

Request for Technical Assistance from the Cities Support Programme to support the Mangaung Metropolitan Municipality with Catalytic Land Development Programme Preparation

Mangaung Scoping Report (Draft version 3.2)

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1 Introduction

1.1 Request for Assistance

On 27 February 2018, the Mangaung Metropolitan Municipality (MAN) sent a formal request letter to the Cities Support Programme (CSP) for technical assistance with Catalytic Land Development Programme Preparation of the Airport Development Node (ADN), which falls under the municipality's Integration Zone 2. That letter of request contained a high-level description of the identified Catalytic Land Development Programme (CLDP), an outline of key areas of support required, and a range of technical supporting documentation.

Mangaung Metropolitan Municipality indicated that the envisioned catalytic programme for the site was for two main phases. The first phase is to be a southern portion situated below the N8 Airport Interchange and the second phase shall be the Northern portion, which is located around the North-western boundary of the Bram Fisher International Airport. The development proposal for Phase 1 consists of residential and commercial land use. The commercial activities targeted for the area would be retail, business, hotels, clinics, educational facilities and government buildings.

The letter of request sent to the CSP requested support for the following:

- Technical assistance
- Financial modelling and support
- Implementation following catalytic project cycle
- Project management
- Investment promotion and attraction

The CSP responded to the request for support by undertaking a scoping exercise at MAN to further understand the needs and assess the precise status of the catalytic programme.

This Scoping Report serves to provide clarification on the status of the Airport Development Node (ADN) Catalytic Land Development Programme (CLDP), provide feedback on the scoping visit, and delineate areas of support the CSP can provide.

1.2 Catalytic Land Development Programme life-cycle (the Preparation Phase)

A key part of implementing Built Environment Performance Plans (BEPP) is the planning and implementation of Catalytic Land Development Programmes (CLD).

CLDPs are, typically, spatially integrated interventions which:

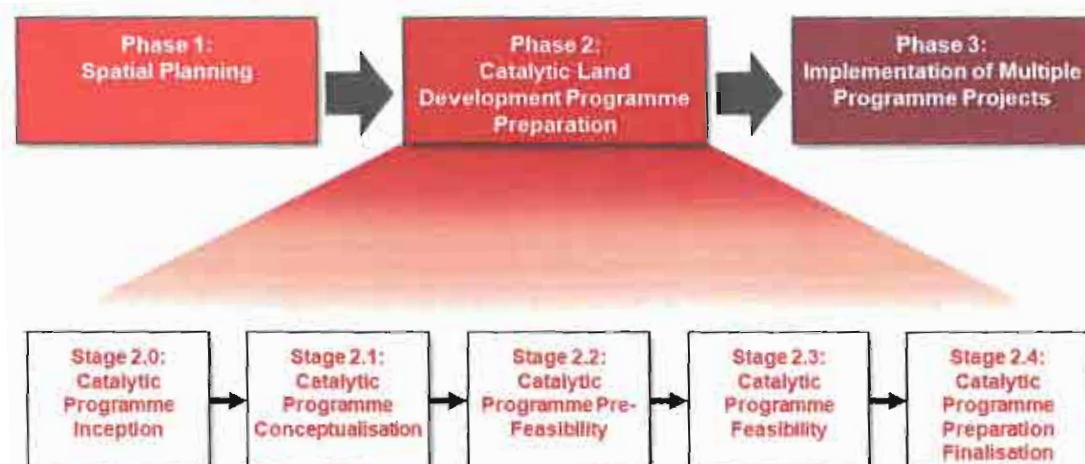
- Have significant impact on spatial form and unlock economic activity
- Comprise mixed and intensified land uses with the residential land uses accommodating a range of income bands at increased densities
- Support the viability of public transport systems
- Involve major infrastructure investment
- Require a blend of finance where a mix of public funds is able to leverage private sector investment as well as unlock household investment
- Require specific skills across a number of professions and have multiple stakeholders

These CLDPs are an ensemble of all related projects (municipal managed, Public-Private Partnerships (PPPs) and private sector related projects) to be implemented in a specific spatially targeted area and from which the total inter-governmental pipeline of projects is planned.

CLDP formulation is a complex, multi-sector exercise that requires (i) a strong vision and clear set of development objectives (could be financial, social, economic, cultural, or environmental in perspective), (ii) specialist sector skills (iii) advanced project management skills, and (iv) an understanding of (and willingness to partner with) beneficiary communities and property developers.

As indicated in Figure 1 below, the CLD Preparation Phase commences once the BEPP and allied city level planning has identified and located the CLDP intervention and ends when the CLDP master programme and schedule is completed, approved, PPP or private related projects are finally prepared and the individual projects with the CLDP are ready for implementation. This Catalytic Programme Preparation Phase is preceded by Phase 1 of the Catalytic Land Development Cycle where the municipality conducts spatial planning activities in accordance with the National Treasury's Built Environment Performance Plan.

Figure 1: CLD Life-cycle



In order to effectively manage CLDP Preparation, it is useful to divide the CLDP Preparation Phase into a sequence of stages. The CSP has defined five stages within the CLDP Preparation phase (see Figure 1 above).

Further description of these stages is provided in Table 1 below.

Table 1: Five Stages in the Programme Preparation Phase

Stage	Overview of Stage
2.0. Catalytic Programme Inception	Commencement of the CLDP Preparation Phase. Typically involves: <ol style="list-style-type: none"> Establishing a brief description and motivation for the CLDP with high-level articulation of objectives as they relate to the BEPP. Establishing an overall cost indication of the intervention. There are two cost implications that need to be calculated namely, (i) the costs to take the catalytic programme through the CLDP Preparation Process and then the estimated cost to implement all the component CLDP projects (Phase 3). This second component is not envisioned to be detailed at this preliminary stage. Naming numbering and registering the CLDP within City systems. Securing the go ahead needed to formulate the CLDP concept.
2.1. Catalytic Programme Conceptualisation	Formal conceptualisation of the CLDP Concept includes; definition of strategic objectives and impact, high-level analysis of contribution to municipal strategy, the typology of the CLDP and land use mix proposal and outline yields, with an accompanying high-level marketability report. In addition, an indication of the time frames and resources that will be needed to take the CLDP forward should be compiled.
2.2. Catalytic Programme Pre-	Stage aimed at undertaking scoping investigations into the physical constraints, bulk services availability, land availability, market constraints, etc. to derive a high-level analysis of potential

Stage	Overview of Stage
feasibility (primarily for options analysis)	options for top structure development and for structuring the programme going forward. A set of development options are generated and critical risks of each assessed to identify a preferred option of land development that will be the focus of the Feasibility Stage.
2.3. Catalytic Programme Feasibility	The stage to clarify the preferred development option with a detailed breakdown of the CLDP into component projects (the Master Development Schedule) together with confirmation of the placement of the component projects on the MTEF/IDP of the responsible funding authorities. The stage also includes a detailed risk analysis and risk mitigation plan for the programme. Moreover, if private sector involvement comprises part of the Preferred Option, critical steps and processes must be programmed within this stage.
2.4. Catalytic Programme Preparation Finalisation	<p>The stage aimed at finalisation of the Master programme and schedule for implementation (minor changes) of each component project showing duration, implementation stages and cost elements per implementation stage.</p> <p>This stage entails the preparation activities for work going forward (such as final rezoning, funding secured for municipal projects per vote, preparation for private sector related projects, procurement of for example master developers). It entails the mobilisation of implementing organisations (IOs) and the formulation of the implementation specifications for component projects of the CLDP and the establishment of the institutional mechanisms for the Implementation Phase.</p>

Given that the life-cycle stages are a relatively new introduction, it is not expected that existing metropolitan catalytic land development programmes will conform to these stages. Rather, the stages provide a guidance mechanism to examine the status of programme development in consultation with the municipality.

2 Scoping Visit Activities

2.1 Objectives of the Visit

The rationale for the scoping visit was to deepen the understanding of the identified CLDP. This included the following objectives:

- To engage with various departments and key stakeholders to understand the history and status of the CLDP.
- To obtain further understanding of the various sub-projects contained within the overall CLDP.
- To understand precisely the key issues and blockages the CLDP has faced in its further development.
- To scope the potential for support and assistance from CSP to MAN in greater detail.
- To obtain information that will aide in the further definition of the exact nature of support to be provided by a panel review or other forms of support.

The information obtained from the scoping exercise enables the CSP team to better understand the current status of the CLDP and better identify key support activities for the MAN's Airport Development Node.

2.2 Activities undertaken

The scoping visit took place over two days, the 19th and 20th March 2018. The table overleaf provides a breakdown of activities during the visit.

Table 2: Scoping Exercise Activities

	Monday, 19th March 2018	Tuesday, 20th March 2018
8:30 to 9:30	Introduction and setting of visit agenda with Head of Economic and Rural Development	Review of findings and discussion of documentation with City Officials (same attendance as previous day)
9:30 to 10:30	Engagements with City Officials including: <ul style="list-style-type: none">• Teboho Maine – HoD: Economic and Rural Development• Bheki Mthembu – HoD: Planning• George Masaubi – Strategic Support: Planning• Olebogeng Mojaki – Manager: Human Settlements• Malefetsane Mokoena – General Manager: Human Settlements• Attie Heerden – Engineering Services• Bennet Comakae- General Manager: Strategic Support• Mlondolozu Ndlovu – HoD: Engineering Services• Maleshoane Sehume – Manager for Gap Housing• Willem Pretorius – Strategic Support	
10:30 to 11:30		
11:30 to 12:30		
12:30 to 13:30		
13:30 to 14:30		
14:30 to 15:30		Close-out of Site Visit
15:30 to 16:30	Site Visit (Airport Node Development and Surrounds)	
16:30 to 17:30		

3 Understanding the Airport Development Node

3.1 Rationale for the Airport Development Node

Officials, during scoping exercise discussions, indicated the following motivations for ADN:

- Counteract the development trends that are pushing development further to the West and bring potential linkages to Botshabelo
- Provide opportunities for greenfield development since the CBD is largely built-out
- That the ADN emerged as a priority for development along the N8 corridor as it had strong accessibility to the major arterial and is municipal-owned land
- That a development at the ADN site would provide potential residents with a lower-cost transportation burden for work in the Transwerk and East End Industrial areas
- That the ADN is proximate to existing railway infrastructure and that further investment in public transport infrastructure would

link previously disadvantaged communities to economic opportunities

According to MAN officials, the desire to develop a node in proximity of the airport originates with the Integrated Development Plan (IDP) of 2001/2002. Documentation given during the scoping visit shows that as far back as 2006, MAN began motivating for the development of a corridor strategy on the N8 between Bloemfontein CBD and Thaba Nchu / Botshabelo.

The document, Mangaung N8 Corridor: Planning and Implementation Framework, dated June 2006, states that the vision for the N8 corridor included “the maximisation of empowerment and upliftment of local communities within Mangaung and also beyond the municipal area.”¹ The documents identifies sixteen objectives for the N8 corridor within a range of categories from economic to environmental.

Table 3: Objectives for Mangaung N8 Corridor Development (2006)

Category	Objective
Economic and Financial Objectives	<ol style="list-style-type: none"> 1. Increase economic opportunities in the activity nodes; 2. Improve the efficiency of infrastructure through intensification, 3. diversification and concentration of land use; 4. Increase foreign investment; 5. Reduce transport costs for the poor;
Transport Objectives	<ol style="list-style-type: none"> 6. Increase the use, efficiency and quality of public transport; 7. Increase accessibility of public transport;
Social Objectives	<ol style="list-style-type: none"> 8. Improve access to social services; 9. Improve security; 10. Provide in the transport needs of special groups such as the elderly and people with disabilities;
Physical/ Urban Form Objectives	<ol style="list-style-type: none"> 11. Integrate the different communities along the N8; 12. Improve access to and from the activity nodes;
Institutional Objectives	<ol style="list-style-type: none"> 13. Improve inter-governmental relations; 14. Build partnerships through the development of the corridor;
Environmental Objectives	<ol style="list-style-type: none"> 15. Reduce the need for motorised transport; 16. Reduce pollution; 17. Contain urban sprawl by focusing development on the activity nodes.

Source: Manguang N8 Corridor: Planning and Implementation Framework. June 2006

¹ Manguang N8 Corridor: Planning and Implementation Framework. June 2006

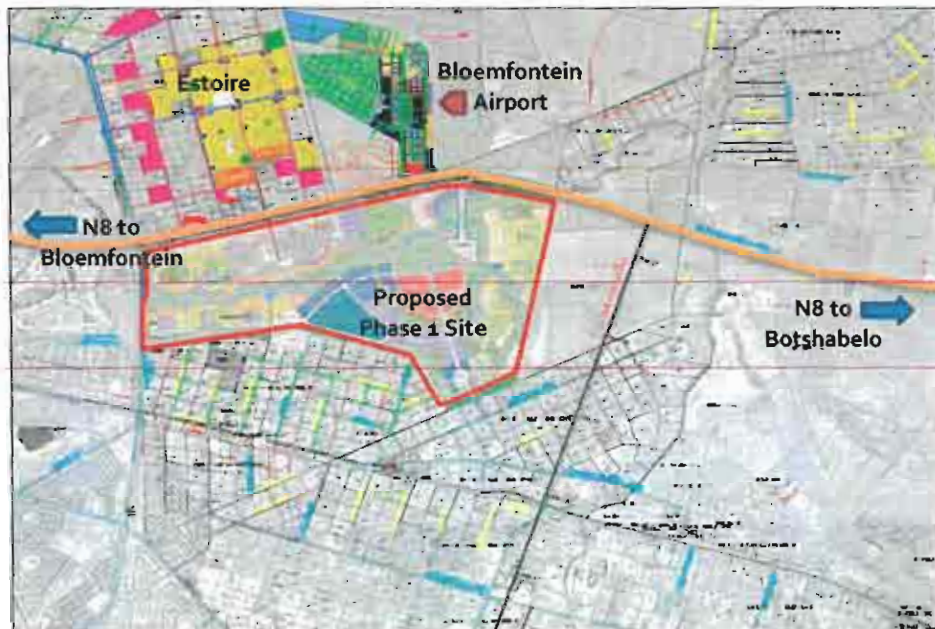
As of 2006, the node was indicated as a key point of entry for visitors to the metropolitan municipality.

Discussions with officials during the scoping visit indicated that the motivation and rationale for the Airport Development Node (ADN) became more focused and refined in later iterations of the IDP as economic strategies for the entire N8 node further developed. However, within the documentation provided, there is no document setting out objectives or rationale specifically for the ADN.

3.2 Location of the Site

As illustrated in figure 2 below, the ADN site is located adjacent to the N8 between Bloemfontein and Botshabelo. The two phases of the site are apportioned on land north and south of the N8. Phase 1, consisting of 700 hectares and south of the N8, was the focus of the scoping visit. The CBD of Bloemfontein is approximately 6.5 kilometers to the west of the site. Directly north of Phase 1 and across the N8, is the Bloemfontein airport and the Estoire development. Land use adjacent to the proposed Phase 1 site is a mix of light industrial and residential.

Figure 2: Locality of Site



Source: Powerpoint presentation. ACSA Briefing. Mangaung Metropolitan Municipality. 5th May 2013.

3.3 Description of Airport Development Node

The proposed development of the Phase 1 site is a mixed-use development precinct, focused on both office/ commercial precincts and residential opportunities. The development also proposes to incorporate flagship developments such as an International Convention Centre and Tertiary Education institution.

The proposed conceptual design of the ADN takes the form of a large precinct with a water feature and river (Bloemspruit) as the primary focal point as illustrated in the figure below.

Figure 3: Conceptual Layout of Airport Node (Phase 1)



Source: Powerpoint presentation. ACSA Briefing. Mangaung Metropolitan Municipality. 5th May 2013.

In 2012, MAN commissioned the development of Phase 1: Development Guidelines for the site. From the 2012 Airport Node Development Guidelines, the proposed land use zones include the following:

- Green open space
- Heritage precinct
- Public facility
- Public transport precinct
- Hospitality
- Business Node
- Residential (Various densities)

- Retail
- Commercial
- Mixed use precincts

These development guidelines proposed an estimated development potential (provided in the table overleaf) based on the proposed form and regulations for each land-use zone. The development guidelines also provided requirements and design standards for public facilities as well as streetscapes.

The concept also contains some targeted leisure areas such as a golf course and linear park. The spatial conceptual design work is at an advanced stage, with an approved township plan and with sub-precincts defined in form and function. The Professional Service Provider (PSP) team has produced architectural renderings of proposed approach to residential typologies as demonstrated in the figure below.

Figure 4: Conceptual Designs for residential typologies (Phase 1)



Source: Powerpoint presentation. *ACSA Briefing*. Mangaung Metropolitan Municipality. 5th May 2013.

Table 4: Estimated Development Potential of ADN

	Public Rights of Way	Green Open Space	Heritage Precinct	Public Facility	Public Transport Precinct	Hospitality	Residential A, B, C, D	Mixed Use A	Mixed Use B	Business Node	Retail	Commercial	Total
Gross Area (ha)	52.0	60.9	7.5	6.4	2.9	5.6	39.9	5.6	25.8	7.6	11.3	12.6	238.2
Estimated Net Development Area (ha)	70.1	60.9	7.2	14.6	2.9	4.8	28.7	4.0	18.8	6.5	9.6	10.1	238.2
Commercial Floor Area (m ²)					86 500	167 300		29 700	353 200	207 500	192 400	151 200	1 187 800
Number of Dwelling Units							3 300	250	590	260			4 400

Source: Bloemfontein N8 Airport Node- Phase 1: Development Guidelines, Mangaung Metropolitan Municipality, December 2012.

