

Western Cape Property Development Forum – Conference 2016

Chairman's address

Viola Manuel, Madam of Ceremonies, this is the third year in a row that you are presiding at this conference. I know you run a very tight ship that leaves port on time and reaches its destination with all hands still on deck. But, because this is the third time we are sharing the stage together, I am going to take some liberty in dealing with the protocol in a slightly more informal manner.

When we conceptualised the Development Forum Conference in 2013, we asked ourselves what we would like to achieve with this event. Our practical goal was to bring the local development industry together with government decision makers and to create an opportunity where developers, officials, consultants and politicians could learn from eminent speakers. Our strategic goal was, and remains, to expose the public and private sector role-players to each other's realities and to create channels of communication with the purpose of creating a development-friendly environment.

If I look across the audience, I think we have achieved our first goal: bringing the focus group together in one space to listen to a number of incredibly strong speakers. We have a 30% increase in registrations from last year. I think the industry likes this event!

Back to protocol:

Madam Mayor, as our Conference Key-note Speaker, welcome. You do not only qualify as a key decision-maker, but you most definitely qualify as an eminent speaker. Perhaps, more importantly, at this event, if I look at the property holdings of the City of Cape Town, you probably qualify as one of, if not the biggest, property asset managers and property developers in the Western Cape. Thank you for taking time out of your extremely busy schedule to speak to us today.

In the audience, I see Mayoral Committee Members and Councillors of Cape Town:

Cllr van der Merwe: Energy, Environment and Spatial Planning, who chairs an ongoing work-group with the WCPDF, and Cllr Gareth Bloor, responsible for Economic Development amongst other things.

And for the first time this year, Councillor Wayne Craig from Bitou Municipality.

I see Piet van Zyl, the HOD of the Department of Environmental Affairs and Development Planning who has overseen a cultural change in that Department

And Japie Hugo, the Cape Town Executive Director for Energy Environment and Spatial Planning.

I also see a number of provincial and municipal officials from various municipalities.

The Forum stands in association with a number of professional and industry bodies. I am not going to read all of the eight association names – I do, however, see SAPOA's regional councillor, Refquah Ho-Yee, in the audience.

There are a number of developers present, some representing listed property funds and some investing their own money in the industry.

If I look at the list of consultants who are in attendance, it is clear that this event has become a true learning and networking event in the annual property calendar!

I would like to give credit to three professional institutes that see value in the conference and which have accredited the event with CPD Points. These are:

- Association of South African Quantity Surveyors
- Cape Institute for Architecture
- South African Council for the Project and Construction Management Professions

I am aware that IMESA is also looking at accrediting the event – let's hold thumbs.

Madam of Ceremonies, Madam Mayor, I think you would both agree that we have achieved our first goal: bringing together the industry to learn from incredibly strong speakers. To the speakers over the next two days and to our two MC's, Viola Manuel and Rod McPhail, thank you for sharing your knowledge and wisdom.

On the speaker list, I wish to acknowledge Mr Dave Daniels, our keynote speaker of tomorrow, who is by now the most experienced planning tribunal chairman in the country, and Professors Brian Kantor and Francois Veruli, who by now should qualify for naming rights to this event – I think it is three in a row for both of you?

An event like this would not be possible without sponsors and organisers. To Vodacom, thank you for coming to the party with your corporate sponsorship, and illustrating how important data provision has become in the property development industry.

To Peter Aspinall and his team from SBS Conferences, thank you for helping to make this event a success, once again!

To the conference committee, Alwyn, Jedd, Rod, Dacre and Charmaine, thank you very much for all your time and effort that you have invested in putting this event together.

And to the rest of the Management Committee that slog away at the thankless task – I appreciate the time and effort that you are investing in the Forum.

In preparing my presentation, I re-read both the Mayor's and my speeches from last year. I think it is important to refer to and comment on some of the things that were said:

Madam Mayor, last year you mentioned the City's focus on data provision. I must say that it has been wonderful to see trenching throughout the City and optic fibre being installed. Hopefully some of these data cables will extend to all of your planning offices very soon.

You spoke about City's focus on energy and the need to not be dependent upon Eskom. Tomorrow we will hear from one of the presenters on what this means for the industry and what the City is already doing in this regard.

You mentioned the need for Cape Town to be competitive and, once again this year, Cape Town has come out tops in recent ratings.

