

Training Workshop & National Forum on

MAXIMISING THE VALUE OF PUBLIC REAL ESTATE: CATALYSING URBAN (RE)GENERATION

03-05 November 2014 | Maboneng Precinct, JHB

WORKSHOP REPORT



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



Cities' Support Program (CSP)
Workshop
November 3-5, 2014
Johannesburg, South Africa
Workshop Summary—Maximising the Value of Public Real Estate: Catalysing Urban (Re)Development

e-Library	http://goo.gl/rY6nsH
Agenda	http://goo.gl/8T0ySw
Speaker Bios	http://goo.gl/Y35VZW

Context and objectives

A workshop hosted by the National Treasury's Cities Support Programme (CSP) was held over three days, from 3-5 November 2014. The purpose of the training workshop was to assist municipal officials conceptualize and practically apply lessons on the leveraging of private sector investment into their catalytic metropolitan projects. A key output was to facilitate dialogue between city officials and private sector developers/investors. It aimed to specifically focus on how cities could leverage their real estate assets to enable private sector investment in urban core areas and create collaborative partnerships. The planning, structure and delivery of the workshop was led by the World Bank (in terms of an existing agreement to provide technical support to the CSP).

Workshop Summary

The training workshop was targeted at senior officials from each of eight large metropolitan municipalities in South Africa, with delegations of 5-8 people each. Forum speakers included South African and international urban planners, developers, investors and other subject matter experts on topics related to urban economic development as well as international presenters from Brazil, Hong Kong, and the United States (with former mayor of Washington D.C., Anthony Williams, as a speaker, participant, and facilitator.) Additionally, each metropolitan city was tasked with presenting a catalytic urban regeneration project within its jurisdiction to the full workshop audience. Through facilitated discussions, each city was tasked with incorporating and integrating information delivered by expert speakers and panelists into their projects.

The workshop was very successful in creating dialogue between the cities themselves and between the cities and the private sector in relation to issues related to project delivery, timing of projects and market absorption.

Following the workshop, the Cape Town project was supported specifically by a panel of experts with broad international experience, engaged through a partnership with the Urban Land Institute (ULI). The transaction support that began in Cape Town will be available to other municipalities as needed.

Agenda

Each day of the workshop was structured around specific themes:

- Day One: Understanding **development fundamentals** and **strategies** for urban regeneration
- Day Two: Building a **toolkit** for cities
- Day Three: **Solutions** for Cities—public-private sector collaborations and the institutional and governance models

Day One – Fundamentals and Strategies

Day One Themes: Fundamentals and strategy for regeneration, real estate industry, market analysis and the development process

I. Workshop Welcome and Opening Remarks (<http://qoo.q/hzz8Vz>)

Speaker: Malijeng Ngqaleni, National Treasury

The workshop kicked off with welcoming remarks by Malijeng Ngqaleni, DDG of Intergovernmental Relations of the Department of National Treasury, who encouraged the 8 participating Metros to utilise the three-day intensive discussion in an effort to increase municipal capacity, enhance expenditure efficiencies and create new partnerships, particularly as the national government continues to increase fiscal consolidation in the medium and long-term.

II. Introduction: The Promise of Investing in the Urban Core (<http://qoo.q/qRc7fm>)

Speaker: Ivan Turok, Human Sciences Research Council

This session addressed the imperative to advance a new generation of comprehensive development strategies to strengthen the urban core—one that promotes efficiency, inclusion and sustainability. Turok explained the process to achieve this using the three phases of urban core development in the South African historical context: concentration, decentralization, and recentralization.