3.4 Chronology of Major Events and Current Status

As part of the Scoping Exercise, MAN provided the CSP team a set of documents (listed as Appendix A) to assist in clarifying the ADN's evolution as a development node. The following section offers a chronology of ADN as best discerned from the provided information.

Discussions with MAN officials highlight that much of the impetus for Airport Development Node is tied in with ACSA approaching the municipality in 2010 in an effort to develop land adjacent to the airport. According to officials, around this time Old Mutual also began the development of Raceway (a residential focused development proximate to the ADN site). These events led officials to focus on infrastructure development within the corridor.

As previously mentioned, the ADN is noted in the IDPs from 2001/ 2002, but much of the documentation provided at the scoping visit relates to the period from 2012 to 2014. It is our understanding that this corresponds to the procurement of PSPs to work on the ADN. Pro-Plan Consulting Engineers were appointed by MAN in November 2012 for the following services:

- Studies and implementation planning and designs (Environmental, Township Establishment and Engineering)
- Project Management of the ADN implementation process

Additionally, specialist PSPs were appointed by MAN for professional work in addition to Pro-Plan in 2012. These PSPs included:

- Group Five Survey - Topographical Surveyor
- SIMLAB - Geotechnical
- Royal Haskoning DHV - Floodline Assessment
- ECO CARE - Wetland Delineation
- ECO CARE - Fauna Assessment
- ECO CARE - Flora Assessment
- Aurecon - Bulk Infrastructure Study

Documentation provided during the scoping visit indicates that a full master plan for the total Airport Development Node (Phase 1 and Phase 2) was tabled in March 2013. This master plan was a revision that incorporated proposed layout changes including:

- WWTW buffer zone
- Environmental Considerations (Wetland, Fauna & Flora)
- Exclusion of Portion 2 of Sunnyside 2620
- Re-alignment of railway and station

- Incorporated the Outer Ring Road Alignment

The various technical services reports, design documents, and record of activities (list provided in **Appendix A**) indicate a significant amount of work was conducted in developing and designing the ADN from a spatial and technical design standpoint.

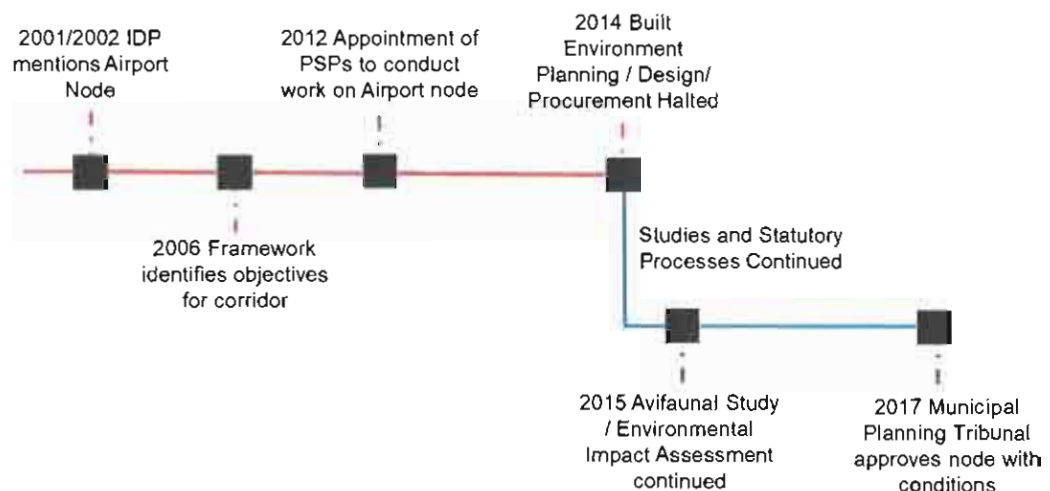
A Pro-Plan Progress Update Presentation, dated February 2014, indicated an expectation that construction for Phase 1 would go to tender in March/April 2014. The construction activities have not yet occurred and MAN has explained that this is due to the outstanding township proclamation.

It appears that certain activities ceased in 2013/14, but that certain studies continued, such as the procurement of an ornithologist to conduct an avifaunal study in July 2015. Additionally, as of 2017 the Environmental Impact Assessment was underway but facing some challenges with completion (as of 25 September 2017 there were still some comments from Airports Company South Africa to be addressed). A presentation by MAN dated 18 September 2017, cited that version 22 of the township establishment plan was approved on 18 August 2017. A separate documented dated 15 September 2017, shows a record of decision by the Municipal Planning Tribunal to approve the plan with conditions. Conditions as specified by the Municipal Planning Tribunal included:

- That Mangaung Metropolitan Municipality as the developer install the internal services unless otherwise determined as agreed by council;
- That, in the case of the development done by a PPP a service level agreement be developed for the provision of services (internal and external);
- That, the conditions as set out in the “Record of Decision,” be considered in the development and the relocation be considered based on the nature of sensitivity of the eco-system;
- That a developer develop a golf course and/or a regional park along the open spaces in the development;
- That the Mangaung Metropolitan Municipality adhere to noise and safety measures around the airport;
- That before any development commence, service level agreements concerning the provision of infrastructure (bulk as well as internal networks) for sewer, water, electricity, stormwater, and roads, be signed between the developer and the Mangaung Metropolitan Municipality.

All information taken from Memorandum “Decision Letter to Applicant” from Municipal Planning Tribunal to the municipality, dated 15th September 2017. A high-level timeline of activities is provided in the figure below.

Figure 5: High-level summary of the timeline of activities for Airport Node Development



According to a MAN presentation dated 17 September 2017, current activities undertaken by MAN include:

- Finalisation of land surveying activities (the team's understanding is that a PSP has been procured since this presentation and expected to complete work in May 2018)
- Finalisation of the Environmental Impact Assessment report (the team's understanding is that a PSP has been procured to address all comments from Free State Province Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTE) and Airports Company South Africa (ACSA))
- Proclamation of the township establishment (MAN officials indicate this is expected by the end of July 2018)

This same presentation proposed future projects for 2018/19 -2020/2021 including engineering designs for roads, sanitation, storm water, etc.

MAN officials state that they have also recently engaged with external role-players:

- Engagements with Edison Group -who has conducted market analysis on potential commercial development
- Engagements with the Provincial Office of the Premier – who has conducted studies for the proposed International Convention Centre (status undefined)

3.5 Catalytic Programme status as related to the CLD life-cycle

The CLD life-cycle has not been a prescribed process for CLD development but is premised on widely-accepted principles of best-practice in large-scale, multi-project land development initiatives. It provides a framework for assessing the development and progress of catalytic programme preparation.

The team recognises a significant amount of effort has been put into the detailed design of the ADN, but there is a risk these outputs might not necessarily result in the desired outcome. Certain elements of CLD programme development, such as conceptual master planning and engineering studies, are at a final stage while economic analysis and clear delineation of objectives are absent. The table on the subsequent page provides an assessment, per stage of the life-cycle, of critical considerations.

Table 5: Analysis of ADN status related to CLD life-cycle

1 Spatial Planning Phase	2.0 Catalytic Programme Inception	2.1 Catalytic Programme Conceptualisation	2.2 Catalytic Programme Pre-feasibility	2.3 Catalytic Programme Feasibility	2.4 Catalytic Programme Preparation Finalisation	3-Catalytic Programme Implementation
Motivation found in IDPs (2001/2002) and most recent IDP (2017-2022) but no funds allocated in recent IDP	<p>Expectation: Clear demarcation of when programme was formally commenced with initial roles and responsibilities identified.</p> <p>Found from Scoping Exercise: No information of programme commencement -only updates of ADN to council</p>	<p>Expectation: Clear objectives and rationale specifically for ADN</p> <p>Full programme management approach (roles and responsibilities, staff resource allocation)</p> <p>Found from Scoping Exercise: No dedicated document outlining the specific objectives for ADN</p> <p>Programme management (roles and responsibilities) clarified by discussions but not documentation</p> <p>Discussed that there is agreement with province on their support of the initiatives</p>	<p>Expectation: High-level options analysis for the development (institutional approach, land-use mix, project typology (private, PPP, public sector) mix</p> <p>Robust risk analysis against all options</p> <p>Found from Scoping Exercise: No dedicated document identifying range of options before deciding on preferred development option</p>	<p>Expectation: Detailed spatial planning concept, full financial analysis for Phase 3: Implementation economic cost-benefit assessment and institutional approach for the preferred option; Detailed engineering master programme for projects within the programme; Clear integration of inter-governmental pipeline</p> <p>Found from Scoping Exercise: Conceptual Spatial Plan completed, Engineering services reports and studies that can serve as informants to the overall Feasibility, limited financial costing for Phase 3: Implementation: no economic cost -benefit assessment</p>	<p>Expectation: Full budget preparation for projects within the programme, Listing of all municipal project budgets on municipal vote, preparation of PPP procurement documents and marketing strategy</p> <p>Found from Scoping Exercise: No preparation for PPP projects, some project briefs for municipal projects</p>	<p>Expectation: The implementation of a master programme of all projects within the CLDP, tied to specific budgets and timeframes</p> <p>Found from Scoping Exercise: Specific infrastructure expenditure</p>

4 Issues and Considerations

4.1 Record of Discussions

Discussions with Mangaung metropolitan officials highlighted the following concerns and needs from the metro's perspective. These include the following categories:

Conceptual Development

- **Bringing cohesion to the development vision** – Officials indicated that the elapsed timeline of the Airport Development node meant that the current vision lacked cohesion and clear articulation of objectives.
- **Relate ADN to other key nodes in the N8 corridor** – Officials indicated that there is a need to ensure that the ADN complements other key N8 nodes within the corridor and current economic activities (ranging from industrial to commercial).
- **Need to solicit engagement from private sector** – MAN officials indicated that the current conceptual design is premised on land-use but there has been only limited engagement with the private sector. sought the stimulation of interest from the development community regarding the opportunities afforded by the Airport Development Node. They wished to understand the best strategy for stimulating private sector investment.

Preparation and Management

- **To understand if ADN relates to the CLD life-cycle** – MAN officials wanted to test the alignment of ADN against the CLD life-cycle stages to identify where the ADN stands according to the stages. They acknowledge that work had been done for the conceptual development and seek to identify what gaps need to be filled.
- **Better position the ADN across key departments** – MAN officials stated that all previous work had been done under the planning department and that the ADN needed to be re-calibrated to include additional key departments.
- **Support for additional resources and financing** – Officials indicated that additional resourcing and financing was required to realise the vision for the node.

▪ **Key challenges to the Environmental Impact Assessment -**

Comments from ACSA and DSTEAs indicated concerns about the proposed water body within the development related to and implications for bird populations. Additional concerns were environmental impacts from the proposed commercial uses. These issues are still to be addressed.

4.2 Observations

The scoping visit identified several observations for consideration:

▪ **Institutional structures and management approach-**

The development of a CLDP is an extensive exercise, requiring considerable and varied expertise. There is a concern that the development of the Airport Node relies on line departments and municipal reporting structures with little dedicated capacity. A clear catalytic programme management plan is needed to identify roles and responsibilities, reporting lines, and mitigation strategy for capacity constraints.

▪ **Specific objectives of the ADN –** According to MAN, the ADN is at a stage where the conceptual design for the development has been completed, but there is limited information available on the specific objectives of the ADN and how the proposed design fulfils these objectives

▪ **Analysis of funding environment for ADN –** There is little evidence that an analysis of the funding environment in relation to the ADN has been undertaken. A programme of substantial scope and scale, such as the ADN, requires a clear accounting of potential funding sources, detailing their availability, constraints, and requirements. These funding sources would be itemised and ranked in priority or likelihood.

▪ **Existing analysis of market demand -** Any proposals for planned land-use (Residential, retail, commercial, industrial, etc) should be motivated with an analysis of likely demand and trends within specific sub-market segments. Such rationale is not discernible from provided documentation.

▪ **Economic rationale of the ADN –** There is limited evidence of a clear economic rationale or financial feasibility of the CLDP underpinning the conceptual approach. MAN officials indicated that some economic analysis (potential job creation through infrastructure investment) was conducted by the PSP in 2012, but that information was not with the municipality. The ADN must be substantiated with a robust analysis of market dynamics as

well as economic contribution and impact to the broader Mangaung context. Without a strong economic foundation and financial analysis there is a distinct possibility that the ADN will fall short of desired objectives, not achieve necessary uptake of proposed land-use mix, or potentially have negative implications for the greater Mangaung area.

- ***Elapsed time line of the catalytic programme*** – The catalytic programme appears to have first been identified in 2001/2002 however the spatial conceptual design itself dates back to 2013. Many of the objectives for the catalytic development can only be found in documentation from 2006. There is a need to determine if the programme and its development objectives remain valid within the current economic and fiscal realities of 2018.
- ***Current MAN applications and procurement activities*** – MAN has indicated that the ADN is currently in process for proclamation and that land surveyors are conducting work on the site. Depending on the details of the proclamation, there is a risk that a proclaimed township will limit the scope of future possibilities for land development on site and add significant costs should future amendments be required.
- ***Current and future expenditure*** – Much of the infrastructure spend related to the CLDP has been limited to bulk infrastructure (reservoir, substations and waste-water treatment plant). Further capital expenditure should be grounded in demand projections. Such demand projections must be based on land use estimates that are motivated through a strong economic analysis and property market assessment. At this point, the ADN lacks the evidence base to motivate spend.

None of the above issues are without remedy. These considerations simply serve to inform down-stream recommendations that best position the Airport Node for improved success and long-term sustainability.

5 Recommendations

5.1 Immediate issues for consideration

The above observations suggest that the municipality is currently at a critical point in the life-cycle of the ADN. Although CSP support can continue in a variety of ways irrespective of MAN current activities, continuing the current course of actions has certain risks. These risks include:

- A development approach premised on objectives and designs dating back to 2012 and earlier
- A set of delineated land-uses and a top structure schedule that does not match market demand, meet investor needs, or is optimal in current fiscal conditions

Alternatively, a delayed course of action on the township proclamation would afford the municipality the opportunity to address many of the above observations and better position the node for both infrastructure funding applications and private sector attractiveness.

5.2 Addressing the Request for Assistance

The letter of request issued by MAN to the Cities Support Programme (CSP) identified a diverse set of support needs, ranging from technical and implementation assistance to investment promotion and attraction. These support needs would be addressed by different activities and streams of support within the CSP. Yet, they also relate to specific stages of CLDP development which are further downstream than the current status of ADN indicates. Specific comments to the items identified in the request letter are as follows:

- **Technical assistance** – Could be provided in 3-6 months by PSP panels within CSP but would require a brief specific to a particular CLDP Phase 2 stage.
- **Financial modelling and support** – Requires clarity of CLDP objectives to identify specific scope of work for modelling activities.
- **Implementation following catalytic project cycle** – Available at appropriate stages of CLDP development.
- **Project management** – Overall CLDP conceptualisation must be clarified to identify which projects will need project management support.

- **Investment promotion and attraction** – Only appropriate once objectives clarified and specific projects with private sector involvement identified.

More attention on defining objectives and further detailed conceptualisation of the catalytic programme could serve as a starting point to developing a schedule of support requirements. A more precise identification of need would aid in better articulation and motivation for down-stream support opportunities.

The township proclamation has not yet taken place. MAN is in a position to ensure that any land-release and land use strategy is best positioned for market effectiveness and for the overall development of Mangaung Metropolitan Municipality.

The scoping exercise has identified many areas along the catalytic land development life cycle in need of support and technical assistance including:

- the relationship between spatial planning for the Mangaung metropolitan area and concept development of the ADN
- how the specific Airport Development Node (ADN) Catalytic Land Development Programme (CLDP) can be prepared for implementation
- how the individual projects within the CLDP will be planned, designed procured.

The above list of activities cannot be undertaken as a once off support but should be phased as per the catalytic land development life cycle.

Moreover, the support and assistance activities should take cognisance of the investment in resources and time MAN has deployed over the years in the development of ADN. Any support and assistance provided should take previous work into consideration and would focus on complementing the outputs developed thus far for ADN.

Based on the above, it is recommended that the most impactful support approach would be to arrange for a panel review, where expert resources are deployed to assess the current spatial development objectives, economic rationale, and institutional approach to ADN. This team would then propose a recommended approach upon which catalytic programme preparation can proceed and populate the list of down-stream CSP future support and technical assistance activities.

5.2.1 Proposed immediate support

The Cities Support Programme (CSP) can mobilise a panel of experts to engage with MAN officials and examine existing Airport Node programme documentation to conduct a thorough review of content and CLDP conceptualisation. The table below provides an indicative categorisation of key dimensions of this review.

Table 6: Panel Review Focus Areas

Item	Focus of Review
1. Review of programme conceptualisation	Review of existing catalytic programme documentation and engagement with the metropolitan municipality to clarify key objectives for the node.
2. Institutional arrangements and programme management	Engagement with the municipality on how best to approach the implementation structure of the catalytic programme going forward given limited municipal resources and capacity.
3. Socio-economic and financial rationale	Collate available demographic / economic information and provide input and analysis to the ADN conceptual proposal. Pull available costing projections and examine financial implications. Test current proposition against key macro and regional economic trends as well as financial considerations.
4. Options analysis and private-sector involvement	Test to see what analysis needs to be done to consider potential options for top structure development and for structuring the programme going forward. This work would also provide elaboration on the considerations for private-sector involvement within the programme.

This result of this panel review would be a programme and schedule of activities for MAN to undertake as well as a list of likely follow-on support activities that could be arranged by CSP but based on the catalytic land development life cycle. This means that other support and assistance could be planned but only provided at a later stage of progress of the CLDP.

