracy, close to Hillbrow, then widely regarded as an overcrowded urban slum marked by crime and drug abuse. It also had to agree to move the Johannesburg mortuary to make way for a massive multilevel parking complex. Blue IQ committed R375 million to the project. Other stakeholders included the National Department of Justice and Constitutional Development, the Gauteng provincial government, and the City of Johannesburg.

The R750-million project planned for a precinct of 95,000 m², including the building of the Constitutional Court and the renovation of various heritage buildings

Constitution Hill signalled that the authorities were prepared to spend a lot of money on regenerating the inner city. It also received a lot of media attention, and got people talking about the inner city from a very different point of view than the more usual 'crime and grime'. This was exactly what Reid had in mind. (The Gauteng provincial government also helped to change perceptions of the inner city in other ways, inter alia by moving its offices there. This took up a lot of vacant office space and brought large numbers of employees into the area, which created new opportunities for retail and service businesses.)

Another major project was the construction of the Nelson Mandela Bridge. It could have been built

for far less money, and in a much shorter time, but Reid insisted that the need for the bridge created an opportunity for an 'iconic' project that would redefine the city's skyline, and provide another positive pointer to its future.

An international competition was held to source a design. The winning design cost R120 million to build, and 18 months to complete. At 295m, the Nelson Mandela Bridge is the longest cable-stayed bridge in southern Africa. Mandela opened it on 20 July 2003 as part of his 85th birthday celebrations.

In 2003, the Minister of Finance announced a new national tax incentive – the Urban Development Zone (UDZ) depreciation allowance to support the development of new buildings and the refurbishment of existing buildings in declining inner cities. This created an additional incentive for private investors. Initially, the scheme included the following two components:

- A 20% straight-line five-year depreciation allowance for building refurbishment; and
- A 17-year write off period for new buildings, with 20% in the first year and 5% a year for the following 16 years

The scheme has been critical in 'tipping' investment decisions in the inner city: It has been estimated that almost R9 billion in investment has been attracted to the City of Joburg (up to March 2011) as a result of the UDZ scheme. Joburg has been the biggest UDZ scheme in the country. By early 2011, more than 200 UDZ projects were in development, with around 45% of these being undertaken by smaller investors. Initially the scheme did not include sectional title ownership, but this was amended in 2005 to include larger sectional title units. This has greatly increased the pool of potential UDZ beneficiaries.

The rejuvenation of Newtown was another important early JDA project undertaken in partnership with Blue

IQ. Located in the western sector of the Johannesburg city centre, Newtown covers an area that stretches from the marshalling yards and railway lines to the north, the M2 motorway in the south, West Street in the east and Quinn Street in the west. The current Newtown Precinct area was originally known as the Brickfields, and is one of the oldest parts of the City. By 1896, about 7000 people of all races lived in the area. As this land was close to the centre of Johannesburg and the railway line, many businesses and new immigrants bought land there. Soon, trading companies, banks, brick companies and a brewery moved into the area. In April 1904, the Johannesburg fire brigade set the area alight, destroying almost everything – a measure allegedly to combat the recent outbreak of bubonic plague. The area was surveyed, re-planned in record time and renamed Newtown by October 1904. It became a thriving commercial area, focused on milling, the production of sugar and food merchandising.

However, by the start of the twenty-first century Newtown was in decay. Many buildings were empty or derelict, and there were a large number of squatters in the area. Ironically, many of the buildings in Newtown (including some of those in the worst shape) were owned by various government entities. Newtown was also home to the Market Theatre and surrounding restaurants and clubs.

The JDA envisaged Newtown as a 'culture precinct' and started inviting NGOs to move into empty buildings. The derelict Turbine Hall was put on the market. Property developer Tiber Group brought Anglo American Holdings to the table, with subsidiary Anglogold Ashanti as a potential tenant. Tiber was one of the first developers to obtain a grant under the new UDZ scheme, for the Turbine Hall project.

In securing the Turbine Hall deal (which would be enormously important in changing perceptions of Newtown) the JDA had to demonstrate responsiveness and flexibility: Anglogold Ashanti had a list of

requirements before they would consider moving in. They wanted a taxi rank to be constructed nearby, and for a city improvement district (CID) to be established. The JDA made sure that these conditions were met, and in return secured a significant private-sector investment in the area.

Once again, choices were made in Newtown, which may have seemed to be excessive. Mary Fitzgerald Square – which has capacity for around 50,000 people – is a central public space in Newtown. The lighting for the square – and the surrounding areas – was commissioned from a famous French lighting engineer, Patrick Rimoux, despite the extra cost.

The Newtown precinct is also the site of the Johannesburg Housing Company's massive Brickfields housing scheme, reflecting the goal of creating vibrant residential areas within the inner city.

From the very beginning, public art has been a strong focus of the JDA. While on paper this may seem to be frivolous and extraneous to the serious business of building investor confidence and supporting economic development, senior JDA staff – current and past – believe strongly that it has been central to achieving the task at hand. The JDA was instrumental in conceptualising and implementing the 'Percent for Public Art' policy in the city, in terms of which 1% of the construction budget for major city projects is allocated to public art.

The JDA has always argued that public art is a relatively cheap intervention, but one that can create significant benefits: New installations attract the press and generate media coverage which present an alternative, more optimistic view of the inner city. They get people talking and generate excitement. Existing and potential investors (and, even more importantly, their potential tenants and customers) start to perceive an area in a more positive light. Public art also tells residents that the city is making

an effort in their area, and encourages the civic pride so important to creating new perceptions.

The historic area of Kliptown (site of the June 1955 Congress of the People at which the Freedom Charter was adopted) was the first site of the JDA's efforts in Soweto, in a R436 million project, which included the development of the Walter Sisulu Square of Dedication precinct. A design competition was held, with a total of 34 entries received. In recent years the project has attracted criticism for its failure to significantly impact on economic development in the area, or the quality of life of nearby Kliptown residents and informal traders.

Under Graeme Reid the JDA developed a reputation for one of the most efficient and effective City agencies, able to successfully implement projects as large and as important as Constitution Hill and the Nelson Mandela Bridge. It was largely projects such as these that were central to changing popular and investor perceptions of the inner city. The JDA's success became a symbol of the City's desire to reinvent itself as a dynamic 'world class' place.

Whose Joburg?

In 2004 Lindsay Bremner, a prominent South African scholar and head of the school of architecture at the University of the Witwatersrand published a collection of essays on Johannesburg, *One City, Colliding Worlds*. She described the city's senior managers, including (and especially) Graeme Reid as follows: 'While one can only commend their missionary zeal, none among them has the personality, authority (or the colour?) the city needs right now. Together they head up the bunch of suit-and-tied, middle-class, middle aged white men leading the inner-city regeneration drive'.

The decision to work with business people and entrepreneurs on high prestige projects was not without controversy. It meant privileging investment in the city instead of focusing on the inner-city poor.

Bremner and others complained that investment in the city was and would continue to drive up rentals, making the CBD attractive to yuppies and other wealthy types while excluding families and individuals living in precarious financial circumstances. Given Graeme Reid's political past, as an activist for the poor and for participatory democracy, his new role earned him accusations of betrayal.

The JDA during this period often supported the action of landlords seeking to evict tenants that could not or did not pay their rents. The infamous 'red ants' – private guards tasked with removing people's goods from their dwellings – were a regular feature of inner-city life.

The JDA's approach to informal traders was equally controversial. As the minibus taxi industry developed, and the city changed its character, street trading blossomed. While this gave the city new life and colour, and aided its subsistence economy, the traders also clogged the pavements. As a result, the JDA decided to remove them from the streets and accommodate them in purpose-built markets. Among other things, this strategy was meant to help them develop from survivalist enterprises into proper business enterprises, with larger and more sustainable revenue. For the first time, though, the traders had to rent their sites; on the streets they had no such obligations. The markets also distanced them from passing trade, and could not accommodate all the traders.

A new regulatory environment

In the early years the JDA had considerable freedom to design and implement projects, choose its partners, and determine its working arrangements with those partners. Its managers were given the space to innovate and make brave (and even reckless) decisions. The Municipal Finance Management Act (MFMA) of 2003 removed most of this discretionary space. The Act and its regulations provide a strict framework for regulating business relations between the public and private sectors, particularly those resulting in financial

benefits to private-sector companies. They are aimed at providing oversight over local government expenditure, and preventing fraud and corruption, but create various problems for agencies such as the JDA whose mandate is precisely to facilitate projects that create value for the private sector.

The MFMA contains a very clear and specific ban on 'unsolicited bids'. This means that it is virtually impossible for a private-sector investor who has a good idea for a particular part of the area to approach the city (or any of its agencies) directly with the view to entering into a partnership, without being guilty of a contravention of the legislation. Under the MFMA, the Tiber Group-Anglogold Ashanti deal with Turbine Hall would have been very difficult, if not impossible. It would also have been very difficult to justify (or get approval for) the extra expense involved in iconic projects such as the Nelson Mandela Bridge.

There is little space for 'iconic' projects in the MFMA's demands for value-for-money public-sector expenditure, and very little opportunity for ad hoc or innovative public-private partnerships.

In 2005 Lael Bethlehem took over as CEO of the JDA, a position she held until mid-2010. From 2002 to 2005 Bethlehem was the Director of the City of Joburg's Economic Development Unit (EDU), in which position she had a strong working relationship with the JDA, and was involved in inner-city regeneration efforts. The EDU was instrumental in conceptualising the City's Better Buildings Programme (BBP), which aimed to turn around 'bad' buildings whose owners were heavily indebted to the city council, by acquiring them and then selling them on to new developers. (The scheme is now known as the City Property Programme.) The good cooperative relationship between the JDA and the EDU was necessary since they had in effect overlapping mandates: both were concerned with increasing economic activity and encouraging investment in the City. Under Bethlehem, the EDU did not attempt

to replicate the JDA's efforts, but rather to perform a complementary role.

At the time that Bethlehem took over the JDA, the agency's funding (and thus by necessity its operational) model started to change. Up to that point Gauteng's Blue IQ programme had been the main source of project funding (and thus the JDA's operational income, derived from project management fees). This was now coming to an end, and smaller projects meant smaller management fees. This, together with a more stringent oversight environment, meant the end of the mega project era. At the same time the JDA's initial mandate of the inner city was expanded to include Soweto, Orange Farm and Diepsloot.

Under Bethlehem, the JDA started to focus more attention on 'precinct' or area development, doing lots of smaller projects in a particular area rather than a few massive ones. This approach required partnerships with property owners to upgrade and invest in a particular area, while the JDA and other public organisations took responsibility of upgrading the public infrastructure. Just one example of a successful partnership during this period was the 2008/2009 partnership with the Affordable Housing Company (Afhco), whereby Afhco renovated a very large but dilapidated office building at 120 End Street in the inner city. They spent around R180 million and created 924 housing units. Across the road from the development was an existing but very degraded public park, which gave the entire area a derelict feel. The JDA agreed to renovate the park on condition that Afhco manage and maintain the park, and enter into an agreement to this effect with Joburg City Parks. This they did, and the park is still well maintained and well utilised by local residents. The area upgrade has had a considerable impact; the building is currently almost fully occupied, and the ground floor has attracted retail tenants.

Bethlehem was clear that since the JDA couldn't do everything that the inner city required at once, the best

strategy was to approach it 'block by block, building by building', focusing on making slow progress day by day. The theme was making sure that government did what government was supposed to do – basic infrastructure, street lighting, pavements, public parks and so on. This certainly did not have the cachet of building a Nelson Mandela bridge, but the strategy was working. As the public environment started to improve, so did investor perceptions of the city, and property values started to increase and occupancy rates rose.

