The Urban Development Zone (UDZ) Conference

Johannesburg

18-20 August 2005

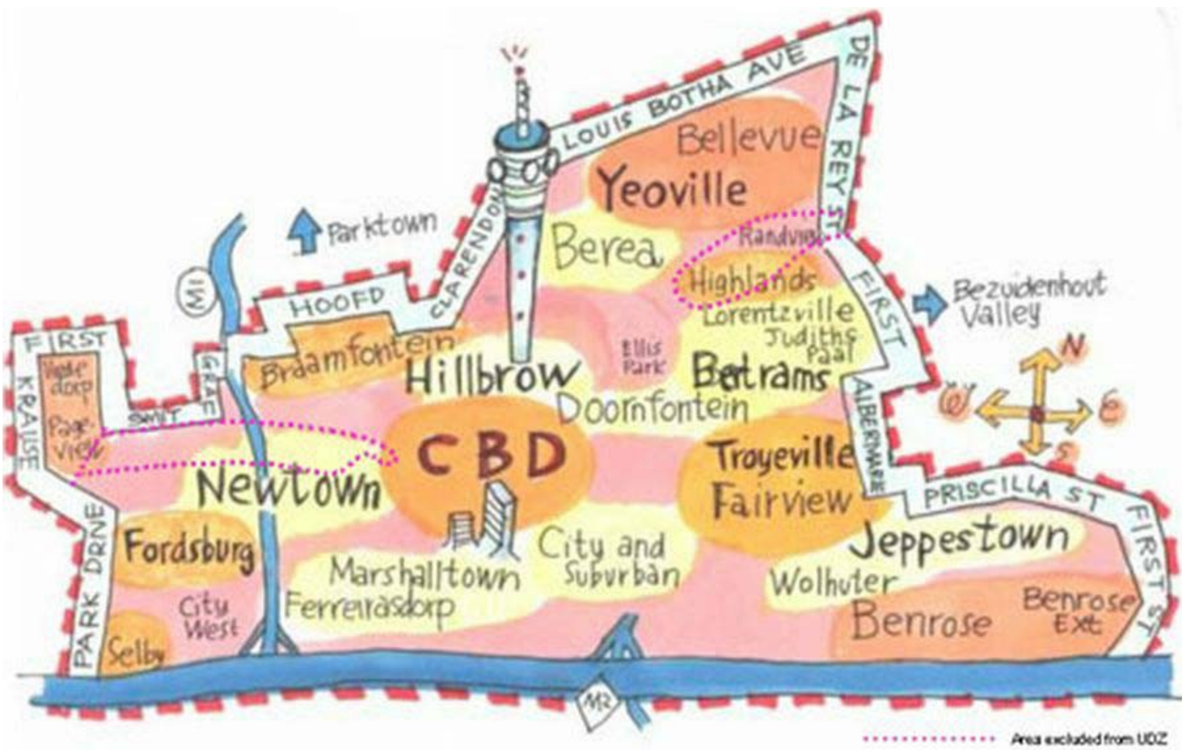


Table of Contents

Background to the Conference

In the 2003 Budget, Minster Trevor Manuel announced a Urban Development Zone (UDZ) Tax Incentive aimed at regenerating the inner cities of South Africa, which are decaying at an alarming speed. The municipalities were required to make submissions as to the extent of the area required. Both Johannesburg and Cape Town City Councils received approval for UDZ incentives in October 2004.

The UDZ area is defined as the Inner City of Johannesburg (See Definitions for details) and the incentive applies to property owners who carry out major refurbishing or demolish and build new developments.

The EDU of the CoJ is managing the task and, in response to numerous enquiries, organised a conference where the property owners; investors; financial service providers and advisors; media and local government could discuss the ramifications of the incentive and the processes required to apply for the incentives.

Executive Summary of Papers

The purpose of the conference was to introduce the concept of the UDZ Tax Incentive and how it impacts on the Inner City of Johannesburg, one of the designated areas to receive this incentive. The conference was open to property owners, developers, financial institutions, the media and various stakeholders in the City of Johannesburg. It was well attended over the three days – particularly the first day.

The UDZ Tax Incentive details

This incentive, promulgated by section 13*quat*(8) of the Income Tax Act, 1962 (Act No. 58 of 1962), permits owner/developers to claim deductions in respect of erection or improvement of buildings in urban development zones. The UDZ tax incentive is directed at the stimulation of the regeneration of declining urban areas, in targeted inner city areas across South Africa, and the encouragement of economic development.

Any taxpayer-owner, user, and lessor of a building within the UDZ can qualify for the incentive. If you own a property for investment purposes in an individual capacity, the tax allowance may be offset against your personal taxable income, so long as you do not use the premises for personal purposes.

Deductions shall be allowed from the taxpayer's income in respect of the cost of the erection, extension, addition, or improvement, if the building is used for that taxpayer's trade and if:

- Building and/or improvement operations were commenced by the taxpayer, and/or the contract for construction was formally signed, on or after the date of promulgation of the UDZ

- An occupancy certificate, in terms of the National Building Regulations, was issued by the municipality, on completion of the construction work

In the case of the refurbishment of an existing building within the UDZ, an accelerated straight-line depreciation allowance of 20% per year of the cost of improvements, over 5 years is permitted. The refurbishment must preserve a substantial part of the structure or exterior framework and any extensions or additions must be of incidental nature to improvement

In the case of a new building, a write-off period over 17 years is permitted with an initial 20% in the first year and an annual 5% for the next 16 years

Content of papers

Many of the papers referred to programmes within the city to assist in regeneration, so as to make this UDZ Tax Incentive more attractive to prospective investors. These included the BBP, the Greater Ellis Park Development, GTA, the Gautrain and the JHC. Two large property owners, who have a vested interest in the regeneration of the city, spoke about their long-term plans – Standard Bank and Urban Ocean.

The papers presented by the SARS and Ernst & Young speakers underlined the problems between legal definitions and practical application and indicated a need to confer with both legal and tax experts before making decisions on land/buildings.

Of particular concern to most delegates was the exclusion of Sectional Title properties from the incentive. This meant that the socio-economic ills of Hillbrow and Berea could not be fully addressed as many of these buildings are owned through Sectional Title.

Another major concern was the question of the incentive only applying to those owners that held onto their buildings – either for five years in the case of refurbishments or 17 years in the case of new developments. The main apprehension was that this meant building owners had to put up with tenants – and there was no guarantee that tenants in a better building would behave better. The impact of the PIE Act and its possible amendments was also worrying.

Professor Francois Viruly gave an overview of the built environment in terms of Johannesburg and its surrounding developments and Hatla Ntene discussed the entry of BEE into property ownership and development.

The EDU presentations indicated how willing the City of Johannesburg is to assist owners and prospective owners through the UDZ incentive process and how improved the website content is to assist enquiries into specific buildings

Papers

Executive Mayor Amos Masonda

The Mayor of Johannesburg, Amos Masonda, thanked participants for the attendance and called upon them to promote partnerships to achieve the vision of Johannesburg as a world-class African city by 2030. He stated the CoJ had the strategy, services, deliverables and economy to operate on a global scale. With the regeneration of the City, the growth of revenues would improve the standard of life for everyone in a sustainable manner.

Johannesburg is famous and remains a centre of significance, providing 16% of the South African GDP. It is a transport hub, a cultural asset, seat of education and a major home to sport. What is needed is for SMMEs to develop more fully. The CoJ is running a marketing campaign to encourage investors and the tax reward encourages more shareholders as the government, working alone, cannot address all the problems of the city. Everyone in business needs to share in the prosperity and engage in development.