5.2.2 Subsequent support and assistance after the panel review

As mentioned above, subsequent support and assistance will be proposed per catalytic land development life-cycle stages, as set out below. Please note that the timelines of support will only be confirmed once the panel review has been conducted and recommendations been made in this regard. Some support will be in the form of advice, such as how to address a specific issue, while other support would be in the form of direct assistance. An example of the latter would be conducting an options analysis (e.g. during the catalytic programme pre-feasibility stage).

An indicative list of support opportunities includes the following:

- Advice on Institutional arrangements
- Possible support on conducting an options analysis to determine a preferred option of development for the ADN
- Drafting of feasibility studies or market assessment reports
- Support to drafting Terms of Reference for professional services
- Support on the preliminary development of a master programme and schedule of projects within the catalytic programme
- Application activities for Infrastructure Investment Programme for South Africa (IIPSA) – identification
- Advice/support on financial analyses
- Advice on financial instruments and arrangements for private related projects within programme
- Advice on the specification and procurement of private related projects within the catalytic land development programme
- Advice on project management

5.3 Proposed Next Steps

If MAN approves of the recommended actions, the next steps in the process would include:

- Confirmation from Mangaung Metropolitan Municipality of recommended actions
- Arrangements for Panel Review mission
- Deployment of experts for the Panel Review
- Panel Review report and recommendations to Mangaung Metropolitan Municipality
- Submission to CSP and Mangaung Metropolitan Municipality a schedule of downstream activities and support opportunities

6 Conclusions

MAN officials have stated that the Airport Development Node (ADN) presents an opportunity to utilise well-located municipal land for multiple objectives including city socio-economic integration and encouraging private sector investment in the metropolitan municipality. The development history of this particular CLDP dates back to 2001, with much of the development activity conducted between the period of 2012 and 2014.

The scoping exercise allowed the CSP team to engage with MAN and gain a clearer understanding of ADN's current status and the issues that were serving as roadblocks to further development of the catalytic programme. The visit to Mangaung Metropolitan Municipality also provided the opportunity for MAN officials to articulate their critical areas of need that included a desire to clarify ADN's development vision and test the alignment of catalytic programme against the CLD life-cycle stages.

Mangaung Metropolitan Municipality has invested a significant amount of effort and resources in the development of the identified catalytic land development programme (Airport Development Node). Given the observations highlighted in earlier sections of this report, it is recommended that Mangaung Metropolitan Municipality take certain steps to ensure that Airport Development Node is best positioned to realise the outcomes desired. These steps include:

- To delay the proclamation of the township until an analysis of options has been conducted and the ADN has a robust economic and financial foundation.
- Re-visit conceptualisation and preparation activities to-date through a CSP Panel Review, enabling a new cohesive programme of down-stream activities for 2018.

The initial letter of request sought a range of support activities for the further development of ADN. The recommended steps above provide Mangaung Metropolitan Municipality the opportunity to position itself for additional support and to ensure any further expenditure is best aligned to the desired outcomes.

7 Appendix A: List of Documentation Provided

- Excel of financial information and studies conducted to-date (March 2018)
- Powerpoint presentation on designs for Airport Node Corridor (18 September 2017)
- Bloemfontein N8 Airport Node – Phase 1: Development Guidelines (December 2012)
- Powerpoint presentation on the N8 corridor (2010)
- Planning and Implementation Framework Document for N8 corridor (2006)
- Pro-Plan Airport Node Reports (Various presentations and progress reports 2013-2014)
- Various Technical Services Reports on Airport Node:
 - Bulk Services Report (Pro-Plan 2013)
 - Floodline Determination Report (Pro-Plan 2013)
 - Geotechnical Investigation (Pro-Plan 2013)
 - Inception Design Report (Pro-Plan 2013)
 - Internal Road Network (Pro-Plan 2013)
 - Progress Report (Pro-Plan 2013)
 - Topographical Survey Report (Group Five 2013)



Mangaung Metropolitan Municipality

Independent Panel Review of the Airport
Development Node Catalytic Land Development
Programme

7 August 2018

Date
7 August 2018

Status
Final

TEBEE

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Acronyms

ACSA	Airports Company South Africa
ADN	Airport Development Node
BEPP	Built Environment Performance Plan
CLDC	Catalytic Land Development cycle
CBD	Central Business District
CSP	Cities Support Programme
DESTEA	Department of Economic, Small Business Development, Tourism and Environmental Affairs
GFCF	Gross fixed capital formation
GVA	Gross Value Added
IDP	Integrated Development Plan
IZ	Integrated Zone
IZ2	Integrated Zone 2
IPTN	Integrated Public Transport Network
PSP	Professional Service Provider
RFI	Request for Information
SOE	State Owned Entities

Executive summary

In February 2018, the Mangaung Metropolitan Municipality (MAN) requested technical assistance from the Cities Support Programme (CSP) to support the further Catalytic Land Development Programme Preparation of the Airport Development Node (ADN).

The CSP undertook a scoping exercise in March 2018 in response to the request. That exercise determined the most beneficial action for ADN development should be to undertake a more in-depth and independent review by a panel of professionals. The panel review took place in May and June 2018. This report sets out the findings of the review.

The panel review sought to further examine the issues and observations highlighted in the scoping exercise of ADN. From this deepened examination, the panel would have the evidence base to provide a set of recommended actions.

The specific objectives of the review were:

- To review the available **conceptualisation and establishment documentation** completed by the Mangaung Metropolitan Municipality assessing the integrity, quality and comprehensiveness of the work undertaken and whether it meets the standards expected for the Catalytic Land Development cycle (CLDC).
- To determine if any **key steps** of the CLDC have been missed and provide strategies to address gaps in life-cycle development.
- To provide an independent review of the **concepts being proposed**.

The methodology applied in undertaking the review included a documentation review pertaining to Mangaung overall, relevant development frameworks and policies of the Mangaung Metropolitan Municipality and relevant documents available in respect of the ADN itself. A site visit was undertaken on the 5 and 6 June 2018. A panel team meeting was held to review the findings and agree recommendations. A review report was developed (this report).

From what evidence could be gathered, the panel has concluded that pursuing ADN along the current development trajectory is un-likely to realise the vision as presented while simultaneously presenting significant risks to the metropolitan municipality. A synopsis of these risks is presented in the table overleaf.

Table 1: Key points of risk of ADN

Risk Element	Description
1. Definition of objectives and conceptual clarity	The objectives for ADN are largely derived from the broader Integration Zone 2 with less explicit focus on the designated site of ADN. This could result in a lack of success measures linked directly to the site.
2. Socio-economic conditions	Both demographic and economic sectoral trends and data indicate there is a mis-alignment with current conditions, the proposed land-use and expectations of likely up-take from private sector. The programme going forward as currently designed, despite economic conditions, could result in significant holding costs for the municipality and lengthy take-up periods.
3. Financial basis and rationale	There is limited analysis of financial strategy and approach to the overall site development. Linking institutional options to financial approach can serve to either drive private sector investment and ensure the project remains viable over the projected development period.
4. Market sounding and demand for “anchor” land-use types	There is little evidence of any market demand for a “tertiary education” anchor or International Convention Centre. Such capital-intensive projects should be presented with robust motivation and evidence.
5. Programme structuring and Institutional arrangements	Developments of this scale require careful consideration of institutional structure and analysis of potential options (See Annexure H) to ensure objectives are met throughout the duration of the programme's life cycle.
6. Relationship to other proximate current development activities and on-going land use change	As ADN is currently structured, there is little cognizance of proximate projects and their inter-relationship with ADN. There is significant risk that going forward on the current development trajectory loses opportunities for synergy or leverage from these other projects.
7. Incorporation of inter-governmental pipeline	Little evidence is found to support coordination between other notable projects from national or provincial sources.

As highlighted in the table above, ADN has not been planned within a sub-regional context and is not well coordinated and linked with surrounding land uses. There is also concern that this development will result in the CBD being severely compromised which will lead to further levels of decentralisation and urban fragmentation. The development approach being pursued is also likely to expose the municipality to vast expenses that will not result in integration of the urban form or of addressing the needs for employment or housing of the most marginalised.

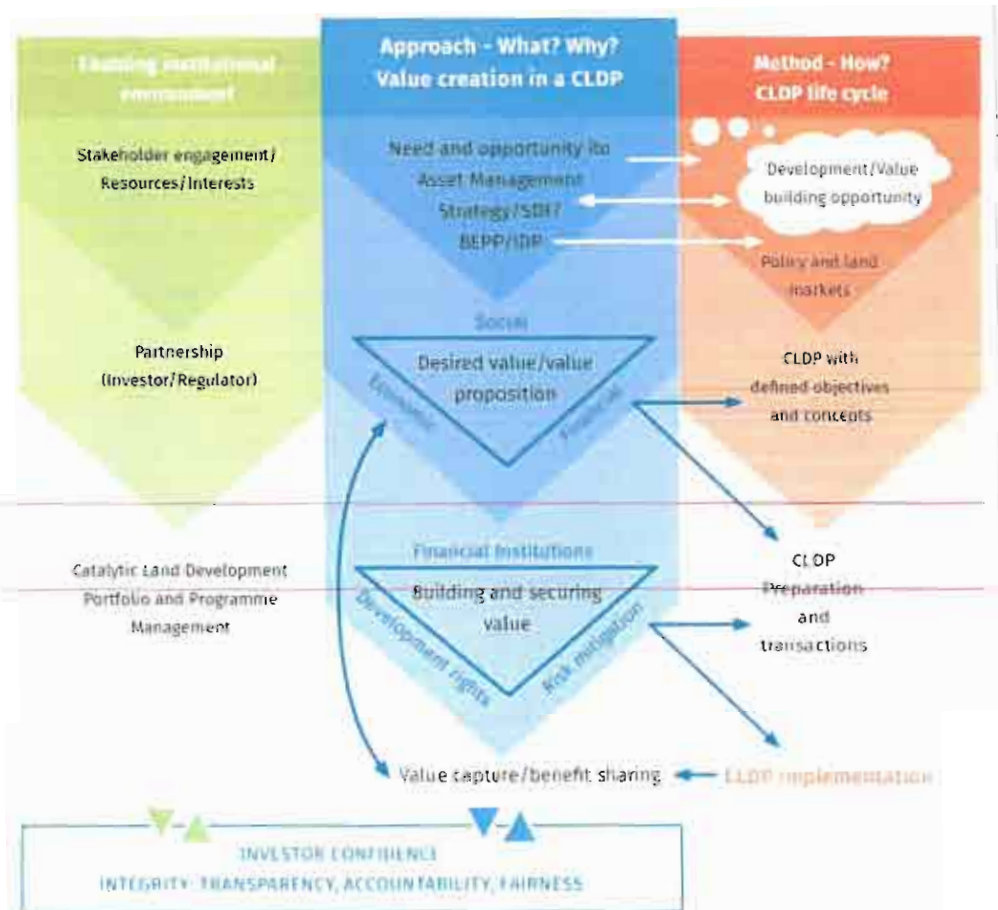
The Panel concludes that there is concern with the viability of the ADN and its ability to deliver on the key priorities and objectives of the municipality. There is

significant exposure to the municipality in terms of potential wasteful expenditure and long-term costs.

These conclusions are based on the suggested stages of the CLDP preparation as well as basic informants needed for any successful property development. Public property developments can serve as key instruments for building urban systems and addressing the vast needs of urban communities, but only if sounded against current market realities. It is advised that prior to any further costs being incurred on the programme additional work is done to ensure that it is best structured for such success.

It is therefore concluded that the ADN in its current form is not a catalytic programme and if implemented may result in economic and financial risk for the metropolitan municipality.

Figure 1: Framework for value creation and capture in CLDPs



Source: Cities Support Programme. Catalytic Land Development Guideline June 2018.

As indicated in the framework diagramme above, there is defined process of incrementally building value in Catalytic Programmes. While there has been significant investment in the ADN, both in respect of the spatial and detailed layout

planning that has been undertaken and the investment in bulk infrastructure, key market and economic factors have not been considered or are outdated. This means that if it proceeds in terms of the current approach, it could result in poor take up and ultimately unnecessary holding costs for the municipality, as well as negative impacts on the metro spatially.

It is therefore recommended that the metro reviews CLP preparation for ADN, taking a closer look at phases and stages within the CLP life cycle to better calibrate the development and enhance its probability of success.

The panel suggests that the township proclamation process is suspended until such time as the 'missing' components are addressed.

With respect to ADN, the following actions are recommended:

- 1) **Step 1: Initiate a process to simultaneously undertake a review Phase 1 Spatial Planning phase and Stage 2.1 Programme Conceptualisation of the Programme Preparation Phase.** These components of work would enable greater coherence of ADN objectives within the broader Integration Zone 2 and alignment with other key land-development activities taking place concurrently within Integration Zone 2.

In undertaking this work it is recommended that the ADN should be considered as part of the broader Integrated Zone 2 (IZ2) regional plan, which should be more detailed to determine infill development potential and linkages with the western portions of the city through the M10. Consideration should be given to expanding the ADN to incorporate Raceway Park, Estoire and the Transwerk Industrial area. Thus providing clear objectives and rationale for the ADN within the spatial context of the metro.

Arising from this work a high-level business case should be developed that sets out:

- How the IZ2 will be developed and managed.
 - How the ADN links into the IZ2 and forms part of a development trajectory.
 - What the anticipated development phasing of the IZ2 is likely to be, and how the ADP will fit into this.
 - What role the can municipality play in the IZ2 and in the CLDP's that relate this this (including the ADN). This could include passive land holding, selling the land, a phased release (Demand Led Development), appointment of a developer and participation in the development or acting as the developer.
- 2) **Step 2: ADN specific Pre-feasibility:** Once Step 1 is completed and approved by the Council, a pre-feasibility should be undertaken to review the economic and market opportunities. A component of the Pre-feasibility will be to analyse

options for both institutional approach and top-structure development as follows:

- a. Institutional systems need to be considered in relation to project preparation, accessing financing, managing land release, managing property development, ongoing operating and management of the area, the release of portions over time and value realization.
 - b. An initial and general financial modelling exercise should be undertaken to test viability and determine the best approach to maximise benefits for the metro.
 - c. An impact analysis should be undertaken to evaluate cost vs returns (social, economic and financial). The best use options should be evaluated to maximise the sustainability of the development.
- 3) **After these stages are completed:** Based on the output of Steps 1 and 2, the municipality can consider the programme in terms of its overall priorities and opportunities.

1 Introduction

1.1 Background to the Review

On 27 February 2018, the Mangaung Metropolitan Municipality (MAN) sent a letter to the Cities Support Programme (CSP) requesting technical assistance for the Catalytic Land Development Programme Preparation of the Airport Development Node (ADN).

The CSP responded to the request by undertaking a scoping exercise in March 2018 which determined that an independent review by a panel of professionals should be undertaken. The panel review was undertaken in May and June 2018. This report sets out the findings of the review.

1.2 Considerations flagged in the Scoping Report

The scoping report contained a review of discussions held with Mangaung metropolitan officials and highlighted the following concerns and needs from the metro's perspective.

Conceptual Development

- **Bringing cohesion to the development vision** – Officials indicated that the elapsed timeline of the ADN meant that the current vision lacked cohesion and a clear articulation of objectives.
- **Relate ADN to other key nodes in the N8 corridor** – Officials indicated that there is a need to ensure that the ADN complements other key N8 nodes within the corridor and current economic activities (ranging from industrial to commercial).
- **Need to solicit engagement from private sector** – Mangaung metropolitan officials indicated that the current conceptual design is premised on land-use, but there has been only limited engagement with the private sector. They wished to understand the best strategy for stimulating private sector investment.

Preparation and Management

- **To understand if ADN relates to the CLD life-cycle** – Mangaung metropolitan officials wanted to test the alignment of the ADN against the Catalytic Land Development (CLD) life-cycle stages to identify where the ADN stands according to the stages. They seek to identify what gaps need to be filled.
- **Better position the ADN across key departments** – Mangaung metropolitan officials stated that all previous work had been done under the planning department and that the ADN needed to be re-calibrated to include additional key departments.

- **Support for additional resources and financing** – Officials indicated that additional resourcing and financing was required to realise the vision for the node.
- **Key challenges to the Environmental Impact Assessment** - Comments from the Airports Company South Africa (ACSA) and the Department of Economic, Small Business Development, Tourism and Environmental Affairs (DSTE) indicated concerns about the proposed water body within the development related to potential bird populations. Additional concerns were environmental impacts from the proposed commercial uses.

1.3 Observations

The scoping visit identified several observations for consideration:

- **Institutional structures and management approach**- The development of a Catalytic Land Development Programme (CLDP) is an extensive exercise, requiring considerable and varied expertise. There is a concern that the development of the Airport Node relies on line departments and municipal reporting structures with little dedicated capacity. A clear catalytic programme management plan is needed to identify roles and responsibilities, reporting lines, and mitigation strategy for capacity constraints.
- **Specific objectives of the ADN** – According to Mangaung metropolitan officials, the ADN is at a stage where the conceptual design and detailed layout for the development has been completed, but there is limited information available on the specific objectives of the ADN and how the proposed design fulfils these objectives.
- **Analysis of funding environment for ADN** – There is little evidence that an analysis of the funding environment in relation to the ADN has been undertaken. A programme of the scope of the ADN requires a clear accounting of potential funding sources, detailing their availability, constraints, and requirements. These funding sources would be itemised and ranked in priority or likelihood.
- **Economic rationale of the ADN** – There is limited evidence of a clear economic rationale or financial feasibility of the ADN underpinning the conceptual approach. Mangaung metropolitan officials indicated that some economic analysis (potential job creation through infrastructure investment) was conducted by the PSP in 2012, but that information was not with the municipality. The ADN must be substantiated with a robust analysis of market dynamics as well as economic contribution and impact to the broader Mangaung context.

