

**CITY OF EKURHULENI
DRAFT DEVELOPMENT INCETIVES
POLICY, 2019**

DRAFT 1



**City of
Ekurhuleni**

TABLE OF CONTENTS

ABBREVIATIONS	i
PREAMBLE	ii
SECTION A.....	1
1. INTRODUCTION.....	1
2. LEGISLATION CONTEXT	3
3. DEFINITIONS	3
4. PURPOSE OF THE DEVELOPMENT INCENTIVES POLICY	4
5. OBJECTIVES OF THE DEVELOPMENT INCENTIVE POLICY.....	5
SECTION B.....	6
6. VALIDATING THE DEVELOPMENT INCENTIVE POLICY	6
6.1. APPLICATION OF THE DEVELOPMENT INCENTIVE POLICIES	6
6.2. THE CONSTITUTION of the Republic of South Africa, 1996 (Act 108 of 1996).....	6
6.3. SPATIAL PLANNING AND LAND USE MANAGEMENT ACT, 2013 (Act 16 of 2013) (SPLUMA)	7
6.4. SPATIAL PLANNING AND LAND USE MANAGEMENT BY-LAW, 2019 (SPLUM BY-LAW).....	8
6.5. LOCAL GOVERNMENT: MUNICIPAL PROPERTY RATE ACT 2004 as amended.....	10
6.6. SPATIAL DEVELOPMENT FRAMEWORK (SDF).....	11
6.7. CITY OF EKURHULENI LAND USE SCHEME, 2019 (CELUS)/ EKURHULENI TOWN PLANNING SCHEME 2014.....	11
7. DEVELOPMENT INCENTIVE RULES.....	11
8. STATUS OF THE DEVELOPMENT INCENTIVES POLICY	12
SECTION C.....	14
9. PRINCIPLES INFLUENCING INVESTMENT DECISIONS.....	14
9.1. Achievable and Relevant Performance Criteria.....	14
9.2. Transparency and Accountability.....	14
9.3. Legality and Compliance.....	14
10. LEGAL IMPLICATIONS OF THE DEVELOPMENT INCENTIVES POLICY.....	14
11. FINANCIAL IMPLICATION OF THE DEVELOPMENT INCENTIVES POLICY	15
11.1. SPECIAL INFRASTRUCTURE FUNDS	15
11.2. DEVELOPMENT INCENTIVES INVESTMENT FUNDS.....	15
12. TYPES OF DEVELOPMENT INCENTIVES.....	16
12.1. Non-monetary development incentives can include	16
12.2. Monetary Development Incentives	18
SECTION D.....	19

13.	INCENTIVE MANAGEMENT PRINCIPLES.....	19
13.1.	Services-Orientation Incentive Approach	19
13.2.	Land Use Scheme Incentive Approach	19
13.3.	Energy Incentive Approach.....	25
13.4.	Roads and Storm Water Incentive Approach.....	25
14.	INFRASTRUCTURE PROVISION AND PRIORITISATION	27
15.	THE DEVELOPMENT INCENTIVE METRIX:.....	34
15.1.	RESIDENTIAL DEVELOPMENT	34
15.2.	EMPLOYMENT PROFILE	34
16.	SOCIAL FACILITIES	35
17.	BUSINESS INCUBATOR.....	35
18.	PUBLIC PLACE & OPEN SPACE	35
19.	AGRICULTURE	35
20.	EMPLOYMENT AND SKILL DEVELOPMENT	36
21.	RELEASE OF COUNCIL OWNED LAND FOR PRIVATE DEVELOPMENT	36
22.	EXEMPTIONS, REDUCTIONS AND REBATES.....	37
23.	ADMINISTRATION AND EVALUATION.....	37
24.	PROCESS TO APPLY FOR INCENTIVES.....	37
25.	MONITORING PERFORMANCE	38
26.	DELEGATION.....	39
27.	PUBLICATION OF INCENTIVES RECEIVED BY COMPANIES	39
28.	CLAWBACKS	39
29.	CONCLUSION.....	40

ABBREVIATIONS

BD-	Base density
COE-	City of Ekurhuleni
GP-	Gauteng province
IDA-	Industrial Development Area
QD-	Qualifying density
ND-	Net density
CBD-	City business district
CELUS-	City of Ekurhuleni Land Use Scheme
MSDF-	Municipal Planning Development Framework
NAC-	Network Access charged
NMD-	Notified Maximum Demand (NMD)
PDA-	Priority Development Area-
SA-	South Africa
SPLUM By-law	Spatial Planning and Land Use Management Bylaw
SPLUMA	Spatial Planning and Land Use Management Act
SEZ	Special Economic Zones
IDZ	Integrated Development Zones
BRT	Bus Rapid transit
TOD	Transport Oriented Development

PREAMBLE

Whereas, the municipality needs to provide incentives to demonstrate commitment in growing the economy, providing tangible jobs and supporting small and emerging businesses;

Whereas, the development incentives are introduced for the public interest ensuring that the City of Ekurhuleni becomes the best and desired for business transactions. The development incentive is guided by the rules set for participating in the development incentives program as provided for. Incentives have limitation as the intention is not to undermine municipal planning processes and related by-laws.

Whereas the city recognises the value adds of the incentive program to developers and business, benefit received shall be reasonably proportional to enhance value of the land and market rate of return to the development's capital. What is reasonable depends on the site, development proposal, market conditions and the state of the general economy. Thus the development incentive program will be applied on merit.

SECTION A

1. INTRODUCTION

The necessity to develop this policy emanated from the economic drive that exist in ensuring that the City of Ekurhuleni becomes an attractive business destination. The introduction of a Development Incentives Policy is to motivate and entice investors to invest particularly within the city as guided by spatial, land use and economic policies. The Development Incentive Policy provides the necessary principles, processes, approval procedures, roles and responsibilities; enables a professional, consistent and transparent incentive management dispensation

Municipalities across the country have a mandate to provide their respective communities with the best possible quality, affordable services and create suitable conditions for local business to thrive, enable the creation of jobs and ensure that the municipality becomes financially sustainable. Through the transformation agenda of government and the need to grow the economy, the Municipality decided to explore and provide the incentive mechanism in order to make the city the first choice destination for investment. This means the municipality must be able to encourage and support development that demonstrates strategic intelligence to grow the economy, create jobs and balance various social fundamentals and elements thereof.

Residents must be able to rely on local government to take informed decisions, guided by well-defined policies that lead to prosperity for everyone who lives, visits or has business interests in the area. The municipality must find a balance between competing social, spatial and economic needs, by developing and implementing dedicated instruments (strategies, programmes, projects and policies), that are smart and strategic in creating a quality, safe and vibrant environment. The municipality believes with the introduction of development incentives, it will achieve the outcome of attracting necessary and needed investments, thus responding to the objective of the municipality in so far as advanced development is concerned.

The City's Aerotropolis Programme is one key point of the municipal economic concept that when it is implemented through Spatial Development Framework and Land Use Scheme as envisaged will provide a potential increase in employment. The employment opportunities will come from various economic and social sector such as:

- Construction;

- Agriculture;
- Environment;
- Tourism;
- Education
- Health
- Community facilities;
- Trade;
- Mining;
- Transport;
- Manufacturing;
- Infrastructure services; and
- Financial institutions
- Science and technology

The Spatial Development Framework and the Land Use Scheme becomes essential in bringing the economic growth plan into reality. Thus economic development must take place within municipal planning and the land use management system. For the municipality to achieve the set goals of economic growth, increase employment and social development, it needs to understand and explore all options available to satisfy its obligation of retaining and attracting investment in the City. Such obligation must be inclusive of the role and contribution of small and emerging businesses in the economy.