There has been R450 m spent on refurbishments, backed by 20 smaller investors but there is still complex urbanisation with its problems of poverty and crime. The CoJ has intensified the enforcement of the by-laws to send a message to slum lords and criminals.

The Mayor encouraged delegates to drive around the city and see Constitution Hill, Joubert Park, Newtown, Standard Bank, the Civic Theatre and see what a PPP city renewals had achieved.

Councillor Sol Cowan – City of Johannesburg

Councillor Sol Cowan gave a brief review of Johannesburg's economy and the need for the Inner City's Regeneration Programme as Johannesburg is the country's top earner, with its growth outperforming Gauteng and South Africa (See Slides 1-8).

This programme's vision rests on five pillars that raise and sustain private sector investment leading to a steady rise In property values.

Pillar 1: Addressing Sinkholes – spearheaded by Region 8. This pillar deals with pproperties that are slummed, abandoned, illegally converted, overcrowded, and poorly maintained, and those used for illegal or unsuitable purposes. Sinkholes 'pull down' adjacent properties and city blocks by creating disincentives to private investment.
Pillar 2: Intensive Urban Management – also driven by Region 8. Here the push is for effective by-law enforcement, management of informal trading, and regular or improved service delivery. Some private sector examples include the City Improvement District Programme and CCTV Surveillance systems. The work here too of the Inner City Task Force is key to success of this pillar.

Pillar 3: Maintain and Upgrade Infrastructure – again by Region 8 is about maintaining and improving service delivery, noting the involvement of the city's utility companies.
Pillars 4: Promoting Ripple-pond investments, led by the Johannesburg Development Agency. 'Ripple ponds' are catalytic, concerted investments in property that create confidence for further investment in adjacent areas. Either public, private or a combination, examples include Braamfontein, Metro Mall, Constitution Hill and Newtown Cultural Precinct.
Pillar 5: Supporting economic sectors, led by the Economic Development Unit entailing assessment of those areas of economic activity that are of current or potential importance to the gross geographic product of the Inner City, followed by the design and implementation of interventions to promote and assist their growth. These actions are most usually a combination of public and private initiatives (for example the 'Open for Business' support centre for SMMEs or the Fashion District).

The challenges faced by the Inner City are colossal and range from crime to unregulated hawking and taxi management, "Bad Buildings", inadequate maintenance of infrastructure, environmental health concerns and waste management, disinvestment and absentee landlords. The sustainability of programmes is often hard to maintain, especially those requiring a high level of resources such as the Inner City Task Force.

The UDZ incentive is already acting as a catalyst to many of the initiatives already in place and will help the city – together with the private sector to ensure that the infrastructure of the inner city – worth about R30 billion if it had to be replaced – is maximised to its full potential. It will help to maintain Joburg's position as the economic supra- national power of the country.

The UDZ incentive, adds enormous impetus to initiatives, such as the Better Buildings Programme and the Inner City Task Force. The UDZ incentive now acts as a catalyst for private sector investments and facilitates improved return on investment for those investors.

The UDZ incentive helps address declining land values witnessed in the inner city. For example, between 2000 and 2004, Berea's land value dropped by a massive 41%, Braamfontein's by 18%, Fordsburg's by 12%, and the CBD's and Hillbrow's by 38%. This corresponds, of course in a 26% decline in assessment rates payable to the city, from ±R24 m in July 2000 to R18 m Feb 2004. Bear in mind that this decline in assessment rates – which funds are used to help pay for much-needed services – further constrains the extent and quality of services that Joburg can offer to the Inner City.

He detailed the profile of the City and its inhabitants (Slides 13-17) and then explained how the UDZ works. Lebo Ramoreboli has been appointed within the Economic Development Unit to assist investors with forms and give guidance where needed. There is a webpage so investors can help themselves to understand the incentive and get all forms required - www.joburg.org.za/udz.

The EDU has already had over 150 expressions of interest this year, with at least 35 registrations to date and a few Location Certificates already issued to investors to submit to the South African Revenue Services with their tax returns.

In terms of value, the total amount of projects in the pipeline is over R1 billion and this has mostly been achieved between January and June this year. One project is the Turbine Hall – a significant development to create the new home of AngloGold Ashanti – whilst the remainder are a mix of smaller retailers, commercial operators and residential developments throughout the city centre, Hillbrow and Berea mainly.

Councillor Cowan concluded by comparing the impact the UDZ Incentive could make on a 'good' building or a 'bad' building (See Slides 18-19)

Franz Tomasek - Assistant General Manager, Legislative Division SARS

The Assistant General Manager, Legislative Division SARS, Franz Tomasek explained that the National Treasury sets tax policy and that SARS administrate the policy – both working to a co-operative principle to carry out investment policy.

As a broad based policy, the Treasury avoids limited incentives as these provide distortions in fiscal policy as it is hard to determine the take up and extension of the incentive or the target expenditure.

However the UDZ Incentive for Johannesburg and Cape Town is seen as important because the existing infrastructure is underutilised and the sunk cost wasted. The incentive will lead to proper utilisation and social benefits. The process will require national and local government co-operation.

The definition of improvements will be to add/improve existing buildings, solely for trade and will depend on occupancy and location and the SARS assessor will rely on local administration. However the definition of costs will cover the improvement of adjacent areas such as parking or pavements.

The emphasis is on improving the inner city areas in South Africa and is unique in that the South African tax system doesn't usually allow rebates on retail and residential buildings. The incentive for new buildings is based on that used in the manufacturing industry.

David Clegg - Ernst & Young - Partner: National Technical Director (Tax)

David Clegg explained that the UDZ incentive applies to both new construction and refurbishment of existing residential/commercial structures after date of notice of the demarcating zone. The incentive applies to owners who build/refurbish for their own occupation or lease/rental but not for property developers looking to sell immediately.

The process requires Certificates of Occupancy and of Locality, subject to stringent qualifications. There is no recapture of allowance if qualifying use terminates within 10 years

There are two incentives - The UDZ incentive for the erection of new or extension of old buildings is 20% of cost in year of first use and 5% p.a. for 16 years. The UDZ incentive for the improvement of old buildings (including incidental additions) if original fabric or exterior is preserved is 20% p.a. commencing in year of first use for five years.

These costs include demolition, excavation and improvement of adjoining structures for water, power, parking, drainage, security, waste disposal and access (including frontage)

The key factor is that of own occupation and this in all probability excludes Sectional Title because the Act calls for the building to be used solely for own occupation and as soon as a unit is sold, it is no longer for the owner's occupation. It is expected that SARS will apply the law strictly.

To define a new building or extension to old building, would imply four walls, foundation and a roof and, unlike other laws, includes parking without having to key into the foundations.

On the definition of improvement versus extension, Clegg warned delegates to consult an architect and a tax consultant on what would be deemed extensions. It could include improvements inside – for instance if a building doesn't have a lift and is four floors, the addition of a lift motor on the roof could be seen as an extension. Equally, advice should be sought over structural or engineering work i.e. sewerage.

The allowed costs include fees of architects etc but not the cost of land, conveyancing or financing costs. Clegg emphasised the need for professional advice before going ahead with property deals that may not attract the incentive.

Rory Roriston - Director - Standard Bank Properties

As the Standard Bank of South Africa, it has a commitment to the CBD in terms of its substantial long-term property investments, explained Rory Roriston, director of Standard Bank Properties. These included the existing Standard Bank buildings, Alexander Forbes, the Standard Bank Art Gallery, which was about the get a R7 m upgrade. The UDZ Incentive was a relief to property owners, because as rentals had declined there had been lost opportunities.