Without a strong economic foundation and financial analysis there is a distinct possibility that the ADN will fall short of desired objectives, not achieve necessary uptake of proposed land-use mix, or potentially have negative implications for the greater Mangaung area.

- ***Elapsed time line of the ADN*** – The ADN appears to have first been identified in 2001/2002 however the spatial conceptual design itself dates back to 2013. Many of the objectives for the ADN can only be found in documentation from 2006. There is a need to determine if the programme and its development objectives remain valid within the current economic and fiscal realities of 2018.

- ***Current Mangaung metropolitan municipality development, applications and procurement activities*** – Officials indicated that the ADN was approved by their Municipal Planning Tribunal (MPT). In order for the ADN to be proclaimed as an approved township, a General Plan must be approved by the Surveyor General and a township register opened in the Deeds Office. Processes towards proclamation are currently underway, with service providers appointed to survey the area. There is however a risk that a proclaimed township will limit the scope of future possibilities for land development on site and add to development costs should future amendments be required.

- ***Current and future expenditure*** – Much of the infrastructure spend related to the ADN has been limited to bulk infrastructure (reservoir, substations and waste-water treatment plant). Further capital expenditure should be grounded in demand projections. Such demand projections must be based on land use estimates that are motivated through a strong economic analysis and property market assessment. At this point, the ADN lacks the evidence base to motivate spend.

These observations informed the proposed approach and focus areas for the Panel Review.

1.4 Review Objectives and Method

The purpose of the review was to further examine the issues and observations flagged during the scoping exercise regarding ADN. On the basis of this deepened examination, the panel review would recommend an approach upon which catalytic programme preparation can proceed inclusive of the CSP future support and technical assistance activities.

The specific objectives of the review were:

- To review the available **conceptualisation and establishment documentation** completed by the Mangaung Metropolitan Municipality assessing the integrity, quality and comprehensiveness of the work undertaken and whether it meets the standards expected for the Catalytic Land Development cycle (CLDC).
- To determine if any **key steps** of the CLDC have been missed and provide strategies to address gaps in life-cycle development.
- To provide an independent review of the **concepts being proposed**. The ADN has been premised on objectives of job creation and for the stimulation of economic development along the N8 corridor. Neither the underlying rationale for these objectives nor the evidence-base to substantiate the final proposed designs are explicitly clear. The panel review therefore provides the opportunity to further clarify the value proposition of the Catalytic Land Development (CLD) programme.

The objectives were delineated into particular areas of focus for the review. The table below provides the categorisation of targeted review areas.

Table 2: Panel Review Focus Areas

Item	Focus of Review
8. Review of programme conceptualisation	Review of existing catalytic programme documentation and engagement with the metropolitan municipality to clarify key objectives for the node.
9. Institutional arrangements and programme management	Engagement with the municipality on how best to approach the implementation structure of the catalytic programme going forward given limited municipal resources and capacity.
10. Socio-economic and financial rationale	Collate available demographic / economic information and provide input and analysis to the ADN conceptual proposal. Pull available costing projections and examine financial implications. Test current proposition against key macro and regional economic trends as well as financial considerations.
11. Options analysis and private-sector involvement	Test to see what analysis needs to be done to consider potential options for top structure development and for structuring the programme going forward. This work would also provide elaboration on the considerations for private-sector involvement within the programme.

The methodology applied in undertaking the review comprised:

- The Panel went through documentation pertaining to Mangaung overall, relevant development frameworks and policies of the Mangaung Metropolitan Municipality and relevant documents available in respect of the ADN itself.
- A site visit was undertaken on the 5 and 6 June 2018 (see agenda attached as **Annexure A**)

- A panel team meeting was held to review the findings and agree recommendations
- A review report was developed (this report)

1.5 Panel Composition

The review panel comprised South African experts with experience relevant to the preparation and delivery of large integrated catalytic projects.

Table 3: Panel composition

Person	Role
Ros Gordon	Panel lead and housing and human settlements expert
Keith Lockwood	Urban economics expert
Robert McGloughlin	Commercial and residential property market finance and project preparation methods expert
Leila McKenna	Urban and spatial planning, commercial and residential market finance, land development transaction structuring and project preparation methods expert
Gemey Abrahams	Urban and spatial planning and housing and human settlements expert

2 Overview

2.1 Mangaung Metropolitan Municipality

Any assessment of the ADN should be grounded in an understanding of demographic trends; the economic structure and trends of the Mangaung economy; the spatial structure and trends of the Mangaung Metropolitan area (the metro), trends in respect of property development and housing needs and delivery within the metro. This is set out in this section based on information that the Panel was able to obtain. It is noted that the information set out in this section is for background purposes only and is based on the best information that could be obtained. As this is not a pre-feasibility analysis but merely setting out the background to understanding the rationale and conceptualization of the ADN, Panel members did not manipulate the data or obtain primary data sources.

2.1.1 Demographic trends

Mangaung's population increased by 30% between 2000 and 2017, compared with 27% for South Africa as a whole. Population growth was significantly higher in the Bloemfontein area (34%) than in the Botshabelo and ThabaNchu areas (23%).

Between 2010 and 2017, Mangaung's total population increased by almost 72,000 (Bloemfontein 49,000 and Botshabelo ThabaNchu almost 23,000). This translates into an average annual population growth of 1.4% per annum for Mangaung as a whole, and 1.5% and 1.2% per annum for the two sub-regions respectively. Over this period, Mangaung's population growth rate was marginally lower than South Africa's as a whole (1.5% per annum).

In keeping with national trends, Mangaung's growth in households was slightly faster than its population growth – pointing to a declining average household size. This is reflected in the table below, which indicates the average number of people per household in the metro falling from 3.5 to 3.3 between 1995 and 2017.

Table 4: Average number of people per household

Region	1995	2005	2017
South Africa	3.9	3.8	3.6
Mangaung	3.5	3.4	3.3
Bloemfontein	3.3	3.2	3.1
Botshabelo/ThabaNchu	3.9	3.7	3.5

Source of basic data: Quantec Standardised Regional Database

If recent trends are sustained over the next 5 years (till 2022) it is estimated that Mangaung's population will increase by around 56,000 (to almost 831,000), and that the number of households will increase from almost 212,000 to around 230,000. The Built Environment Performance Plan (BEPP) (2017-2022) estimates that there will be 70,720 new households between 2015 and 2036 (assuming a household size of 3). Both these estimates indicate that approximately 3,500 to 3,600 new households are added annually.

2.1.2 Economic overview

Overall economic performance

Mangaung's economy generated Gross Value Added (GVA)¹ of almost R67 billion in 2016 in the prices that applied in that year and had total output /sales of more than R134 billion – suggesting intermediate input purchases worth a further R67 billion. The Bloemfontein region was the dominant contributor to GVA - accounting for R56 billion - while Botshabelo and ThabaNchu contributed the remaining R11 billion.

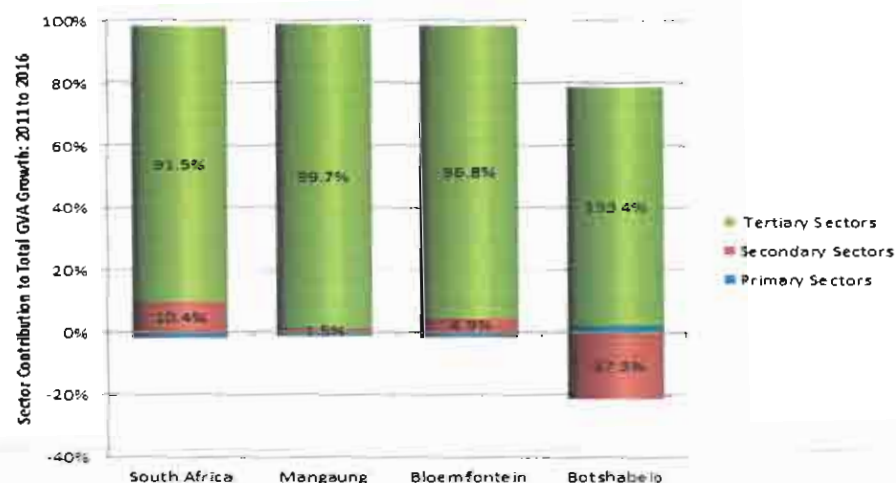
Between 2000 and 2016, Mangaung's real GVA at basic prices increased by 51%, which was slightly lower than for South Africa as a whole (56%). The metro's two component regions experienced dramatically different economic growth performances, with Bloemfontein matching the national performance, and Botshabelo and ThabaNchu only expanding by 29%.

¹ Gross value added reflects the sum of the incomes derived by the different factors of production (labour, capital, land and entrepreneurship) who engage in a particular economic activity (such as construction or trade) in a particular time period. The gross value added of a particular region – such as Mangaung Metropolitan Municipality - reflects the total incomes earned before taxes and transfers by all the production factors in a particular year.

Mangaung contributed 1.7% of South Africa's real GVA in 2017. Between 2011 and 2016, Mangaung averaged annual growth in real GVA of 1.7% per annum, which is lower than the 1.9% per annum recorded nationally. On an equivalent basis, Bloemfontein averaged growth of 1.9% a year, and Botshabelo and ThabaNchu only 0.8% a year.

The figure below reflects the contribution of the different major economic sectors to the growth of the Mangaung economy and its two sub-regions, and contrasts this with the national growth performance. It reflects a very high dependence on tertiary sector² growth – which accounted for 99.7% of Mangaung's real GVA growth between 2011 and 2016. The secondary sectors³ only contributed 1.5% and the primary sectors⁴ made a negative contribution. In Botshabelo and ThabaNchu, tertiary sector growth accounted for more than 133% of total GVA growth, but the secondary sectors made a negative contribution of more than 37%.

Figure 2: Comparative sector contributions to total GVA growth between 2011 and 2016



Source of basic data: Quantec Standardised Regional Database

If Mangaung's economic growth and inflation performance matches that of recent years, the metro's GVA at current prices can be expected to increase by around R25 billion between 2017 and 2022, which will be proportionately lower than the expansion of South Africa's economy as a whole, given that Mangaung's average annual growth over the past five years was lower than the national equivalent. If regional shares remain roughly the same, this will mean Bloemfontein's GVA growth will be close to R21 billion and Botshabelo and ThabaNchu around R4 billion.

² According to the Standard Industrial Classification (SIC) of economic activity, the tertiary sector incorporates the trade, transport, communication, finance, insurance, real estate, business services, community, social and personal services sectors of an economy. These are often referred to as the services sectors of the economy

³ According to the SIC, the secondary sectors of an economy are all forms of manufacturing, electricity, gas and water, and construction

⁴ According to the SIC, the primary sectors comprise agriculture, forestry and fishing and mining and quarrying.

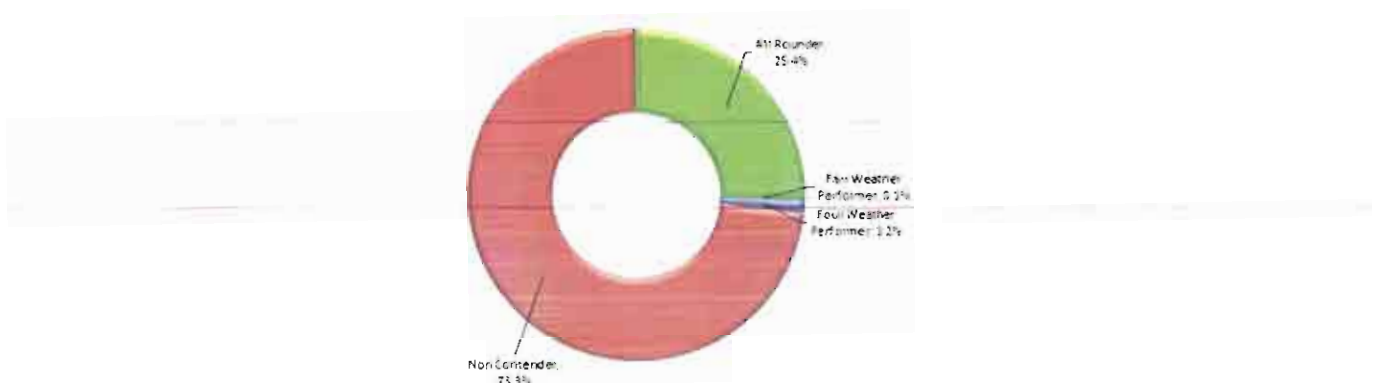
The combined impact of this growth in value added and in household numbers suggest that nominal average household incomes in the metro should rise from around R280,000 in 2016 to R368,000 in 2022. Bloemfontein should see average household incomes rise from R354,000 to R468,000, and in Botshabelo and ThabaNchu they should increase from just over R136,000 to around R172,000. On average, disposable incomes across the metro should rise from around R242,000 in 2017 to R329,000 in 2022.

Economic performance by sector

A resilience analysis⁵ of Mangaung's different economic sub-sectors reveals relatively low levels of resilience as reflected in the figure below.

Ten sub-sectors, (which collectively accounted for just over 25% of the metro's real GVA in 2016), are "All Rounders". The "Fair -" and "Foul Weather Performers" each consisted of only one sub-sector and accounted for 0.1% and 1.2% of total GVA respectively. There were 35 "Non Contender" sub-sectors that collectively accounted for more than 73% of total GVA . Mangaung has had no discernible representation according to available statistics in the 3 remaining sub-sectors. The "Non-Contender" sub-sectors include 23 manufacturing sub-sectors and six tertiary (services) sub-sectors. There are five manufacturing sub-sectors in the "All Rounder" category. The complete list of sub-sectors in each resilience category is included as **Annexure B**.

Figure 3: Category Share of Mangaung GVA in 2016



Source of basic data: Quantec Standardised Regional Database

⁵ This measures the relative performance of 50 different sub-sectors of Mangaung's economy against the performance of the same sub-sector at a national level over two different growth phases: a high growth phase running from 2002 to 2008 and a low growth phase running from 2009 to 2016. If Mangaung's sub-sector grows more rapidly than its national counterpart during both phases, this suggests that it has inherent competitive advantages and may be regarded as an "All Rounder". If it only grows relatively faster during the high growth phase, it is regarded as a "Fair Weather Performer". If it only grows relatively faster during the low growth phase it is regarded as a "Foul Weather Performer". Finally, if it is outperformed during both the high and low growth phases it is regarded as a "Non Contender".

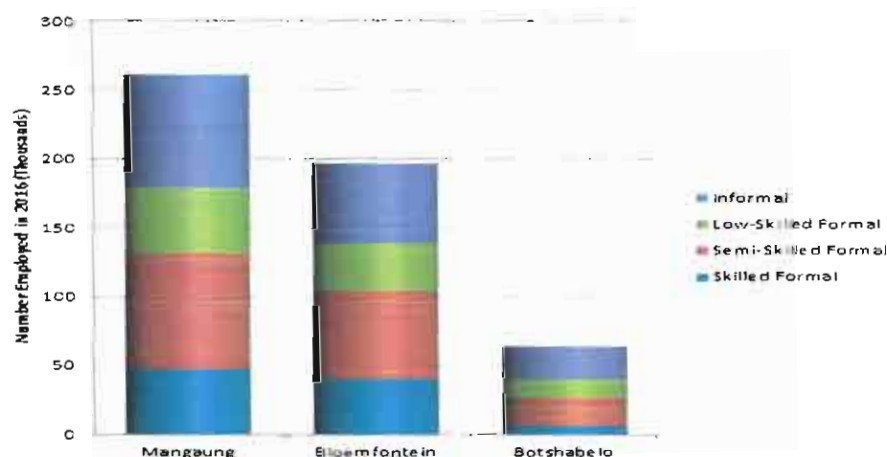
This suggests an economy that is largely uncompetitive in the production of most goods and services, with less than 27% of the economic base of the metro demonstrating a historic ability to match or exceed the performance of the national economy during tough economic times. Given that the growth environment is likely to remain quite constrained over the next three years, it is hard to envisage what developments under what circumstances and in what sectors will be significant enough to drive the metro onto a higher growth path over this period. This has implications for the potential rate of uptake of commercial and industrial space at the ADN.

To the extent that established businesses are attracted to the ADN, this would largely constitute a “cannibalisation” of the economy, yielding very little in the way of net additional incomes and employment opportunities. It is also unlikely to contribute meaningfully to productivity growth in the metro economy.

Employment by sector and skills composition

Available data indicates that almost 261,000 people were employed in Mangaung’s economy in 2016. The average growth in total employment slowed from 4.4% a year between 2002 and 2008 to only 1.4% annually between 2009 and 2016. Between 2010 and 2016 there was a net increase in employment of just over 32,000, but 22,000 of these jobs were informal. The figure below reflects total employment by skill level and formality in Mangaung and its two sub-regions in 2016. Eighteen percent of the metro’s employment was skilled, 32% was semi-skilled, 18% was low skilled and 31% was informal. Bloemfontein contributed almost 197,000 employment opportunities, while Botshabelo and ThabaNchu added just over 64,000 jobs. However, 57% of the latter region’s employment was either low skilled or informal, compared with 46% for Bloemfontein. Twenty-one percent of employment in Bloemfontein is classified as skilled, compared with only 11% in Botshabelo and ThabaNchu. Between 2000 and 2016 formal employment increased by 15% in the former region but dropped by 5% in the latter region.