Bethlehem cites the example of Chancellor House as an example of how one building can be instrumental in pulling down or upgrading an area. The building – located on the corner of Fox and Gerard Sekoto streets in the inner city was once the offices of Mandela & Tambo Attorneys. The building had been allowed to become derelict, and the owner had refused to refurbish it or sell for what the City considered a reasonable price. As a result, not only was an important historical site becoming more and more dilapidated (the roof was collapsing, a fire had destroyed most of the ground floor, and almost 70 homeless people were living in the building), but it was also a major deterrent to upgrading surrounding buildings. In the face of the owner's intransigence (they refused to sell, believing that the historic property, notwithstanding its extremely poor state, was worth a lot more money than the City was offering), the City expropriated the property in 2010. Bethlehem was quoted at the time as saying that 'for a building of such historic importance, the situation is reprehensible and this shows rampant disrespect for the history of the building as well as for the City's by-laws'.

The renovated and refurbished building was opened in May 2011. Not only has a historic building been preserved but as Bethlehem noted that it had created 'a great ripple effect' in the area, motivating other property owners to upgrade their own buildings in response.

SUCCESSFUL PARTNERSHIPS

'The Johannesburg inner-city provides proof positive that regeneration comes about when a whole spectrum of diverse people, organisations and policies work in conjunction for change.'
'Johannesburg: Ten Ahead'

Partnerships have always been central to the JDA's activities. Even when the agency had access to considerable funding it understood that property owners, landlords, tenants, citizens and other government departments all had to be willing and committed partners in order for inner-city revitalisation to be sustainable. The real challenge for the JDA was that it did not have (and still doesn't have) any legal or regulatory tools at its disposal to enforce partnerships: they are all voluntary, depending critically on the goodwill and commitment of a wide range of parties to maintaining the integrity of a particular area. As current CEO Thanduxolo Mendrew points out; 'when you enter into an arrangement with property owners and other stakeholders in a particular area around maintenance and upkeep of infrastructure, you have no remedy for breach, and the other parties also know that you know that you have no remedy'.

As Sharon Lewis, the JDA's Executive Manager: Planning and Strategy, points out: 'informal arrangements only work if your organisation has credibility'. Building these kinds of relationships often requires overcoming scepticism on the part of private investors about the commitment and capacity of government entities. One way to deal with this is to build a reputation as an effective organisation.

In contrast to many other major South African-based corporations, which have fled the inner city, the wood and paper company Sappi has remained in its global headquarters in Braamfontein, and has been an enthusiastic participant in JDA initiatives. André Oberholzer, Group Head: Corporate Affairs, says: 'They

(the JDA) had a vision and were able to implement their plans accordingly.' Similarly, Richard Rubin, CEO of Aengus Properties, which has a portfolio of 1600 inner-city apartments, describes the JDA as an 'extraordinary organisation with able leadership'.

Despite the JDA's reputation, it is not always easy to convince private-sector property owners to enter into neighbourhood organisations, and commit to the (essentially voluntary) long-term maintenance of the upgraded public spaces provided by the JDA. As Mendrew points out:

Many (private) landowners come reluctantly into the relationship because they are saying 'why do you want us to assist you to do the job that the City Council is supposed to be doing. You are telling that you want us to manage all sorts of things which are actually what the government should be doing'. And our response to that is 'if you look at the benefits that are going to accrue to your private property because of the neighbourhood that is well managed, that is well cared for, it far surpasses what you can achieve on your own. Fortunately, once you actually get to a particular dominant landlord then things start to move. Most fortunately, in the Inner City, most of those people understand the value that the JDA developments bring to their properties, into the entire neighbourhood so we seldom get a dominant landlord who won't participate.

According to Mendrew, one of the potential problems with the JDA's approach is what happens when a dominant landlord changes its managers, and its previous commitment to JDA projects wanes. Another challenge is selecting the right partners. Organisations constantly approach the JDA with new ideas and proposals, but these are often about benefiting private investors only, with little or no benefit for the broader community. Although Mendrew acknowledges that the JDA has to demonstrate private-investor benefit, this cannot be the only criterion for embarking on

a project. The JDA is also clear that it cannot enter into partnerships with organisations whose business practices are unethical. One thing the JDA has come to understand is that potential investors come in many shapes and sizes, 'and not just private-sector men in suits', as Bethlehem puts it. NGOs, trade unions, other government agencies and individual residents have all been key in rebuilding the inner city. Thus many of the JDA's programmes are informed by a broad and innovative conception of what constitutes 'investment' and 'investors'.

In 2008, in partnership with the city government, the JDA introduced the annual Halala Awards, which recognise people and projects 'who have made an innovative, inventive and inspirational impact to the regeneration of Johannesburg's architecture and form'. They are awarded in seven categories: living Joburg; working and buying Joburg; relaxing and playing Joburg; caring Joburg; believing in Joburg; and conserving Joburg.

The City Improvement District (CID) has been a key tool in partnership building. The formation of a CID requires that more than 50% of all titleholders in a particular area vote in favour thereof, which sometimes requires long periods of negotiation and interaction with a wide range of interested parties. Some CIDs are legislated entities, but the majority are voluntary associations. (One problem noted with the formation of CIDs has been around the way the City has insisted on treating sectional title arrangements: each individual titleholder, for example, each apartment owner in a sectional titled block of flats, is counted in the calculation of the 50% titleholder threshold, and it is often very difficult – sometimes impossible – to get together the requisite number of votes. The problem is exacerbated when there are large numbers of absent landlords. For this reason, CIDs have proven more difficult to establish in dominantly residential areas than in office or commercial nodes.)

In many cases, the formation and early mentoring and encouragement of the neighbourhood institutions (particularly when smaller landlords are the norm) has been facilitated by the JDA. In other areas big corporates have shown strong commitment to buildings CIDs, such as the leading role played by then Sappi chairman Eugene van As in establishing the Braamfontein Improvement District (BID), and working to convince other property owners to join the initiative.

It is noteworthy that one of the biggest property owners in Braamfontein which did not join the initiative was state-owned Transnet, whose refusal to participate effectively resulted in the BID only covering part of the Braamfontein precinct.

Paradoxically, in some instances the City of Joburg itself has been the most problematic partner for the JDA. The JDA's role in revitalising public spaces is to make the initial investment in a park, new pavements, etc but thereafter it is often handed over to an operational City division – such as City Parks – to maintain, and they do not always live up to their commitments. There is little that the JDA can do in these circumstances to enforce the obligation, and they sometimes find that poor maintenance of a JDA-led upgrade is attributed to the agency, which is the City's 'face' of the development. Overall service-delivery problems in the City – such as the prolonged billing issues, which saw significant number of property owners struggling for years to obtain correct municipal accounts – also undermine the efforts of the JDA. Many investors, tenants and residents see all city agencies as part of the same municipality, and often infer inefficiencies in one area as applicable to everyone.

A NEW ROLE

Following Bethlehem's departure in 2010, Thanduxolo Mendrew was appointed, first as acting CEO and then permanently to the post in December 2012. Thanduxolo studied law, and was on a commercial lawyer fast track

at Edward Nathan Friedland Attorneys when he made the decision to move into the public sector because he felt a strong need to make a contribution to building the country. He joined the City of Joburg in 2004 as Director of Corporate Governance. In this role he was involved in structuring and formalising the relationship between the city and its municipal entities, including the JDA. He immediately felt a connection with the organisation, which he found to be: 'an entity that was very bold, very daring, innovative, a group of people that were actively involved in projects that I really loved'.

After a few years in Corporate Governance Thanduxolo started thinking about moving to a place where he could be more actively involved in making a difference, and jumped at the opportunity to join the JDA as Executive Manager: Risk, Compliance and Human Resources.

Entering its second decade of operation, the JDA has faced a number of new challenges in executing its mandate, not the least of which was the decline in operating revenue as the number of very large projects under management fell off sharply. (The last mega project that the JDA has managed has been the Rea Vaya bus rapid transit (BRT) system, which implementation commenced in 2009.) The Agency is also competing with other City entities for funding, and, despite its success, city management has been clear that the JDA needs to be self-funding. Mendrew and his team have seen the tight funding environment as a challenge, rather than an insurmountable problem. They are adamant that smaller projects are as capable of making a real difference to the city as big ones.

Mendrew is also clear about how the organisation has decided to position itself in this new environment: One (way) was to say we need to earn a reputation that surpasses anyone in municipal government, first of all, or generally in the public sector, so whatever project we touch should be delivered on time, on budget, with the best possible quality. That way you earn a reputation

that says this is the right party to partner with.

There are some unexpected results and hard choices to be made, from this decision to be the 'go to' entity for the management and implementation of projects. There has been an increase in the number of organisations that approach the JDA to manage capital projects, and project management fees are a key source of income for the organisation. But Mendrew is clear that the organisation is not interested in just being another project manager, no matter how attractive the fee. Instead, their focus is on what the organisation refers to as 'development facilitation', and there is a clear difference between implementing a capital project (albeit on time and to budget) and actually facilitating development. Development facilitation requires a more thoughtful and holistic approach, based on an understanding that it takes more than the construction of a building to change the development trajectory of a neighbourhood. The successful and inclusive precinct approach, followed in areas such as Braamfontein reflect a development facilitation strategy.

The JDA's Sharon Lewis describes 'development facilitation' as everything that makes development more likely, and includes the following factors:

- An inclusive neighbourhood vision
- Funding
- Project development
- Feasibility and design
- Partnerships, especially with property developers
- Capital funding
- Urban management and the ongoing securing of the investment.

It is not always easy to convince all the parties that a long and often complex process is preferable to just building something. One example of this process during the current CEO's tenure is the efforts to include the often-marginalised informal sector as an integral part of the city's development process. JDA management

understand that inclusion of the informal sector requires far more than simply constructing formal trading spaces, or enforcing byelaws. Instead, it requires that City Planning, and investors and developers active in the City, plan for inclusion. To this end the JDA has acted as facilitator, bringing together a range of stakeholders to try and reach common understanding.

The JDA has also faced challenges in defining and maintaining its mandate 'space' as other agencies and departments grew and developed in a maturing and expanding city structure. The City's Department of Economic Development (DED) was a relatively small unit with limited capacity when Lael Bethlehem was Director, and was happy to let the JDA take the lead in many inner-city projects. But now the Department has a staff complement of more than 120 (more than double that of the JDA), and is considered the lead organisation for economic development in the city. It is not always clear where the inner-city regeneration mandate of the JDA ends and the economic development mandate of DED begins.

Another inter-agency challenge is related to the ownership of property. The City is a considerable landowner in the inner city, but none of that land is directly owned by the JDA. Instead it falls under the Joburg Property Company (JPC). The prospect of gaining access to city-owned land is often a big incentive for private-sector investors, but the JDA is unable to make that kind of commitment, and relies heavily on the JPC to be a willing partner in its initiatives.

The objectives of the JDA were restated in 2011/12 in order (according to the organisation's third quarter report for the 2011/2012 financial year) to achieve greater alignment with the strategic priorities of the City of Joburg.

These redefined objectives are to:

- Restructure the city by developing defined, strategic geographic areas around the city and the movement corridors that link them;
- Promote economic growth by creating efficient and competitive business environments that cluster industries and functions in these areas;
- Turn around declining investment trends in these areas by upgrading public space, generating shared visions for future development, and encouraging urban management partnerships;
- Develop local economic potential in marginalised areas to promote access to jobs and markets;
- Encourage sustainable energy consumption and land-use in the city by developing strategic transit nodes and corridors;
- Promote economic empowerment through the structuring and procurement of JDA developments; and
- Support productive development partnerships and co-operation between all stakeholders in these areas.

Some questions to consider:

1. What was the nature of the problem that the JDA was set up to address and how did that affect its orientation?
2. Who were the potential allies in the efforts to rejuvenate the city centre and how did this influence the strategy of the JDA?
3. How did each of the different leaders of the JDA establish the political space to operate effectively?
4. How did the regulatory and governance environment change over time, and how did this influence the strategies in different periods?
5. How would you explain the change in the set of goals adopted in 2011 to those adopted in 2001?