You spoke about the DAMS system (Development Application Management System) and the impact that this would have on development applications. I will refer to DAMS later in my presentation.

And, finally, you told us about your instructions to officials to help, facilitate and work with partners in facilitating economic growth. I do believe that this message has been taken seriously in some quarters. There are, unfortunately, some that should hear the message again.

In my response, last year, I referred to the miracle of development in spite of the multitude of statutory, technical, financial and market-related limitations and forces that play out on property development. I challenged you to wave at construction workers because what they were busy with, was, in fact, a miracle in itself. I hope you are still waving at them when you pass by.

I spoke about the precautionary approach that has become endemic amongst officials.

I reflected on the danger of doing business in an over-regulated environment.

The one theme that we both recognised at last year's event, was that the development environment would never be the same again due to fundamental legislative changes as informed by our constitution. Local authorities had, once and for all, been mandated to fully manage land-use planning process.

We both looked forward to the new planning tribunal system. Tomorrow we will have the privilege of hearing feedback from David Daniels, the chairman of the first municipal planning tribunal under the new planning legislation, another first for Cape Town.

Lastly, we both dreamt of a culture of delivery being endemic at provincial and local government levels in the Western Cape. I think we are both still dreaming this thought.

And so, this year, we continue chipping away at the block, so to speak.

Today, Madam Mayor, I would like to report back on what the Development Forum has been up to in the last year. Probably the most valuable investment from the members of our Management Committee has been the many voluntary hours spent in undertaking a spot survey of 'front-of-mind uses' within our membership. This entailed one-on-one interviews, drafting of comments, followed up with questions and reporting back to the Management Committee. One of our members, Andy Miles, who will be participating in this afternoon's panel discussion, brought his vast business management consulting experience to the table and collated the findings. Today, I would like to highlight some of our findings:

DEVELOPMENT APPLICATION MANAGEMENT SYSTEM (DAMS)

The initiation of the electronic management system for the processing of land use and building plan applications can be celebrated as another first for the City. But, as you know, the system itself and the process of introducing this system have not been without difficulty! We have spoken about the frustrations experienced by the conveyancing industry. The Forum has received numerous complaints about memory sticks being lost and having to revert to paper applications.

Madam Mayor, the topic of DAMS will be dealt with in detail in this afternoon's panel discussion. What I would like to point out this morning, is that the Forum has spent many hours with some of your senior officials looking at the system and analysing problems being experienced. Your Finance Department has been looking at the rates clearance process with the Law Society and vast improvements have already taken place.

Although it is premature to report in detail, and without stealing the thunder of this afternoon's panel discussion, I can already mention some of our findings:

- DAMS is a City Managerial System. It is not a Planning Department System
- The system can only work if there is multi-departmental buy-in from all departments in the City. Yes, the system is managed by the Planners, but nearly every department in the City is required to work with the system.

Therefore each department in the City must work with DAMS as if they owned it themselves.

- And if every department is required to work with DAMS, the questions we are asking are the following:
 - Are all departments trained adequately to work with the system?
 - Are these sister departments adequately resourced to work with the system?
 - And, most importantly, who is measuring each Department's performance in context of DAMS?

I can inform the delegates today that the Forum and the City have set up a work group to look at DAMS in great detail.

Madam Mayor, I would like to ask today for your personal endorsement of this work group and to ensure that the findings of the work group, when available, be given serious attention so that the proposed actions be implemented, irrespective of the resources required to optimise the management system. We believe that the basis for a great system already exists. It just needs to be used properly by everybody, including the private sector.

VIRTUAL BUDGETS OF DEPARTMENTS

Madam Mayor, something that is not unique to the City of Cape Town, is what I like to call, the 'Virtual Budgets' of government departments. This system exists at Province and it also exists at the other municipalities in the Western Cape.

As you know, every government department gets allocated its share of an overarching budget. (And every department will always complain that it does not get enough!) Each budget allocation is monitored through formal processes and, in the Western Cape, this is done extremely thoroughly. But what is **not** being measured, is what I term, the 'virtual budget'.