Figure 4: Composition of Mangaung, Bloemfontein and Botshabelo ThabaNchu employment by skill and formality in 2016



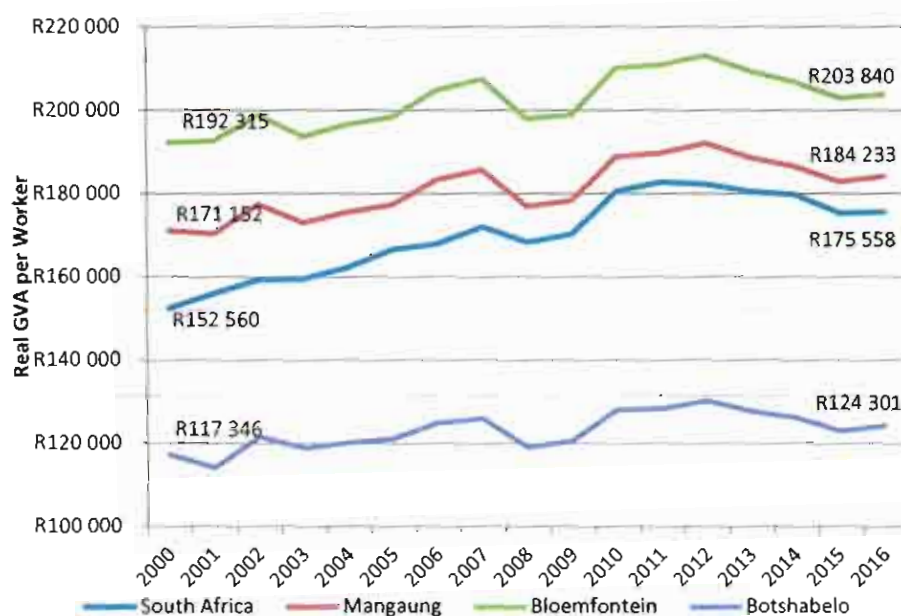
Source of basic data: Quantec Standardised Regional Database

Over the past five years of employment data (from 2011 to 2016) 24 sectors experienced an increase in total employment, ranging from close to 7,000 in the case of Other community, social and personal services, to only two in the Other transport equipment sector. Over the same period 22 sectors experienced declines in total employment - ranging from more than 1,000 in Wearing apparel to less than five in the Radio, television and communication apparatus sector. Four sectors experienced no change in total employment. **Annexure C** reflects the net change in formal and informal employment across the different sectors.

Thirty-one sectors became relatively less labour intensive (implying that output increased more rapidly than employment) between 2011 and 2016, while 16 sectors became relatively more labour intensive – with employment increasing more rapidly than output.

The figure below reflects trends in the real GVA per employed worker between 2000 and 2016. Mangaung's real GVA per worker rose from just over R171,000 in 2000 to more than R184,000 in 2016.

Figure 5: Relative trends in real GVA per worker for South Africa, Mangaung, Bloemfontein and Botshabelo ThabaNchu



Source of basic data: Quantec Standardised Regional Database

Between 2011 and 2016, real GVA per worker declined by an average of 0.6% a year in Mangaung as a whole, by 0.7% annually in Bloemfontein, and by 0.6% a year in Botshabelo and ThabaNchu.

Gross fixed capital formation (GFCF)

Gross fixed capital formation (GFCF) is a macroeconomic concept used in official national accounts. Statistically it measures the value of acquisitions of new or existing fixed assets by the business sector, governments and households less disposals of fixed assets. GFCF is a component of the expenditure on gross domestic product (GDP), and thus shows something about how much of the new value added in the economy is invested rather than consumed. If the amount of new fixed investment added in a particular period, exceeds the portion of the fixed capital stock that is consumed through production and use (measured by depreciation), the stock of fixed capital increases. Increases in fixed capital stock are necessary to support the sustainable expansion of an economy. The National Development Plan seeks to raise the ratio of investment expenditure to GDP to around 30% by 2030. These target levels are consistent with average annual growth rates in real GDP of 6% to 8%. In 2016, the "investment rate" in Mangaung was 23%, compared with just under 22% nationally.

The figures below reflect the relative trends in overall gross fixed capital formation (left hand side) and the sector composition of GFCF in the two sub-regions of Mangaung (right hand side). Figure 5 indicates that investment levels in Mangaung and its sub-region were better than the national average after the 2008 Global Economic Crisis. Between 2011 and 2016, Mangaung, Bloemfontein and Botshabelo ThabNchu averaged annual growth in real GFCF of 3.7%, 3.8% and 2.8% respectively – compared with average national growth of 1.9% a year.

Figure 6 indicates that the Bloemfontein sub-region had total real GFCF of R9.3 billion in 2016 and that R6.5 billion found its way into tertiary sectors of the economy. About R2.7 billion was spent on investment in secondary sectors. The primary sectors attracted negligible amounts of investment. The Botshabelo and ThabaNchu sub-region spent R1.8 billion on fixed capital. This was also largely in the tertiary sectors.

Figure 6: Relative trends in real gross fixed capital formation

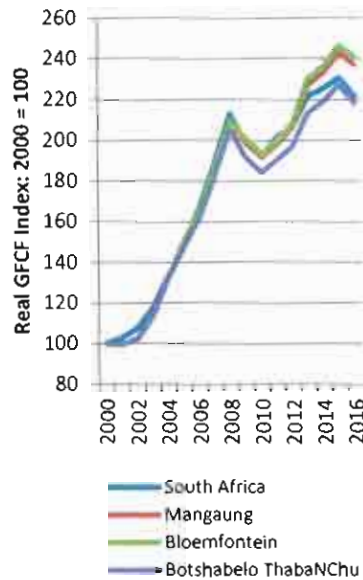
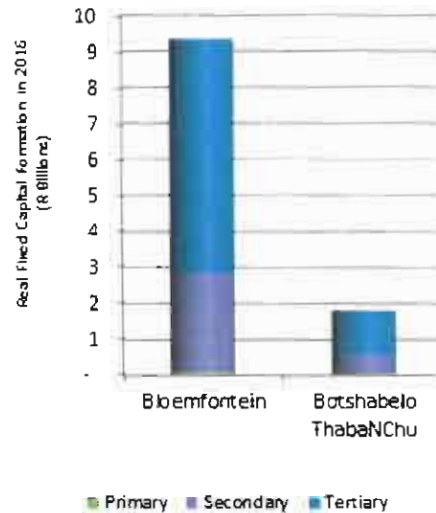


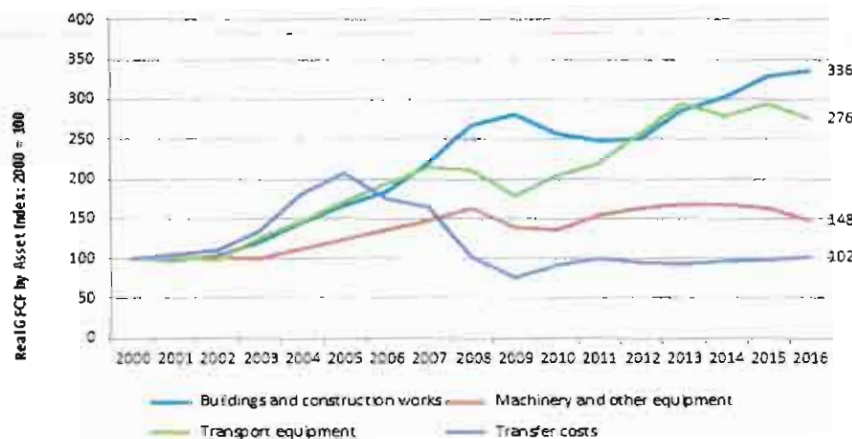
Figure 7: Sector composition of gross fixed capital formation in Mangaung's sub-regions



Source of basic data: Quantec Standardised Regional Database

Figure 7 reflects relative trends in gross fixed capital formation in Mangaung by different types of assets. Whereas investment in buildings and construction works increase by 236% and investment in transport equipment rose by 176% between 2000 and 2016, there was almost no increase in transfer costs over the same period. Investment in both machinery and equipment and transport equipment trended lower between 2013 and 2016.

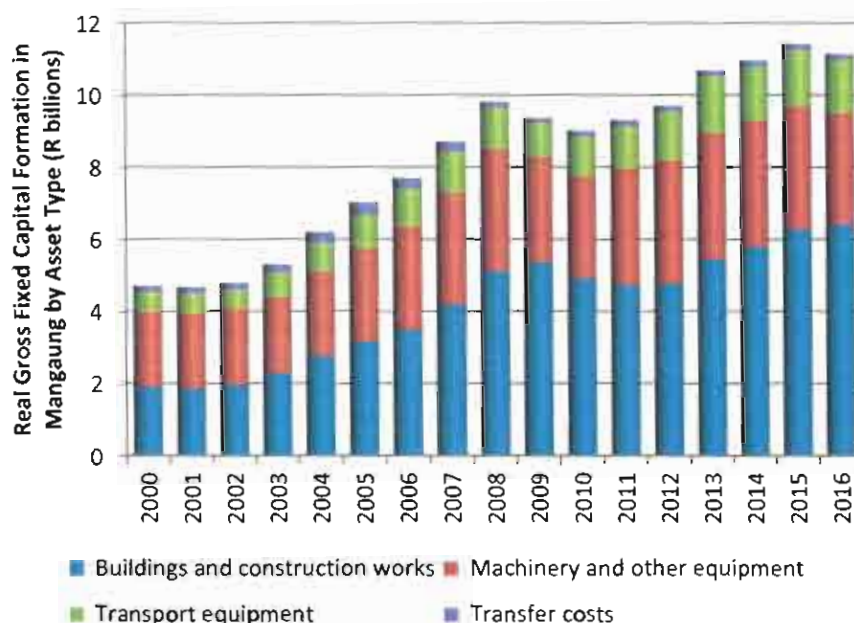
Figure 8: Relative trends in real gross fixed capital formation by asset type in Mangaung



Source of basic data: Quantec Standardised Regional Database

Figure 8 reflects the composition of Mangaung's real GFCF over time. Investment in buildings and construction works is the most significant asset, at R6.4 billion in 2016, followed by machinery and other equipment (R3.1 billion), transport equipment (R1.5 billion) and transfer costs (R175 million).

Figure 9: Composition of Mangaung's real gross fixed capital formation by type of asset



Source of basic data: Quantec Standardised Regional Database

International trade with Lesotho

One stated basis for the selection of the ADN is that it is well located to serve growing trade between Mangaung and Lesotho. While regional trade data needs to be treated with some caution because of the method used to ascribe imports and exports to particular geographical areas, the available data nevertheless suggests that Mangaung enjoys a favourable trade relationship with Lesotho. The merchandise trade surplus rose from around R225 million in 2014 to almost R960 million in 2017 – an average annual increase of 62% in value⁶. Every sub-sector other than wearing apparel experienced higher exports than imports. The total value of trade was around R1.2 billion, with exports of almost R1.1 billion and imports of only R107 million. The sectors with the largest trade surpluses included meat, fish and fruit etc, and dairy products. Collectively, manufactured food products accounted for almost 63% of Mangaung's trade surplus with Lesotho.

⁶ Over the same period, South Africa's trade surplus with Lesotho only increased by 6.4% a year.

The total trade surplus between Mangaung and Lesotho was equivalent to 0.7% of Mangaung's total output, and exports equated to 0.8% of output – so while this trade is growing rapidly, its potential to act as a spur for the metro's growth is likely to be limited for two reasons.

Firstly, it represents a very small share of Mangaung's total economy; and secondly, it is highly unbalanced and may be subjected to currency and other constraints on the part of Lesotho.

Annexure D shows the value of the merchandise trade balance by SIC product sector in 2015, 2016 and 2017.

2.1.3 Spatial overview

The Mangaung Integrated Development Plan (2017–2022) incorporates the Spatial Development Framework (SDF) (see Annexure E) and identifies the key spatial challenges of the metro as being (IDP 2017 – 2022, pg 205):

- That the location of economic investment is not optimized
- Spatial fragmentation and interdependent development patterns
- Sprawl, inequitable access, inefficient land use and ineffective investment
- The CBD is in decline, undermining a core asset of the city
- Growth in the south eastern and north western areas are pulling the city apart

The policy response is to focus on spatial integration, intensification of development, the rejection of sprawl and improved/proactive management through the following (IDP 2017 – 2022, pg 218):

- Creating a balanced city structure in Bloemfontein
- The strategic location of economic growth towards the east of the Bloemfontein CBD
- CBD regeneration and strengthening the city core
- Intensification, densification and infill

The Integrated Development Plan (IDP), SDF and BEPP identify the following strategic developments within eight development priorities and six catalytic projects (IDP 2017 – 2022, pg 79) that will help achieve the spatial development goals:

- The N8 Corridor Development;
- Activation of a second developmental node at Botshabelo and Thaba Nchu;
- Attracting investment and facilitating industrial development in Mangaung
- An Integrated Public Transport Network (IPTN);

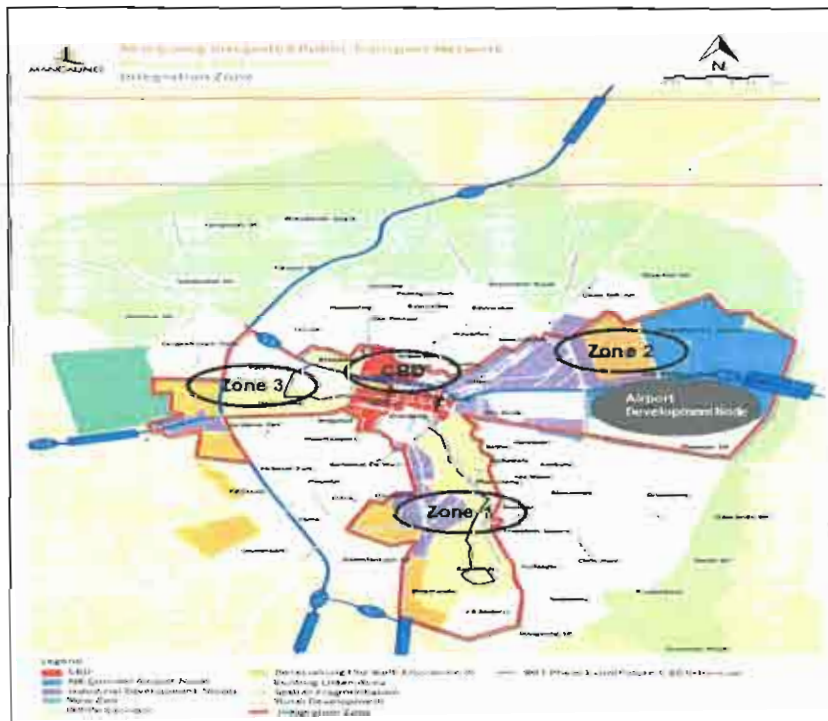
- Inner City Rejuvenation;
- Bulk infrastructure support;
- Fast-tracking the implementation of eight land parcels; and
- the Airport Development Node

Linked to the SDF, is the BEPP which directs strategic, integrated development to identified Integration Zones (IZs). Mangaung BEPP identifies three Integration Zones as follows: (BEPP, 2017 -2020) (see figure below):

1. **Integration Zone 1:** is in the Southern quadrant and comprises the Waaihoek Precinct, Batho and Phahameng areas. There is also an industrial area that is fully developed.
2. **Integration Zone 2:** Is in the Eastern quadrant along the N8 and includes the Airport Development Node. This area is characterized by the N8 highway which connects Mangaung CBD to Botshabelo a large low income area 60km away and Thaba Nchu which sits on the border with Lesotho.
3. **Integration Zone 3:** Is in the Western quadrant and includes areas of Park Road in Willows and extends to Pres Brand Street in Universitas linking the CBD with the Universitas University Hospital and the University of the Free State. This area contains most of the upper income residential suburbs.

For note: much of Mangaung's lower income residential suburbs (formally the 'townships') and majority of informal settlements can be found in the area between Integration Zone 1 and Zone 2.

Figure 10: Integration zones



Source: Mangaung Metropolitan Municipality, Built Environment Performance Plan, 2017/18-2019/20

The table below sets out planned activities in the CBD and per Integration Zone as indicated in the BEPP (2017-2020).

Table 5: Planned activities

Zone	Transportation networks	Housing projects /urban nodes
CBD	<ul style="list-style-type: none"> Phase 1 and 2 of the IPTN to pass through the CBD 	<ul style="list-style-type: none"> Waihoek Precinct
Zone 1	<ul style="list-style-type: none"> Phase 1 of the IPTN route Phase 1 of Maphisa road (completed) Phase 2 of Maphisa road (underway) Vereeniging Extension Bridge (improve access between the south eastern townships of Rocklands and the Hamilton industrial area and the suburbs of Fauna and Fluerdal) 	<ul style="list-style-type: none"> Dark and Silver City (high density development) Vista 2 and 3 Hillside Vide
Zone 2	<ul style="list-style-type: none"> Linkage road between the CBD via St Georges St across the railway line into the Old East End Industrial area extending to the airport 	<ul style="list-style-type: none"> Airport Development Node Estoire Development (public sector affordable housing) Raceway development (private sector affordable housing)
Zone 3	<ul style="list-style-type: none"> Non motorized transport along Park Road and President Brand linking the CBD to the Universities 	<ul style="list-style-type: none"> 10,000 student accommodation units to be developed by the private sector Brandwag social housing flats

Source: Mangaung Metropolitan Municipality, Built Environment Performance Plan, 2017/18-2019/20

The key spatial characteristics and trends within the metro are as follows:

- 1) The area of the metro is large (it is the largest metro in terms of area), being 160 km in length. In terms of population it has the smallest size of all metros. The bulk of the area is rural and there are commercial farmers in the area.
- 2) The road network comprises the N1 which carries traffic between the two national hubs of Cape Town and Gauteng and the N8 corridor which bisects the Metro in an east-west direction. In the east the N8 links to the N1 and to the west it links the CBD to the airport, Botshabelo and Thaba Nchu and then on to Maseru, the capital of Lesotho. The N8 corridor is one of the flagship projects of the province. There is a weak ring road infrastructure (M10) aimed at integrating all areas that are expanding outwards.

