



MODULE 4

PACKAGING TOWNSHIP DEVELOPMENT PROJECTS

FOCUS OF THE MODULE

- Focus only at the project assembly and packaging stage
- Four critical project inputs to ensure successful township development:
 1. Land
 2. Capital
 3. Human resources and skills
 4. Statutory approvals and authorisations
- Project inputs dispersed between different sectors:
 - Municipal
 - Government (national and provincial)
 - Private sector (including the not for profit sector)
- Packaging involves:
 - Mobilising and committing the required inputs
 - Getting the inputs to happen at the **right place**
 - Getting the inputs to happen in the **right sequence**

MOBILISING MUNICIPAL INPUTS

Typical municipal inputs:

- Land (road reserves, public open spaces, servitudes, sites for social infrastructure)
- Capital (buildings, engineering, social infrastructure and infrastructure budgets)
- Regulatory instruments (zoning, building control)

Typical challenges:

- Accessing municipal budgets for infrastructure:
 - contesting budget priorities
 - 'pork barrelling'
- Release of municipal land (MFMA)
- Silo-based standards and delivery systems
- Statutory approval difficulties and delays

Techniques used to address municipal input challenges

- Inclusive planning:
 - ensure 'buy in' by political leaders
 - integrate project plans with other municipal plans (for cost benefits)
- Using leveraging and gearing
- Securing high level political support/champions
- Early legal compliance planning
- Establish systems to synchronise and integrate municipal inputs:
 - agreement on priority
 - buy in to a plan/common objectives
 - good people
 - project manager's access to line department management
 - communication/proximity/team work



MOBILISING PROVINCIAL AND NATIONAL INPUTS

Provincial and national controlled inputs:

- Vacant and/or underused land
- Public infrastructure:(police stations, health facilities, schools, courts, social welfare services, home affairs facilities, roads)
- Capital
- Operational capacity
- Statutory approvals and authorisations

Typical challenges:

- Accessing resources such as budgets and land
- Inappropriate departmental standards and delivery systems
- Statutory approval difficulties and delays

Techniques used to address provincial and national input challenges:

- Special project status or prioritisation
- Inclusive planning process
- Alignment with national and provincial budgeting cycles
- Land and legal compliance planning
- Establish systems to synchronise and integrate governmental inputs



MOBILISING PRIVATE-SECTOR INVESTMENT

Sources of private-sector investment

Sectors of opportunity:

- Residential sector
- Commercial sector

Laying the platform for private-sector investment

Private-sector investment decisions are based on five variables:

1. Understandability
2. Risk
3. Profitability
4. Timing
5. Sequencing

1. Understandability:

- Unfamiliar or uncharted environments
- Perceptions (internal and external)
- Untested models

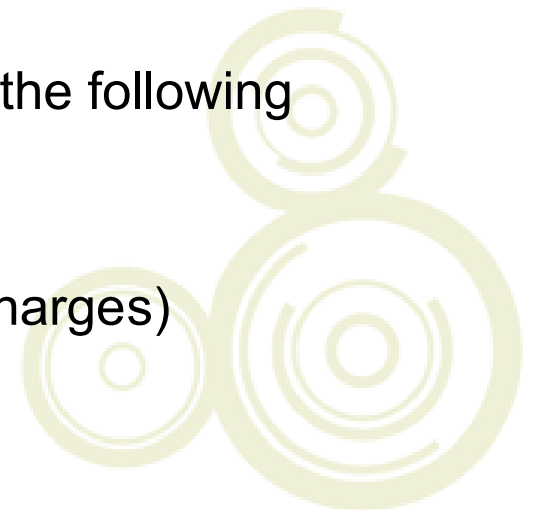
2. Risk:

- Market factors:
 - demand
 - rent collections
 - vacancies
- External environment factors:
 - crime
 - neighbourhood relationships
 - regulation and development control
 - maintenance and operation of the public environment