In answer to why the Johannesburg CBD – he explained that it has a properly planned infrastructure for high density usage and is a central point of all access nodes. There exists the political will to make Johannesburg the Gateway to Africa and extensive initiatives to make Joburg work. He has seen the will from sitting on the relevant committees and, through visiting 17 African countries, has seen what happens when urban decay is unchecked. Recovery is very expensive as can be seen in Dar es Salaam (1990-2005)

In terms of its residential opportunities, he noted that there was extensive opportunities in the CBD which, coupled with public spaces, would lead to a 24 hour use of the city, which improves invested revenues. However, he cautioned against the ‘Bronx’ high-rise low-income development and emphasised the need for open spaces for kids. The Financial Services Chapter allows for residential investment sp red-tape must be cut to free government land. Johannesburg offers opportunities for low-income house and, now that security is in place, there is no need for red-lining.

He went on to discuss the JICBC, a coalition of organisations with the inner city’s interests at heart, working closely with SAPOA, POMA local government and developers to create a voice of inner city business interests.

Its priorities for 2005 are operations /enforcement, service delivery, transportation, informal trading, making investment work and safeguarding property. Organised business, with its intervention in development/renewal process can get to work on business precincts using the CIDs initiative’s plus capital projects, thus encouraging investor access to Johannesburg.

Its residential priorities are policy subsidies; investigating and implementing residential CIDs and project and information sharing. Other priorities for are sustainability, development of a property index and research around sustainable cities and city growth.

Two major issues are service delivery, as costs are increasing, investors need fast service and turnaround and transport - particularly for 2010.

Investment opportunities should be made in world-wide call centres or UPS deliveries for South Africa has a half day for the East and a half day for the West. The government needs to address more tax incentives, development of a skilled CBD labour pool skilled and safeguard against crime with more cameras and guards.

He ended by reminding delegates that the city is as only good as children see it

Q&A

1. On the disposal of a building what is the recoupment time frame? *Whether you sell 5,10 or 50 years on, as soon as you sell there is recoupment*

2. If you on-sell the building does it attract income tax? *This would relate in part to Capital Gains Tax, which is at a lower rate of 14,5% or 29% on income tax. If you intend to use the asset as trading stock - proceeds are revenue. Profit subject to income tax. Mixed intention - let it but could sell it = Income tax. Eventual sale on CGT - holding long term, income on residential/trade investment. Sale not intended as profit*

3. This Act seems to exclude residential Sectional Title in Hillbrow, Berea etc? *The allowance is on the entire building so if a building was owned through Sectional Title but then fully let, it would apply. But if you sell one unit, the*

individual no longer qualifies for allowance. It is to prevent abuse of the Act [SARS may need to think it through]. No advantages given to developers.

4. Can one carry over the 20% allowance per year? *A tax-assessed loss can be carried forward but there are rules to stop trafficking in loss - no ring-fencing. For individuals there are certain losses rules*

5. What about a single investment in Sectional Title? *If one looked at semis in Bertrams, both would have to be owned solely for your purposes – if you sell one unit - same problem*

6. *SARS rationalisation on Sectional Title being excluded is because of absentee landlords, so one refurbishment in one unit won't trigger significant changes and create the ripple effect required for urban regeneration*.

7. What is defined as maintenance versus refurbishment - cost on replacing every door in an office block? *There are 150 cases in court trying to create a precedent for this definition. Essentially if a building is incapable of being used, you can't take a deduction if it's not producing income therefore it needs refurbishment. Or it has a productive income but it's miserable – it's the degree to which the building is damaged. Objectively it would be about effectively reconstructing every part of building. However, restoration sounds alarms for SARS – unfortunately this is two-hour talk on its own.*

8. If the aim is to beautify the area, then surely one person starts a chain reaction? *The Act looks for broader effects.*

Taffy Adler - Chief Executive – Johannesburg Housing Company

The JHC is committed to regenerate the Johannesburg Inner City through the provision of quality, value for money accommodation and service for all who choose to live there, in a manner that is both sustainable and promotes growth. Adler pointed out to delegates that it was defined as value for money accommodation and not affordable, this meant the range was from R1 000 - R8 000 per month.

Despite being seen as a risky environment, the JHC had impressive statistics (See Slides 3-5). It has significant support in land from the government to run its subsidy scheme – it is a no public benefit, not-for-profit, not-for-loss, no tax relief organisation.

The problem is affordability because building costs what it costs in terms of construction and management. It is cheaper because of support from Government i.e. tax, loans, subsidies etc but rates are still 30-40% of monthly expenditure and 15% is needed for security. Adler then discussed the Brickfields stats (See Slides 8-9)

Q&A

1. Can one get rents lower with subsidies? *Like the first-time purchaser, occupiers for rental qualify on an income level. They must earn < R3 500 , have dependents and be South African citizens. The owner of building accommodating such people gets around R29 000 per unit/per beneficiary, however the Department of Housing may be changing the rules. The principle after April 2006 is that there will be designated restructuring zones and the amount may be higher on what is needed to make 60/40 debt/unit – owners may get 60% subsidy for targeted beneficiaries, which is an attractive development*
2. Will I have the tenant for life or can he leave? *They need to sign an agreement on a range of things and they may/may not agree on rentals. You own the building so you need qualifying tenants for the life of the building. There are a range of requirements and about 60% are covered by such an agreement. Try for successful negotiations with the Department.*

Alphonso Botha - Urban Ocean

Urban Ocean is a specialist property developer focused on the re-development of inner cities. At present the company owns a portfolio of more than 50 000 square meters in the Financial District of Johannesburg.

Botha stated that looking at the city, one could see the change of season and people need to look for the green. It's been a long winter but now it's Spring in Johannesburg. From studying cities, he perceived a 13 year-cycles and they got credit for being at the right place at the right time.

The city has stability and a platform for development. It is the financial capital of Africa, it has international use, the busiest and biggest airport and the architecture, history and residential heritage still in its buildings.

The city council is good and has come up with brilliant long term planning to 2030 . Johannesburg reflects the spirit of the people - never give up -keep motivating. There are tax incentives, 2010 and the Gautrain – all that is needed is a sustainable business plan.

If one looks at New York in the 80's – it was rife with crime and bankrupt – all it took was planning to recover. Johannesburg needs to take lessons from that but not change into New York.

The new lifestyle is to work, live and play in one area, like Melrose Arch. People need to plan to get off the road – the true death statistics come from the roads, plus there's traffic and rising petrol prices - live closer to work and live longer.

The City still exists - look at the corporates, banks, mining house – all that is needed is to integrate and manage the streets. However, the economics on up-market residential developments are harder.

If you calculate on 1% of 70 000 wanting apartments, there's no supply and where do you play? The priorities are entertainment into city – more Newtown clubs, theatres, restaurants, a revival of Braamfontein. This has been done before – Berlin was stagnant at night but through a slow process it recovered. We need more Ninos in Market Street – it brings the rest and drives demand.

There are challenges in implementing the dream – we need more PPP to pull their weight, more buy-in from the private sector and we need cleaning, managed areas and safety. Perception is most people's reality but an uniformed past doesn't equal the future.

We need to aggressively market the city nodes. Region 8 is as big as Durban, Cape Town, Pretoria together and nodes solve perceptions, we need suburb report on their own merit. There must be complex enforcement in centralising traders and taxis.