ADDENDUM ONE:**EXTRACT FROM A MARCH 2013 PRESENTATION BY THE CITY OF JOBURG MADE ON THE OCCASION OF NATIONAL TREASURY'S 2012/13 MID-YEAR BUDGET AND PERFORMANCE VISIT**

Timeline of Johannesburg's inner city regeneration

1960s and 70s	1980s	1990s	2000-2005
National economic cycles are reflected in boom periods of property development in the inner city. Parking and congestion limits confidence and new business and shopping nodes are established.	Flight of head offices to northern nodes. Growth in residential population of poor people in Hillbrow and other inner city areas. Retail sector goes down-market.	Lack of urban management and resulting crime and grime. Parts of the inner city become no-go areas. Built environment quality declines further.	Inner city identified as a Mayoral priority: Inner city office established, and JDA established in 2001 with area based development responsibilities in the inner city. Central Johannesburg Partnership active and first CIDs established. UDZ tax incentive is introduced in 2003. Various urban regeneration strategies including Social Housing Regeneration Strategy.

Timeline of Johannesburg's inner city regeneration

2007	2008	2009	2010	2011	2012
Inner City Regeneration Charter signed And Charter Partnership established UDZ extended to 2014.	Dedicated funding for inner city public environment upgrades in precincts. Hillbrow, Berea and Yeoville public environment upgrade focus. Zurich building.	Inner City Urban Design Implementation Plan approved. Rea Vaya BRT service is operational on first trunk route. Ellis Park and Fordsburg precinct focus. 3 New Hotels.	2010 FIFA world cup. Inner City Traffic and Transport Study. Inner city core public environment upgrade focus (EO Park). Barbican refurbishment 15th anniversary of the signing of the Constitution. AZA 2010.	Inner city core public environment upgrade continued. Gautrain to Park Station. Chancellor House refurbished. Johannesburg Fashion Week in the inner city.	Westgate Station Precinct focus. End of Inner City Charter. Inner city roadmap.....

ADDENDUM ONE: CONTINUED



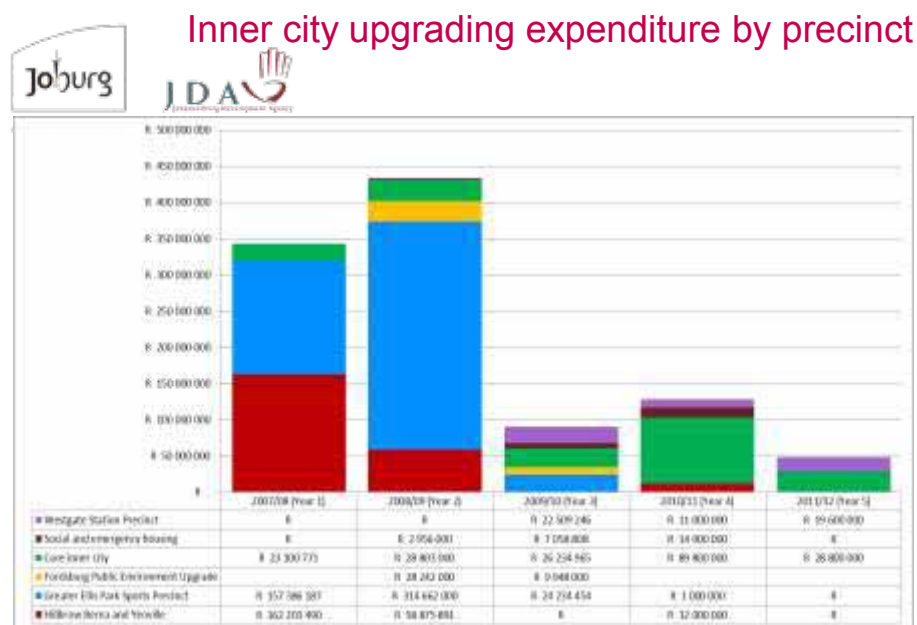
Summary of inner city upgrading expenditure



		2007/08	2008/09	2009/10	2010/11	2011/12	Total
Charter commitment (R'm)		400	425	425	500	250	2 000
Actually spent (R'm)	Inner city upgrading fund	163	188	45	116	48	560
	Other funds including JDA precincts, and BRT	377	561	149	92	117	1 296
Total % of target achieved		135%	176%	46%	42%	66%	93%

Note: These allocations exclude some capital expenditure in the inner city by Joshco, the Department of Community Development and the Department of Economic Development.

ADDENDUM ONE: CONTINUED



Note: This graph excludes expenditure in development areas that were not identified as priority areas in the Inner City Charter, such as Newtown and Braamfontein.



UDZ tax incentive 2003 - 2012

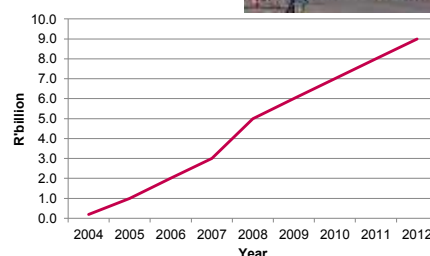
Over R10 billion cumulative private sector investment attracted since 2005;

8% of investment by BEE, Women, Youth

Estimated +70,000 construction related jobs created 30% of which are deemed to be permanent;

R7 Billion worth cumulative investment for completed buildings;

R500 million constitutes small sectional title ownership.



ADDENDUM ONE: CONTINUED



Inner City Property Scheme 2008 - 2012

Through the Inner City Property Scheme (ICPS), the City sought to forge a partnership between the City and the Private sector to transform and rejuvenate the Inner City through the acquisition and development of properties in the following categories:-

- Hi-jacked buildings abandoned by absentee landlords or forcefully ejected owners;
- Properties abandoned to the City via its credit control measure;
- Voluntary abandoned properties by owners, and
- City-owned properties in a dilapidated state.

Phase I of the ICPS was awarded to Norvena Property Consortium, a consortium comprising 8 entities. The initial award to the consortium comprised of 30 City-owned properties offered through a development lease transaction.

The consortium has packaged 10 properties from the initial allocation of 30. Construction on the initial lot of properties started in July 2012 and is envisaged to be completed in October 2013. The building hand-over and occupation is expected to be done in November 2013.

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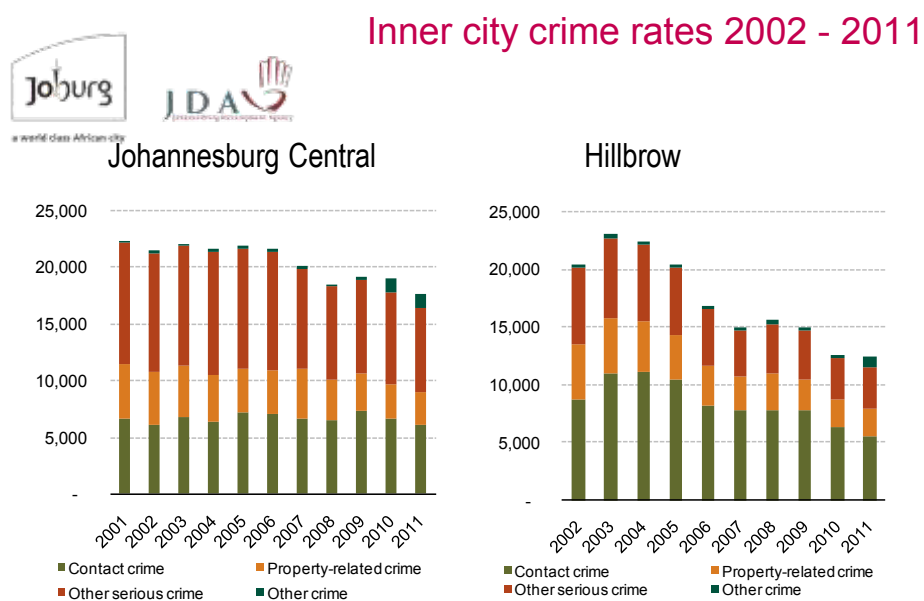
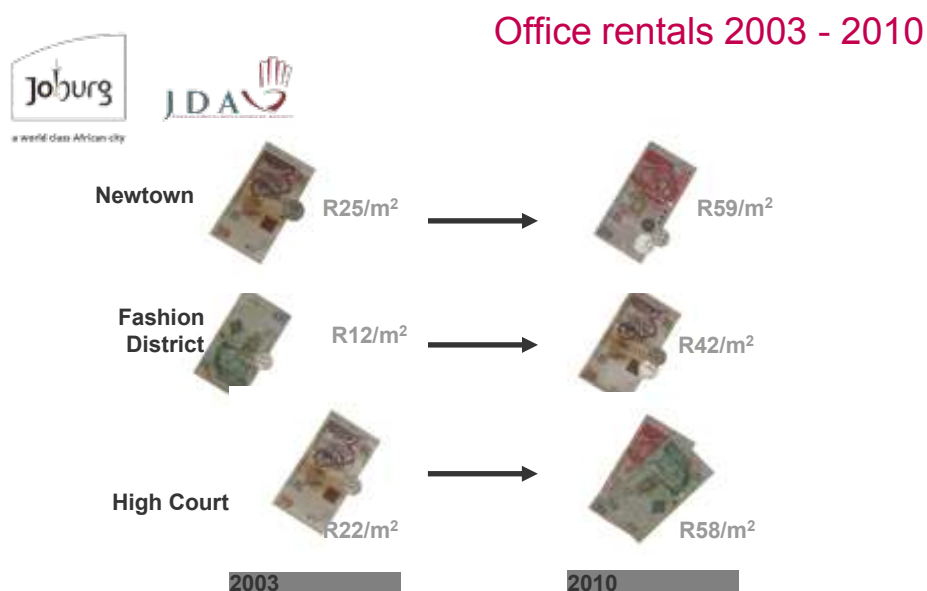


Housing development 2007 - 2011

- 44 000 new housing units in the inner city between 2007 and 2011.
- Most of these are affordable rental units delivered through the conversion of office buildings.
- 120 End Street by Afhco Holdings is the biggest office to residential conversion in the Southern Hemisphere, delivering 940 new apartments with ground floor retail space.
- Afhco Holdings has the largest residential portfolio in the inner city, having delivered 5 700 new units between 2007 and 2011. City property has delivered 4 600 new units, and the Trust for Urban Housing Finance (TUHF) has financed the delivery of almost 5 000 new units by individual developers.
- There have been some failed attempts to develop up-market apartments, Urban Ocean still owns a number of vacant properties, and Ponte City is now being renovated successfully with more modest finishes.
- Property are selling apartments in the Maboneng Arts and Culture Precinct priced between R1.5 million and R350 000, and Southpoint properties have a student accommodation offering in Braamfontein.
- New housing is planned for the Westgate and Park Station precincts (including the Westgate Station Redevelopment, Stimela Square, Brickfields phase 2, projects by the CoJ Dept of Housing), and in Bertrams and Doornfontein.

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ADDENDUM ONE: CONTINUED



ADDENDUM ONE: CONTINUED



JDA investment gearing ratios 2001 - 2011

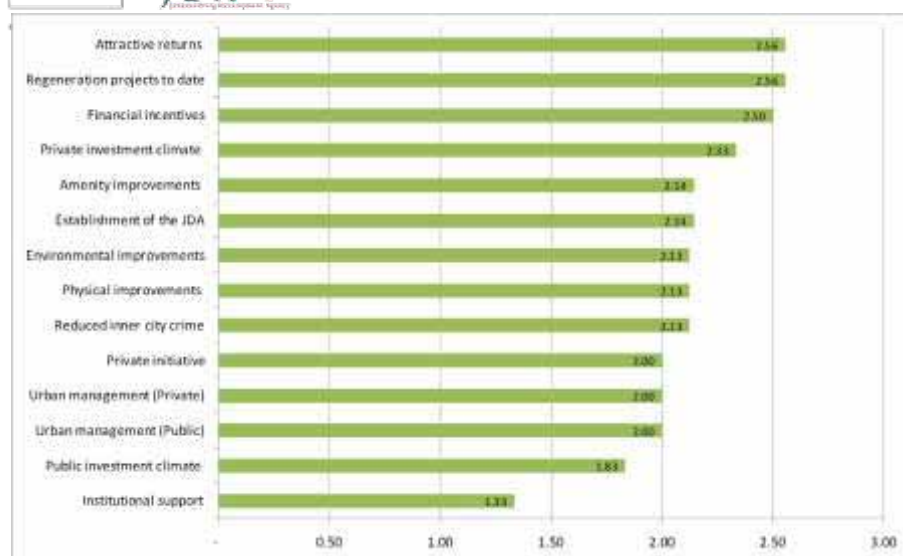
Between 2001 and 2011, for every R1 invested in public environment upgrading through the JDA, private investors put in the following amounts in each development area:

Development area	R value invested by private property owners for every R1 spent by JDA
Braamfontein	71.2
Newtown	14.4
Ellis Park	10.0
Fashion District	75.8
High Court Precinct	360.8
Average across all precincts	33.8

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Inner city investor's opinions on what drives investment decisions



ADDENDUM TWO:**EXTRACT FROM ANY ROOM FOR THE POOR? FORCED EVICTIONS IN JOHANNESBURG, SOUTH AFRICA. A REPORT PREPARED BY THE CENTRE ON HOUSING RIGHTS AND EVICTIONS (COHRE, 2005).****Conclusion: Any room for the poor in the Inner City?**

This chapter has demonstrated that there is a large unmet demand for low cost housing in the inner city. The physical and social manifestation of this demand is the existence of urban slums, referred to as 'bad' buildings by the municipality and often housing very poor people, for whom no affordable accommodation is provided by the market or the state. 'Bad' buildings also house slightly wealthier people who can afford some low cost housing products in the inner city. However, since demand for these products far outstrips supply, their only affordable alternatives are slums, or 'bad' buildings. Not all 'bad' buildings are slums. They do not all constitute grave threats to life and health. Nor are they all hotbeds of criminal activity. Some are simply run down, in arrears with rates and service charges and have no effective property management regime in place.