The Development Incentives Policy aims to accelerate and achieve the City's key economic priorities and to contribute towards the cost effective ways of doing business in the City. The city has a population of just over 3,5 million, wherein its unemployment rate is 34%. Being one of the 3 metropolitan municipalities in Gauteng, the City is also challenged by multiple factors leading to the socio-economic ills and other developmental challenges that continues to confront the City. With the deprivation trap resulting from the slow pace in the economic output, lack of tangible jobs created and low level of social opportunities, the need to introspect and assess various apparatus applicable and essential to the growth and stability of the Municipality becomes key to this policy.

Through various engagement, stakeholders have indicated that doing business is costly. The cost factor can be attributed to multiple influences such as:

- uncoordinated administrative systems and misalignment of policy directives;
- high development costs, specifically bulk service contribution (Development Charges);
- high transaction costs due to decaying infrastructure;

- low business confidence despite existing high growth potential;
- neglect of business as strategic developmental partners;
- negative service delivery image;
- neglect of small and emerging businesses
- inflated land prices by land owners with no means or inclination to develop the land themselves, but wish to make a profit by selling the land to a prospective developer; and
- inability in accessing municipal land for development due to red tape.

2. LEGISLATION CONTEXT

The Development Incentives Policy is guided by the following Government Legislation, policies strategies and programmes:

- The Constitution of the Republic of South Africa, 1996
- The Public Finance Management Act (PFMA),;
- Municipal Finance Management Act (MFMA);
- *Local Government: Municipal Systems Act, 2000*
- *Local Government: Municipal Property Rates Act, 2004 and 2014 as amended*
- Property Rates Policy;
- National Development Plan 2030;
- Integrated Development Plan;
- Spatial Development Framework;
- Integrated Masterplan;
- Spatial Planning and Land Use Management Act, 2013
- Spatial Planning Land Use Management By law, 2019
- City of Ekurhuleni Land Use Scheme, 2019.
- Ekurhuleni Town Planning Scheme,2014

3. DEFINITIONS

Unless the context indicates otherwise, the following definitions shall bear the meanings assigned to them and cognate expressions shall bear corresponding meaning.

Based Density- refers to the normal density increase that can be obtained through a rezoning application.

Development Incentives can be seen as discretionary reward system aimed at influencing and encouraging business development in a particular area.

Developer/investor/applicant means a person who is duly authorised to apply for the development incentive with the purpose of developing his/her land or property or as permitted through a company resolution or power of attorney. Where the developer/investor or applicant is the land/ property owner, a title deed will be provided as such.

Net Density- is the total density received when both the based density and qualifying density are added together ($BD+QD=ND$).

Qualifying Density-refers to the additional density added over and above the based density. This density is associated with the development incentive criteria.

4. PURPOSE OF THE DEVELOPMENT INCENTIVES POLICY

It is the purpose of this policy to:

- Arouse appetite for investment opportunities with the aim to grow and stabilize the economy.
- To provide the scope and structured system that permits and guide various incentives that can be made available to the interested developers and business society/individuals in partnership with the municipality.
- Provide the necessary principles, process, approval procedure, roles and responsibilities to enable a professional, consistent and transparent incentive management dispensation.
- Attract lucrative additional sustainable commercial or service related investments into City of Ekurhuleni thus generating employment opportunities.
- Specify the qualification criteria that investors would have to comply with in order to be considered for incentives.
- Identify the incentive options/package required to effectively attract investors to the city.
- Create an efficient administration.
- Ensure that skills development and simple procurement opportunities caters for local small and emerging business.

5. OBJECTIVES OF THE DEVELOPMENT INCENTIVE POLICY

- give effect and direct investment according to policy priorities as provided for in the municipal approved Spatial Development Framework and the Integrated Development Plan
- stimulate economic growth and maximize revenue generation
- encourage inclusive economy supporting both economies including small and emerging businesses
- encourage shared vision between business owners, community and the municipality in order to create jobs through strengthened local industries and innovative techniques to maximize business and production potential.

SECTION B

6. VALIDATING THE DEVELOPMENT INCENTIVE POLICY

6.1. APPLICATION OF THE DEVELOPMENT INCENTIVE POLICIES

- i. The Development Incentives Policy applies to the entire municipal area where:
 - ❖ the Land Development Application falls within the Development Priority Areas categorized in accordance with the Spatial Development Framework and supporting plans and meets the set criterion;
 - ❖ the area has been identified and prioritized for urban management, where there is need for regeneration.
- ii. The Development Incentive Policy is a discretionary mechanism used to promote and attract development within the City. Thus the development must be in accordance with the set criteria.
- iii. No development incentive shall be considered or granted for a Land Development Application that does not benefit the public and promote the objectives of the municipal approved policies and the Spatial Planning and Land Use Management Bylaw.
- iv. The Development Incentives Agreement shall be entered into by the owner and the municipality to ensure both parties fulfil their obligation as provided for in the said agreement.
- v. The Development Incentive Agreement shall be entered into after the proposed development has met and qualified for development incentives in accordance with scoring outcome.

6.2. THE CONSTITUTION of the Republic of South Africa, 1996 (Act 108 of 1996)

Section 153 provides for the developmental duties of the municipality by stating that the municipality must structure and manage its administration, budgeting and planning process to give priority to the basic needs of the community, and to promote the social and economic development of the community. This provision must be read with Section 229, as well as Schedule 4 Part B and Schedule 5 Part B of the Constitution.

Role of the municipality is detailed by Spatial Planning and Land Use Management Act, 2013 (*Act 16 of 2013*) (SPLUMA) and the Spatial Planning and Land Use Management By-Law, 2019 (SPLUM By-law). Furthermore, the powers and function of the municipality must be read with the provision of the Municipal Property Rate Act. This dual reading strengthens the

responsibility of the municipality on municipal planning and service delivery. The provisions of SPLUMA together with the SPLUM By-Law are referred to, to give context and logic behind the Development Incentives Policy.

6.3. SPATIAL PLANNING AND LAND USE MANAGEMENT ACT, 2013 (Act 16 of 2013) (SPLUMA)

The objective of Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013) is to

- ensure that the system of spatial planning and land use management promotes social and economic inclusion;
- provide for development principles and norms and standards;
- provide for the sustainable and efficient use of land;
- re-dress the imbalances of the past and to ensure that there is equity in the application of spatial development planning and land use management system.

Section 7 (b) of SPLUMA, provides for the principle of spatial sustainability, stating that spatial planning and land use management system must

- Promote land development that is within the fiscal, institutional and administrative means of the Republic;
- Promote and stimulate the effective and equitable functioning of land markets;
- Consider all current and future costs to all parties for the provision of infrastructure and social services in land developments;
- Promote land development in location that are sustainable and limit urban sprawl; and
- Result in communities that are viable.

Section 8 (2) states that norms and standards must promote social inclusion, spatial equity, desirable settlement patterns, rural revitalisation, urban regeneration and sustainable development. When SPLUMA and the SPLUM By-law talks about engineering service as the competency of the municipality, it refers to municipal infrastructure service/ municipal services and includes:

- (a) potable water and the provision of fire flow;
- (b) sewerage and wastewater treatment;
- (c) electricity distribution;
- (d) municipal roads;
- (e) street lighting;
- (f) storm-water management;
- (g) solid waste disposal;

- (h) public transport infrastructure;
- (i) non-motorised transport infrastructure; and
- (j) systems, capital assets and other engineering services assets and processes related to engineering services;

6.4. SPATIAL PLANNING AND LAND USE MANAGEMENT BY-LAW, 2019 (SPLUM BY-LAW)

The Spatial Planning and Land Use Management By-law provides for engineering services. Engineering services are defined a system for the provision of water, sewerage, electricity, municipal roads (excluding provincial and national roads), stormwater drainage, gas and solid waste collection and removal required for the purpose of land development contemplated in Chapter 6 of the By-law. There are 2 categories of engineering services: Internal and External engineering services.