The idea is that every building should be multi-use and these new acquisitions are often at 10% of the replacement value – however the key is to have fun while doing it

Q&A

1. Is your company not planning to move into Corner House, is it just investment. I*nvestment in a lot of the buildings is to change it into residential – there are a lot of bank employees who want to avoid traffic. We have a higher occupation level of 50% residents*
2. What about the Franklin units? *Didn't market these as a tax incentive as they are sectional title. The shell lifestyle has a different way to finance - positioned as a tourism destination to visit banks and other city clients – priced against 5-star hotels*
3. How willing or unwilling was the initial investment? *It was not the most positive reaction, they were slow but now only RMB is not in.*

   Need a leap of faith to best achieve goals

Advocate Cawe Mahlati- CEO-GTA Gauteng Tourism Authority

Advocate Mahlati stated that in a market led by private sector, the GTA is looking for strategies to grow tourism as a specific product, particularly to business people. In terms of international arrivals, Gauteng is ahead of other provinces (See Slide 1).

There is high confidence in the sector as it has grown from < R1 m before 1994 to R6,7 m in visitor spend. Smart investments by the Gauteng Government in terms of economic development and the new planned attractions of the Cradle of Humankind and the Big 5 game park in Cullinan, a PPP will encourage tourism investments.

The South African Tourism authorities have a global marketing plan that invites the world to events and activities and the GTA supports this with a balanced economy of business, leisure and niche marketing, including educational tourism, golf, 2010 (sports), the Gay Games and 'nip and tuck' tourism.

The addition of areas such as Newtown has seen a major increase in bed nights on par with the Western Cape (See Slide 2). However the significant slide is the revenue slide (Slide 3) of R15,2 billion, which is 50% more than Cape Town.

The GTA looking at regenerating tourism into the UDZ plan as the tourist requires four areas of supply:

- Services = accommodation, transport
- Recreation = entertainments of all kinds
- Products = food goods
- Capital = gifts

The establishment of a precinct such as Newtown is good but the tourists are not spending money there but in Sandton – the retailers need to give them things to buy. The cultural products are not meeting expectations, some are seen as not authentic, so Johannesburg needs to develop its own true cultural heritage but not as a commodity.

Tourism in general is getting added attention as it is the fastest growing industry and investments in it have a quadruple effect on the economy. These increases in employment reduce poverty, which is all of our responsibility. The other challenge is crime and grime as tour operators from UK refuse to list Johannesburg as a destination. The GTA calls on all South African to be tourism ambassadors to persuade people that the crime rates have dropped significantly in Johannesburg.

The maintain focus of the GTA is to encourage tourism spend, extend the length of stay and offer guaranteed value for money. The GTA urges the council to include tourism in its planning and not see it as an add-on. The GTA can advise on road signs, products, restaurants, stores, and recreation to create a holistic manner in which people live and play and encourage investment in planning and product owners. The GTA is open for business and can offer free advice on products, growth areas and investment on (011) 639-1600.

Q&A

1. Has there been an in-depth study that differentiates tourists leisure from business arrivals in Gauteng and how many days each kind stays? *South African Tourism doesn't analyse who they are or offer segmented tourism research. It is hoped that inward bound tourists from 2005-2007 will be analysed as to business/leisure. We know they stay 1.5 to 2 days in Gauteng and may spend 3 in other provinces and spend R1 450-00 per day. We need an in-depth understanding of the market – currently it is all anecdotal, with fragmented information on our new markets. We need visitor surveys to meet expectations.*
2. For 2010 will there be a shortage of beds and is someone still zoning hotels? The CBD needs schools and support services to stop people travelling out by train. *There is a shortage of hotels and FIFA has commandeered all the hotels. We need to re-zone more hotels and B&B but the it is voluntary registration, so it is not accurate. We are having discussions with owners. Government says using grading facilities is also voluntary. There can be no*

plan without information, so I will be going to Germany to look at 2006 accommodation.

3. Surely Soweto offers high cultural attraction? There are enough ethnic groups to keep tourists occupied for two weeks with dances etc? *We need facilitators indigenising the economy. Move away from the main stream economy with a unique product and a new culture. Inordinate attention is being paid to this – we are creating a tourism forum, with one third of the money coming from a development fund to communicate Soweto's uniqueness.*
4. Your graph shows a decrease in the economy of tourism 2004+2003 – why? *Tourists arrived in the same numbers and stayed 8-10 days but spent less. The strong rand meant that Gauteng lost R2 b.*
5. The pricing of tourism for local visitors means many cannot attend their own heritage – what is being done about this? *We are concerned as to the ignorance of South Africans – they have no tourism icons. We are establishing icons to endow Gauteng and encourage visits. Shot'Left – looked at pricing issues and encouraged local tourism. We will communicate our activities to the people of Gauteng – probably by radio*
6. *people need to understand that FIFA bid controls the 2010 – they book the hotels, set prices, control surrounding events and organise the training 30 days beforehand*

Jack van der Merwe - Gautrain Rapid Rail Link - Project Leader

Describing the Gautrain as a catalyst for growth and public transport, Jack van der Merwe, Project Leader of the Gautrain Rapid Rail Link, reminded delegates that the project would run at R80 m per week for 260 weeks – massive injection of capital into South Africa and Gauteng particularly.

His detailed presentation covered all aspects of the Gautrain from its impact on socio-economic aspects of the CBD to its impact on Park Station specifically and the spin off for the CBD. He also touched on the fact that the Gautrain exceeded BBBEE requirements by 39% and that the Gauteng government was fast tracking this over ten years as against 14 for the norm.

Q&A

1. Has there been a consultation process with the landowners around Park Station infrastructure? *The route has been published and on 5th August Gauteng proclaimed the route. In the case of properties that need to be used, the council employs surveyors and valuators and, based on their cost estimate, make an offer for the property. The offer include a percentage to cover costs such as moving the household and re-location of services ie water and lights. Owners may appoint their own valuator but they have to move on expropriation.*
2. What are the completion phases of the Gautrain? *The council hopes to finish Sandton-JIA route by November 2009 and the rest by March 2010.*
3. What is the future in investing in station areas - how certain are they that these will take place? *The deal will be financially closed on December 2005 at a fixed price for 10 stations*

4. Will the train tracks remain or move? *The European example shows that train tracks tend to stay for many years.*
5. Does the Gautrain have implications for other train stations and should one consider investing in the East/West train tracks? *There has been a R40 b investment in rail but one should consult the national treasury on such long term plans, as I am not prepared to express an opinion. However, the world wide experience is that property will go up around stations.*
6. How does the Gautrain benefit the township people? *There are a multitude of benefits – jobs, emerging BEE businesses plus it refocuses Government on transport, which has a knock-on effect.*

Ellis Park Development – Sibusiso Buthelezi - Manager Ellis Park

The subject of the Ellis park Development was introduced by Lael Bethlehem, CEO of JDA, who pointed out that the JDA is very active throughout city and cited such developments as Constitution Hill, Newtown, Nelson Mandela Bridge and the PPP of Jewel City Precinct, which is where diamonds and other valuable stones are cut, polished and valued and, over four city blocks, is the highest gross earning area, in South Africa. There is a Department of Justice upgrade around the High Court and other areas such as Yeoville's Rockey/Raleigh St offers good value as does the fashion district on the eastern side of the city. She urged investors and residents to get in before the upward curve.

Sibusiso Buthelezi - Manager of the Ellis Park Development took delegates through a comprehensive slide show that detailed how the Greater Ellis Park Stadium, high density areas and manufacturing node would use 21010 as a catalyst to make the area accessible and provide parks, schools and amenities to residents.

The idea is to develop this historical area as a place to live, play and work – specific areas or hubs have been designated – these are the Education Hub, centred around the University of Johannesburg Doornfontein Campus; the Sports Hub, centred around Ellis Park Stadia; the manufacturing hub; the Bezuidenhout Precinct; the Betrams Neighbourhood; and the Jukskei River Park.