There is broad agreement amongst state officials, urban policy specialists and civil society activists that this unmet demand exists. There is less agreement, however, on whether or not it should be met. Some urban policy specialists COHRE interviewed expressed a belief that low cost housing in the inner city is too expensive for its provision to be equitable. It is unfair, they say, to spend R80,000 on upgrading an inner city unit for occupation by a low-income family, while RDP housing beneficiaries are given subsidies of less than R30,000 to live in poor locations. Further, the money spent on providing a few poor inner city households with low cost housing would be better spent providing large numbers of informal settlement dwellers with secure tenure or a formal house.

These ethical arguments should be taken seriously. Ultimately, however, they are likely to be forestalled by practical reality. Whether developmentally convenient or not, poor people do live in the inner city and will carry on living there whether policy makers like it or not. Best practice in Asia and Latin America shows that the sooner this is realised, and embraced as an unavoidable part of reality in any developing country, the sooner the poor themselves can be involved in the conceptualisation and design of their living space, an approach which offers the best chance of sustainable solutions.

The poor of the inner city have to be dealt with in some way. So the real question is whether or not they ought to be accommodated in the inner city or relocated to informal settlements or RDP housing projects on the urban periphery. The latter strategy is unlikely to be effective in pushing poor people out of the inner city for good; while large-scale evictions and relocations to the urban periphery are so reminiscent of the apartheid era as to be politically unconscionable. Moreover, under current land tenure and eviction law, such a sustained programme of removals is likely to be successfully opposed in court.

Apart from these practical considerations, there are also powerful ethical counter-arguments in favour of providing low-cost housing in the inner city. Any policy that requires poor people to move from the inner city to the urban periphery to benefit from state housing subsidies would probably involve asking them, in the short-to-medium term at least, to choose between a house and a livelihood, given the economic disadvantages of peripheral locations. This is manifestly unfair and frustrates the overall objective of housing delivery, to improve beneficiaries' quality of life. There are also serious ethical problems with very idea that poor people can be told where to live, simply because they are poor. Markets that restrict access to rich residential suburbs are one thing. A state-led programme which deliberately forecloses poor people's access to economically productive areas of the city would be quite another.

ADDENDUM TWO: CONTINUED

There are also pressing economic questions. Are the costs of providing land and upgrading buildings for housing development in central locations, any greater than the combined costs of constructing and providing services (transport, health, education, water, electricity) to peripheral housing developments? At least one study suggests that they might not be.¹³²

In the final analysis, the inner city poor cannot simply be evicted out of existence. Nor, despite the assertions of many private developers, and some municipal officers, are most of them criminals or illegal aliens who deserve to be evicted from their homes. This much was recognised, and raised by some speakers, at a recent *Cities in Change* conference, held in Johannesburg. In his address, Johannesburg Housing Company chairperson Murphy Morobe 'applauded the fact that investment is returning to the inner city - both in commercial and residential sectors - but criticised the city's managers for not doing enough for the poor bearing the brunt of urban renewal'. According to Morobe:

"The blind spot in this increasing formalisation of the inner city, and the increasing management of the social and financial terrain, is to threaten the presence of the poor. The eviction of people in dilapidated buildings without alternative accommodation deprives not only gangster landlords of a captive income, but also decent, honest people of the cheapest accommodation available ... This blind spot, caused by the necessary processes of development, undermines the very development in whose name it is being done."¹³³

Neil Fraser, Executive Director of the Central Johannesburg Partnership (CJP), had expressed similar concerns a few days before, in his column, CitiChat:

"I have voiced the opinion previously that the City does not have a coherent policy in its approach to the urban poor. This concern is exacerbated when it comes to residential accommodation. I think it is time to step back and look critically at where we are and where we are going. I think it is time to develop a new model that breaks with apartheid planning because I really don't think we have achieved that. In fact I see little evidence of revolutionary thinking when it comes to housing policy at any level of government. I must sadly concur with Stephen Greenberg in a recent Centre for Civil Society Research Report when he states that "In the face of a coldly rational model of planning, the horror of forced removals has not been consigned to history along with apartheid, but remains alive in post-apartheid South Africa."¹³⁴

¹³² 'Poor Should be Housed in City Centres, MPs told' *Business Report*, 12 August 2003.

¹³³ Quoted in City of Johannesburg, Official website, 'Speakers urge solution for inner-city poor', 24 August 2004 (www.joburg.org.za/2004/aug/aug24_inner1.stm).

ADDENDUM TWO: CONTINUED



Photo: Guy Tillim

Aftermath of an eviction
Noverna Court, Hillbrow, May 2004

ADDENDUM THREE:

EXTRACT FROM JOHANNESBURG INNER CITY – COMMON VISION, SHARED SUCCESS. END OF TERM REPORT 2006 – 2011 (CITY OF JOBURG, 2011).

Regeneration in action

Partnerships are key

The successes of urban regeneration have not come about through the actions of any one party alone. Instead it has relied on collaboration between the city authorities, the private sector and community organisations.

Partnerships welcomed

To bring the ambitious vision for the inner city to reality is no easy task. While clear vision and leadership on the part of the municipality is absolutely essential, implementation will not be successful if it depends on the public sector alone. Instead the buy-in of all role-players in the inner city is required. This includes national, provincial and local government as well as the private sector and community organisations.

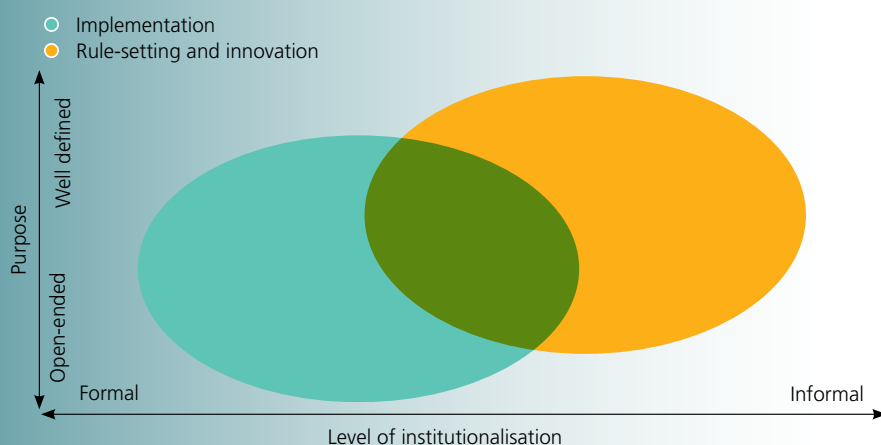
Projects implemented successfully throughout the inner city during the past decade have proved that partnerships between the municipality, the private sector and community organisations can work. Therefore, the City of Johannesburg's strategy to build partnerships in order to upgrade the public environment was prudent. It ensured that the city maintained a balance between its available resources and the risks it took. The onus for success was not solely placed on the municipality, and with a wider grouping taking emotional and financial ownership the sustainability of projects was ensured.

When approached with proposals for public-environment upgrades such as Gandhi Square, the City of Johannesburg has welcomed the initiatives and worked hard to clear obstacles to the establishing of partnerships. The lesson here is that it is not only important for the city to initiate urban regeneration projects, but as important is the facilitation of processes where projects are initiated by other partners. The easier it is for the private sector and community organisations to engage the city council in new initiatives, the faster and more effectively new projects will be implemented.

Partnerships no coincidence

The city's policy to pursue partnerships for urban regeneration did not happen by coincidence. It was a conscious strategy based on leading development practice.

Schematic illustration of ideal partnership types



ADDENDUM THREE: CONTINUED



In South Africa two broad categories of partnerships have been identified in urban development literature. The first being “implementation partnerships” and the second “innovation (or rule-setting) partnerships”¹.

Implementation partnerships focus on achieving clearly defined, measurable objectives that rely on formal institutional arrangements. Innovation partnerships, in turn, hinge on informal collaborations that seek to address open-ended social problems.

In the case of the Johannesburg inner city, many of the urban regeneration interventions are a hybrid between the two types of partnerships, especially since they involve complex, multi-stakeholder partnerships.

Project planning partnerships that define project priorities and outcomes can be classified as innovation partnerships. On the other hand, project implementation partnerships such as city improvement districts or infrastructure PPPs need to be managed in a formal way with binding agreements. This involves a clear definition of roles and responsibilities, assignment of risk, outputs with timeframes, and expected impacts.

Crisis is a potent galvanising force for partnerships, even reluctant partnerships. In the absence of crisis, partnerships can become dysfunctional. They may either require extensive facilitation, administration and secretariat support, or they may have rules that compel participation.

Partnerships should create dynamic tensions that lead to more innovation and so better solutions². Key to holding partnerships together is the effective management of these tensions.

ADDENDUM THREE: CONTINUED

Johannesburg's Inner City Regeneration Charter is a prime example of a hybrid partnership. It does contain clearly defined and measurable objectives and it relies on formalised structures, but it is also innovative in nature, responding to the crisis of inner city decline and allowing partners to approach the city with solutions that are a departure from the norm and that address specific problems. In most cases, this involves informal collaborations.

City investment sparks private investment

The success of the public-private partnership model in the Johannesburg inner city is all too obvious from the JDA's research⁸. In six selected areas where the JDA spent a total of R540 million between 2001 and 2007, the private sector invested an additional R5,8 billion in refurbishments, conversions and upgrades. The result is that vacancy rates have declined in all these areas – from an average peak of 40% in 2003 down to an average of 17% in 2008, while higher rentals have been achieved across the board.