Internal services are engineering service within the boundaries of a land development area which is necessary for the use and development of the land development area and shall not include that part of the engineering service which the Municipality requires to increase the capacity of the service in order to provide for areas outside the land development area and excludes Class 4 and 5 roads outside the boundary of the land development area, but adjacent thereto which may be required for access to the land development area but not exclusively for that area (the so called boundary roads) but includes an access road outside of the boundary of the township solely required for that development are as more clearly defined in the definitions of the SPLUM By-law.

External services are engineering service situated outside the boundaries of a land development area and which is necessary to serve the use and development of the land development area and is either a link engineering service or a bulk engineering service or an engineering service which has been classified by agreement as such in terms of Section 77(4) of the By-law and will include boundary roads but included Class 1, 2 and 3 roads within the boundaries of the Township.

In order to avoid confusion on who should do what and when, an engineering services agreement is entered into, to stipulate the obligations of the Municipality and those of the developer/owner. The said agreement is drafted by the Municipality in line with the SPLUM By-law and respective policies of the Municipality and co-signed by the municipality and the developer and/ or the owner of the property on which a land development application has been brought and approved by the Municipality in accordance with the SPLUM By-law.

During the Land Development Application process, the Municipality (relevant sector department) will assess the nature of the proposed development; determine capacity and availability of services to support the proposed development; investigate the extent to which the engineering services will be required (new or extension)

The charge called Development Charges which is permitted by law and is defined as a financial charge or contribution that is levied by the municipality for the provision, installation, enhancing, upgrading of engineering service.

Section 70 of the SPLUM By-law states that:

- (1) Without detracting from the provisions of this By-law, nothing contained herein shall prevent the Municipality from approving a specific Land Development Application and imposing any condition in the approval relating to -
 - (a) the provision of engineering services;
 - (b) the payment of a development charge or contribution or provision of open space;
 - (c) the making of an arrangement with regard to the maintenance of any engineering services or open space, irrespective of whether it is public or private open space;
 - (d) matters contained or governed in the land use scheme and related issues;
 - (e) the registration of a servitude and conditions of title;
 - (f) the transfer of land to an entity specifically established for the provision and maintenance of engineering services in terms of this By-law or other applicable legislation; and
 - (g) any other matter considered necessary by the Municipality.
- (2) In imposing conditions of approval on a Land Development Application the Municipality may distinguish between conditions that are to be complied with:
 - (a) prior to rights coming into operation;
 - (b) after the land use rights have come into operation, but before the rights may be exercised;
 - (c) without which the rights may not be exercised; and

- (d) prior to the approval of building plans.

Section 127 (1) of the SPLUM By-law states that Council may, by council resolution, prescribe any matter contemplated, required or permitted to be prescribed by the Municipality in terms of this By-law and generally regarding the form and manner of application for a land development, and in any other respect for the effective administration or the achievement of the objects of this By-law, and in particular, but without derogating from the generality of this subsection, regarding –

- (a) norms and standards, policies and guidelines necessary for managing and regulating land development and land uses.

6.5. LOCAL GOVERNMENT: MUNICIPAL PROPERTY RATE ACT 2004 as amended

Section 7 (1) of the Municipal Property Rate Act states that when levying rates, a municipality must, subject to subsection (2) levy rates on all rateable property in its area. However, Section 7(1) does not prevent a municipality from granting, in terms of Section 15, exemptions from rebates on or reduction in rates.

Furthermore, Section 8(1) states that a municipality may in terms of the criteria set out in its rates policy, levy different rates for different categories of rateable property. The different categories of properties are listed in Section 8(2)(a) to (r) of the Act, which include commercial, industrial and properties used for business.

For the purpose of this policy, the municipality provide these development incentives in consistent with Section 15 (1) that provides for the Exemption, reduction and rebates, (to be read with Section 16(1) of the Act.

Section 15(1) read that a municipality may in terms of criteria set in the rates policy-

- i. Exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate levied on their property; or
- ii. Grant to a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties

When granting exemptions, rebates or reductions in respect of categories of owners of properties, such categories may include any other serious adverse social or economic conditions. All exemptions, rebates and reductions projected for financial year must be reflected in the municipality's annual budget for that year in accordance with the Act.

6.6. SPATIAL DEVELOPMENT FRAMEWORK (SDF)

The Spatial Development Framework is the instrument that has spatial brainpower to coordinate multiple plans such as social, infrastructure, economic, environmental, agricultural and give a single spatial form that is desired to direct investment and manage development within the municipality.

In line with SPLUMA, the SDF as approved by Council has provided clear priority areas where development must be channelled and supported through the provision of infrastructure. Thus the Development Incentives Policy will be guided by the provision of the SDF as well as development strategies as may be identified by the municipality. The implementation of the development Incentives Policy will take place through the land development application process as provided for in terms of the Land Use Scheme.

6.7. CITY OF EKURHULENI LAND USE SCHEME, 2019 (CELUS)/ EKURHULENI TOWN PLANNING SCHEME 2014

The Land Use Scheme is the only legal instrument that has intelligence to confer developmental right to a property/land. It provides for the control measures of a property. The development incentives policy will succeed when it's done as guided by the land use scheme as the scheme, in terms of SPLUMA, must give effect to the Spatial Development Framework.

The Land Use Scheme in accordance with SPLUMA, SPLUM By-law in dealing with economic growth and social inclusion provided for incentives that can be obtain by zoning. Zoning Incentives principle and application is being discussed in detailed below. The Development Incentive Policy must take place within the municipal planning processes.

Such will provide credibility to the program and system in which the development incentives are offered. The administration, monitoring, evaluation and performance thereof will be easier and measurable. Furthermore, municipal planning processes provide a fair and transparent system applicable to all participants.

7. DEVELOPMENT INCENTIVE RULES

Development Incentives will be considered on merit and must demonstrate economic and social benefit to the municipality and furthermore comply with regulations as well as associated conditions.

The Development Incentives will be subject to periodic review and may be refined to suit the financial capability of the municipality and the economic conditions or competitive considerations. Previous granted incentives and associated agreement may not be affected by the review unless where the review indicates elements of non-compliance to the agreement as signed and as a result there is no longer a mutual benefit.

The Municipality must, prior to granting incentives, consider the following:

- i. The high economic impact of the proposed development;
- ii. the total private capital investment in the project including site acquisition, site improvement, building development and equipment purchases;
- iii. number, type and quality of full time jobs created for local residents and jobs retained;
- iv. skills development offered;
- v. wage level and associated benefits for jobs created during the duration and after completion of the project;
- vi. potential future expansion and associated revenue generation relating to the business;
- vii. potential increased job creation, development and integration of small and emerging business to the main large established business;
- viii. potential for the project to attract other businesses, and
- ix. other factors considered to be just and relevant by the municipality.

No development regardless of its value and contribution to the economy will be permitted if it is not in line with Land Development Application processes and other relevant laws. Infrastructure availability and carrying capacity will be one of the determining factor for considering development approval and development incentives.

8. STATUS OF THE DEVELOPMENT INCENTIVES POLICY

The Development Incentives Policy is a supplementary document and holds a secondary status to the Spatial Planning and Land Use Management By-law. The policy must be read with the development charges policy. The Development Incentive Policy does not supersede

any policy but rather assumes the supporting status in ensuring that the City's development agenda is realised.

Decisions taken and incentives granted in terms of this policy will be binding as per the entered negotiated agreement. Thus the rules of engagement must be observed and applied as such.

SECTION C

9. PRINCIPLES INFLUENCING INVESTMENT DECISIONS

9.1. Achievable and Relevant Performance Criteria

The Development Incentives must be tied to achievable and relevant performance criteria with a clear and unambiguous mechanisms for monitoring and enforcement, for instance granting of incentives range from compliance with basic regulations to job creation and training targets.