III. Fundamentals: Real Estate Market Dynamics (<http://qoo.q/Z6E6ij>)

Speaker: Robert McGaffin, University of Cape Town

In order to properly guide the development process and rectify the poor urban structure and form of South African cities, there is an immediate to understand the use of space, the financing of space and the development of space. McGaffin recommended developing a conceptual framework to better understand the market (property, consumers, suppliers), introduced the development process in South Africa and finalized by discussing the two drivers of real estate market demand: value and cost. **IV. Fundamentals: South Africa's Real Estate Industry and Real Estate Development Process** (<http://qoo.q/hF0zfM>)

Speaker: Francois Viruly, University of Cape Town

This session provided an overview of the market profile and composition of South Africa's real estate industry and how it has historically responded to market demand. It also

described how the industry is organized into specific product categories (office, housing, retail, institutional). A second session carefully described the multi-step development process in South Africa, from initial idea to delivered project—including site acquisition, public approvals, finance design and construction.

V. Strategy: Global Practices to Unlock Value

Speakers: Domingos Pires, Formerly City of Sao Paulo (<http://goo.gl/h6O4Df>)

Bo-sin Tang, Hong Kong University (<http://goo.gl/EMZ5hD>)

Two international urban leaders presented global case studies on how cities have leveraged their land and infrastructure assets to facilitate new investment in the urban core. In the case of Sao Paulo, Domingos Pires discussed the use of development rights to incentivize densification and introduced a new financial instrument of value capture in Sao Paulo—CEPAC. This instrument requires developers to compensate the city for the cost of infrastructure needed to support new development. For Hong Kong, Bo-sin Tang explained how the city has leveraged land value to support transit and housing development.

VI. Team Work Session:

Each city team engaged in a facilitated dialogue to explore how their catalytic project responded to the workshop content. The objective was to reassess and refine the goals and objectives of each city's catalytic project.

Link for city presentations: <http://goo.gl/9EYR4A>

VII. Strategy: The Perspective of Mayors

Speakers: Hon. Anthony Williams, former Mayor of Washington, D.C.

Hon. Parks Tau, Executive Mayor of Johannesburg

Hon. Mondli Gungubele, Executive Mayor of Ekurhuleni

Cllr Subesh Pillay, MMC for Economic Development, City of Tshwane

The former mayor of Washington D.C. along with two South African mayors and the MMC for Economic Development of the City of Tshwane engaged the cities in a strategic dialogue to discuss how civic leadership fosters an expansion of prosperity across cities and how to align political will to support catalytic projects and investments in the urban core.

Day Two – Tools

Day Two Themes: Building a toolkit of real estate fundamentals, South Africa’s capital markets, real estate finance and site tour(s)

I. Tools: Real Estate Finance (<http://goo.gl/DRsyR7>)

Speaker: Francois Viruly, University of Cape Town

This session explored prevailing practices and analytical tools for making investment and financing decisions across the real estate marketplace in South Africa. It discussed the various ways to participate in real estate investments, introduced the participants in the real estate investment process and provided an overview to understand the use of funding ($V = D+E$).

II. Tools: South Africa’s Real Estate Capital Markets (<http://goo.gl/dvCmab>)

Speaker: Andrew Brooking, Java Capital

In an introduction to capital markets, Andrew Brooking helped cities understand how debt and equity capital markets are being deployed across real estate products in South Africa. He described how real estate companies raise capital and explained the process to attract property investors at the municipal level.

III. Tools: The Regeneration of Johannesburg’s Inner City: Public and Private Perspectives

Speakers: Gerald Olitzki, OPH

Renney Plit, AFHCO

Lael Bethlehem, HCI Properties (<http://goo.gl/LcTVem>)

This session covered a dynamic storytelling of the regeneration of Johannesburg and addressed the tools and actions that worked for urban redevelopment in Johannesburg’s CBD and the ways it facilitated investments in the core urban areas.

IV. Tools: Creating Vibrant Urban Residential Markets

Speakers: Paul Jackson, Trust for Urban Housing Finance (<http://goo.gl/LmJSnW>)

Renney Plit, AFHCO

Adelaide Steedley, Center for Affordable Housing (<http://goo.gl/bvfw8S>)

The objective of this session was to explore the analysis and implementation tools necessary to shape housing markets in the urban core. The speakers also discussed the role cities should play in driving urban regeneration as a way to increase their tax base and generate local economic development. They stimulated a dialogue around the market factors that drew people into dense mixed-use areas and made the case for rental housing, discussing topics like target markets, gentrification, and private vs. social housing.