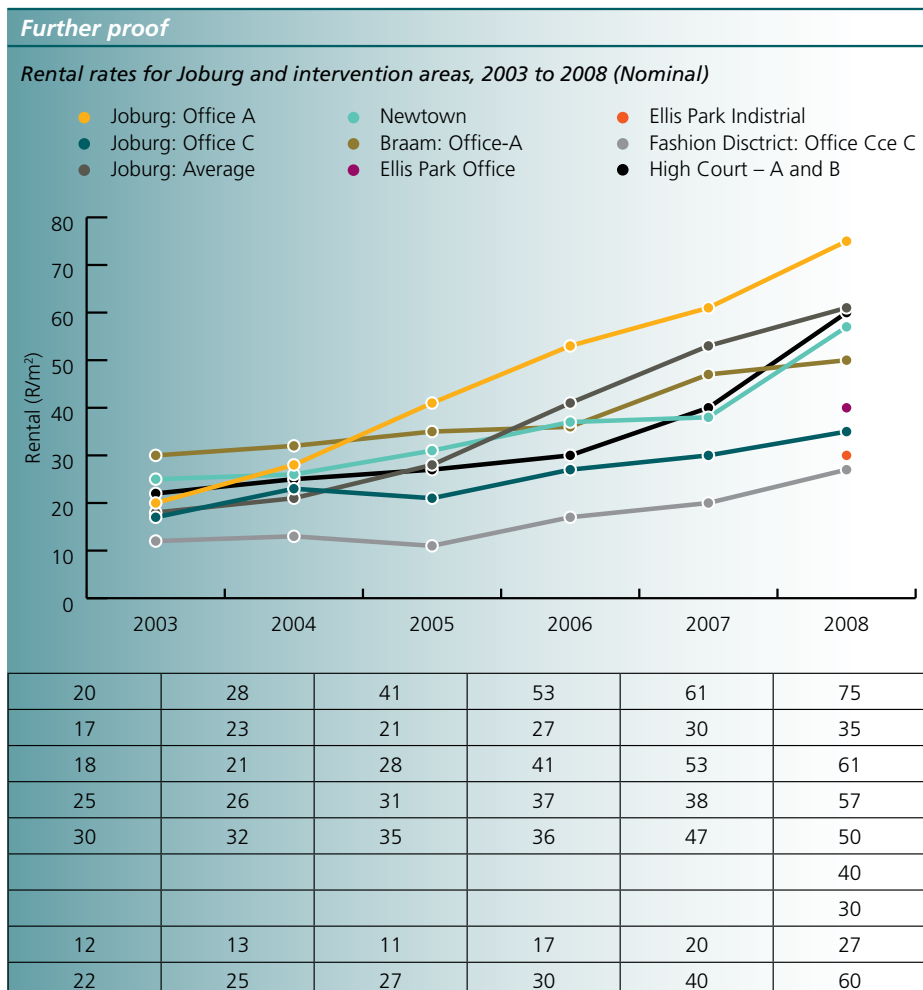
Research proves beyond any doubt that a close correlation exists between city-led investment leadership and a positive response in the form of private-sector investment⁸.

Investment statistics

Area	Public investment 2001 – 2008	Private investment 2001 – 2008
Braamfontein precinct	R55,7 million	R4,0 billion
Newtown precinct	R188,7 million	R2,7 billion
Greater Ellis Park precinct	R106,7 million	R1,1 billion
Fashion District & Jewel City precincts	R33,2 million	R2,5 billion
High Court Precinct	R8,3 million	R3,0 billion

"There no doubt a strong link between the scale and duration of public sector investment and the level of private sector investment and leverage, as well as the ultimate sustainability of any area regeneration project"⁸.

ADDENDUM THREE: CONTINUED



ADDENDUM FOUR:

EXTRACT FROM ANALYSIS OF THE IMPACT OF THE JDA'S AREA-BASED REGENERATION PROJECTS ON PRIVATE SECTOR INVESTMENTS (JDA, 2009)

2 Theoretical Background

2.1 Urban renewal & area-based regeneration

Central to the research and the overall approach adopted to this assignment is the current theoretical and existing research in respect of urban renewal and area-based regeneration. In particular this background provides the basis for the development of indicators to measure such interventions.

2.1.1 Area-based regeneration

Area based regeneration programmes have been conducted under various 'labels' such as:

- *urban regeneration* (European terminology, usually linked to the upgrading of human and social capital through the development of derelict industrial and residential areas),
- *urban renewal* (terminology used in the USA, typically with an emphasis on the upgrading of economic infrastructure) and lastly
- *urban upgrading* (generally adopted internationally but mostly within the developing world, an urban focus which overlaps with both the above definitions).

For the purposes of this document, the general term *urban renewal* is used to describe urban upgrading interventions undertaken within Inner Cities. *Area Based Regeneration or Area Based Interventions (ABIs)* are used to describe specific projects in a particular geographic location, local in nature, mostly undertaken over the short to medium term. The role of ABIs is generally to assist and speed up the response of the state and the private sector to overcome the problems which the most deprived and dysfunctional urban areas experience.

of wealth and poverty within urban centres. Public response to this often occurs through urban regeneration interventions, the success of which depends upon the relationships between the public and private sectors and civil society.

2.1.2 International & local urban renewal trends

Internationally and in South Africa, there have been a wide range of programmes designed to address legacies of conflict, residential segregation and poverty. Urban regeneration interventions and trends are designed to contribute towards a more macro perspective of city economic development. Assumptions which underpin decisions for public sector intervention are based on market failure following private sector with-drawl due to a loss of confidence in a particular area / city. "Based upon this understanding, the dominant objective of the renewal of urban centres has been to restore the confidence of the private sector, to create a sustainable property market and to restructure and diversify the local economy." ²

In the 1980s, urban renewal was strongly property-led with an emphasis on visible results in the public realm, achieved through flag-ship projects, such as London Docklands, the Albert Docks, and Grand Central station. The concentration on improving the physical environment was considered important to increase the appreciation by existing business and residents of their physical environment as well as being a key element in strategy designed to leverage new investment in the area. This emphasis on physical renewal ignored social and economic problems.

ADDENDUM FOUR: CONTINUED

In the 1990s, priorities changed, and the emphasis shifted to become more focused on a welfare-based approach as well as developing the economic potential of brownfields areas and marginalised communities.

The 1990s also saw the rise of urban development corporations and enterprise zones. Policies were targeted on tightly defined geographic areas (ABIs) with the hope that the 'economically and socially disadvantaged' in those areas would benefit from the physical upgrade. Examples of policy with this new socio-economic focus in the UK included the City Challenge and the Single Regeneration Budget (SRB) approach to ABIs. In fact the SRB, was responsible for all ABI funding between 1995 – 2001. It is also interesting to note that an emphasis on flexibility within ABIs was the key hallmark of the SRB approach. These programmes sought to bring about multi-faceted economic and social regeneration in relatively small neighbourhood areas³.

Towards the late 1990's the focus shifted again, this time towards the beginnings of partnerships between the public and public and public and private sectors, as well as working with local stakeholders to address problems within their areas, involving stakeholders in decision making and disbursement of regeneration funds. ABIs now included a focus on training local residents so as to meet demands from the labour market, increasing employment as well as educating and up-skilling the youth. Community development as well as tackling crime became a part of building the sustainability of interventions. Some ABIs started targeting health issues, offering support to clinics and upgrading health facilities and health education programmes within the target areas.

Recently, area based urban renewal approaches have involved public-public partnerships, hence the growth of Development Agencies. Funding for renewal usually comes from local and provincial government levels, hoping to leverage private sector investment. National government often provides funding through national fiscal mechanisms and incentives such as TIFs and in South Africa the UDZ.

Many of the more comprehensive ABIs have worked towards overcoming property market failures so as to encourage new investment and diversification of land use away from historic patterns (often includes the upgrading of ageing infrastructure), i.e. to encourage new land uses capable of supporting growing economic sectors. These new uses would bring new employment opportunities, hopefully taken up by local residents. Further developments in the UK have been the New Deal for Communities and the Neighbourhood Renewal Fund. As well as ABIs operated by National Governments, individual departments have begun to implement focused initiatives - building Education Zones, Health Action Zones and Employment Zones. In the 1990s in the United States ABIs were implemented through Empowerment Zones/Enterprise Communities, through which finance was funnelled by National Government into investment in specific areas.

However, a greater degree of complexity exists in the case of South African Cities where urban renewal practitioners need to address economic and social dualities which exist in our cities. Formal and informal land uses, a complex transportation sector, diverse economic activities, the often illegal dominance and control of public space together with increasing skills shortages within Local Government are challenges faced by the public sector in the local context. Until around 2005, South African renewal interventions were heavily biased towards property-related projects. More recently, projects have started to follow international trends and focus on economic and social renewal.

² Engelbrecht C, People and Places, an Overview of Urban Renewal, for SA Cities Network and Cities Alliance, 2005

³ Rhodes J, Assessing the Effect of Area Based Initiatives on Local Area Outcomes, *Urban Studies* 42(11), 2005

ADDENDUM FOUR: CONTINUED

2.2 Investment & risk issues

2.2.1 Private sector investors & risk

Relatively little research is available on the nature of private-sector investment, the type of investor, the strategy employed, attitudes towards specific delivery mechanisms, or the perception and handling of risk⁴. That which does exist shows a relatively high concentration of private developers involved in residential property within ABI portfolios - the same is true within the context of Johannesburg.

With government's move away from flag-ship projects, there seems to be a shift within the private sector towards lower-value, risk averse, community based schemes, reflecting a wide mix of funding sources. According to Adair, (1999), perceived total return is the primary motive for holding a current portfolio of urban regeneration investments with less emphasis placed on the spreading of risk. Investors in ABI areas take a long-term view on their investment with the expectation of future capital appreciation. As Adair notes:

“...in the assessment of new regeneration projects it is apparent that capital appreciation, rental growth, perceived level of risk and quality of development are nearly all equally weighted factors implying that generally speaking, investors are becoming more risk averse.” (Adair, 1999)

The private sector consists of short and long term investors, developers and occupiers. Short term investors / property development companies usually invest first thus creating opportunities for long-term / institutional investors and occupiers. It is generally accepted that the private sector will not initiate urban renewal. (This is not true in the case of Johannesburg –

44 Stanley Ave, Gandhi Square, Braamfontein). The public sector usually needs to support the process or act as a catalyst to offset the perceived risk within the renewal areas.

Private sector involvement has traditionally been driven by locally based property development and investment companies which adopt less risk-averse strategies than institutional investors. Private sector investors also apply specific decision-making parameters to regeneration by seeking returns in excess of those achieved by non-regeneration projects to offset the additional risk⁵.

2.2.2 Public risk

Urban renewal locations are often economically obsolete places with derelict structures, possibly contamination and outdated infrastructure. These factors all increase investment risk, hence the importance of the value of the land within the area based renewal project. Within this context, public sector intervention comes with inherent risks and at a cost. As with the private sector, it must be demonstrated that any intervention will make an actual improvement as well as show that the benefits will outweigh the costs. To achieve this and ensure that the investment is sustainable, the following intervention objectives are typically found among ABIs:

- Ensure correct functioning of the land markets by raising land value.

⁴ Adair, Berry, McGreal, Financing Property's Contribution to Regeneration

⁵ Adair A et al, Evaluation of Investor Behaviour in Urban Regeneration, *Urban Studies*, 36/2031, 1999

⁶ Adair A, Berry, McGreal, Financing Property's Contribution to Regeneration

⁷ Ratcliffe J, New Building from Old – A Review of Property Refurbishment, Hong Kong Polytechnic University, Hong Kong, 1993

ADDENDUM FOUR: CONTINUED

- Seeking to engage the private sector in the absence of effective demand in the identified areas.
- To refurbish and reinstate derelict land or property and attempt to create new land uses and sub-markets.
- To ensure structures and mechanisms are in place to lever private sector finance.
- To attract investment
- To increase the competitiveness of the identified local area
- To establish how the activities financed under the initiative are believed capable of translating into final outcomes which will improve the problems which 'users' face in the identified area.
- To improve the socio-economic status of the identified area through improved quality of life for all local users.

Part of the risk of government intervention is that the way in which the private sector and the market will respond is an unknown. It is possible that investment (in this case specifically in urban renewal interventions) may crowd out or displace investment by individuals and firms. To mitigate risk, government will seek to involve the private sector in the renewal process. When seeking to leverage private sector investment, the timing of the ABI is critical and, according to Hui, depends on three fundamental issues;

- The present value of existing use of the land resources;
- The present value of the best alternative use; and
- The cost of rebuilding.¹⁰

All three of these issues need to be taken into account within any feasibility analysis. Various risk reduction measures can stimulate confidence for investors – land assembly removes the risk of site purchase, thus reducing cash outflows in the initial stages of a project.

In support of the above information, research from the Urban Task Force (Rogers 1999) reported that the most efficient use of public money in urban renewal is to pave the way for investment of much larger sums of money by the private sector; "Money follows money and where pockets of value exist, the rippling out effects should be facilitated as much as possible".