9.2. Transparency and Accountability

The Development Incentive Policy provides for transparency and accountability, thus, no incentive will be unduly given to any development. Processes followed and decision taken must be justifiable and be recorded accordingly to allow the municipality to be able to report on the progress and financial and social benefits of the incentive programme.

9.3. Legality and Compliance

The Development Incentive must comply with all relevant policy and legislation. The Development Incentive should not be provided to companies which are not in compliance with municipal planning processes as informed by the Land Use Scheme and the provision of the Spatial Development Framework. The Development Incentive Policy must be consistent with National and Provincial planning laws on incentives to the extent that it does not compromise the financial and development aspiration of the Municipality.

10. LEGAL IMPLICATIONS OF THE DEVELOPMENT INCENTIVES POLICY

The Development Incentives Policy has legal implication to the extent that it must be fair and transparent. Furthermore, the policy must be implemented without prejudice to other development of similar nature. The incentives will be done in terms of negotiated agreements between the developer/owner and the municipality to ensure the rules of engagement are understood by parties involved. The implementation thereof requires the municipality to clearly consider systems of delegation, penalties and remedies associated with the incentives program.

Where there is a contractual dispute or dissatisfaction during the implementation phase and parties (developer and the municipality) cannot resolve the dispute, the matter can be forwarded to the Municipal Appeals Authority for adjudication.

11. FINANCIAL IMPLICATION OF THE DEVELOPMENT INCENTIVES POLICY

The Municipality must look at its budgeting system and see if the Development Incentives granted are possible or not. This means, that the Municipality must first determine if there are funds available to support such incentives. The Municipality must determine duration of the incentive and such duration must be done in connection with the availability of funds. Where the Municipality is not confident that funds will be available, the municipality may consider non-financial incentives. Alternatively, the Municipality may indicate if gradual/phased incentives can be applied for. In applying the gradual/ phased approach, the Municipality must have a financial plan that must be agreed upon through an agreement. For the effective implementation of this policy, the Municipality must ensure the Special Infrastructure Fund and Development Incentive Investment Funds referred in 11.1 and 11.2 below are budgeted for.

11.1. SPECIAL INFRASTRUCTURE FUNDS

The municipality must ensure infrastructure is provided and maintained in areas where there is development potential and investment return benefiting the municipality. The infrastructure fund will unlock development within the city and manage growth in accordance with spatial policies and economic imperatives of the municipality.

The Special Infrastructure Funds shall in first preference be considered in the identified Priority Development Areas and where projects have been identified and approved as Special Urban Development (terminology used may differ but the area must meet the qualifying criteria for dedicated funding and development). The Special Infrastructure Funds shall be administered by the City Planning Department to ensure proper coordination and structured implementation.

11.2. DEVELOPMENT INCENTIVES INVESTMENT FUNDS

The municipality must approve and set aside a Development Incentive Fund that will ensure the proper implementation of the policy.

The Municipality must, before granting any incentive, provide a matrix with different scenarios to indicate the advantages and disadvantages of each incentive scenario. The Development Incentives must not result on a financial loss to the Municipality. The Development Incentive Investment Funds shall be administered by the Economic Development Department to ensure proper coordination and structured implementation.

12. TYPES OF DEVELOPMENT INCENTIVES

As mentioned, service delivery, economic growth and land development is the responsibility of the Municipality through Municipal Planning processes. Thus it is the obligation of the Municipality to render good service and ensure that the City is developed to benefit the public, developers and business. The Development Incentive is brought as an added benefit. Incentives can be done through a Land Use Scheme provision or revitalisation of derelict building or places to unsure revitalisation and urban management.

Development Incentives can be either monetary or non-monetary ranging from exemption or the reduction of the Development Charges, the utility rate (for example water and electricity), fee waivers to the relaxation Land Use Scheme development controls.

12.1. Non-monetary development incentives can include

- exceptional professional services rendered;
- coordination and availability of accurate information;
- education awareness targeting developers;
- cleaner and safe environment;
- safe and secure neighbourhood (visible policing)
- expedited and quality decision making on land development applications;
- reliable, responsive and accountable officials;
- welcoming and conducive environment; and
- holding official gathering to Land Use Scheme compliant business facility as part of boosting economic growth.
- providing recognition certificates certified by the Mayor and Municipal Manager to all SPLUMA complying developments as per the business performance standard approved by the municipality;
- The approval of Road Master Plans and the Road Hierarchy Plans must be delegated

to the Head of Department Road and Stormwater.

- The municipality in line with the SPLUM By-law may profile businesses that are compliant with municipal bylaw and are in good standing with the municipality in so far as payment of taxes and levies due. The profiled businesses will be categorized according to the sector they fall in (e.g. tourism, industrial, manufacturing etc.) and placed in the municipal website as part of marketing and communication.
- The municipality may further share such information to departments in the national and provincial sphere of government to ensure that government functions are held on venues that comply with municipal planning processes especially land use right permitted to conduct or operate such a use.
- Safe and secure City is another incentive that the municipality must strive to achieve. The municipal must increase visibility of policing and form partnership with structured community members to ensure areas are safe and secured.
- Expedited time frame for the approval of building plans, where development is taking place within the Priority Development Area and has met all criterion set, the proposed building measures minimum of 8000 sqm, such building plan, once it has satisfied requirements of the SDP and/ or any other legislation, shall be approved with 7 days.
- Expedited land application processes and decision making through the following Rapid Land Release Programmes (RLRP):
 - Long-term lease of Strategic Land Parcels (i.e.≥4000m²);
 - Identification and release of Investment Properties (i.e.≥50 000m²);
 - Medium to long term lease of commercial / business land within the previously disadvantaged townships areas (Township Economy Regeneration);
 - Making Council-owned shops available for modernization and business development; and
 - Making bad buildings available for conversion / rezoning.
- Fast-tracking decisions making on land release (RLRP) through the following:
 - Delegated authority to the City Manager, and sub-delegated to the HOD: Real Estate to approve the following lease categories:
 - Low value, short-term property rights;
 - High value, short-term property rights; or
 - Low value, long-term property rights.
(High value: Asset value more than R10 million; and
Short-term lease: lease period of less than 3 years).

12.2. Monetary Development Incentives

Monetary Development Incentives are benefits/rewards associated with financial relief but shall not take place in a form of direct cash back.

The Development Incentive is an indirect cash relief system, where through a Land Development Application or building plan a municipality may determine which incentives are appropriate to be offered. The monetary incentive requires the budgeting system of the Municipality to change in order to cater for the financial relief offered.

The financial relief propels the Municipality to solicit financial support, thus the Development Incentives must be made known to the National Treasury so that the budget allocation caters for such. The policy must ensure that Development Incentives are offered to developments that are of high benefit to the Municipality so that there is not financial loss incurred by the Municipality.

SECTION D

13. INCENTIVE MANAGEMENT PRINCIPLES

The following principles are the main drivers for the relevant procedures:

13.1. Services-Oriented Incentive Approach

The Inceptive Scheme is dependent on a service-orientated marketing approach. The first impression that new investors get from City of Ekurhuleni is largely based on the service they receive when requesting information. A service-orientated approach is mandatory to attract investments. It is furthermore required for affected departments to have an approved procedure within which the negotiations can proceed in a short period of time to ensure a proper response time to investors. It is proposed that different incentive schemes and criteria be applicable depending on the type of organisation and the geographical area. Approvals should be completed within the time frames set after receiving all the applicable documentation.