He cited current developments such as Party Design, which has established an Events Management Academy to train local people to handle events in and around Ellis Park, and the Nandos head office, which is wanting to upgrade

The very comprehensive slide show details the plans and funding required from 2005-2010.

Q&A

1. Does the UDZ include GEP? *Yes*
2. When will it be safe to walk around? *The plans can be seen, with the implementation target dates. There are copies of presentation/plans that are very ambitious and large but the budget is not secured. The JDA has a target of R20 m for current year and is raising funds through various mechanisms. We are expecting R500 m for 2010 from the city. In terms of social housing*

there is a subsidy to assist. We are working hard because we know that if we don't raise funds now – it's never because of the focus on the need to deliver 2010. This financial year we will provide street lighting in Betrams and the private sector is looking to provide parking, if we can move City Power. There are more details on the website but this are is prime for investment because the land values are the lowest in the area.

Professor Francois Viruly - School of Construction Economics & Management – Wits University

Professor Francois Viruly stated that the UDZ incentive policy must come down to those that use it and that this was an excellence use of a conference. His presentation looked at the institutional environment and how it can assist changes. Property does this – it opens up opportunity, changes and hard work bears fruits.

Slide 1 refers to the four factors that impact on the property market – socio-political, macro-economics, transport and lifestyle.

What happens in the CBD has enormous socio-economic impact as people live next to each other. The built environment reflects the faith in the local public arena – South Africa is moving from walled office spaces to the Melrose Arch, V & A Waterfront style which opens up the space of living, working and shopping. The next stage is to create Melrose Arch in the cities and open it to public, bring Melrose and Melville into the CBD creating vibrancy and moving out of the laager. In a public environment, open society must function – the people on the streets must not only be guards.

The macro-economy is working well, inflation is low, which impacts on the property market. Challenges are the established rules of property, vacancy rates, interest rates, escalation and CPI rates. Investors need to get used to a drop in rates - 10,5% from 25% - new investors have only seen rates dropping. Banks are offering 100% loans, which drives local economic development. Investors need to pick sectors that show growth, linkages upwards/downwards.

Transport has a critical impact on growth – more money means a new car, which creates transport issues and congestion. This spatially influences cities – people need to be closer to work, home, play - create neighbourhood districts within CBD.

Lifestyle - office nodes without retail areas have the highest vacancy. Lifestyle also includes working. People want to work and shop and visit local government facilities – the old town planning separated work from home
He discussed the GDP, CPI, office vacancies and supply in the CBD (See Slides 3-13) and stated that institutional investment in total assets is no longer the typical investor – things are changing in South Africa. In 1995, it was the Old Mutual etc but new investors are looking for capital growth rather than yield. There are waiting lists for good landlord's building and tenants pay a premium.

In terms of CBD vacancy rates, Johannesburg's are the highest as there are more A Grade offices in the Johannesburg CBD compared to other cities. In South Africa, the natural vacancy rate is about 10% - worldwide from 6%-10%.

Can we see the CBD as a whole? We must, there are no islands. The city must be judged on its performance as a whole. City improvements are critical but they cannot work alone. The normal development of a city is to have land supplied, plan, service, build and move in. In developing countries there is the risk of the reverse, where people move in, build, service and then do city planning. We need look at the property market and service the supply direct before it goes the wrong way around

Housing is a critical issue because the policy not meeting its objectives. It's about how people view land - land redistribution is not only about farming - pressure lies on the CBD because there can be no more dormitories. (Slides 14-16)

I am wary of view that the provision of housing can be done by converting offices to homes – homes are not about bricks and mortar, they include schools, parks and clinics. To turn an office successfully there must be planning of precincts to promote parks, schools, crèches (and not have them burn down) otherwise the investment is not sustainable - badly converted office nodes are not residential areas.

There has to be political will and investment to sort out Hillbrow/Berea, which has these amenities. It is difficult but rather push incentives in there - not just anywhere. There has to be master plans, precinct plans and a level of security, for investment. If there is no plan and uncertainty and no clue as to the neighbours' plans – no one want to take a risk. If people are leaving social housing to find stock in CBD and then find there is only expensive housing, they have to move back to the townships. The CBD needs to provide stock the whole way up from social housing to R500 000 stock. Perhaps the will to create more Brickfields by razing Hillbrow and Berea and build anew. As an indication of how housing can miss the game, some of the Sandton flats have been let as offices because of the price convenience, so blocks are dark at night as people go 'home' elsewhere.

Shopping centres have an enormous impact on areas but the challenges in Johannesburg are large – should one close small shops or create a retailing node? One can't leave Soweto as a dormitory it too needs retail shops. However, the CBD is not reflective of its socio-economic demands. The built environment in urban regeneration should create a structure that reflects its users. Large stores remain empty, perhaps developers should consider that taxi users are not trolley shoppers, they can only carry two bags and they prefer not to shop next to the taxi rank because of security issues. It is not unusual for a child to go to a shop three times a day because the home has no fridge. The big gap in succeeding in retailing in the CBD could be addressed by the Council – which is more productive – to run marketing courses or issue lawyers letters? The CBD needs to retain the shopping experience of walking down the street but investors need to be careful. There are property cycles (See Slides 17-22). Professor Viruly concluded by covering some of the Megatrends (See Slide 23)

Q & A

1. What is to be done about flat-jackings in CBD investment? *Obviously, taking over someone assets is illegal but here is a need to identify problems in a building, rates and/or utilities not paid should ring alarm bells - flat-jacking is often the end of the road. Slumlords are the outcome of poor policies and enforcement – maybe we need to look at Rudolph Giuliani's "broken glass" policy. There is a high demand so set formal parameters or informal will take over. Closing down the building is hard but it must be done, there is a need to have a plan for the handling of flat-jacking.*
2. What would you invest in – residential or office? *The middle-income residential offers enormous opportunities as do office conversions. Places in Hillbrow and Berea, where there are high density area units. Also look at the changing sphere at Wits' student bodies, fewer are living with their parents and they need accommodation. Universities clustering needs accommodation and there are waiting lists for good ones with computers and study facilities. The great thing is that they want to leave, there are no PIE Act issues!*

   In industrial property look at urban regeneration but it gets more complicated. The main issue for the south and east of the city is that they want us to leave them alone – no "gentrification" – these are affordable areas and they want to keep the vibe going.

   Accessibility – The city's idea of low income housing inside high income areas so employees can travel to work. There are employers who may be willing to invest in the concept so it's a crazy idea that's not so crazy
3. What is the requirement of Certificate of Occupancy? *The City Council starts the process and one needs to register with Lebo Ramoreboli at an early stage. Then come back with plan, which goes through planning process and building control. The Occupancy Certificate [if you have the original] must be submitted with built drawings to see that the fire regulations are still in line with new requirements (important in old buildings). The Occupancy & Location Certificate, plus SARS Tax then go into SARS.*

Geoff Mendolwitz - City of Joburg Property Company

The Better Buildings Programme (BBP) was presented by Geoff Mendolwitz from CJPC, who explained that there is a CD available that discusses the first year of business and the 10 buildings that had been reclaimed.

The City of Johannesburg is the biggest owner of buildings that need upgrading but that there are also others where outstanding rates and taxes range from R8 m on one building to R200 000 on a house.

Through the slide show, he demonstrated what is mean by a 'bad' building and what potential there is to take over buildings for residential purposes particularly examples like the Chelsea Hotel. The CJPC is the custodian of better buildings because bad buildings create sinkholes. The drive therefore is to change sinkholes to ripple pond through using investment as the stone.