2.3 Leverage mechanisms

As discussed above, to mitigate risk and ensure efficiency within the free market, government will seek to involve the private sector in the renewal process. Mechanisms to leverage private sector involvement typically fall into two categories:

- direct (fiscal); and
- indirect (non-monetary) typologies.

Both these typologies are largely about risk sharing.

Research into international ABI interventions show that factors perceived to improve the flow of private sector finance into urban renewal areas are dominated by a range of *non-fiscal based instruments*, the aim of which is to develop a facilitative regulatory environment. Such instruments may include:

¹⁰ Hui E, Wong J, & Wan J, A Review of the Effectiveness of Urban Renewal in Hong Kong, Paper for the Hong Kong Polytechnic University, www.emeraldinsight.com/0263-7472.htm, 2007

ADDENDUM FOUR: CONTINUED

- Simplification of the development process
- An increase in the speed of procedures as well as
- Integrated local planning; ensuring a transparent process and providing as much information as possible about the programme
- Clarity in terms of policy
- Technical assistance

As Adair *et al* note:

“...there is not a demand for more public sector money, but for greater flexibility in existing practices and more innovative policy initiatives with regeneration agencies being able to react to changing market conditions.”¹¹

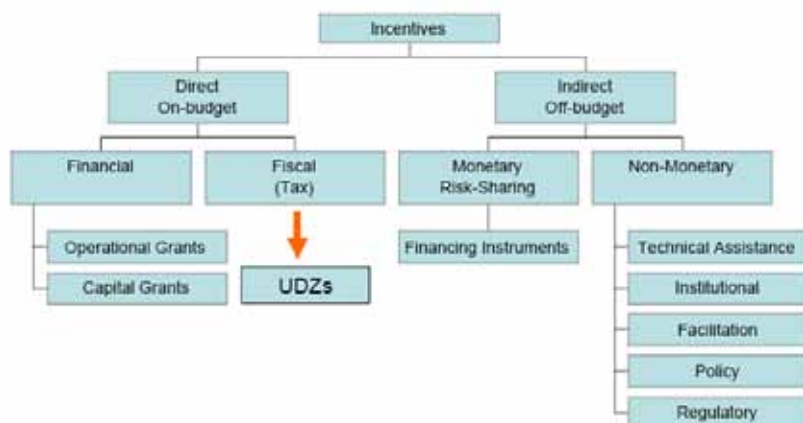
Case studies and research show that the most frequently used *monetary (directly impact on budget) measures* to leverage private sector investment include the use of:

- Capex and opex grants targeted specifically to development within urban renewal areas
- The establishment of urban development zones
- Fiscal approaches such as tax relief, tax dis-incentives on greenfields sites, Tax Increment Financing, ring-fenced incentives such as urban development zones,
- Upgrading of often dilapidated and inefficient or even non-existent infrastructure;
- Area based supply side mechanisms such as land assembly or the facilitation of land and building sales. An example of this works in Singapore through the Land Title Strata Amendment Act, the aim of which is to assist private sector led development within ABIs. Under the Act, local government facilitates the assembly and sale of land and buildings as a collective (an ‘en bloc’ sale). The purpose of this is to overcome the problem of the minority holding back the sale process. This has made significant contributions towards increasing the amount of property available for residential development. The process increases the role of the private sector in the renewal process and spreads risk between sectors. (similar to the original intention of the Better Buildings Programme).
- Restrictions on Green fields developments; urban edges, tax dis-incentives, loaded expense on bulk contributions etc.
- Planning incentives such as the relaxation of zoning requirements, granting an increase in bulk and height allowances.

¹¹ Adair A et al, Evaluation of Investor Behaviour in Urban Regeneration, *Urban Studies*, 36/2031, 1999

ADDENDUM FOUR: CONTINUED

Figure 1: Incentive Typology



Source: The Impact and Effectiveness of Incentives in South Africa, Presentation for SACN, 2006

ADDENDUM FIVE:

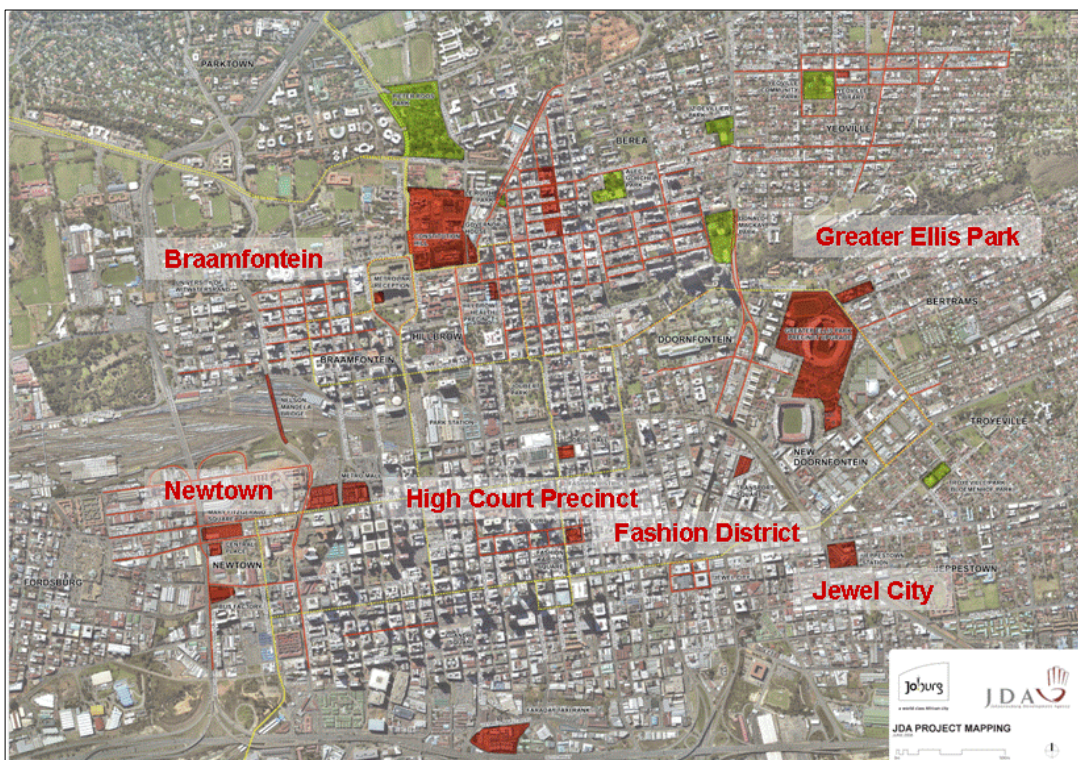
EXTRACT FROM ANALYSIS OF THE IMPACT OF THE JDA'S AREA-BASED REGENERATION PROJECTS ON PRIVATE SECTOR INVESTMENTS (JDA, 2009)

4.4 JDA intervention areas

4.4.1 Inner city intervention areas

The figure below provides an overview of the broad location of each of the five intervention areas in the inner city considered in this assignment.

Figure 11: Location of intervention areas in the inner city



A brief overview of each of the five intervention areas is provided below. These overviews provide background to each area as well as the nature of the interventions.

Pictures illustrating the various investments and interventions in each precinct are provided in **Appendix 7**.

ADDENDUM FIVE: CONTINUED

4.4.2 Braamfontein precinct

Table 2: Braamfontein regeneration context

Boundary map



Precinct background

- Braamfontein is a mixed use precinct with an emphasis on commercial and residential land-use.
- The area went through a period of severe urban decay between late 1980s and early 2000s.
- At least 4 major corporate tenants are in the area, primarily along Ameshof Street.
- Prior to renewal, Braamfontein displayed challenges, including vacant floor space, parking and access difficulties, a lack of public infrastructure investment, a lack of public open space & increasing crime & grime.

Public environment interventions



Nature of intervention

- This was the second precinct in Johannesburg to see significant private sector investment in a public realm upgrade.
- JDA's intervention built on this investment through streetscape upgrades, greening & the installation of public art.
- An active CID ensures quality urban management & marketing of the precinct.
- Land values have increased along with a decline in vacancies & private sector investment subsequent to work undertaken by the JDA has mostly been in the office & residential markets.

Private investment 2001 – 2008: R 3,968 million

Public investment 2001 – 2008: R 55.7 million

ADDENDUM FIVE: CONTINUED

4.4.3 Newtown precinct

Table 3: Newtown regeneration context

Boundary map



Precinct background

- The site of forced removals under apartheid, a brickyard & power station, Newtown has been the subject of many urban renewal programmes.
- The majority of land is owned by CoJ which has enabled public sector investment and renewal at scale.
- The precinct is largely mixed use but caters predominantly for the cultural & entertainment industries.
- Many structures have heritage value & have undergone adaptive re-use.

Public environment interventions



Nature of intervention

- Intervention has been visible in the public realm, creating public space, educational & entertainment venues, e.g. Mary- Fitzgerald square, as well as through the upgrade of existing structures; Sci-Bono & Museum Africa precinct..
- The JDA has also invested in the creative industries, developing venues for dance & music, in Heritage venues such as the Worker's Library and in commercial developments - 1 Central Place.
- The Area Based Regeneration has attracted substantial private sector investment with more projected for 2009. A CID funded by the City ensures quality urban management.

Private investment 2001 – 2008: R 2,716 million

Public investment 2001 – 2008: R 188.7 million

ADDENDUM FIVE: CONTINUED

4.4.4 Greater Ellis Park precinct

Table 4: Greater Ellis Park regeneration context

Boundary map



Precinct background

- The precinct includes the Greater Ellis Park Precinct and overlaps into Bertrams, Doornfontein and New Doornfontein.
- The precinct has experienced significant urban decay, which is undermining the potential of the educational, sporting & cultural facilities.
- The precinct structure includes a Manufacturing Hub, an Educational Precinct, a Sports Mecca Precinct, a Mixed Use Precinct (mainly light industrial with some office and retail use), the Bertrams Heritage Cluster, Doornfontein & New Doornfontein.
- The precinct contains buildings with significant heritage value.

Public environment interventions



Nature of intervention

- The intervention here is significant and is on both a strategic / policy level as well as physical intervention in the urban fabric.
- The objectives of the intervention are numerous with the main focus being to consolidate and extend the sporting and educational role of the precinct, create an upgraded, managed, safe public realm, create a new tourism destination place and promote the development of a range of housing options.
- The objectives & vision are being achieved through significant implementation of (not exclusively) infrastructure upgrades, introduction & upgrading of public transport routes, stations and taxi ranks, creation of a significantly upgrade public & pedestrian environment, establishing gateways, upgrading of sports facilities, providing mixed income & social housing as well as increased residential density.

Private investment 2001 – 2008: R 1,071.8 million

Public investment 2001 – 2008: R 106.7 million

ADDENDUM FIVE: CONTINUED

4.4.5 Fashion District & Jewel City precincts

Table 5: Fashion District & Jewel City regeneration context

Boundary map



Precinct background

- The Fashion District is a vibrant precinct both visibly in the public environment & internally among the many SMEs creatively involved in the manufacture and production of 'Fashion' related items. During the 60s the industry went into decline & the District started to decay. Uses are mainly retail & light manufacturing, a small amount of dense residential with dense informal sector activity selling fashion related items along the streets. Studies of current businesses in the area have identified a fashion cluster comprising of a mix of design, manufacturing, sales & supply components.
- Jewel City is a key site for diamond cutting & related beneficiation businesses.
- The project was initiated by the private sector needing to create a secure environment for business. Leases & rights were obtained to close off roads & create an internally focused high security cluster of diamond related activity.