13.2. Land Use Scheme Incentive Approach

The Land Use Scheme Incentive approach looks at the zoning as an incentive- **Zoning Incentive** is a broad regulatory framework for encouraging and stimulating development that provides a desired public interest as established in the Land Use Scheme. It offers developers regulatory allowances in exchange for public benefit. Zoning Incentive include:

13.2.1. DENSITY BONUS

The Municipality must, through the Land Use Scheme and during the application stage determine the various density bonuses that can be provided as an incentive. Depending on the nature of the proposed use, location, accessibility and close proximity to development opportunities density bonuses can be determined.

The Municipality must determine appropriate densities and intensities required to support the public transportation model. Densities along bus routes must be supported at the maximum

provided infrastructure carrying capacity is determined and viable. This incentive will only be available if receiving infrastructure can sustain additional load and demand. A report indicating the infrastructure carrying capacity must be submitted to the municipality by the applicant. Where justifiable, based on the need and high economic impact of the proposed development, the municipality may partially fund the required infrastructure in accordance with the capital investment framework as a multi-year project.

A1: Density incentives scenarios can be for example:

DENSITY BONUS	PROPOSED USE	REGULATOR Y GUIDELINES	BASE DENSITY u/ha	BONUS DENSIT Y u/ha	NEW DENSIT Y u/ha	POLICY DESCRIPTON AND PROPERTY LOCATION	PROPERTY SIZE
D1	MEDIUM MIXED USE RESIDENTIAL – shops on the ground floor	infill development within the CBD or 500m radius of the CBD	20	5	25	Kempton park CBD-	
D2	medium- high residential with social housing component of up to 30%	as per the MSDF/ supporting spatial policy	40	15	55	KATHEHONG	
D3	High residential with 45% of social housing	along public transportation routes as MSDF/supporti	60	25	85	TEMBISA	

		ng spatial policies					
D4	high residential with 49% social housing	infill development; within the CBD or 500m radius of the CBD and along public transportation routes as MSDF/supporting spatial policies	75	25	100	BOKBURG	

FIGURE 1 – DENSITY INCENTIVE SCENARIO

Density Incentive/bonus Approach

Infill development can be considered on merit for density incentives especially where land assembling is done to maximise existing infrastructure and eliminate sprawl (low-density development on the edges of the city that is poorly planned, land-consumptive, automobile dependent and designed without due regard to spatial policy imperatives redressing the spatial imbalances). Infill development incentives consideration must be guided by priority development areas as per the spatial policies.

13.2.2. Multiple Incentives Approach

Based on the above criteria, the Municipality may permit multiple incentives to be granted on a deserving development which meets the set rules/criteria and demonstrates the highest benefit to the Municipality. Such high performing development may qualify for multiple incentives. The developer must prove that the proposed development does qualify for multiple incentives by providing amongst others motivation with financial projections.

Multiple incentives may include:

- Density bonus
- Height increase
- Parking relaxation
- Floor Ratio
- Coverage
- Development Charges rebate
- Rates and taxes relief

13.2.2.1. Height Increase Incentive Approach

Height increase can be permitted on both residential and non-residential development. The developer, through a Land Development Application, can demonstrate that the proposed development will benefit better from the height increase in order to support the proposed use in support of public benefit. The height increase is relevant for intensification whereby existing infrastructure will be adequately utilised. The increase in height can be used to permit underground parking in order to maximise the floor space as provided in accordance with the land use scheme. Often in the CBD and public transportation routes seem to be appropriate location as the market turn to respond positively to high rise developments. Where development have flexible zoning, taller buildings can be suitable.

The developer has the responsibility to undertake a feasibility study before applying for Height Increase bonus incentive as in most instances height increase can be expensive. This incentive is considered together with other development controls, particularly parking consideration will be one of the determining factor in order to encourage on-site parking and sufficient landscaping. Furthermore, the applicant must demonstrate that the receiving infrastructure can sustain the demand and impact.

13.2.2.2. Parking Incentives Approach

Based on the proposed development and location, the municipality may use the set incentives criteria, determine parking required. Parking can be relaxed on merit during the Land Use Application stage. The relaxation of parking will be guided by the proximity to areas of economic opportunities and/or along public routes where parkades are provided in close proximity (100-200 m radius) to the development that is part of the incentive program. This is a limited incentive; thus it will be provided on strict assessment will be.

13.2.2.3. Development Charges Approach

Development Charges may be used as form of incentive for qualifying developments. The responsible sector/infrastructure departments must identify the development that can form part of the incentives program. The Development Charges may be exempted or standard rebate and further rebate can be applied on merit. The sector/ infrastructure Departments must compile a list/matrix indicating methods of incentives applicable and percentages thereof. Basic incentives may be discussed with the developer during the application phase.

The Municipality has the obligation to provide basic infrastructure. Thus the incentives on infrastructural assets such as Road, Energy, Water must be done with due diligence. The infrastructure departments as guided by legislation and the Development Charges Policy, must provide an incentive guideline to indicate, possible rebate, exemption and reductions associated with the category of land uses or nature of land development.

The incentive guideline must be practical, informed by the cost benefit analysis (a process or mechanism of quantifying cost and benefits of a program) whereby the cost and benefit of the incentives are compared or balanced. Furthermore, the guideline must indicate direct and indirect costs; tangible costs; opportunity cost; cost of potential risk; possible revenue generation. The incentive guidelines must be able to indicate short, medium and long term

projections and the actual costs associated with the applicable incentives. The guideline must provide mechanism of disqualification and penalties.

13.3. Energy Incentive Approach

The municipality may consider providing incentives on development that are:

- i. new investment (customers)
- ii. significant existing investment expansion (customers)

13.4. Roads and Storm Water Incentive Approach

- Small and emerging business (promoting local economic development and revitalisation of township economy)

The municipality may consider the possibility of paying off the bulk contribution. This will allow the developer or property owner to pay off the contribution over a maximum of 6 months as part of the rates and taxes bill or similar monthly payment. The development would be allowed to continue in the interim but a final inspection and “sign off” would need to take place at the end of the agreed payment timeframe. This incentive should only be available to small businesses, not large developers, in order to stimulate the local small business economy. Measures must be put in place to “garnish” the rates and taxes bill should the developer renege on this payment.

- **Big development**

The municipality may grant a development incentive for larger development by looking at offsetting contributions in one area / township against other bulk roads and storm water infrastructure required in another development area, being developed by the same developer, within Ekurhuleni. The two (or more) townships would be linked through their service agreements.

In areas where developments are in close proximity to Provincial and National roads, and the majority of the road upgrades identified for the township is on these roads, the municipality may permit that development charge should be waived or drastically reduced based upon a traffic study to be submitted to the municipality defining the trip length on

municipal routes for that specific development versus the average trip lengths used in the policy.

A reduction in rates and taxes may be offered for green infrastructure and green buildings such as:

- ❖ A reduction in rates and taxes can be considered where a development proves, on an annual basis and certified by a Professional Engineer, that there is no **increased** runoff from the site as a result of the development (i.e. pre-development runoff = post-development runoff). The reduction in rates and taxes could be considered to a maximum percentage percentage of the payable rates (eg. 5 or 10% discount)
- ❖ Where a township is affected by a floodline, this area must be protected and kept clear of development (in line with the NWA of 1998). This area should be protected by means of a “green servitude”. As an incentive, the developer / property owner should receive a reduction in rates and taxes by excluding this area from the calculation of taxes as it is not useable. This would, again only be applicable if an annual inspection proves the area to be undeveloped, not filled in (i.e. original ground levels in place) and well maintained (in line with what the NEMA will allow).
- ❖ If property owners keep the verges abutting their properties in a well presentable condition, a small rebate to the property rates should be considered.
- ❖ If property owners upgrade their properties as an Urban Renewal Initiative, a small rebate to the property rates should be considered.