The ‘Red Ants’ depicted in Slide 10 are necessary where a building has become uninhabitable and a danger to tenants (Slides 4-5) and human rights are being discarded in favour of squatters. The City ‘evicts’ people who are in illegal conversions. The process is to send in building inspectors, apply for eviction, get an order, allow time for the occupants to defend the action and. If need be, go to the Constitutional Court. The Sheriff gets the order to evict and contracts this out to the ‘Red Ants’ very few people want to do this kind of work because it can be hazardous.

With proper ownership and management buildings can be turned around and even alleys turned into neighbourhoods.

The aim is a vibrant city where people live, work, play but it is a slow legal process when it comes to converting empty buildings.

Examples of Better Buildings are the Rondebosch Hotel, which was purchased from the liquidator and upgraded to offer 200-300 rental stock. Slide 11 shows the Europa Hotel. The City of Gold attracts more and more people – so where do they go? This is a pilot project offering affordable accommodation at R300 pm sharing with shared bathrooms and kitchen that will be occupied in a month’s time.

The process is, following the failure of building, the responsible purchaser pays the rates and gets a clearance certificate which can be a large problem. Another way is to have the Council take the owner to court, have a Sale in Execution and then it is the obligation of the new owner to fix the problems.

A new process is that the liquidators in Hillbrow/Berea see that the seller provides a rates clearance and the new buyer produces a coherent plan that undergoes due diligence. The BBP will help with these plans.
Slides 13-15 detail the mission and progress of the BBP. Similar work has been done in New York but with capital, Johannesburg hasn’t got capital – so it needs the private sector to get involved in the process.

Q & A

1. Why doesn’t the Council write off arrears on existing owners, who have tenants who don’t pay anything? This system goes against the owners and there is no guarantee that the problem won’t re-occur. *The BBP can be looked at as offering different owners ‘level playing fields’ plus an owner can bid back for their own building*
2. On Sectional Title buildings there is the problem of hijacked buildings where the owners are no longer present and it’s management run. Judgements are taken against individual owners – even if they have paid levies, making it impossible to sell the individual flats. *There is a pilot project around each building to re-establish ownership or if necessary expropriate the building*
3. What are the options to the Red Ants? *More rooms being made available but opportunities to “decant” people are not that easy, they often don’t want to move again.*

4. *The PIE Act has problems - how sure can we be that municipality will find accommodation?.* There is an amendment in the pipeline to be a better legal process where eviction orders are possible

Hatla Ntene - BEE

Hatla Ntene underlined that in producing BEE development proposals, applicants often don't understand the terms of reference. His Slide 2 showed the process of development and the opportunities for BEE but he pointed out that investors are looking for equity and here is where BEE falls short. Funding requires equity and debt-gearing and the equity needs to be spread over a number of projects to enhance the return on debt.

Slides 3-4 looked at funding and Slides 5-6 looked at development financing. He pointed out that the differences between development and acquisition. Unless BEE players can raise equity they can't get debt so they need a strong partner to provide equity.

Secondly the tax situation needs a clever numbers person who can use the write off to go back to funders, as the write off influences pay back period. BEE players need to answer the question 'what am I bringing?'. They need to convince tenants to sign longer leases to attract funders/equity.

He stated that banks must be sensible in the lending because its also your money, so they can't be reckless. (See Slide 7). Investors need to look at the way buildings are - take parking as a problem, investors may need to buy two buildings so before you start signing agreements, check the risks otherwise you can't market it for funding.

BEE investors need to recognise that property investment is unlike the service industry – it's high-risk, you need to have something to offer, be a force, find strong partners and play according to the rules.

Lebo Ramoreboli – EDU – UDZ Incentives

Lebo Ramoreboli's presentation went through the zones, the rules, the process and examples of how the tax incentives are applied. The benefits were explained, contact numbers given to delegates and applications can be made on the website at www.joburg.organisation.za/costs

She explained that this would be a straight-line depreciation and that it only applied to work begun after the Effective Date of October 14 2004. An Occupancy Certificate is normally given when you buy or build property and a Location Certificate is obtainable from 5th Floor, 66 Jorrisen St Braamfontein.

The EDU works in close co-operation with the JDA to make Johannesburg a wonderful experience.

Q & A

1. On the subject of eligibility what is deemed substantial refurbishment? *This is a definition between maintenance and refurbishments. Refurbishments would be improvement of a building, not routine painting and repairing of windows, which is already tax deductible. This would be where walls, sanitaryware, roof, lift etc are damaged,*
2. Do these costs include drawing up of plans? *Yes these do qualify as part of costs*
3. Is there a limit on the capital claimed? *There's no limit to incentive on all eligible costs, 100% claim is allowed. The whole scheme will be reviewed by Treasury in five year's time*
4. The map shows areas of blue dots – are these exclusions? *Yes these are excluded and are clearly marked- it includes railway lines and a ridge of properties. Please consult the detailed lists for applicable suburbs*
5. Does the UDZ Incentive apply to Sectional Title? *There is developer on exhibition offering sectional title and stating it qualifies. No, it does not qualify.[We need to sit down to work on Sectional Title with Treasury]*
6. With the 5% deduction over 16 years, what would happen if one sold in year 8 to a new purchaser, would they carryon getting the tax incentive*? If you sell at any time during 17 years, you forfeit the incentive. In fact you could be asked to recoup the costs back to treasury – this could stop developers speculating.*
7. You mentioned Granny Flats but what about the restrictions on building? *You would need to consult your zoning area - planning rules vary from area to area*
8. What would happen if you sold off a hotel as Sectional Title to pass on the UDZ incentive? *You would need to get advice if it's legal. We need to get feedback on Sectional Title decision rapidly*
9. These restrictions may mean that very few people would be willing to invest – we need clarification on recoupment.
10. There are so many different authorities - SARS, Municipal authority, Gauteng Province - who supports the investor? Wold the EDU get involved in disputes on SARS? *Only the national government promulgated the law, which the Council carries out. Provincial authorities not involved. I couldn't see a dispute arising. There are some questions around the law but we could only assist. You need to fight your fight and get advice up front. The EDU will have a meeting with SARS in two weeks.*
11. What are the incentives to buying property for those who don't own, how do they come on board?
12. We need clarity on residential ownership - want to own the unit - residents want to buy – this threatens the scheme
13. Delegates made a proposal to join together as developers and submit ideas – there are incentives for owners to refurbish or rebuild accrues to ownership – but they cannot change law
14. What happens in the case of a company owned building – can the shares be transferred? Does this constitute Sectional Title transfer? *We need to defer this question to purse it as I am not competent to answer it at the moment.*
15. *Isn't the Act being interpreted too closely?*
16. On rental action isn't easier for the UDZ to collect rentals?
17. It seems as if the Council only consulted only large developers

Li Pernegger – EDU

Li Pernegger introduced delegates to the power of the GIS website and how it can assist developers to assess areas to meet their requirements. The inner city is one of the areas that is difficult to get into there are few estate agents, so prospective owners look to The Star or auctioneers or drive around look at what you want to invest in.

The Council has a free version http://eservices.joburg.org.za that has a guide to Internet use or a subscriber version that offers better aerial photographs; more detailed planning information and better report facilities. (Slides 5-28)

Searches can be run by stand number or building name and this can produce reports showing the following:

- owner information
- planning information
- land value based on valuation roll [+ transactions]
- size of stand
- building information- contact
- building good/bad
- show photo
- print-off report with all details
- field around the building, sense of the areas potential
- occupancy - ground floor or rest or mothballed
- Municipal value every 4-5 years
- level of transactions
- Pink blocks -show vacancies

There are layers in GIS database, showing railway stations, aerial photos etc and the upkeep of this Inner city database is R1 m pa.