The 'virtual budget' that I am referring to, is the money being spent on behalf of government that never passes through government books! Let me explain:

- Through the process of statutory applications, the approving authority has the opportunity of giving authorisations subject to conditions.
- These conditions more often than not require further capital investments by the applicant. In principle there is nothing wrong with this. There should be an opportunity cost associated with the granting of development rights.
- But where these conditions result in technical requirements and standards that even the Municipality or Province cannot adhere to themselves, the playing field just becomes unfair, to put it plainly. Because a department does not wish to allocate money to maintenance, technical specification requires standards that are way too high. Bearing in mind that development costs are passed on to the end user, overtly high technical standards and resulting costs are really just another tax on the end user, the consumer.

Madam Mayor, if any municipality wishes to grow its revenue through rates, the cost of doing business in that municipality requires serious discussion.

It is time to talk about the technical standards that the private sector is expected to adhere to. At this point I must bemoan the fact that The Forum has attempted to set up a similar workgroup to the DAMS group with the City, but we have, unfortunately, not had any success yet!

I am, however, happy to report that, when it comes to planning related conditions, the City has drafted a handbook of conditions that must be referenced when placing conditions on an application. I would like to congratulate Japie Hugo and his team for initiating this Standard Operating Procedure. The challenge is now to the development industry to study this SOP and for planners to pro-actively identify the conditions that are relevant to an application.

DEVELOPMENT LEVIES

And whilst I am talking about conditions of approval, I would like to raise the topic of Development Charges. (I must say that there is some honesty in the term, it is a charge. In the past it was softened to Development Contributions!)

Madam Mayor, the 'one size fits all model' that the City has implemented, is a good and transparent system. But what we are missing is a fast-track process by which the City can waive Development Charges. The Forum would like to put on the table the fact that the cost of developing in the poorer and disadvantaged areas is undermining investment in those areas that require it the most!

As it stands, once Development Charges are specified as conditions of approval, the process needs to back-track all the way so as to change the specific condition. This takes time and is not always practical. Can we please look at ways of facilitating development in poor areas, where rentals and sales values cannot sustain the costs of Development Charges? The industry needs a process whereby this issue can be dealt with on a case-by-case basis.

PROCESS OF CONCEPTUALISATION OF NEW LEGISLATION AND POLICIES

Madam Mayor, the Western Cape Department of Environmental Affairs and Development Planning is currently compiling a number of articles in book-form on the recent changes in the planning legislation arena. I was asked to submit an article which, I am not sure, will necessarily make the cut – we'll wait and see!

The view that I expressed in my article was that we need to seriously think about how we conceptualise and draft new legislation and policies. The Forum's experience with the drafters of the Land Use Act (Province) was one of absolute transparency and open debate. The industry was not confronted with *de facto* conclusions. Our comments were taken extremely seriously and we could see substantial changes in the final product.

The challenge that I would like to put on the table today to all spheres of government is the following:

- Before you start drafting new legislation or policies, please talk to the relevant industry about the concept, about what you want to achieve and why.
- And once you have a draft, please do dry-runs with industry role players on the practical implications of the legislation or policy. The public has

participation fatigue. But what we found, when we did the one-on-one member visits, is that people are more than willing to give time and honest response when there is 'face time'. (If you ask them to comment via an advertisement in the papers, please don't expect much of a response!)

- And the challenge to politicians: please refuse to approve or promulgate legislation and policies which the drafters cannot prove to you have been tested with the relevant industry. And most importantly, if the product has not gone through proper testing with industry at concept and draft stages, please send it back to the drafting table.

ROLE OF PORTFOLIO AND OTHER OVERSIGHT COMMITTEES

This leads me to the role of portfolio and oversight committees. At national level we have a tradition of portfolio committees interrogating ministers, officials and industry role players in Parliament. Granted that some of these events appear to be scripted at times and, unfortunately, majority vote is sometimes used to silence fair comment. At least our press still covers the total debate and not just the conclusions reached by these bodies.

This brings me to local authorities and the role of oversight committees in municipal management.

I have already referred to DAMS and the fact that all departments in the City need to buy-in to this management system. The question is whether each Departmental Portfolio Committee in the City of Cape Town is ensuring that the respective Department is working with the system and resourcing its obligation sufficiently. Should, for example, the Roads and Storm Water Portfolio Committee not be as interested in the number of comments and departmental issues on land use applications and, as importantly, the time it takes in commenting on land use applications? Surely, its income as a department, is as dependent on the growth in the rates bill of the City as any other department in the City! And should the Spatial Planning Portfolio Committee not receive reports, not only on building plans passed, but on the number of land use applications in the system, and the number of times

that the “time re-set button” has been pushed on the DAMS system by officials asking for additional information on DAY 29? Is the processing then truly 95% efficient?