13.5. Water Management Incentives

The municipality may provide for a water conservation incentive for closed loop water-reuse system, rainwater harvesting, use of water efficient equipment & appliances, detection & prevention of water leakages and use of a grey water system

Where a township is affected by a floodline, this area must be protected and kept clear of development (in line with the NWA of 1998). This area should be protected by means of a “green servitude”. As an incentive, the developer / property owner should receive a reduction in rates and taxes by excluding this area from the calculation of taxes as it is not useable. This would, again only be applicable if an annual inspection proves the area to be undeveloped, not filled in (i.e. original ground levels in place) and well maintained (in line with what the NEMA will allow).

14. INFRASTRUCTURE PROVISION AND PRIORITISATION

The Municipality must prioritise and provide adequate budget necessary to provide infrastructure capacity in areas identified for major development (through high densities and intensities) in accordance with the SDF. The commitment to infrastructure is a critical factor for development, whether it is telecommunication infrastructure or highways, efficient public transportation such as the BRT and facilitation in the expansion of the Gautrain. This may include:

- i. Integrated Development Zones
- ii. Aerotropolis
- iii. Central Business District
- iv. Priority Development Areas
- v. Human Settlement Development Areas

i. Urban Management/ revitalization Incentives

Rapid urbanisation and rapidly increasing population within the City have created a demand for infrastructure, building materials, employment, housing and other goods and services associated with urban development. There is a growing need for economic reformation which can also be in the manufacturing platform as it can be seen with the projects such as the PRASA Gibela's new train manufacturing complex in Dunnottar. One of the National's SEZ is also within the City the OR Tambo IDZ that aims to stimulate economic development through the development of land around the OR Tambo International Airport in order to support this rapid urbanisation. These SEZs can contribute in reshaping the spatial landscape and emerging businesses as the other incentives include tax allowance which supports capital investment and training.

The City may consider reducing payable rates and taxes to developments which support urban management. This may refer to developments located near places of work, integrated transportation systems and using adoptive reuse technique and technologies. Such techniques may be certified looking at energy efficiency, building control laws, etc. The developer must prove why the development qualify for rates and taxed short term waver. The waiver may be between 3 up to 8 months. The reduction may be between 5% and 20% of the total monthly payable rates and taxes. The Municipality must be able to provide a criteria and

also to work out the affordability plan for the waiver. Where the adoptive re-use project is for social housing purposes the reduction must be higher or longer period or both.

It is important to note that prior to the granting of this incentive, the developer/ applicant must submit its application to the Municipality for consideration. The application must be in line with the set criteria as provided for below. Nothing preclude the Municipality to request additional information in order to take an informed decision.

ii. Urban Management/ revitalization matrix

- Any qualifying development that is essential to urban revitalization will be assessed guided by the matrix below. Depending on the nature of the development non-monetary incentive can be given or combination of monetary and non-monetary incentives can be provided, for example:

ACTION	INCENTIVE INDICATOR	INCENTIVE (example)
Conversion of buildings (block of flats) from non-residential to residential	30-40 % social housing	5%- 50% reduced rates and taxes for 3 months additional 3%-10% rebate on payable development charges
Renovation of dilapidated buildings using adoptive reuse technology	For multiple storey shopping centres.	Further 5%-20% reduction of development charges and/or rates and taxes exemption for 4-6 months
	Permanent jobs creation for locals 30%	
	Low rental space for emerging business	
Revitalisation of Industrial buildings	Value of minimum R3mil	
Revitalisation of Manufacturing buildings and business	Value of minimum R3mil	Multiple incentives may be applicable
	Minimum 40% Skills development of local candidates	

	Minimum 30% skill development and permanent employment for women where at least 20% should be black female candidate. At least 10% appointed black female candidate must be in managerial positions.	
Revilisation of Hotels	Value of minimum of 2mil	Incentives through negotiation
Revilisation of accommodation establishment (guest houses and motel)	Value of minimum R 300,000,00	Incentives through negotiation
Using technology associated with energy	Renewable energy usage	Incentive to be determined accordingly on assessment
where a development proves, on an annual basis and certified by a Professional Engineer, that there is no increased runoff from the site as a result of the development (i.e. pre-development runoff = post-development runoff).		5 or 10% discount

iii. Heritage Building Revitalization Incentives

There are specific areas within the City that have been earmarked for revitalisation due to their heritage characteristic. When developers contribute towards such an initiative some form of incentive will be provided.

iv. Design and Architecture Incentives

Where the development in terms of design, landscaping, amenities and architecture meets and exceed the City's requirements, the municipality must provide appropriate incentives. The provision of mini parks which are inclusive in terms of family orientation and provide safe spaces to be used as play areas as well as lifestyle centre for the residents must be incentivised.

v. Waste Management Incentives

Waste management must be dealt with in accordance with the approved policy or a guideline of the municipality. Residential and non-residential development (industrial and trade) must be able to sort waste from general (e.g. tyres, glass, plastic, construction and demolition material), unclassified waste (e.g. waste electric and electronic equipment, waste from mineral processing and ash from any type of generation), hazardous waste (such as waste oil). Green buildings aim to eliminate waste in their construction and operation by selecting materials and systems that are reusable as well as recyclable which assist the prevention of over-burdening landfill sites.

vi. Environmental Management Incentives

The municipality is committed to build a more secure, sustainable and resilient future for Ekurhuleni and pledged to achieve the targets of the Ekurhuleni challenge by 2030. As part of the Climate Change Response Strategy, the targets below were approved by council and each target has been linked to actions. Some of the actions which could be implemented by developers are highlighted below.

<p>Clean Energy: 25% clean energy – a mix between renewables and energy efficiency.</p>	<ul style="list-style-type: none"> • Install solar powered lighting, street lamps, security, electric fences, gate motors and CCTV, within new developments. • Install energy efficiency sensors and globes in all public areas and office spaces. • In existing buildings/developments - Retrofit lighting, water heating and HVAC systems to be more energy efficient
<p>Greenhouse Gas Emissions (GHGs): Reduction of GHGs by 20% within the City of Ekurhuleni</p>	<ul style="list-style-type: none"> • Bio-digesters: - to be used in large scale developments, such as large office blocks, hotels, commercial and shopping precincts. Energy generated to be used for water heating purposes or other relevant uses. • Promote non-motorized transport: - lanes and pathways to be encouraged in new developments. Thereby promoting walking and cycling to nearby schools and shopping areas. • On existing industrial development: - Incentivise cleaner production technologies to improve air quality and energy demand
<p>Natural Resource Management: Reverse the trend of natural resource loss by increasing freshwater security, watershed and wetlands protection, community based wetlands</p>	<ul style="list-style-type: none"> • Water conservation <ul style="list-style-type: none"> - Promote planting of indigenous vegetation species in all developments

<p>management, invasive species control and natural species restoration.</p>	<ul style="list-style-type: none"> - Removal of alien invasive species • Improve flood/storm surge control (stormwater) <ul style="list-style-type: none"> - Promote utilizing indigenous plant species on river banks and pans to assist with flood control. - Promote flood attenuation and on-site control measures, such as permeable pavements, green roofs and rain tanks. - Sustainable urban drainage systems should be incorporated within development designs. • Biodiversity conservation <ul style="list-style-type: none"> - Voluntary stewardship and adoption of areas of ecological importance e.g. pans and grasslands as outlined in the bioregional plan. - Rehabilitation of natural ecosystems and degraded land such as landfill sites, mine dumps, mine residue land, degrade wetlands.
<p>Waste Reduction: Reduce the solid waste stream prior to disposal by 30% through source reduction, recycling, bioconversion and landfill diversion methods.</p>	<ul style="list-style-type: none"> • Create conducive structure to avoid and minimize waste and encourage recycling. • Provide facility or space for onsite disposal and composting of all garden waste. Adoption of

	<p>zero garden waste to landfill site principle. Engage with small entrepreneurs to participate and support initiative.</p> <ul style="list-style-type: none"> • Sorting of waste on site. • Promote recycling by providing separate bin system on site for recyclable materials produced on site. • Require business and industry to produce recycling plans as part of their broader environmental strategy
Smart Sustainable Communities	Increase liveability and resilience in the built environment through planning and implementation in all areas of local governance including investment in green infrastructure and Eco-mobility through integrated public transport networks.
Green Workforce, Education and Awareness	Increase local green jobs within the green economy and education to implement these targets

Most of these initiatives have a direct link to one of the service delivery departments. The decision on whether the development qualifies for an incentive and what kind of incentive could be applied would therefore lie with the specific department.