Public environment interventions



Nature of intervention

- JDA's intervention began with sector support through the establishment of the Fashion District Institute. The goal is to build a sustainable, viable, fashionable and functional Fashion District as a hub of economic growth and jobs in the emerging fashion cluster. Interventions have included marketing the precinct, attracting designers & manufacturers, upgrading & improving the public environment through sidewalk upgrades, the creation of visual 'gateways', and establishment of the Fashion Capitol public square.
- Partnership with the private sector has been key, most notably with regards to the Institute & the Capitol. A voluntary CID is also operational within the precinct.
- Jewel City has identified the need to expand into the surrounding urban fabric. Intervention here is therefore been to upgrade the public environment, an initiative which has attracted private sector investment

Private investment 2001 – 2008: R 2,515.3 million

Public investment 2001 – 2008: R 33.2 million

ADDENDUM FIVE: CONTINUED

4.4.6 High Court precinct

Table 6: High Court regeneration context

Boundary map



Precinct background

- The High Court Precinct saw the flight of many legal firms to the North following decline of the Inner City, resulting in vacant buildings & related failing commercial & retail uses.
- Upgrade of the precinct was initially conceptualised by the private sector, implementing urban management through a CID. Property owners & legal firms which had left then expressed an interest in taking up offices in close proximity to the court for convenience.

Public environment interventions



Nature of intervention

- Apart from urban management, JDA's intervention has a focus on public environment upgrade, creating a piazza, extending the amount of public space available to users, traffic calming & an enhanced pedestrian environment. An upgraded managed environment has attracted private sector investment as well as new residential uses & supporting retail & commercial facilities.

Private investment 2001 – 2008: R 2,994.4 million

Public investment 2001 – 2008: R 8.3 million

ADDENDUM FIVE: CONTINUED

Project No / Projects	Intervention Areas / Precincts
006 - Braamfontein Regeneration	→ Braamfontein Regeneration
009 - Fashion District	→ Fashion District
013a - Jewel City	→ Jewel City
024 - High Court Precinct	→ High Court Precinct

Summarised in the table below are the annual amounts that have been invested in each of the intervention areas since 2001. These investments comprise mainly capital expenditure on infrastructure / urban upgrade as well as professional fees and ancillary services such as area-marketing.

Also indicated in the table is the total budget per area as well as the expenditure to end 2007 (calendar year). Typically – in line with most infrastructure projects - the JDA expends 60% plus of its capital budget in the last two quarters of each financial year. Consequently the budget for 2007-2008 financial year is here only reflected in respect of expenditure as at 31 December 2007. Additional detail in respect of the budgets and expenditure per project is provided in **Appendix 3**.

Table 8: JDA Expenditure in selected precincts: 2001 - 2007

	Budget	Expenditure							Total Spent
	R m	2001 R m	2002 R m	2003 R m	2004 R m	2005 R m	2006 R m	2007 R m	R m
Greater Newtown	200.9	20.7	39.3	29.2	49.7	21.8	21.8	6.0	188.7
Greater Ellis Park ¹⁶	241.8	1.4	2.8	0.2	0.0	0.0	17.3	85.0	106.7
Braamfontein Regeneration	55.7	0.0	0.6	13.2	6.9	7.7	14.0	13.4	55.7
Fashion District	28.2	0.0	0.0	1.9	1.5	2.7	3.3	10.8	20.2
Jewel City	13.5	0.0	0.0	0.0	0.0	0.0	5.1	7.9	13.0
High Court Precinct ¹⁷	8.3	0.0	0.0	0.0	0.0	0.0	5.3	3.0	8.3
Total	548.3	22.2	42.8	44.6	58.0	32.2	66.7	126.1	392.6

Source: JDA DIMS, own analysis

Note: All amounts indicated are exclusive of VAT

The JDA's total budget in respect of the selected intervention areas is R 548.3 million of which R 392.6 million had been spent by the end of December 2007.

¹⁶ The Greater Ellis Park budget and expenditure does not include the BRT funding and investment.

¹⁷ JDA have indicated that the DIMS contained an omission in respect of the High Court data, being an amount provided directly by the private sector as a contribution to that development. Consequently an amount of R 3 million has been added for the 2007 calendar year in line with available project documentation.

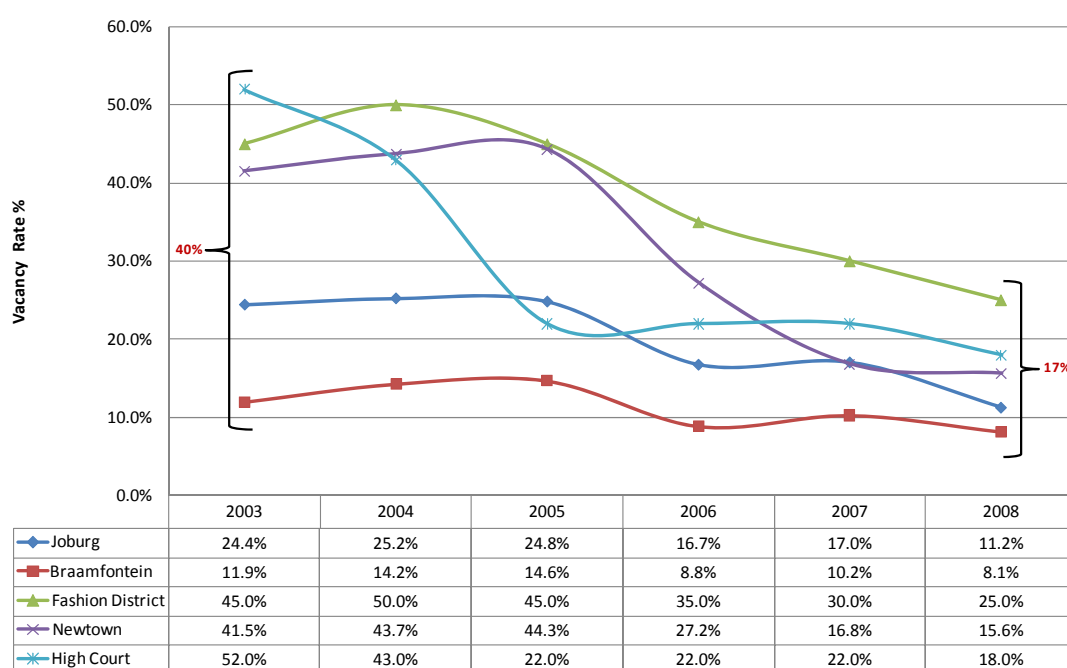
ADDENDUM FIVE: CONTINUED

5.2.1 Vacancy rates

Vacancy rates are an indicator of the overall health of the commercial property sector in an area. Many of the JDA's intervention areas historically suffered from the flight of businesses and very high vacancy rates.

The figure below provides insight into the trend in respect of vacancy rates for A and B Grade office space in the intervention areas as well as Johannesburg as a whole.

Figure 22: Vacancy rates (A & B grade office) for Joburg and intervention areas, 2003 - 2008



Source: Viruly, 2008

Note: Nominal values (i.e. not adjusted for inflation); A and B Grade office space

The data show a very positive impact in respect of declining vacancy rates across the intervention areas – from an average peak of 40% in 2003 down to an average of 17% in 2008.

While Braamfontein has historically had the lowest vacancy rates of the intervention portfolio, it has continued to decline and is currently on a par with other prime office nodes such as Sandton.

Most notable is the substantial improvement in Newtown, High Court Precinct and the Fashion District – substantially more significant than the overall Johannesburg average.

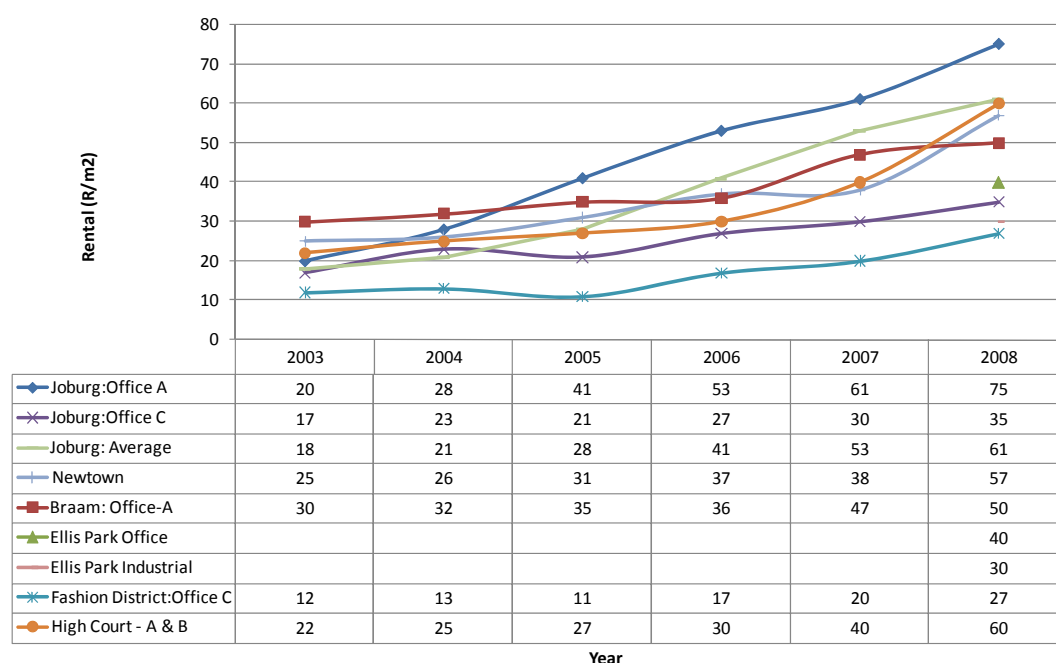
ADDENDUM FIVE: CONTINUED

Overall it is clear that the JDA / CoJ interventions have had a very positive impact. While the overall market improved in 2005, the more rapid improvement in the intervention areas can be ascribed in large measure to the public sector interventions.

5.2.2 Rental rates

Rental rates are a further indicator of health in respect of the commercial property sector. The figure below indicates A, B and C-grade office as well as industrial rentals that could be sourced.

Figure 23: Rental rates for Joburg and intervention areas, 2003-2008 (Nominal)



Source: Viruly, 2008
Note: Nominal values (i.e. not adjusted for inflation)

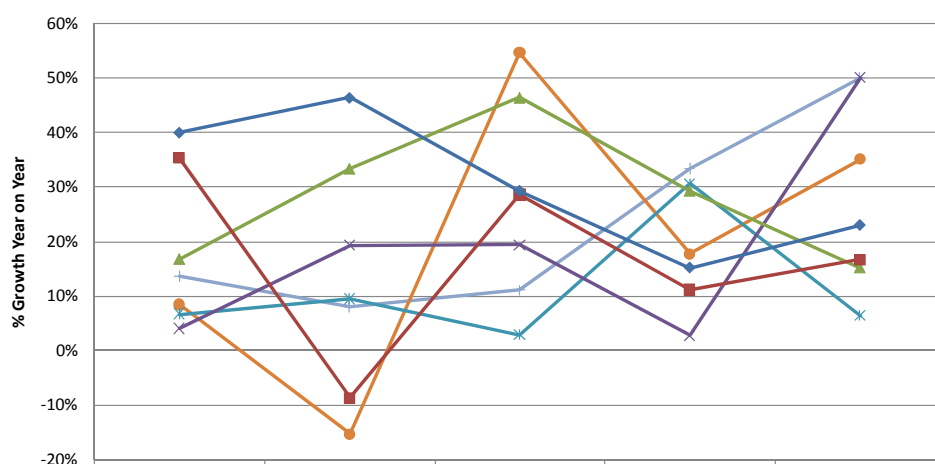
The data show a significant improvement across the board in rental achieved for all classes of property.

In some cases (Braamfontein and High Court District), rentals are on par with other prime nodes in the city.

The figure below provides some insight into the annual growth rates (in nominal terms) of rentals in these areas.

Figure 24: Rental growth rates for Joburg and intervention areas, 2003-2008 (Nominal)

ADDENDUM FIVE: CONTINUED



Source: Viruly, 2008
Note: Nominal values (i.e. not adjusted for inflation)

Evident above is that most of the intervention areas have typically followed the overall Johannesburg growth trajectory. However notable exceptions are Braamfontein and the High Court Precinct which have in recent years outperformed the Johannesburg average.

Most notable above is the very significant and rapid improvement in the Fashion District – albeit for C-grade office space. Clearly there is a demand for such office accommodation.

The improved and in instances better than Johannesburg average performance must be ascribed to the increased attractiveness of these areas and increased demand for quality affordable office accommodation in those locations. It is clear that public sector interventions play a critical role in improving and retaining this competitiveness.