- 3) Officials at the site visit indicated that some areas in the CBD are deteriorating. A key issue noted by officials is that a large percentage of the properties in the CBD are privately-owned and the Municipality has found it difficult to enable inner city re-development.
- 4) Private sector investment is focused towards the West. Municipal policies are directed to support investment to the east (and CBD) and to discourage outward expansion in the West. However, current spatial policies have not been successful in directing development to the East.
- 5) There is significant vacant and underutilised land between the CBD and the airport (8 - 10 km away). In this area Private sector and State Owned Entities (SOEs) such as Transnet and the Airports Company South Africa (ACSA) have landholdings that are under-utilised or are struggling to reinvent themselves (Transwerk) or attract new investment (ACSA). For example uptake around the airport in a development undertaken by ACSA is slow. To date only a hotel and hospital have been developed in that area despite serviced sites being available.
- 6) There is some private sector 'gap' housing development occurring in Zone 2 in the vicinity of the ADN and the airport at the Raceway Park development. This development is funded by Old Mutual and Aquocor Property Developers and provides housing units from R590,000 to R690,000 on a free hold or sectional title basis. The first phase is currently under construction with approximately 100 units developed and occupied. While this development is small and currently is surrounded by vacant land the intention is that it will form part of the ADN in future.
- 7) In addition to the ADN development, the municipality has plans to redevelop Estoire, north of the ADN, to include residential and commercial land uses. It is understood that part of the Estoire land is earmarked for redevelopment by the Housing Development Association as a mixed use development. This is a significant land holding closer to the CBD than the ADN and one that, if developed in a compact manner will contribute to achieving the strategic objectives of the IDP, the SDF and the BEPP.
- 8) There is another municipal industrial area at Mandela View, Bloemindustria, some 20km from the CBD along the N8 to the east, which is contributing to the eastward sprawl along the N8.
- 9) The Municipality has invested in bulk infrastructure in the east (electricity and water). At the site visit it was indicated that current uptake of these facilities is limited.

2.1.4 Property sector overview

The property sector is largely dependent on the overall economic performance of a region. Although it can act as a catalyst for development this is limited and

remains dependent on the income levels of residents in the case of retail and the housing market, and on attracting commercial and industrial investors and operators.

The retail property sector is very dependent on a consumer base that, in turn, is affected by general economic conditions, the job market, inflation and the cost of competing budget items. Over the past 20 years there has been a substantial surge in the development of malls in South Africa.

This initially occurred as a result of changing spatial patterns of development and with it, new markets, the realization of the value of 'township' markets, and general economic growth. Over the more recent years (since 2008) retail centres have remained a strong sector despite economic decline. This has been reflected in differentiated shopping products aimed at the same consumer base with different offerings. It has also been the result of expansion of brands and a linear formula of tenants being required for banking finance.

However, in the last two years, although new centres are going on stream, existing ones are not performing as anticipated and according to the SAPOA retail report (SAPOA, Research Retail Trends Report June 2017) there was a severe dip in the retail trading performance ending March 2017 with varying effects on retail centres. The larger ones (regional, small regional and neighbourhood) were more affected according to the report, than the small convenience centres (community centres) that continue to show healthy growth. The development of centres has however, continued as a result of the lead time of development being out of sync with the economic trends. The result is shifting tenants and consumers and fierce competition between centres and cannibalisation within the sector.

Figure 11: SAPOA: Retail Trading Performance



(SAPOA Report: Retail Research Report, 2017)

Although these latest trends in shopping centre developments have seemingly begun to ignore the fundamentals of supply and demand and are instead focused on increasing competition in the sector for demand, it is important to still consider how to approach retail development.

A formula was developed known as the Kahn Model which allowed for an analysis of the potential consumer base for a potential retail centre. Although this model was developed almost 40 years ago it continues to be a useful guide (See **Annexure F**).

From a rough assessment of existing retail centres in the Mangaung area (excluding small/high streets and CBD street facing shops) there is already over 250,000m² of retail space. Centers exist in the CBD, northern, western and south/western areas. There is limited retail along the N8 although a small center is coming on stream in the Raceway development. There are two malls in Botshebelo and Thaba Nchu has a small center and a high street of shops.

Industrial land uses which consists of industrial activities, warehousing and SMME businesses (see figure below) is located mainly in the south and eastern areas of the metro adjacent to the CBD. Other industrial areas include Transwerk on the N8, along the boundaries of Estoire, the N8 coming into the city from the west, Mandelaview, and along the N6 (Church street).

The amount of prepared industrial space is substantial with apparent high levels of vacancy. Manufacturing is limited to the south eastern sections on the edge of the city. The potential for industrial growth is limited given the general national trend as well as the lack of locational advantages of Mangaung. Although rail and space are available, industry is limited. There is some potential for warehousing and storage, and small scale semi-industrial businesses that support the existing population. Creation of any new industrial space would be a lost investment and therefore unlikely to attract the market.

Commercial property development is determined by growth in that sector (new businesses or expansion of existing) which is limited in Mangaung. The economy is dominated by the service sector which consists largely of government, the judiciary and the university. These are based mainly in or adjacent to the CBD and are not 'growth sectors'. Potential for commercial property development is therefore very limited.

On the basis of the documentation, observation of investment trends and discussions with the officials at the site visit it is evident that the property market is moving towards key 'structuring' elements within the metro. The university forms a strong node in the western section of the city that is creating opportunities in surrounding areas. The N1 is an anchor for new residential and retail development. There is some movement of offices into the decentralized nodes (north west) out of the CBD into areas that are 'easier' to develop, i.e. are not encumbered by dereliction of old industrial activities as is the case in the west, poor urban management, and outdated infrastructure as is the case in the CBD.

There is evidence of some redevelopment of areas in the CBD on the north western section for car show rooms and offices and new housing development (apartments) appears to be occurring in the CBD and student accommodation adjacent to the university. Gap housing by the private sector is being built in the

south and south west and along the N8 (Raceway) due to available land and transport routes.

A sector that appears to have potential is the affordable or gap housing market, partly because of the decrease in household size and therefore number of households and partly because of backlogs and because of growth in the public sector as an employer over the past 20 years. This is dealt with under the housing section. However, as a property sector it poses certain opportunities that should be considered as a potential area for growth.

Figure 12: Industrial and retail developments



On the basis of the above it is concluded that the existing retail within Mangaung exceeds the demand of the population (both in terms of size of the population and LSM groups). However, there has been an historic lag in the region which may allow for additional take-up. This needs to be treated carefully given the potential to over-saturate the market. Centres larger than community are more likely to fail given the national trend, retail declining and the potential of over-saturation.

Industrial development is unlikely to occur given that this sector is limited in the region and shows little potential for growth. There is also far too much industrial space available.

Commercial development is based on the potential of government expanding or moving; both of which could impact negatively on the region

2.1.5 Housing overview

The table below sets out housing circumstances in Mangaung as reflected in the 2011 Census (SA Census). As is evident in the table, 74% of households earn

below R6,300. Of all households, 14% (31,000) are living in informal circumstances and earn below R6,300 and need support from the metro. A further 4% (9,000) of households earn between R6,300 and R12,800 and are renting or living in informal circumstances. These households fall outside of the subsidy band but cannot afford housing provided by the private sector. Of all households 3% (6,800) earn between R12,800 and R25,600 and are renting and are therefore likely to be interested in affordable housing.

Table 6: Mangaung Metropolitan Municipality: Housing Circumstances (2011 Census)

Mthly Income	R0 - R 3200	R3200 - R 6300	R6300 - R12800	R12800 - R25600	R25600 plus	Total
A: Formal - owned	67,959	18,016	13,283	11,201	12,207	122,677
	29.30	7.77	5.73	4.83	5.26	52.90
B: Formal - rented	36,909	10,182	9,193	6,824	4,478	67,588
	15.91	4.39	3.96	2.94	1.93	29.14
C: Informal settlement	21,073	2,506	626	166	110	24,481
	9.09	1.08	0.27	0.07	0.05	10.56
D: Backyard dwelling	6,945	873	282	99	68	8,266
	2.99	0.38	0.12	0.04	0.03	3.56
E: Traditional dwelling	2,593	235	84	69	69	3,050
	1.12	0.10	0.04	0.03	0.03	1.31
G: Other	4,059	853	459	282	206	5,858
	1.75	0.37	0.20	0.12	0.09	2.53
Total	139,537	32,665	23,928	18,641	17,137	231,921
	60%	14%	10%	8%	8%	100%

The BEPP (2017-2022) estimates that there will be 70,720 new households between 2015 and 2036 (assuming a household size of 3). If the income percentages from the 2011 Census are applied to this new household formation this implies 52,332 households earning below R6,300 requiring state support and 12,730 households in the affordable market by 2036.

The table below sets out the public-sector project pipeline (i.e. work underway or budgeted for) as reflected in the BEPP (2017-2011). As is indicated in the table an informal settlement upgrading programme is underway that is targeting the 29,000 households living in informal settlements. In addition, there are a range of mixed use projects underway that will result in 3,564 BNG units⁷ and 17, 185 affordable housing units. It is noted that the ADN is not yet incorporated into the project pipeline. These projects are located predominantly in Integration Zone 1 to the south (see figure below)

⁷ This figure comprises: Mangaung MM Informal Settlement Upgrading Strategy – intended relocations (843 units); Vista Park 2 (930 units); Vista Park 3 (442 units); Hillside View Phase 1 (assumed 10% of the mixed use development for BNG) (513 units) Dark and Silver City hostels (Greenfield) (836 units)

Table 7: Public sector project pipeline

Project	Description	Number of households	Budget allocated (R) million		
			2017/18	2018/19	2019/20
Mangaung MM Informal Settlement Upgrading Strategy	South Eastern suburbs Bloemfontein, Thaba Nchu and Botshabelo. Settlements located adjacent to existing areas so able to access amenities from these areas. Rudimentary services installed in all settlements. In situ upgrading for all with relocations intended for approximately 843.	29,035	108	89	55
Vista Park 2	Phase 1 – Site development plans approved for a mixed use development. 1,800 social housing units, 930 BNG, 1,436 Affordable	4,166	72,2	178,6	268,4
Vista Park 3	Phase 1– Site development plans approved for a mixed use development. 1,400 CRU, 1,600 social housing, 1842 bonded, 442 BNG, 376 Flisp	5,660	271,3	392,2	425,7
Hillside View	Phase 1– Site development plans approved for a mixed use development.	5,131	198	178,6	268,4
Dark and Silver city Hostels	836 units – Greenfield	836	29		
Waaihoek Precinct CBD	Allocation for the regeneration of the CBD from the Neighbourhood Partnership Grant	5,000			
Total	Informal settlement upgrading/BNG	32,643	678,5	838,4	1 017,5
	Affordable	17,185			

Source: BEPP 2017 - 2022

In addition to the above there are a number of planned projects, predominantly focused on the provision of affordable housing and estimated to yield a further 13,900 affordable units. The ADN is incorporated into the planned projects.

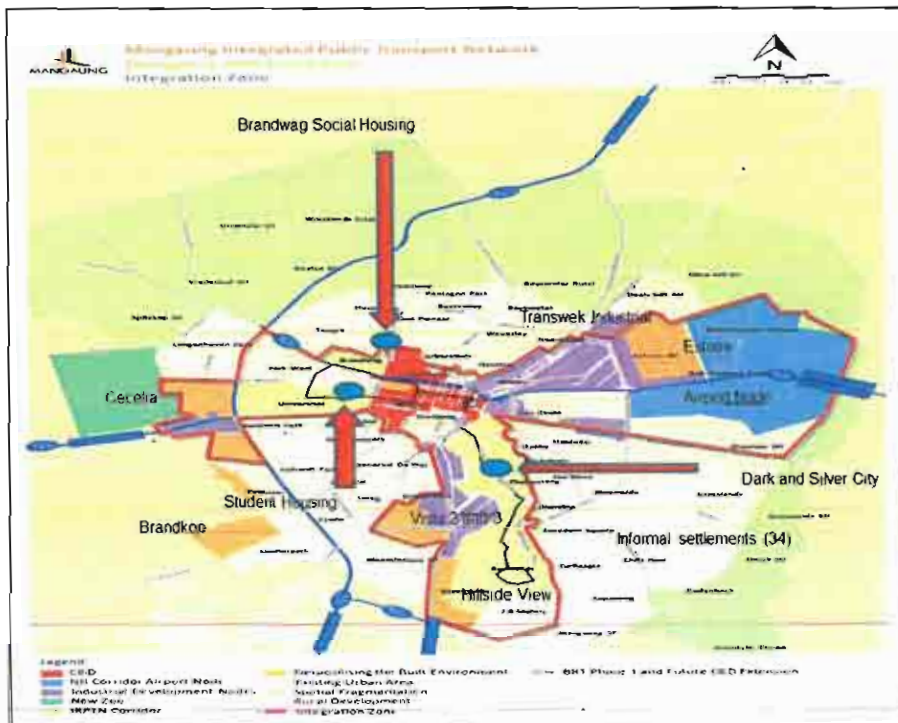
Table 8: Planned projects

Project	Description	Number of households
Brandwag SH	No details	
Lourierpark ext	No details	
Estoire	49 agricultural small holdings comprising 191,43 hectares were acquired for a mixed use development. Planning is underway.	3,400 residential erven
Brandkop Race Track and 701	425 hectare site that is vacant. Affordable housing	3,800
Cecilia Park	155 hectare site that is vacant. Township layout has been undertaken. Affordable housing	1,900

Project	Description	Number of households
Pellissier Infill Development	22 hectares that is vacant, partly serviced. Affordable housing	200
Sunnyside	700 hectares that are vacant. Affordable housing	200
Airport Development Node	40 hectares plus. Affordable housing	4,400
Total		13,900

Source: BEPP 2017 – 2022

Figure 13: Location of public sector pipeline and planned projects



Source: Slide presentation from the planning department, site visit June 2018

The BEPP (2017-2022) indicates that Mangaung Metropolitan Municipality has a budget of approximately R1 billion per annum for human settlement development (including bulk infrastructure, transport, basic service provision and houses). A review of the Annual Reports of the Municipality (2014-2017) indicates that housing delivery by the municipality in the past three years has been limited comprising 9,211 subsidy units, 5,773 sites serviced, 7 informal settlements upgraded and 460 affordable rental units.

Table 9: Mangaung Metropolitan Municipality: Housing delivery

	2014/15	2015/16	2016/17	Total
Units built (BNG)	9,102	109	0	9,211
Number of sites serviced	0	5,773	0	5,773
Number of informal settlements upgraded	0	7	0	7
Number of households relocated	0	0	38	38
Number of households allocated affordable rental housing	252	157	51	460
Number of households allocated GAP housing	0	0	0	

Source: Mangaung Metropolitan Municipality, Annual Report, 2014/15, 2015/16 and 2016/17

With respect to the private sector residential market Mangaung's residential property market comprises 171 865 properties, spread across 110 neighbourhoods, with prices ranging from about R2.2 million and higher, to as little as no value at all. In 2015, the total value of the entire residential property market was estimated to be R 72 billion.

About 10 percent of all residential properties in Mangaung in 2015 were worth more than R1,2 million, and a further 13 percent were worth between R600 000 – R1,2 million. The majority (64 percent) were worth less than R300 000, about half of which were likely to have been government-sponsored properties. This means that only 13% of Mangaung's housing is in the crucial middle-class market segment of properties valued between R300 000 – R600 000

In the six years between 2010 and 2015, Mangaung's property market grew by 16 499 units. In that time, 3 713 new units were added to the market. The difference between the absolute growth of 16 499 units and the 3 713 new registrations suggests that some residential properties were gained without being newly registered i.e. conversions or the title deed programme of the metro.

The majority of the 3 713 new units added (68%) have been in the R300 000 – R600 00 and R600 000 – R1.2 market segments.

In the vicinity of the ADN site, the Old Mutual development is providing affordable housing in the range of R300,000 – R600,000. Information provided was that Phase 1 is complete and a request for Phase 2 has been made. (Centre for Affordable Housing Finance in Africa, February 2018).

On the basis of the above it is evident that there is an extensive need for housing development within Mangaung in respect of subsidised housing and informal settlement upgrading (aimed at households earning below R7,500) and affordable housing (aimed at households earning above R7,500). Further there is demand for private sector delivered housing stock, both for ownership and rental, as well as student accommodation. The Mangaung Metropolitan Municipality has an ambitious project pipeline aimed at providing housing for approximately 33,000 households in respect of subsidised housing and informal settlement upgrading and a further 31,000 in the affordable market. It is noted however that the Municipality has a defined budget and is currently delivering very limited housing.

2.2 Overview of the Airport Development Node

2.2.1 Rationale for the Airport Development Node

Within the documentation provided, there is no document setting out objectives or rationale specifically for the ADN. Furthermore, during the site visit Officials indicated that no economic or options analysis was formulated for the ADN. The process has been driven by the Planning Department and hence the focus was on spatial planning and layout. No documentation or evidence was provided by Officials that indicated consideration of economic drivers, institutional arrangements, financial modelling or options analysis.

Discussions with Officials during the scoping and site visit indicated that much of the impetus for ADN was tied in with ACSA approaching the municipality in 2010 in an effort to develop land adjacent to the airport. According to officials, around this time Old Mutual also began the development of Raceway Park (a residential focused development proximate to the ADN site). These events led officials to focus on infrastructure development within the corridor.