The nodal database has

- 25 economic nodes, including Johannesburg commercial and retail nodes – it is however low on industrial nodes
- economic reports
- empty zones= missing information

Users can also go to reports and compare nodes across similar themes

Q & A

1. What is meant by 'mothballed' does this mean the building is condemned or not used for a number of years? *It usually implies no access, which could mean the condition is fair. The building is vacant – so no occupancy, legal or illegal. However, prospective owners need to check the condition which may be bad, as it may have been sealed after damage*
2. How accurate are the ownership records and contact person and how was it obtained? *The information is obtained from the Registrar of Deeds and reflects the legal situation but there are thousands of anomalies in deeds and valuation. Often movements not updated within 6-12 months*

3. Is there access from the City of Joburg website? *There's no direct link but there is a shortcut to a help site, which can lead to the website. The contact numbers very up-to-date but there are problems with Hillbrow/Berea details.*
4. The information on property values is individual or grouped as an area? *It is individually taken from the valuation roll, which is updated every five years, but this is not the same as market value or replacement value, so it's not a guide for purchasing just a comparison between properties.*

Concluding Comments from Delegates

The concluding comments were chaired by Linda Vilakazi-Tselane - Acting Director of the EDU.

"As a ratepayer and a property practitioner, would like to commend you on providing a great mechanism to uplift legislation and practice."
"Congratulate the understanding of the need to preserve historic buildings preserved so Johannesburg does not become a Midrand or Monte Casino"
"We would like to know the willingness of the Council to convert office buildings to residential"
"If there is an auction on buildings, what happens to illegal tenants."
"We need to know how to go forward on residential developments"
"If this was inspired by New York - did it work and how? Did it work in other cities, different from NY. There was a feeling that Harlem became too clean." *There were several Manhattan, Washington DC, Johannesburg amended them to take on South African practicalities – the process will be reviewed after five years and judged on reports.*
"If I have registered as a company, is there any vacant land? Funding is another terrain."

The EDU will put up the full information from the proceedings on the website and release a CD of the proceedings. The issue of Sectional Title will be taken up with SARS on Monday 22 August and press releases will be release on the website

"Can anyone leave an empty flat and it just gets occupied. The City must be very strong on this point, because the PIE Act is very real. The problem began with farm squatters just being put into a building. There are also landlords who evict people who are paying and the City needs to address this. The law is very clear but law enforcement needs to be carried out, the challenge is to get people out

The EDU plan is to regroup in the first week and have feedback in a month. Call us after a week and we will respond speedily.

Whatever programme does/doesn't have (a one size fits all system) at least if the process carries the bulk, then it achieves the idea. PPPs are welcomed because though the local government environment is conducive to economic growth, it can only do so much - not 100%. The beneficiaries need to be part of the relay race – it needs advice and support because it is the first of its kind.

Final remarks from EDU

<u>Safety & Security</u> – the EDU creates opportunities. Law and order implementation will be in phases – the first year the Johannesburg police look to reduce the criminal effect to encourage area regeneration. If a building is jacked, this information must be passed on to authorities.
<u>Investment facilitation & BEE.</u> We need to encourage investors not just wait for them to arrive. BEE has small investors looking at equity and investment. They need facilitation in planning approval to attract bigger investors and this must be fast-tracked. We have guidelines but not for residential developments.
<u>SMME Informal trading</u> - we should never wish them away, as we are an African City. What we need to do is explain the legal procedures and help with illegal behaviour
<u>Tourism</u> – we need to develop tourism packages, around soccer, sangomas and all that makes Joburg unique

Definitions

BBP – Better Buildings Programme under control of the CJPC

Blue IQ – investment agency for strategic economic infrastructure

CIDs – City Improvement Districts – Registered CIDs are Central and South Western, Northern. Voluntary CID's include Newtown, Legislature, Transnet safety corridors, Constitution Hill and Civic Centre. CIDs planned or under consideration are Braamfontein, Retail and Louis Botha Ave/Orange Grove, Ellis Park/New Doornfontein, Fashion District, Benrose Industrial, Diagonal Street and Yeoville.

CJP – Central Johannesburg Partnership - responsible for rollout and implementation of City Improvement Districts

CJPC – City of Joburg Property Company, custodian of the Better Buildings Programme

CoJ – City of Johannesburg Metropolitan Council

EDU – Economic Development Unit (EDU) of Johannesburg was set up in 2003 to promote economic growth in line with the Joburg 2030 strategy. The strategy anticipates the city playing an active role in boosting economic growth by focusing on designated growth sectors of Johannesburg's economy.

Effective Date – The date in which the UDZ Incentive came into force in Johannesburg, namely 14 October 2004

GEP – Gauteng Enterprise Propeller is a provincial government agency established under the auspices of the Department of Finance & Economic Affairs to provide non-financial support; financial support; and co-ordinate stakeholders for the benefit of SMMEs in Gauteng.

JCP – Johannesburg City Parks

JDA – Johannesburg Development Agency

JIBC – Johannesburg Inner City Business Coalition

JICCF – Johannesburg Inner City Community Forum

JMPD – Johannesburg Metropolitan Police Department

JPC – Johannesburg Property Company – now responsible for Better Buildings Programme

JRA – Johannesburg Roads Agency

Johannesburg UDZ – The urban development zone boundary incorporates approximately 1,890 hectares, and is commonly known as the Inner City of Johannesburg. The boundary is defined as a continuous line following the course of designated streets and/or boundaries of township(s) and/or erven and/or landmarks as noted below, commencing at the north-western corner, and continuing in a clockwise direction, as follows:

Northern edge:

1. First Street (at the intersection of Krause Street, and to the north of Vrededorp), proceeding east along First Street (along northern boundary of Vrededorp) and continuing along north eastern boundary of Vrededorp;
2. South along Solomon Street (and eastern boundary of Vrededorp);
3. East along Smit Street (to north of railway reserve);
4. North along Graf Street (parallel to the M1 N/S highway and east of Braamfontein cemetery);
5. East along Jorissen Street;
6. North along western boundary of Erf 5117, Johannesburg (to the north of Jorissen Street and approximately on southern edge of the University of the Witwatersrand);
7. East along northern boundary of the Township Johannesburg (approximately between Eendracht Street and Jan Smuts Avenue) (until intersection with Jan Smuts Avenue);
8. 8. North along Jan Smuts Avenue (until intersection with the north western corner of Erf 4722, Johannesburg);
9. East along northern boundary of Erf 4722, Johannesburg (from north western corner of Erf 4722 to intersection with Melle Street);
10. South along Melle Street (until intersection with Hoofd Street);
11. East along Hoofd Street (until intersection with Joubert Street);
12. South along Joubert Street (until intersection with Kotze Street);
13. East along Kotze Street (until intersection with King George Street);
14. North along King George Street;
15. Northeast along King George Street, becoming Clarence Street, becoming Clarendon Place (until intersection with Banket Street);
16. South along Banket Street (until intersection with Louis Botha Avenue);

17. Northeast along Louis Botha Avenue until intersection with Bond Street, becoming St Peter Road until intersection with De La Rey Street (north of townships of Berea, Yeoville and Bellevue).