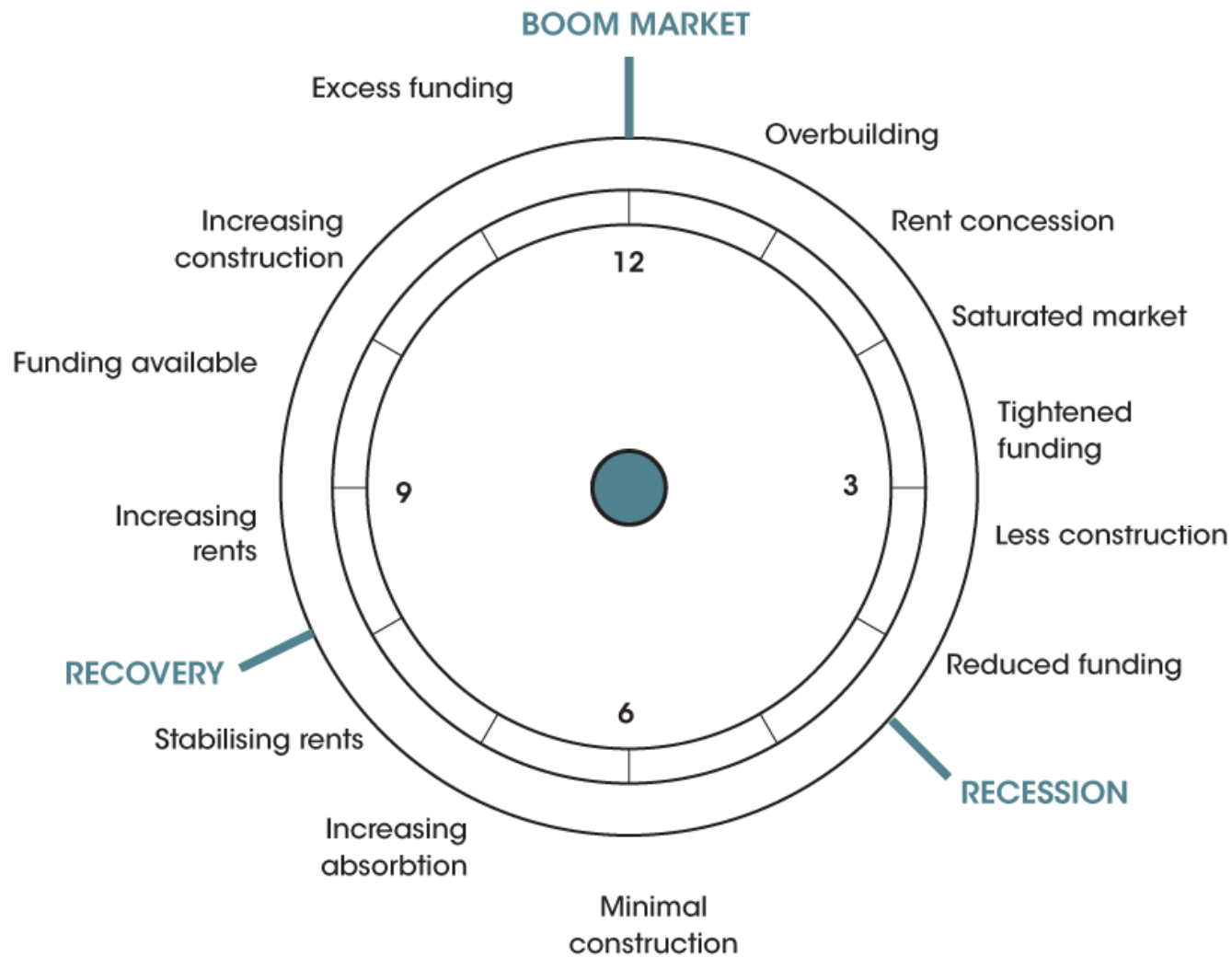
3. Profitability:

- What will it cost to develop the facility for rental?
 - what will the land cost?
 - what are the building costs? (construction duration and escalation rate)
- What is the cost of capital needed to develop the facility?
- What will it earn?
- Net income returned from a facility will depend on the following variables:
 - rental rates and vacancy assumptions
 - running costs (maintenance, rates and utility charges)



4. Timing

The real estate clock



Source: Viruly

Techniques to overcome key challenges in mobilising private- sector investment

Building understandability:

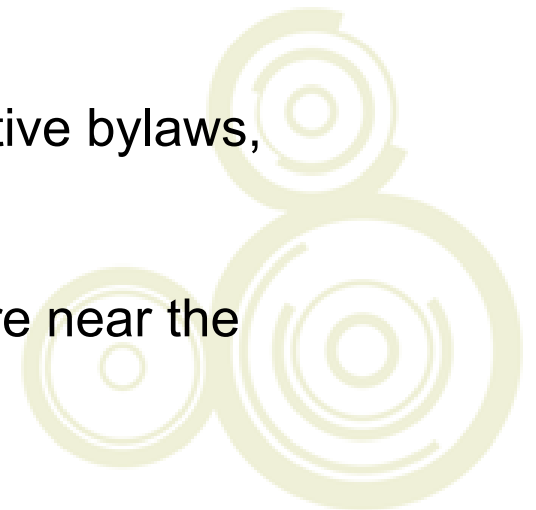
- Establish a working partnership at the outset
- Build a shared vision and plan
- Address why businesses would want to invest in the area
- Base projections on realistic, quantifiable outcomes
- Develop data-backed understanding of the area's potential, competitive advantages, whether markets work, etc.



Techniques to overcome key challenges in mobilising private- sector investment

Risk reduction:

- Take steps to enhance safety and security
- Show public sector's capacity to broker binding agreements with local stakeholders
- Ensure credibility, consistency and predictability of public processes (e.g. tender processes, statutory approvals)
- Ensure sound land use management systems, effective bylaws, effective enforcement agencies
- Maintain and operate public spaces and infrastructure near the investment



Techniques to overcome key challenges in mobilising private- sector investment

Profitability:

- Pay attention to pricing of public land and structure of payment terms
- Bulk infrastructure provision (e.g. roads, storm water systems)

Timing:

- Be aware of the cyclical stages of investment in the specific environment and design components accordingly:

A recession period can be used for land assembly, securing statutory clearances up front, market research, preparing the investment offering etc.

A pre-recovery period can be used to execute communications with the private sector, engagement investors in planning, prepare offerings for the market

Five common pitfalls when assembling a project

1. Dispersal of investment
2. Cannibalising other projects
3. Getting the sequence mixed up
4. Inadequate flexibility to respond to changes and opportunities
5. Failure to address the urban management and maintenance and operations aspects