Officials, during the scoping exercise and site visit discussions, indicated the following motivations for the ADN:

- Counteract the development trends that are pushing development into the west (i.e. the notion of 'balanced' development and bring potential linkages to Botshabelo and Thaba Nchu).
- Provide opportunities in an alternative node given the restrictions within the CBD.
- The ADN emerged as a priority for development along the N8 corridor as it had strong accessibility to the major arterial and the airport.
- It is a sizeable land area that is municipal-owned land.
- Development at the ADN site would provide potential residents with a lower-cost transportation burden for work in the Transwerk and East End Industrial areas.
- The ADN is proximate to existing railway infrastructure and further investment in public transport infrastructure would link previously disadvantaged communities to economic opportunities.

According to officials, the desire to develop a node in proximity of the airport originates back to the IDP of 2001/2002. Documentation provided shows that as far back as 2006, motivation for the development of a corridor strategy on the N8 between Bloemfontein CBD and Thaba Nchu / Botshabelo occurred.

The document, Mangaung N8 Corridor: Planning and Implementation Framework, dated June 2006, states that the vision for the N8 corridor includes “the maximisation of empowerment and upliftment of local communities within Mangaung and also beyond the municipal area.” (Mangaung N8 Corridor: Planning and Implementation Framework. June 2006). The key spatial concept is that the N8 highway, being a structuring device, will form a development spine along which a number of “activity nodes” will be located, such as the ADN.

The document identifies seventeen objectives for the N8 corridor within a range of categories from economic to environmental.

Table 10: Objectives for Mangaung N8 Corridor Development (2006)

Category	Objective
Economic and Financial Objectives	1. Increase economic opportunities in the activity nodes; 2. Improve the efficiency of infrastructure through intensification, diversification and concentration of land use; 3. Increase foreign investment; 4. Reduce transport costs for the poor;
Transport Objectives	6. Increase the use, efficiency and quality of public transport; 7. Increase accessibility of public transport;
Social Objectives	8. Improve access to social services; 9. Improve security; 10. Provide for the transport needs of special groups such as the elderly and people with disabilities;
Physical/ Urban Form Objectives	11. Integrate the different communities along the N8; 12. Improve access to and from the activity nodes;
Institutional Objectives	13. Improve inter-governmental relations; 14. Build partnerships through the development of the corridor;
Environmental Objectives	15. Reduce the need for motorised transport; 16. Reduce pollution; 17. Contain urban sprawl by focusing development on the activity nodes.

Source: Mangaung N8 Corridor: Planning and Implementation Framework. June 2006

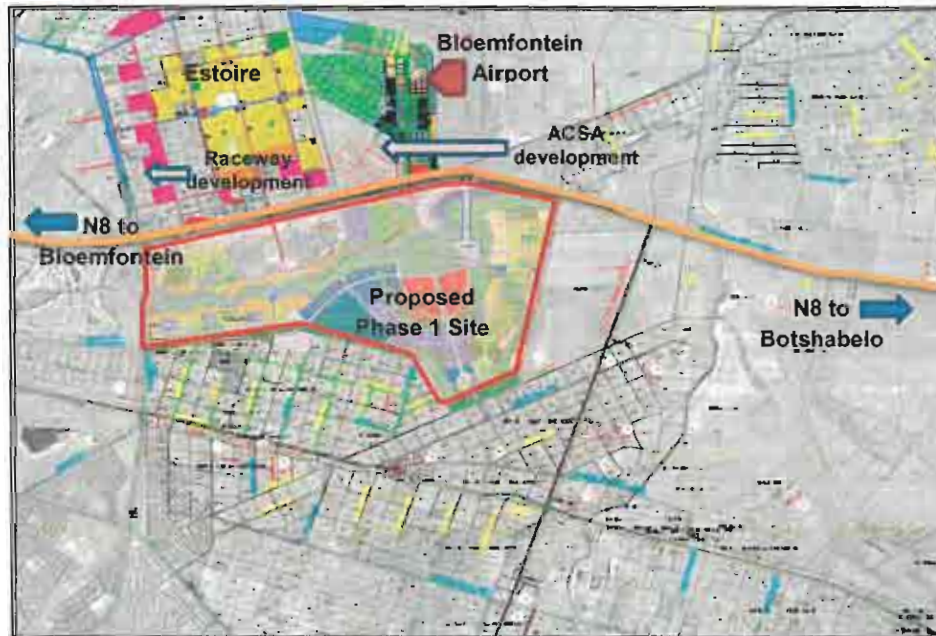
Discussions with officials both during the scoping and site visit indicated that the motivation and rationale for the ADN became more focused and refined in later iterations of the IDP as economic strategies for the entire N8 eastern area node further developed.

2.2.2 Location of the Site

As illustrated in the figure below, the ADN site is located adjacent to the N8 which links Bloemfontein and Botshabelo and then on to Maseru, Lesotho. The two phases of the site are apportioned on land north and south of the N8. Phase 1 (the focus of the Review), consists of 700 hectares and is south of the N8. The CBD of Bloemfontein is approximately 10 kilometres to the west of the site.

Directly north of Phase 1 and across the N8, is the Bloemfontein airport while the Estoire development is slightly to the west of the airport. The position of the north-south airport landing strip means that the eastern edge of the ADN development is within the flight path. Land use adjacent to the proposed Phase 1 site is a mix of light industrial and residential with much still being smallholdings.

Figure 14: Locality of Site



Source: Powerpoint presentation. ACSA Briefing. Mangaung Metropolitan Municipality. 5th May 2013.

2.2.3 Description of Airport Development Node

The proposed development of the Phase 1 site is a mixed-use development precinct, focused on both office/ commercial precincts and residential opportunities. The development also proposes to incorporate flagship developments such as an International Convention Centre and a Tertiary Education institution.

The proposed conceptual design of the ADN takes the form of a large precinct with a water feature and river (Bloemspruit) as the primary focal point as illustrated in the figure below. This was later amended to be a paved piazza as a result of concerns by ACSA that the water feature would attract birds that could pose a hazard to aeroplanes taking off and landing nearby.

In 2012, the Mangaung Metropolitan Municipality commissioned the development of Phase 1: Development Guidelines for the site. From the 2012 Airport Node Development Guidelines, the proposed land use zones include the following:

- Green open space
- Heritage precinct

- Public facility
- Public transport precinct
- Hospitality
- Business Node
- Residential (Various densities)
- Retail
- Commercial
- Mixed use precincts

These development guidelines proposed an estimated development potential (provided in the table overleaf) based on the proposed form and regulations for each land-use zone. The development guidelines also provided requirements and design standards for public facilities as well as streetscapes.

Figure 15: Conceptual Layout of Airport Node (Phase 1)



Source: Powerpoint presentation. ACSA Briefing. Mangaung Metropolitan Municipality. 5th May 2013.

The concept also contains some targeted leisure areas such as a golf course and linear park. While there have been several changes to the design over the years, the layout plan with sub-precincts defined in form and function was approved by the Municipal Planning Tribunal on the 18 August 2017. The Professional Service Provider (PSP) team has produced architectural renderings of inter alia the proposed residential typologies as demonstrated in the figure below.

Figure 16: Conceptual Designs for residential typologies (Phase 1)



Source: Powerpoint presentation. ACSA Briefing. Mangaung Metropolitan Municipality. 5th May 2013

Table 11: Estimated Development Potential of ADN

	Public Rights of Way	Green Open Space	Heritage Precinct	Public Facility	Public Transport Precinct	Hospitality	Residential A, B, C, D	Mixed Use A	Mixed Use B	Business Node	Retail	Commercial	Total
Gross Area (ha)	52.0	60.9	7.5	6.4	2.9	5.6	39.9	5.6	25.8	7.6	11.3	12.6	238.2
Estimated Net Development Area (ha)	70.1	60.9	7.2	14.6	2.9	4.8	28.7	4.0	18.8	6.5	9.6	10.1	238.2
Commercial Floor Area (m ²)					86 500	167 300		29 700	353 200	207 500	192 400	151 200	1 187 800
Number of Dwelling Units							3 300	250	590	260			4 400

Source: Bloemfontein N8 Airport Node- Phase 1: Development Guidelines. Mangaung Metropolitan Municipality, December 2012.

2.2.4 Chronology of Major Events and Current Status

Pro-Plan Consulting Engineers were appointed by the Mangaung Metropolitan Municipality in November 2012 for the following services:

- Studies and implementation planning and designs (Environmental, Township Establishment and Engineering)
- Project Management of the ADN implementation process

Additionally, specialist PSPs were appointed by the metro for professional work in addition to Pro-Plan in 2012. These PSPs included:

- Group Five Survey - Topographical Surveyor
- SIMLAB - Geotechnical
- Royal Haskoning DHV - Floodline Assessment
- ECO CARE - Wetland Delineation
- ECO CARE - Fauna Assessment
- ECO CARE - Flora Assessment
- Aurecon - Bulk Infrastructure Study

Documentation provided indicates that a full master plan for the total ADN (Phase 1 and Phase 2) was tabled in March 2013. This master plan was a revision that incorporated proposed layout changes including:

- WWTW buffer zone
- Environmental Considerations (Wetland, Fauna & Flora)
- Exclusion of Portion 2 of Sunnyside 2620
- Re-alignment of railway and station
- Incorporated the Outer Ring Road Alignment

The various technical services reports, design documents, and record of activities indicate a significant amount of work was conducted in developing and designing the ADN from a spatial and technical design standpoint.

A Pro-Plan Progress Update Presentation, dated February 2014, indicated an expectation that construction for Phase 1 would go to tender in March/ April 2014. The construction activities have not yet occurred, and Officials explained that this is due to the outstanding township proclamation.

It appears that certain activities ceased in 2013/14, but that certain studies continued, such as the procurement of an ornithologist to conduct an avifaunal study in July 2015. Additionally, as of 2017 the Environmental Impact Assessment was underway but facing some challenges with completion (as of 25 September 2017 there were still some comments from ACSA to be addressed).

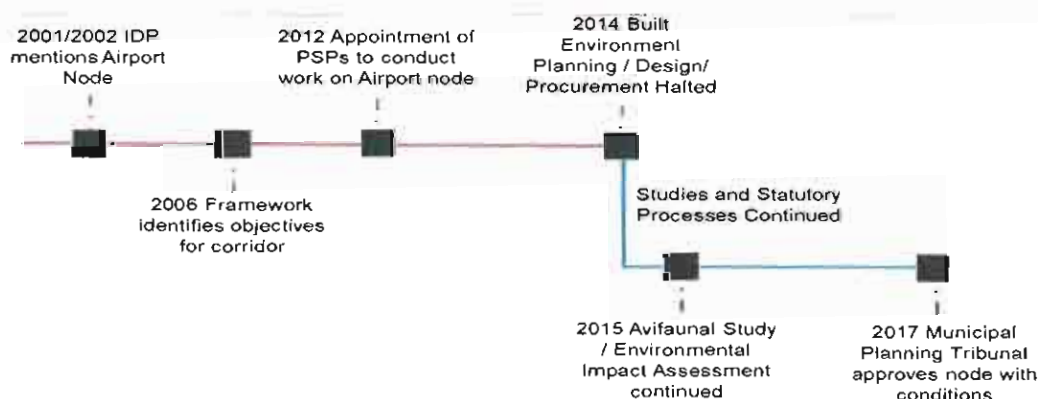
A presentation by the Mangaung Metropolitan Municipality dated 18 September 2017, cited that version 22 of the township establishment plan was approved on 18 August 2017. A separate document dated 15 September 2017 shows a letter of decision by the Municipal Planning Tribunal to approve the plan with conditions. Conditions as specified by the Municipal Planning Tribunal included:

- That Mangaung Metropolitan Municipality as the developer install the internal services⁸ unless otherwise determined as agreed by council;
- That, in the case of the development done by a PPP a service level agreement be developed for the provision of services (internal and external);
- That, the conditions as set out in the “Record of Decision,” be considered in the development and the relocation be considered based on the nature of sensitivity of the eco-system;
- That a developer develops a golf course and/or a regional park along the open spaces in the development;
- That the Mangaung Metropolitan Municipality adhere to noise and safety measures around the airport;
- That before any development commence, service level agreements concerning the provision of infrastructure (bulk as well as internal networks) for sewer, water, electricity, stormwater, and roads, be signed between the developer and the Mangaung Metropolitan Municipality.

All information above was taken from Memorandum “Decision Letter to Applicant” from Municipal Planning Tribunal to the municipality, dated 15th September 2017.

A high-level timeline of activities is provided in the figure below.

Figure 17: High-level summary of the timeline of activities for Airport Node Development



⁸ While acknowledging that the municipality is the developer in this instance (and that they may wish to incentivise the development), this is a fairly restrictive condition as it places obligation on the municipality not only to install bulk infrastructure but also internal reticulation, unless otherwise agreed by the Council.

According to a Mangaung Metropolitan Municipality presentation dated 17 September 2017, current activities include:

- Finalisation of land surveying activities. At the site visit officials indicated that pegging of the site has commenced. In addition, all activities relating to an existing quarry on the site have been halted.
- Finalisation of the Environmental Impact Assessment report (the team's understanding is that a PSP has been procured to address all comments from Free State Province Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA) and ACSA)
- Proclamation of the township establishment (officials indicate that this will be undertaken once the pegging is completed)

This same presentation proposed future projects for 2018/19 -2020/2021 including engineering designs for roads, sanitation, storm water, etc.

Officials state that they have also recently engaged with external role-players including:

- Engagements with Edison Group -who has conducted market analysis on potential commercial development
- Engagements with the Provincial Office of the Premier – who has conducted studies for the proposed International Convention Centre (status undefined)

Responsibility for the project has been moved from the Planning Directorate to the Directorate of Economic and Rural Development.

3 Findings of the review

3.1 Programme conceptualisation and spatial rationale

The main strategic logic for the ADN is based on its location along the N8 route (see figure below) which is the core of Integration Zone 2 of the metros SDF and BEPP. The N8 route is seen as a strategic link to Lesotho with Botshabelo and Thaba Nchu, albeit 60 kms away, and the CBD of the metro. The N8 route is a corridor which is intended to be "interrupted" by well-placed development nodes along its length – like beads on a string. The ADN would be one such bead. Other nodes are less well formed and comprise single sites such as the Fresh Produce Market or the Raceway Park development.

Further, ADN is seen as a contender to address the spatial imbalances between the east and west parts of Mangaung following a logic of "balanced" spatial development and also to enable opportunities in a major node that cannot be offered in the existing CBD, which offers limited opportunities for redevelopment as there is a dominant land owner.

The intention is to build a strong economic node on the edge of the urban core. The proposed land uses are for a high-end commercial development including a convention centre, hotel, retail with mixed residential, all set within a modern new layout including public spaces, piazzas, street furniture and pedestrian friendly areas, green parks and water features.

Figure 18: ADN as a node along the N8 with other nodes indicated



The ADN is well entrenched within the spatial framework of the Mangaung Metropolitan Municipality. There are however some contradictions between the SDF and its strategic intent to promote compact development and prevent urban sprawl and a development such as this on the periphery of the built-up areas. The conceptualisation and planning of the ADN predates the BEPP and its integrative intentions. However, in terms of the BEPP, it falls within an Integration Zone (IZ 2) and is part of the Urban Network Strategy. It has been approved as a township and therefore must have been seen to broadly align to the spatial plans (SDF and BEPP) and objectives of the Metro.

However, it is a concern that the conceptualisation has not taken economic, market and financial considerations into account. The strategies and plans within the strategic framework documents i.e. the IDP and SDF are conceptual, vague and broad. No hard choices have been made on allocating resources, except for the phasing of the Integration Zones and the IPTN.

Most of the strategic projects being undertaken by the metro, including the ADN are peripheral to the core areas of the city (see figure above). The Integration Zones are linear, extending out from the CBD and divide the city into segments. The ADN is located away from the CBD and quite a distance from work opportunities in the western and southern quadrants of the metro where private and public-sector investment respectively are locating.

The ADN is creating a new node that is likely to be in competition with the existing CBD and several other municipal driven mixed-use developments for example Vista Park, Hamilton and Cecilia Park. Given the economic realities of the metro (including the western decentralisation trend), by creating another focal point for investment, with similar uses to the CBD, it could be that the ADN will result in a diluting of investment potential, which could further result in the deterioration of the existing CBD.

The hinterland of the ADN is the airport to the north, small holdings of Estoire earmarked for commercial development and residential (mixed and lower income), small holdings to the south and informal settlements beyond these and Mangaung township to the south west. The market is therefore one of lower income areas that are largely residential with limited facilities and retail and commercial centres close by. There appears to be little consideration of this local locational context and the needs and demand from this market segment.

Given the distance between the ADN and Botshabela and Thaba Nchu i.e. 60kms, it is difficult to see how this could result in integration with the CBD. The economic rationale is to create jobs closer to these areas, however the distance remains substantial and the types of use are limited for this purpose.

Accordingly, the conceptual approach underlying the ADN may counter the objectives of the IDP/BEPP to consolidate and develop the CBD as the primary economic node, as there is insufficient market to support both. The ability to develop the intended land uses planned for the ADN will depend on the strongest economic sectors (government, university, retail) which are located in the core, being moved to the ADN.

The BEPP promotes CBD regeneration and compact development yet the ADN has leapfrogged over under-utilised land and created a decentralised, fairly low intensity node. The development therefore runs the risk of undermining more compact and integrated development extending out incrementally from the CBD.

Integrating Botshabelo and Thaba Nchu might be better served by creating affordable accommodation opportunities adjacent to the CBD and developing the economic opportunities in these areas along with activities that link to support tertiary sectors in Maseru.

The extent of the public investment vs the returns (jobs, economic growth and housing) has not been determined and is therefore subject to question. The rationale for creating a new modern CBD type of development to solve the current challenges within the existing CBD is not evident. Additionally, there is no impact analysis (positive and negative) of what the ADN development could mean for the CBD and surrounding areas.