15. THE DEVELOPMENT INCENTIVE METRIX:

15.1. RESIDENTIAL DEVELOPMENT

PROPOSED DEVELOPMENT	PROPERTY SIZE	DENSITY			NUMBER OF UNITS		HEIGHTS		COVERAGE		PARKING REQUIRED		FLOOR AREA RATION		BULK CONTRIBUTIONS			
		BD	QD	ND	Prop	actual	Prop	Actual	Prop	Actual	Prop	Actual	prop	Actual				

15.2. EMPLOYMENT PROFILE

PROPOSED DEVELOPMENT	JOB CREATION		SKILLS			GENDER		AGE	LOCATION			
	Permanent	contract	skilled	semi-skilled	non skilled	female	male		COE	GP	SA	NON-SA

vii. NON-RESIDENTIAL DEVELOPMENT QUALIFYING CRITERIA

The municipality may consider developments below for incentives:

- i. Non-residential development in conventional townships (malls) with 10% to 30% inclusion of small and emerging businesses
- ii. Non-residential development in previously disadvantaged townships (malls) with 20% to 40% inclusion of small and emerging businesses
- iii. The developer must indicate how the small and emerging businesses will be supported. Developers must produce a comprehensive inclusionary strategy as part of the Local Economic Development. This strategy will be produced as part of the application to participate in the Development Incentive Policy.

16. SOCIAL FACILITIES

Where a developer provides for a building to be used for a public centre (social hall/child care centre/clinic etc.) part of the main development either residential development or non-residential development, the municipality may consider form of incentives suitable in accordance to the social facility incentive matrix.

17. BUSINESS INCUBATOR

Where a developer adds a reasonable size for incubator business or informal trading stalls next to a public transport site, the Municipality may consider offering an appropriate form of Development Incentives.

18. PUBLIC PLACE & OPEN SPACE

Where a developer provides a reasonable size public open space (furnished park) within the residential area where there is much need, the Municipality may consider appropriate form of Development Incentives.

19. AGRICULTURE

There is a challenge in land availability and accessibility, agriculture is an industry that can assist not only in poverty alleviation but also providing some form of employment in agribusiness. Where a developer provides residential development with an adequate space on the ground or on roof top (safety and practicality must prevail) for food gardening or communal harvesting or gardening, the City may consider appropriate form of incentives. Some appropriate form of incentives may also be considered for productive land donated which is not limited to land but also includes existing unused buildings and in some cases rooftops. This initiative can be beneficial to the community for communal farming and where economic value chain is connected with the ever-growing urban population, chain of retail stores and the hospitality service industry.

20. EMPLOYMENT AND SKILL DEVELOPMENT

This is one of the valuable tool to encourage economic development through the exchange of skills development for the residents of the City in return some form of incentive is offered to such a business. The package of incentives will enhance the attractiveness of the City for high-profile businesses when making decisions for their location.

- The City will form partnerships with tertiary institutions used to assist in matching business demand for relevant labour force skills with the supply of skills (through the provision of relevant courses and qualifications at tertiary institutions).
- The businesses that will fund and/or provide employment within the industry specific training and skills development courses may be eligible for some form of incentives

21. RELEASE OF COUNCIL OWNED LAND FOR PRIVATE DEVELOPMENT

Where the municipality release land either by disposal or leasing, the developer may qualify for development incentives up to 100% rebate of rates and taxes spread over multiple years if:

- ❖ The economic and social impact as well as investment is of high nature
- ❖ the proposed development is within the Priority Development Area;
- ❖ the development will create 60% full time positions that are to be filled by local residents in addition to the transferred employees

- ❖ cater for social responsibility to the community
- ❖ Revenue generation/impact to the municipality

22. EXEMPTIONS, REDUCTIONS AND REBATES

Section 15 (1) of the Local Government: Municipal Property Rates Act, 2004, enables a municipality to (a) exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate levied on their property; or (b) grant to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties subject to a criteria set out in its rates policy. When granting exemptions, rebates or reductions in respect of categories of owners of properties, such categories may include any other serious adverse social or economic conditions. All exemptions, rebates and reductions projected for financial year must be reflected in the municipality's annual budget for that year in consistent with the Property Rates Act.

Developments which meet the set criteria contained herein may be exempted from paying rates from the date of promulgation of the acquired property rights to the date of the signed Occupation Certificate.

23. ADMINISTRATION AND EVALUATION

- Investments shall be screened against the set criteria to evaluate whether incentive management process is applicable.
- Negotiations must proceed within the incentive approval procedures if the qualification criteria are met.
- Only the official approved incentive evaluation model shall be used to establish the economic contribution of an investment.
- An evaluation report shall be completed together with a draft incentive contract for final negotiations and approval.

24. PROCESS TO APPLY FOR INCENTIVES

The process is guided by Chapter 6 of the Spatial Planning and Land Use Bylaw. When submitting a Land Development Application, the applicant must:

1. Submit an application detailing the proposed use/project as per the incentive form
 - 1.1 Indicate the incentive category applied for
 - 1.2 indicate if the Development Incentive required is in terms of development controls as provided for in the Land Use Scheme or
 - 1.3 by negotiated agreement (rates and taxes, bulk contribution etc.)
2. Provide a detail financial/ business analysis including the current value and possible value after development
3. Detail property value increase before and after.
4. Employment profiling, skills development and transfer;

Once the application has certified requirement for incentives, the applicant and the municipality must enter into agreement. The incentive agreement must indicate:

- the nature of the incentive qualified for by the applicant,
- the obligation of the municipality and those of the applicant
- commencement date of the incentives and expiration (end) of the contract
- termination of the contract
- Applicable penalties associated with noncompliance with stipulated conditions of approval.
- Monitoring and evaluation procedure to be undertaken to ensure the development produce beneficial outcomes as per the submitted social benefit and economic impact.

25. MONITORING PERFORMANCE

Monitoring becomes key in this program. Risk factors must be assessed and analysed accordingly. All departments participating in the development incentives program must in every 12 months (financial year) produce an incentive report indicating the extent in which the incentives have contributed towards the municipality in terms of infrastructure development/provision.

Participating departments must indicate the extent in which the incentives have benefited the public in so far a service delivery, job creation and social inclusion. The municipality must develop an incentive performance management system to report and demonstrate performance of the incentive program in achieving the objective of the municipality.

The management system will help the municipality to reflect, report, rectify and re-launch. There must be key performance indicators associated with the municipal SDBIP objectives and reporting.

26. DELEGATION

The power to authorise public participation on council owned land, may, in general or in cases of a particular nature, be delegated to the Municipal Manager. Nothing preclude Council to delegate the approval of disposal or transfer of Council owned land to another person or to a Section 80 Committee.

27. PUBLICATION OF INCENTIVES RECEIVED BY COMPANIES

The Municipality may categorise incentives offered to businesses for publication purposes to enhance transparency and accountability. The municipality may determine form of publications or media to be used including in a national newspaper.