ADDENDUM FIVE: CONTINUED

5.2.3 Transaction Levels

The third area for consideration is property transaction levels. Based on a review of deeds registry data this analysis provides insight into changes in the volume and value of property transaction in each of the intervention areas since 1997.

While limitations are noted (see **Section 3** above), deeds registry data nevertheless provides an important indicator as to the health of a property market. Typically the higher the number of transactions the healthier a market, while increases in average price per square meter are a good measure of confidence. Because almost all property transactions in these areas stem from the private sector, the deeds data is also an important proxy for overall levels of private sector investment.

The transaction data is reviewed per intervention area and the years of JDA intervention is also indicated – *as is evident in most of the graphs there is a clear correlation between increased and improved market activity and the JDA / CoJ interventions.*

The table below summarises the volume and value of transactions since 1997.

Table 9: Property Purchases – JDA Intervention Portfolio, 1997-2008

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 ¹⁸	Total
Braamfontein													
Total Trsx (No.)	14	2	7	37	127	39	40	53	78	62	1249	629	2337
Total Trsx Value (R-million)	27.65	4.00	26.52	85.87	53.65	308.54	125.60	155.02	179.70	194.30	499.81	848.80	2,509.5
Greater Ellis Park													
Total Trsx (No.)	23	10	10	30	17	52	49	13	160	26	52	44	486
Total Value (R-million)	11.27	6.30	2.05	12.52	6.71	18.15	32.22	30.57	96.78	25.04	159.95	320.47	722.0
Greater Newtown													
Total Trsx (No.)	13		27	19	16	42	4	2	27	23	94	23	290
Total Value (R-million)	110.54		63.21	6.59	70.05	25.65	4.20	1.00	86.94	35.35	932.01	399.05	1,734.6
Fashion District / Jewel City¹⁹													
Total Trsx (No.)	26	4	30	231	20	37	28	36	70	88	72	354	996
Total Value (R-million)	47.26	1.58	9.76	51.68	6.95	202.07	69.09	33.71	145.16	250.96	488.13	71.51	1,377.9
High Court Precinct													
Total Trsx (No.)	7	6	6	19	6	129	34	19	25	29	440	471	1191
Total Value (R-million)	6.22	22.00	0.00	45.36	25.45	332.59	284.83	97.25	108.83	154.23	328.34	286.00	1,691.1

Source: Deeds Registry, AfriGIS, own analysis

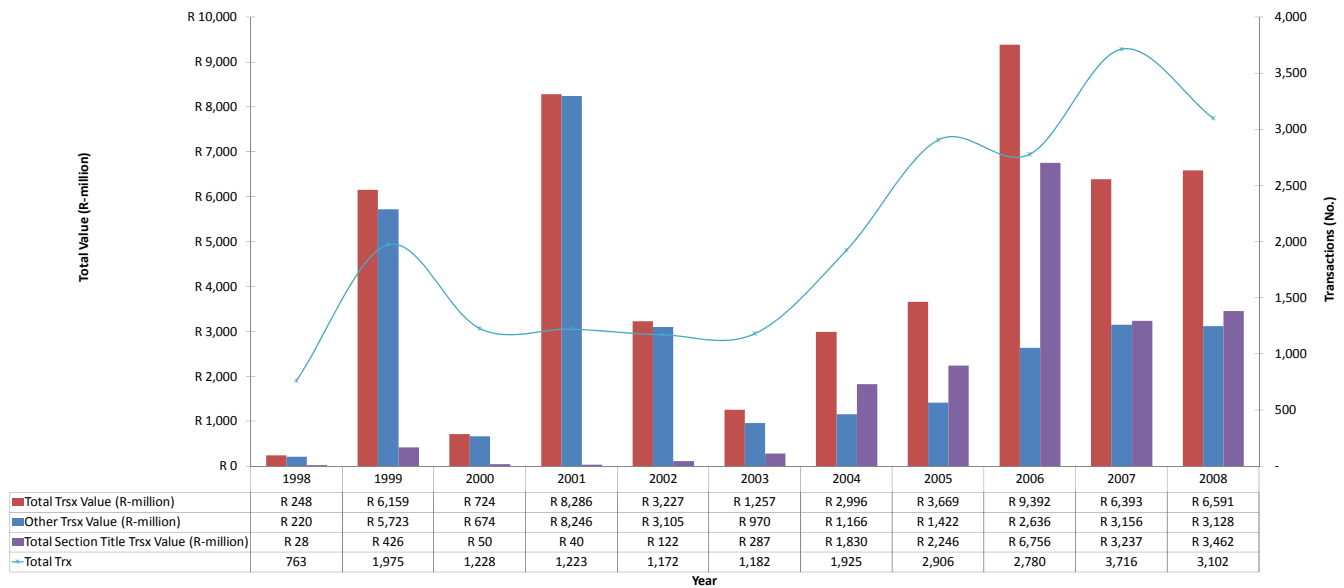
¹⁸ It should be noted that 2008 deeds data reported here is only for the period January to August 2008.

¹⁹ In undertaking the deeds data analysis Fashion District and Jewel City have been analysed as a single area due to their proximity.

ADDENDUM FIVE: CONTINUED

Indicated in the figure below are the total property transactions for the period 1997 to 2008 for the Johannesburg Inner City.

Figure 25: Property Purchases – Johannesburg Inner City, 1997-2008



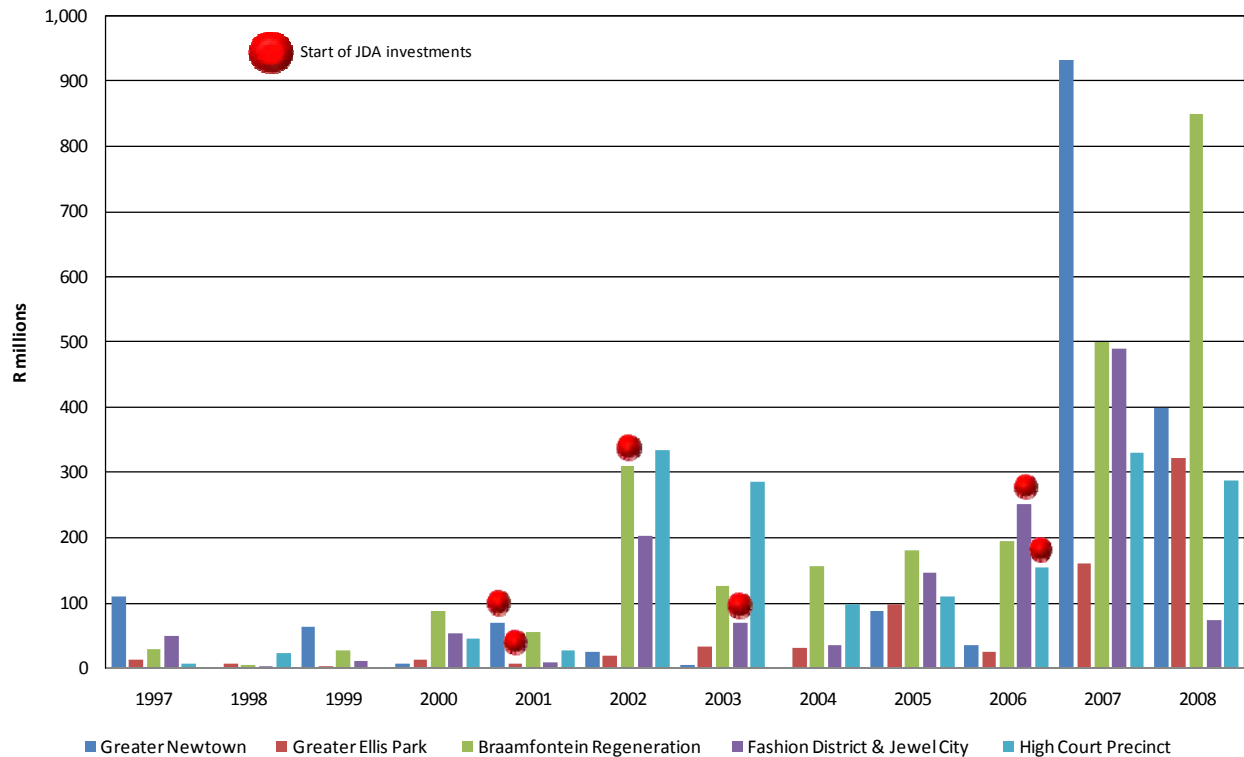
Source: Deeds Registry, AfriGIS, own analysis
Notes: "Other" includes all transactions except section title

Evident in the figure are significant increases in investment in 2001 and once again in 2006. While general property market and economic factors such as lower interest rates are an important cause, it is equally notable that these improvements correlate to period of increased JDA / CoJ investment and urban management activity.

ADDENDUM FIVE: CONTINUED

The figure below provides insight into the level of private sector investment in property purchases from 1997 to 2008 per JDA intervention area.

Figure 26: Property Purchases – JDA Intervention Portfolio, 1997-2008



Source: Deeds Registry, AfriGIS, own analysis

ADDENDUM SIX:

EXTRACT FROM JDA BUSINESS PLAN 2012-2013

4. STRATEGIC FOCUS AREA

The JDA's strategic objectives are clearly aligned with GDS 2040 for the City of Joburg and in particular with the cluster plan for Sustainable Services in the integrated development plan. Promoting resilient city strategies by restructuring spatial logic is the primary objective towards which the JDA will work in the medium term. This will be achieved through:

- **The introduction of a new Transit oriented development (TOD) programme that seeks to reshape land use patterns to promote new mobility systems and mass public transport use.**

In addition to public investment, the development of transit oriented precincts require substantial development facilitation to re-orientate property values and land uses towards agglomerated and high intensity uses and functions (including high density affordable housing and suitable office and retail activities).

This is a medium-term programme that has been developed as a key IDP sub-programme for the sustainable services cluster. The JDA's role will be to support DPUM in planning and facilitation, and to implement public environment upgrading projects that support more intensive private investment, encourage pedestrian movement and the use of public transport, and provide community facilities and amenities for larger residential populations.

The JDA will seek to incorporate pathways, cycleways and pedestrian infrastructure such as shelters and lighting into all public environment upgrading projects, and will continue to construct Rea Vaya bus ways.



In 2012/13 JDA will continue to implement the Rea Vaya BRT infrastructure on behalf of the Department of Transportation and funded through the Public Transport Infrastructure and Systems Grant from the National Department of Transport.

A number of priority TOD precincts have been identified for JDA projects including Park Station and Westgate Station precincts in the inner city; Randburg CBD; Jabulani, and

ADDENDUM SIX: CONTINUED

Nancefield Railway Stations in Soweto; and a number of future TOD precincts that must be planned during this Mayoral term.

- **The continued strengthening of the position of the inner city as a critical business and residential node and the primary gateway to transit networks for the city, the city region, the country and the continent.**

The JDA will continue to implement a phased plan to strengthen inner city nodes, address movement challenges, and improve the quality of the built environment across the inner city.

In 2012/13 the focus will be on the commuter links precinct (focused especially around the Johannesburg Art Gallery Rea Vaya bus station and the Park Station Precinct); the Westgate Station precinct; the core inner city; and Newtown.

Over the medium term the emphasis will shift to the Southern part of the inner city (the New Centre precinct), Doornfontein Student Precinct, and the new public places partnership programme that allows the CoJ to respond to private partner initiatives.



- **The ongoing prioritisation of key activity nodes in marginalised areas that will create new economic opportunities, accommodate employment opportunities, and provide access to markets.**

Led by urban development frameworks prepared in partnership with DPUM, JDA will continue to implement multi-year township development projects that include the creation of high streets and activity nodes, and the construction and upgrading of strategic amenities such as transit facilities (including taxi ranks), trading infrastructure, libraries, recreation centres, multi-purpose centres, public open spaces and green spaces. Wherever possible, development facilitation by the JDA will seek to establish community development partnerships, and to stimulate private property development including through partnerships in the retail and housing sectors.

ADDENDUM SEVEN: REGIONS OF THE CITY OF JOBURG – 2012