Eastern edge:

18. South along De La Rey Street (eastern boundary of township of Bellevue East) (until intersection with Natal Street);
19. Southeast along Short Street (eastern boundary of township of Judith's Paarl) (until intersection with Bezuidenhout Street);
20. West along Bezuidenhout Street (until intersection with northeast corner of township of Troyeville);
21. South along eastern boundary of township of Troyeville (adjacent to western boundary of township of Kensington), includes Albermarle Street (until intersection with Op De Bergen and Commissioner Streets and Roberts Avenue);
22. East along northern boundary of Erf 135/1952, Malvern (and to east of township of Reynolds View);
23. South along eastern boundary of Erf 135/1952, Malvern (and to east of township of Reynolds View) (until intersection with Priscilla Street);
24. East along Priscilla Street and along northern boundary of the township of Jeppestown (until intersection with eastern boundary of the township of Jeppestown);
25. South along eastern boundary of the township of Jeppestown, continues along dogleg eastwards into First Street, continues south along Chilvers Street (i.e. boundary between township of Denver Ext 2 (to west) and township of Denver Ext 13 (to east)), and continues southwest along Chilvers Street (i.e. boundary between township of Denver Ext 6 (to west) and townships of Denver Exts 12, 9 and 1) (until intersection with M2 E/W highway)

Southern edge:

26. Along M2 E/W Highway (any erven under the M2 E/W Highway, and split by the highway must be fully within the urban development zone boundary as described herein to qualify for the incentive) (until intersection with southwest corner of township of Selby Ext 19).

Western edge:

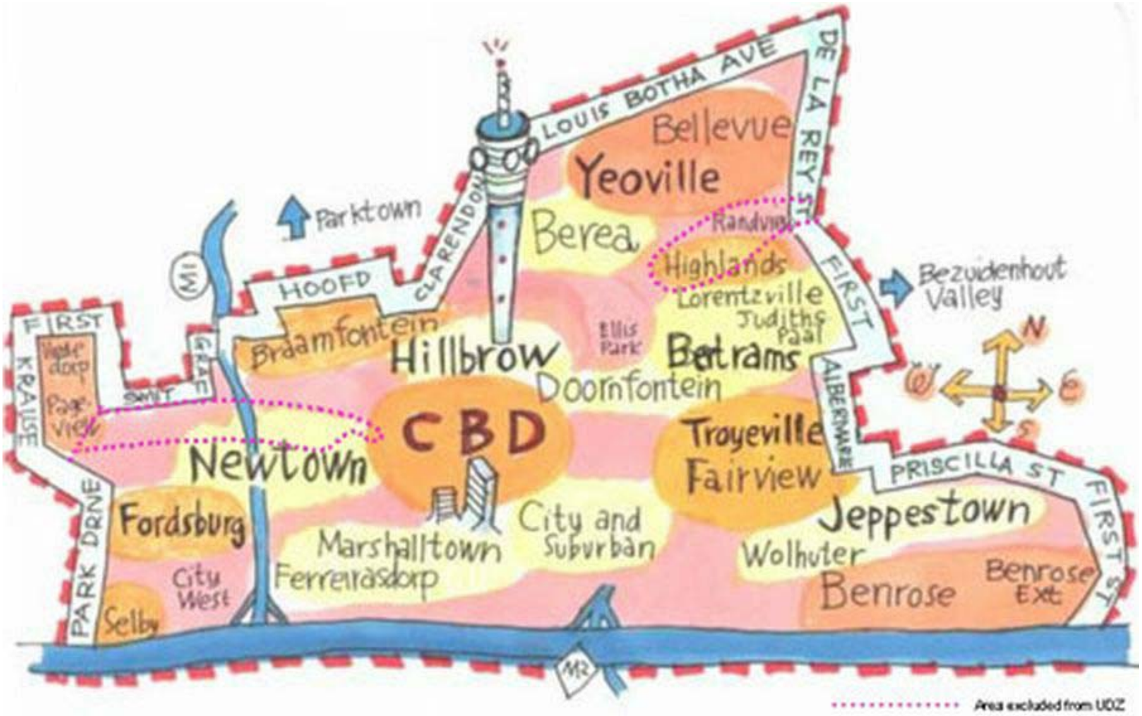
27. North along Treu Road (i.e. from southwest corner of township of Selby Ext 19) (from intersection with M2 E/W Highway at southern end, and along western boundary of township of Selby Ext 19), becomes Park Drive (between townships of Crown North (to west) and township of Crown North Ext 1 (to east) (until intersection with southern boundary of township of Mayfair)
28. East along southern boundary of township of Mayfair (and abutting townships of Crown North Ext 1 and Fordsburg to south and east) (and parallel to eastern side of Park Drive);
29. North along boundary between townships of Mayfair (to west) and Fordsburg (to east);
30. Northwest along boundary between townships of Mayfair (to south) and Pageview (to north) (until intersection with Krause Street);

31. North along Krause Street until intersection with First Street at north end.

Townships, Suburbs, Farms and Erven (or Portions thereof), excluded from the Urban Development Zone Boundary:

The ridge area to the eastern side of the Inner City incorporating the township of Highlands, Erf 412 of Lorentzville, and the township of Randview are not eligible for the UDZ tax incentive.

In addition, the railway reserve area between Newtown and Braamfontein incorporating Farm Portions of Johannesburg 96 – IR, i.e. RE/91 – IR; 67/91 – IR; 66/91 – IR; 61/91 – IR; 33/91 – IR; and 34/91 – IR, are not eligible for the UDZ tax incentive.



MTC – Metropolitan Trading Company

PBO – A Public Benefit Organisation is any organisation that has the sole objective of providing one or more of Public Benefit Activities (PBA) in a no profit manner as defined by the Minister. Provided that 85% of its activities in terms of both time and money are carried out in South Africa, it may either be:

- A Section 21 Company
- A Trust
- An Association of Persons established in terms of a constitution

PIE Act – The Prevention of Illegal Eviction and Unlawful Occupation Act was originally passed in 1998, to deal with squatters and to protect them against summary eviction. However, in August 2002, the Supreme Court of Appeal ruled that the Act also applied to tenants who defaulted on their rent, and to homeowners who defaulted on their bond repayments.

POMA – Property Owners and Managing Agents Association

PPP – Public Private Partnerships

Ripple Ponds – are catalytic, concerted investments in property that create confidence for further investment in adjacent areas and are either public, private or a combination. Examples include Braamfontein, Metro Mall, Constitution Hill and Newtown Cultural Precinct. A crucial requirement to make a ripple-pond investment effective is the support by the CoJ and its partners to ensure that the environment immediately surrounding the investment is especially well managed. Failing to do this may well negate the value of the initial investment.

SARS – South African Revenue Services

Sinkholes – Properties that are slummed, abandoned, overcrowded, poorly maintained, often owned and neglected by the public sector or properties used for illegal or unsuitable purposes (shebeens and clubs in incorrect places, prostitution, drugs, sweatshops, panel beaters in residential areas etc)

Sinkholes ‘pull down’ adjacent properties and city blocks by creating disincentives to private investment and blocking sales, and can spread to include whole neighbourhoods. Redlining, poor urban management, poor credit control and badly managed sectional title exacerbate the sinkhole syndrome,

UDZ – an Urban Development Zone within which property owners can apply for a UDZ incentive.

UDZ Incentive – This is a tax incentive, (See Section 13*quat* of the Income Tax Act, 1962 (Act no. 58 of 1962), offered within urban development zones. It is aimed at encouraging inner city renewal across South Africa. Any taxpaying, property owning, individual or entity may claim the tax benefits of the UDZ incentive. The incentive takes the form of a tax allowance covering an accelerated depreciation of investment made in either refurbishment of existing property or the creation of new developments within the inner city, over a period of five, or seventeen years, respectively.

Ends August 2005