28. CLAWBACKS

The Municipality may apply the claw back rule whereby businesses that do not perform or meet the contract obligations as per the incentive negotiated agreement, must pay the municipality back for a portion of the incentive received

29. CONCLUSION

In addressing the City's developmental backlog and improving competitiveness to attract and retain investment, emphasis should be on providing a combination of the necessary infrastructure and incentives as enablers to a conducive investment and development environment. Despite Ekurhuleni's unparalleled strategic location coupled with road, rail and air transport logistics, investors and developers attracted to this location still value the provision of incentives as these complement the availability of enabling infrastructure to contribute towards reducing the cost of doing business in the city. Thus incentives while not being the deciding factor for investors and developers in choosing a location for their investment destination, they certainly help the investors and developers to choose between different locations hence National Governments and Cities across the globe provide incentives as added motivation to lure investors to their locations. The overall benefits will have a ripple effect in the provincial and national economy so it is important to ensure what appears to be best from the local perspective as opposed to from the national perspective.

ANNEXURE: DEVELOPMENT INCENTIVES FOR DISCUSSION

PROPOSED FINANCIAL RELATED DEVELOPMENT INCENTIVES

Depending on infrastructure availability, the municipality propose the following incentive for discussion:

1. GENERAL DEVELOPMENT INCENTIVES

The Municipality may consider a percent rebate or waiver of rates and taxed from date of proclamation for a max period of 12 months to enable the developer/investor to receive the occupancy certificate. Within the 12 months the developer must provide the municipality with progress report. Where there is no progress report, the municipality must notify the developer that the rebate or waiver shall lapse within 30 days.

Once the occupancy certificate has been issued, developer/investor will be liable for 100% of all rates payable.

Vacant unimproved stands - That a 75% rebate apply on residential property on which a dwelling unit(s) is/are being constructed and which will be used exclusively for that purpose, subject to the following conditions:

- That an approved building plan is supplied;
- That residential dwelling unit(s) be constructed on the property;
- That the 75% rebate be granted for a maximum period of eighteen (18) months from the date the approved building plan was supplied;
- That the occupation certificate be supplied at the end of the eighteen (18) month period;
- That the failure to supply the occupation certificate will result in a reversal of the 75% rebate already granted; and
- That in the event that the said property is sold prior to the issue of the occupation certificate, the rebate already granted be reversed.

1.1 ENERGY TARIFF INCENTIVES

In the table below, any company that qualifies in terms of the load size (new or expansion) PLUS the jobs, will get a rebate on the bottom-line of their account. The incentives for new and existing investment expansion projects will be determined based on the growth significance brought forward by the development. The substantial growth investment will be determined using the matrix as provided for by the Energy Department.

A monthly rate rebate as a percentage of the total electricity account, for a period not exceeding 3 years, as follows:

NEW DEVELOPMENT		
<ul style="list-style-type: none"> Minimum qualifying demand is a consistent 1 MVA or more, and auditable evidence of jobs created 		
INCENTIVE RULES		
New load size in monthly demand	Consumption criteria	Minimum number of jobs created for new consumption
1 MVA to <2 MVA	Demand value measured consistently every month, final decision by the HOD: Energy	1 per 100 kVA
2 MVA to <5 MVA		1 per 150 kVA
5 MVA TO <10 MVA		1 per 250 kVA
10 MVA to 25 MVA		1 per 500 kVA
>25 MVA		1 per 750 kVA
Year 1		Rebate given on total monthly electricity account
Year 2	-7.5%	
Year 3	-5%	
Year 4	Tariff D or suitable tariff	

SIGNIFICANT EXISTING DEVELOPMENT EXPANSION		
<ul style="list-style-type: none"> Minimum qualifying demand is a consistent 1 MVA or more, and auditable evidence of jobs created 		
INCENTIVE RULES		
Base load size in monthly demand	Demand value measured consistently every month, final decision by the HOD: Energy	Minimum number of jobs created for increased consumption
1 MVA to <2 MVA	Demand increases by $\geq 60\%$	1 per 100 kVA
2 MVA to <5 MVA	Demand increases by $\geq 50\%$	1 per 150 kVA
5 MVA TO <10 MVA	Demand increases by $\geq 40\%$	1 per 250 kVA
10 MVA to 25 MVA	Demand increases by $\geq 30\%$	1 per 500 kVA
>25 MVA	Demand increases by $\geq 20\%$	1 per 750 kVA
Year 1	Rebate given on total monthly electricity account	-10%
Year 2		-7.5%
Year 3		-5%
Year 4		0%
Tariff D or suitable tariff		

1.2 DEVELOPMENT INCENTIVES- ROADS AND STORMWATER

The municipality provides the following development incentives:

Development/land use	Development Incentive
All development	40%% deduction (rebate)
Crèche up to 20 children	No contribution payable
Creche with children between 21 and 30 children	40% plus additional 10% reduced contribution
Other development may receive further rebate on merit as per the criterion set in accordance with this policy	

1.3 DEVELOPMENT MATRIX

The matrix below indicates investment value that can be considered by the municipality for incentives. It is important to understand this matrix in the context of this policy

CATEGORIES	TYPES	DESCRIPTION	INVESTMENT VALUE (R MILLION)
Category 1	Industrial Projects	Smart Industries, Manufacturing, Assembly plants, etc.	>250
Category 2	Commercial Property	Business & Office Parks, etc.	>200
Category 3	Mixed Use Development	Combination of 3 or more land-uses, etc.	>350
Category 4	Retail Development	Shopping Malls, distribution centre, etc.	>200
Category 5	Research & Development	Biotechnology Laboratories, etc.	>150
Category 6	Services Projects	Entertainment, Hospitality, Game farms, BPO Park, Call Centres, ICT centres, etc.	>200
Category 7	Flagship Projects	UDZ, BPO Parks, SEZ, IDZ, Aerotropolis, etc.	>250
Category 8	Green Economy Projects	Solar farms, Waste-to-Energy, etc.	>250
Category 9	Township Nodal Development Projects	Industrial estates, Office Parks, Retail & Wholesale facilities, etc.	>50

1.4 COUNCIL OWNED LAND RELATED INCENTIVES

- ❖ Land alienated by Council to a Transferee, a property rates rebate of 95 percent for 24 months after date of registration of transfer or such further period as the Municipality may allow and subject to such conditions as they deem expedient;
- ❖ Criteria for rebate under this category of ownership in terms of section 15, may include circumstances where beneficial occupation is not possible. In this case, the property may receive a 100% rebate from the payment of rates until beneficial occupation is possible, the determination of which lies with the municipality.
- ❖ Beneficial occupation refers to instances in which a purchaser of property is unable to

take occupation of the said property for reasons beyond his control, for example, the existence of illegal occupation on the said property.

- ❖ Upon a property being developed and being lawfully occupied in terms of the National Building Regulations and Standards Act, 1977 the following rebates may apply on the payment of rates by the owner:
 - ❖ The cost of the investment in the opinion of the Council amounts to R5,000,000 to R50,000,000: 50% rebate for 5 years
 - ❖ The cost of the investment in the opinion of the Council amounts to R50 000 001 to R400,000,000: 35% rebate for 8 years
 - ❖ The cost of the investment in the opinion of the Council amounts to R400,000,001 to R 1,000,000,000: 50% rebate for 10 years
 - ❖ The cost of the investment in the opinion of the Council amounts to R1,000,000,001 and above: 70% rebate for 15 years
- ❖ Upon a property being developed and being lawfully occupied in terms of the National Building Regulations and Standards Act, 1977 the following rebate may apply on the payment of rates by the owner:
 - ❖ A municipality may offer a 70% rebate from date of proclamation for a max period of 5 years as determined by Council with a minimum investment of R500 million. Following the conclusion of the aforementioned periods, the investor/developer will be liable for 100% of all rates payable.
 - ❖ Municipality must shorten time frames associated with disposing/ alienating land, this may be including reducing number of committees involved (either by commenting or noting) on such an application

NB: Infrastructure contribution waivers shall be subject to negotiation with the municipality, where applicable as no commitments can be made within this Policy.