Property development is about bringing together a multi-disciplinary group of specialists, both on the side of the applicant, as well as on the part of the assessing authority. The end result in property development should lead to investment, job creation, and ultimately, growth in municipal income through sale of utilities and property rates. Yet it does not seem that we have figured out a way of measuring the multi-disciplinary performance. It is time that each oversight structure starts to interrogate its specific discipline with an eye on the bigger picture – the growth of the City’s economy and rates base.

The question, Madam Mayor, to the City, as to any other tier of government, is: are we asking the correct insightful questions when we monitor at Portfolio Committee level? Perhaps it is time for industry to sit down with the various Chairmen of these committees and look at the questions being asked! The Forum will gladly participate in such a process.

CLIENT SURVEYS

I have referred to the multi-disciplinary nature of property development. I have also spoken about the membership survey that the Forum undertook and the appreciation of members because someone took the time to speak to them face to face. For the purpose of discussion, I would like to refer to these interviews as Client Surveys. Forum Management Committee members, who work in and understand the development environment, spoke to people risking time and money in the same industry. This was not a case of some statistical orientated survey company, which knows nothing about property development, undertaking a survey! It was a case of people in the know speaking to people in the trenches!

I would like to put down another challenge to all Government departments in the Western Cape, whether at provincial- or at municipal level. Please start to talk to your clients and find out whether they are happy with the service. Make

appointments and send knowledgeable people, people who understand property development, to speak to the people that are investing in your province and in your municipality. (By the way, please include Province Public Works and City's Housing Department on the list of interviews. They are also property developers). You will hear the truth and you will get practical suggestions. And you don't even have to pay for your client's time! Would it not be a unique selling point of Province and the City if there were close-out interviews occurring on a regular basis? And would this not lead to even greater client loyalty?

I see John Peters from Province on the speakers' list. Perhaps we should think of Closure Interviews as part of the Province's Red Tape to Red Carpet project. And if you decide to do such interviews, please make sure that you do these interviews with Heritage applicants as well.

DEVELOPMENT IN THE REST OF THE WESTERN CAPE – LEARNING FROM EXPERIENCE

Madam Mayor, what I find very exciting and stimulating about this discussion, is the fact that we are not debating from a low or a broken base. Cape Town, under your leadership, is already 'shooting out the lights' when compared to other South African cities! It is no secret that Cape Town is the darling of Treasury, very simply because the City does what it undertakes to do!

Cape Town is the dominant Municipality in the Western Cape. But there are other opportunities raising their heads in the province. The mere fact that Bitou and Stellenbosch Municipalities have sent representatives to this event is proof thereof.

Although this event is not about party politics, you do happen to be leader of the dominant party in the Western Cape. Therefore indulge me to say the following:

Thousands of job seekers arrive in the Western Cape every month. 40 to 60 affluent families are moving into Drakenstein Municipality every month. The Saldanha Bay Economic Development Zone is appearing on the horizon. Everything that we are

talking about, in context of Cape Town, is true for every other municipality in the Western Cape.

I believe that the growth and rebuilding of the true South Africa will come from the Western Cape, not because we are better or wiser, but because we have good management systems that do not require to be rebuilt, as might be the case in other parts of South Africa!

It would be incredibly sad if every municipality in the Western Cape, or even in South Africa, still need to learn the lessons that Cape Town has already learnt! We have already seen how the Province and the City have written the templates for provincial and municipal planning legislation. I believe this province is the leader. We need to find ways of helping other municipalities and provinces with our knowledge and experience. How this will be achieved, I do not know. We need to think hard and creatively!

Madam Mayor, Delegates, I would like to wrap up my presentation.

I am very excited about the next two days. I wish we were double the numbers. Let's see what next year brings.

I am looking forward to stimulating debate, new contacts and new friends. (I am also looking forward to tonight's cocktail function!)

Thank you for spending the next two days with us.

If you are not yet a Forum member, please sign up. We need your knowledge and experience.

We need to make the Cape even more attractive to investment and to create yet even further opportunities!

THANK YOU