V. Tools: Projecting the Social, Economic and Fiscal Impacts of Public Investment (<http://goo.gl/zfPdQl>)

Speaker: Robert McGaffin, University of Cape Town

This session helped cities think about ways to enhance decision-making to advance proposed projects and investments and assess if projects are financially, technically and politically feasible. Through various case studies, McGaffin provided the cities with an overview of the elements needed to forecast direct, indirect and induced impacts.

VI. Team Work Session:

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VII. On-site Tours - Participants chose one of the following two:

a. Site Tour of Maboneng Precinct (<http://goo.gl/s4RNWj>)

Alice Cabaret, Propertuity

Catalysed by a private developer, Propertuity, the Maboneng Precinct has transformed from an underutilized industrial area into a vibrant local arts and culture scene and residential neighborhood. The tour explored the elements that anchored this innovative revitalization project. A brief overview of the project's business model and economic impact was done at the beginning of the tour.

b. Urban Regeneration of the Newtown Precinct (<http://goo.gl/RIgp26>)

Sharon Lewis, Johannesburg Development Agency

The regeneration of the Newtown Precinct in the JHB CBD began 15 years ago, as the city realized the development potential of its land holdings. Through public investments, the area is now anchored by cultural attractions, a newly constructed retail complex and new office tenants. Lewis discussed the transformational solutions used by the JDA to engage development partners, heritage and anchor tenants to create this vibrant arts and culture precinct.

Day Three – Solutions

Day Three Themes: Unlocking value in South Africa’s inner cities

I. Solutions: Urban Regeneration as a Public-Private Endeavor

Speaker: *Hon. Anthony Williams, Former Mayor of Washington, D.C.*

Mayor Williams discussed specific experiences during his tenure in public office to showcase how the local government partnered up with the private sector to advance policy goals, create economic value, maintain transparency, reduce public sector costs and finance projects.

II. Solutions: South Africa’s PPP Framework and Locally-Driven Governance

Speakers: *David Savage, National Treasury*

Will Bautista, National Treasury (<http://goo.gl/uVTld1>)

Alan Dinnie, Johannesburg Property Company (<http://goo.gl/aax63l>)

Yusuf Patel, Basil Read (<http://goo.gl/9z04MN>)

This session looked at South Africa’s national legislation and how it relates to partnerships initiated at the municipal level. While the session provided the cities with a theoretical analysis of the applicability of the national PPP framework to local urban regeneration, it also looked at local case studies (Jabulani, Soweto & Cosmo City) as well as global examples of how partnerships have been used successfully.

III. Solutions: Organizing Urban Regeneration (<http://goo.gl/6HGXF>)

Speaker: *Valerie Santos, World Bank*

The objective of this session was to offer to the cities institutional models for municipal-level land development and other urban regeneration initiatives. Santos introduced a global standardized framework known as the “mayor’s wedge,” which suggests that competitiveness should be led by the city government with proactive initiatives from the national government as well as the private sector, applied to both the South African and global context. She also

provided insight on institutional responsibilities, resources and requisite powers to enable efficient implementation of projects.

IV. Solutions: Alternative Structures to Finance Urban Redevelopment (<http://goo.gl/KpUXAK>)

Speaker: *Valerie Santos, World Bank*

In the face of continued fiscal consolidation in South Africa, this session offered the opportunity to explore other alternatives to direct public investments in required public infrastructure. The objective was to get South African Metros thinking about less traditional

tools to finance land-based redevelopment (e.g. tax increment financing and negotiated discounted land value) and their tradeoffs through various case studies.

V. Solutions: Getting Integrated; Getting Comprehensive; Getting Outcome-Oriented
(<http://goo.gl/phqdKm>)

Speaker: Uwe Brandes, Georgetown University

This final session was meant to wrap up an intensive three-day dialogue with the cities and present the reflections and lessons learned in moving forward towards a more robust integrated urban strategy.

VI. Team Work Session:

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