3.2 Design of the ADN

3.2.1 *Socio-economic and financial rationale*

The ADN development is not based on a comprehensive economic analysis. As a result, some of the assumptions relating to the project – especially in respect of investor interest and uptake rates for commercial, retail and residential space in the ADN – appear to be excessively optimistic (See anticipated commercial, retail and residential allocations sets out in table 10 above). A market analysis is not in place and the rudimentary assessment of the current market trends (see section 2.1.2) indicates a potential over-supply in most sectors (in terms of existing land/rights and what will be released to the market in the short term).

If the ADN is to be a catalytic investment project, then it must assist in enhancing the productivity of the metro over the longer term. However, the location of the site in relation to existing economic activity is unlikely to achieve this. While it may be successful in enticing some established firms to relocate to the ADN, this is effectively a zero-sum game that will do little to enhance competitiveness or productivity across the metro in a sustainable way.

A more effective intervention is likely to involve identifying specific private sector investments that can enhance some of the few sector value chains that demonstrate some signs of competitiveness. The location of such investments should be determined largely by the location of established firms in those sectors and value chains, so that they enhance the long-term competitiveness and productivity of those value chains. Such an intervention would need to be based on a detailed pre-feasibility analysis.

While the ADN site is relatively well located in relation to the growing trade with Lesotho, the value of that trade still represents a very small proportion (less than 1%) of the total economic activity of the metro and is therefore unlikely – by itself – to provide a significant rationale for relocating. While it is not clear how much of the products exported to Lesotho from Mangaung are actually produced in the metro, and what proportion is simply channelled through the metro's logistics systems, the value of the exports still does not represent a sufficiently large proportion of the sales of most sectors to warrant relocation.

Given the above, an approach that rather considers the ADN in the longer term as the city expands may be more appropriate. Options in this regard are set out in **Annexure H**.

3.2.2 *Urban design approach and planning considerations*

The urban design approach is modern, targeting a high-income market with a CBD-type of design and modern apartment living. Phases of development are not evident. While the layout has some sites adjacent to the N8, a landmark site at the intersection with the N8 is not owned by the metro, but by the Province.

No consideration of a land swap is evident⁹. Likewise, the incorporation of the Raceway Park development within the overall ADN, has resulted in affordable apartments and single erf houses being built close to the N8 where light industry and warehousing and showrooms typically seek locations, losing the advantage of potentially higher value future developments on this land.

The bulk of the ADN development is therefore some distance from the N8, south of the river. Accordingly, the layout does not get the full competitive advantage of being directly on the N8. In terms of land uses zoning, the design has limited mixed use developments and includes considerable mono-functional zoning (separate residential and business land uses). Erf sizes are not flexible to meet prospective investors' needs. Larger blocks of land could rather have been included to provide flexibility.

The layout does not appear to 'work with' the watercourse in some parts and interrupts the stream to develop the large concrete, paved central piazza. Residential erven are located on the far southern side of the site and along the river and are therefore disconnected from the retail and commercial developments. Residents will need to cross large spaces to access the retail and commercial facilities. The central public square cuts off easy access, making the commercial sites less accessible.

The inclusion of unique anchor uses such as a convention centre and a tertiary institution may provide uses not found in the CBD.

It should be noted that the layout has been approved by the municipal planning tribunal, subject to conditions. The next step is to have the approved township proclaimed. This requires the layout plan to be surveyed and a general plan prepared for submission to the Surveyor General for approval. This is sent to the Registrar of Deeds to open a township register so that sites can be sold and title deeds to the properties obtained. The township was approved in terms of SPLUMA and the Mangaung Planning Bylaws¹⁰. The By law has provisions that cause the application to lapse. Section 22(1) and 23(1) give the municipality two years to get the general plan and township register opened, failing which it lapses (extensions of time can be applied for). Even if Sections 22 and 23 are complied with and the township gets proclaimed, a developer may need to rezone sites or consolidate or subdivide a site to meet specific requirements. In these instances, there are also lapsing clauses (three years in the case of a consolidation and subdivision (S33 (1)) and 5 years if for the exercising of the rezoning rights (S19 (1)).

The municipality must be mindful of these clauses as they pose future risks to the development.

⁹ Some reports make reference to phasing but we are awaiting the ADN application submission documents to the MPT to ascertain whether the layout that was approved includes a phased approach.

¹⁰ As advertised in the Provincial Gazette No.35 of July 2015.

3.2.3 Land use approach

The financial costings for the metro's contribution to prepare the land, provide bulk services and implement internal services has been done based on a straight output basis. A financial model which indicates cost, period of expenditure, funding and returns on commercial properties would be of more use.

The approach proposed is to prepare the land to the point of proclamation and conduct site surveys to then on-sell to developers. This approach has the potential for the metro to maximise its value through site preparation and reduces the major risks to the private sector. This can be a useful approach where there is high demand and the land is of high value. Yet, in this case, the property is very large and market interest may differ from proposed uses, densities and layout. Additionally, the size of the whole ADN property means that a phased programme of release is likely to be more feasible given the realities of market size and interest.

Sale of all the land limits the option for the metro to maximise its value retention and consideration should be made to leasing the commercial retail/office properties. This will also prevent speculation of developers who may be willing to purchase at this point and wait until the market picks up.

Releasing the property when the market has not yet been realized may devalue the opportunities. Consideration should be given to preparing the property up to proclamation (without services) and releasing when there is interest. Internal servicing should be done by the developers as and when the property is acquired. Servicing areas without users means operating costs are not recouped. Attention should be focused on the belt of land holding between the N8 and the river, including a potential land swap with the Province for the key development site.

Capacity to manage the project from the point of land preparation has not been put into place. This will require dedicated property management and development skills that is able to engage with developers and access the various forms of funding (private, subsidies, loan financing and package deals). Further, the ability to manage the ADN requires compliance with the Municipal Finance Management Act (MFMA) and the Municipal Asset Management Regulations for example consideration of issues such as the basis by which sub-leases, concessions, and sales are to be undertaken is required and has not yet been considered.

3.2.4 Housing approach

A review of housing circumstances in Mangaung Metropolitan Municipality indicates that overall housing need comprises approximately 31,000+ households living in informal circumstances (informal settlements/backyard rental); 15,000+ households earning between R6,300 and R25,000 who required affordable housing and 70,000 new households (to 2036) the majority of which (42,000) earn below R6,300 and will need state support to access housing and 17,000 who will fall into the affordable market

The Metro has an ambitious housing programme that in terms of current budgets is aimed at addressing the housing circumstances of 32,000 households in informal settlements/BNG and 17,000 in the affordable market. A further 13,900 affordable units are planned but not yet budgeted for.

Over the last 3 years housing delivery by MMM has been extremely low comprising 9,211 units built, 5,773 services sites and 460 affordable rental units delivered. Delivery of new units in the private sector has also been extremely limited comprising 3,713 new units added to the market between 2010 and 2015.

Given the above it is evident that the major need in the metro is for housing options for very low-income households. It can be argued that the ADN is currently not appropriate for such households because of the distance from the CBD and active economic hubs in the metro, combined with the lack of transport. The provision of housing for these households should occur within the CBD and the surrounding inner suburbs.

The ADN node does seem more appropriate for affordable housing. However, the planned delivery programme for this type of housing is potentially significant through a range of different projects being undertaken including Visa Park 1 and 2, Hillside View, Mandela View, Raceway Park, Estoire. These developments are generally on properties better located than ADN.

The projected growth in the population of Mangaung, and the large number of integrated residential development projects elsewhere in the metro, suggests that take-up rates of residential projects on ADN will be relatively slow.

3.2.5 Options and private sector involvement

Consideration has not been given to the form of involvement of the private sector. No consideration has been made of the financial options for private sector involvement outside of a straight sale. The project does not provide for options and therefore no analysis has been done of risks and opportunities.

No partnerships are considered outside of the straight property release contract. This approach is often the easiest and simplest given that it avoids complicated partnership arrangements with financial mechanisms that are often not adequately understood and thought through.

However, given the scale of this development there is a need to consider the metro's exposure and ability to manage this over the long term.

Consideration should be given to the development being done under a broader programme umbrella that covers the full Integrated Zone. This will allow for better understanding of the market take up and value realization. Consideration can also be given to testing the market through a Request for Information (RFI) and on the basis of the responses received to determine the most accessible and easiest areas to kick start the development.

Private sector involvement in transactions depends on the best use options generated in the pre and feasibility studies. These options will determine viability and potential for involvement of private sector parties. The involvement can be in the form of financial investments or loan financing, purchaser with obligations, leasee with obligations or developer on behalf of the metro.

3.3 Conformance to CLD life-cycle

Catalytic programmes should be “game changers”. They should positively impact on spatial form and “unlock” economic development or be a catalyst for investment and development. Programmes should include a mix of housing typologies to cater for all income groups in an integrative way and should have intensified land uses which means that they should be more densely and compactly designed and developed. They should contribute to more viable public transport systems. Such programmes are quite complex and require skills in several disciplines in order to plan and implement them. Due to their size and importance they require a blend of different financing means so that private sector investment is leveraged and households also invest in the programme.

The ADN predates the catalytic land development programme and its objectives. While a major programme and one that will include many different uses, it is not fully aligned to objectives of densification, infill and growing out from the CBD (it promotes decentralised development). It has fairly low densities and intensities of development and is not fully aligned with public transportation development approaches

The CLD life-cycle has not been a prescribed process for CLD development but is premised on widely-accepted principles of best-practice in large-scale, multi-project land development initiatives. It provides a framework for assessing the development and progress of catalytic programme preparation. The Panel recognises the significant amount of effort has been put into the detailed design of the ADN, but there is a risk these outputs might not necessarily result in the desired outcome.

Certain elements of CLD programme development, such as conceptual master planning and engineering studies, are at a final stage while economic analysis and clear delineation of objectives are absent.

The table on the subsequent page provides an assessment, per stage of the life-cycle of CLD programme development, of critical considerations. An overview of CLD programme development is set out in **Annexure G**.

Table 12: Analysis of ADN status related to CLD life-cycle

Expectation	Phase 2: Catalytic Programme Preparation				Phase 3: Implementation Phase	
	Phase 1: Spatial Planning and Targeting	2.0. Catalytic Programme Inception	2.1. Catalytic Programme Conceptualisation	2.2. Catalytic Programme Pre-feasibility	2.3 Catalytic Programme Feasibility	2.4 Catalytic Programme Preparation Finalisation
	Project specified in relevant IDP and funded	Clear demarcation of when programme was formally commenced with initial roles and responsibilities identified.	Clear objectives and rationale specifically for programme and possibly projects within programme. Must reference back to the objectives identified in Phase 1 activities. Full programme management approach (roles & responsibilities, staff resource allocation)	High-level options analysis for the development (institutional approach, economic cost/benefit analysis, land-use mix, financial analysis of options, project typology inclusive of private, PPP, public sector mix). Robust risk analysis against all options	Focused on full financial analysis and final institutional approach for the preferred option. Detailed engineering master programme and schedule for projects within the programme. Clear integration of inter-governmental pipeline.	Full budget preparation for projects within the programme, Listing of all municipal project budgets on municipal vote, preparation of PPP procurement documents and marketing strategy, for purely private sector projects within programme – preparation of RFP information and other necessary documents.
						Expectation of implementation in accordance with engineering master schedule and programme

Phase 2: Catalytic Programme Preparation						Phase 3: Implementation Phase
Phase 1: Spatial Planning and Targeting	2.0. Catalytic Programme Inception	2.1. Catalytic Programme Conceptualisation	2.2. Catalytic Programme Pre- feasibility	2.3 Catalytic Programme Feasibility	2.4 Catalytic Programme Preparation Finalisation	
<p>Motivation found in IDPs (2001/2002) and most recent IDP (2017-2022) but no funds allocated in recent IDP</p>	<p>No information of programme commencement -only updates of ADN to council. The ADN does relate to and arise from the BEPP of the metro and the SDF as part of the N8 corridor development. The brief description and high level objectives are stated. There is inadequate cost assessment and impact of the intervention.</p> <p>In the inception stage of the CLDP it is required to provide a clear motivation for moving forward with the programme and its likely cost for preparation activities. This is missing.</p> <p>Although it is aligned to the BEPP there is no assessment of the property market and the ability to leverage private finances. The programme concept is land use led.</p>	<p>Conceptual Spatial Plan completed, No dedicated document outlining the specific objectives for ADN. Programme management (roles and responsibilities) are unclear.</p> <p>The key in this stage is establishing the impact that this development will have on spatial form and development of the city and defining the objectives it seeks to achieve. This has been indicated but not substantiated. It has also assumed a positive contribution and has not tested the potential negatives; i.e. creating an alternative CBD.</p> <p>The high-level marketability report is not included in the programme documentation. It is unclear what markets could be addressed in this spatial location.</p>	<p>No dedicated document identifying range of options before deciding on preferred development option. A detailed pre-feasibility exercise and proper financial modelling has not been undertaken. Institutional systems, capacity, responsibilities, financial sources and inputs are required at this stage which has not been undertaken.</p> <p>It is unclear that the costs would justify the outcomes and the risk of low market potential could result in further costs due to maintenance and operating of this infrastructure not being covered.</p> <p>Physical features of the property have been undertaken and completed. Bulk requirements have been established from the proposed design and layout</p> <p>No risks are established for the development.</p>	<p>Engineering services reports and studies that can serve as informants to the overall feasibility.</p>	<p>No preparation for the programme overall with respect to any PPP projects, some project briefs for municipal projects within the programme</p>	<p>Design requirements for engineering services have been completed.</p> <p>Certain infrastructure has been completed for the broader Integration Zone 2.</p>

Found in respect of the ADN

4 Conclusions

The overall conclusions of the Panel are as follows:

- 1) **Demographic and economic context:** The Mangaung Metropolitan Municipality is characterised by low population and economic growth. Its average annual population growth is 1,5% which is lower than South Africa's. The BEPP (2017-2022) estimates that there will be 70,720 new households between 2015 and 2036 which amounts to approximately 3,500 new households per annum.

Between 2000 and 2016 Mangaung's real GVA at basic prices increased by 51% as opposed to 56% for South Africa overall. There is significant disparity within the metro with higher economic growth occurring in Bloemfontein (at a level which matches the national performance (56%)) and Botshabelo and Thaba Nchu which saw significantly lower growth (29%).

The key sector within the metro is the services sector which accounted for 99.7% of Mangaung's real GVA growth between 2011 and 2016. If only Bloemfontein is considered the services sector accounted for 96.8% in the same period and the secondary sector (manufacturing and construction) accounted for 4.9%.

A resilience analysis of the different economic sub-sectors suggests an economy that is largely uncompetitive with no sub-sectors having an ability to drive the metro onto a higher growth path over the next three years. This indicates that the potential for uptake of commercial and industrial space in the ADN in the next three to five years is likely to be low and that the ADN should be viewed as a long-term project. Further to the extent that established businesses are attracted to the ADN this would largely constitute a 'cannibalisation' of the economy yielding very little in the way of additional economic activity, incomes and employment opportunities.

While the ADN may be relatively well located in relation to the growing trade with Lesotho, the value of that trade represents a very small proportion (less than 1%) of the total economic activity of the metro and is therefore unlikely – by itself – to provide a significant rationale for businesses relocating to the development.

- 2) **Conceptual rationale:** Within the documentation provided, there is no clear set of objectives or rationale specifically for the ADN outside of it being a node on the N8 corridor which integrates Botshabelo/Thaba Nchu with Bloemfontein. As such there is no economic rationale for the development. This is further confirmed during the site visit where Officials

indicated that no economic or options analysis was formulated for the ADN.

The main strategic logic seems to be based on:

- its location on the N8 route, close to the airport,
- the fact that it is a sizeable land area that is municipal owned,
- that it is a node along the N8 route that can link Bloemfontein CBD to Botshabelo and ThabaNchu, and
- that it will balance the development occurring on the western side of the metropole.

The nature and form of the proposed development seems to suggest that the intention is to build a strong economic node on the edge of the urban core which will create opportunities between Bloemfontein, Botshebelo and ThabaNchu. The ADN and other developments along this route are seen as addressing the current spatial imbalance between the east and west parts of Mangaung. Further since the Mangaung Metropolitan Municipality officials have indicated there are limited opportunities for the redevelopment of the existing CBD, as there is a dominant land owner, ADN (as an alternative node) is seen as offering an alternative location for economic opportunities.

The following issues with the conceptual rationale are noted:

- a) **Distance:** The ADN is located 10kms away from the CBD of Bloemfontein and quite a distance from work opportunities in the western and southern quadrants. The distance between ADN, Botshabelo and Thaba Nchu is 60kms. The economic rationale is to create jobs closer to these areas, however the distance remains substantial and the types of use are limited for this purpose.
- b) **Extent to which the ADN is likely to attract investment in the short to medium term:** On the basis of a high level review of retail, industrial and residential need within the metro the evidence suggests limited demand for the types of land uses being provided within the ADN. With respect to the proposed retail development a an assessment of existing retail centres in the metro indicates significant retail space already exists located in the CBD, northern, western and south/western areas. Botshabelo and Thaba Nchu also have small centers. While there is limited retail long the N8 there is a small centre coming on stream in the Raceway Park development (the Raceway Park project focuses on residential development within lower LSM groups).

With regard to industrial development, there appears to be a large amount of prepared industrial space with high levels of vacancy already in the vicinity of ADN (particularly in the Transwerk area and the Estoire industrial area).

With regard to residential development, the Metro has an ambitious housing programme that, in terms of current budgets, is aimed at addressing the housing circumstances of 32,000 households through the upgrading of informal settlements/BNG programme and 17,000 units in the affordable market. A further 13,900 affordable units are planned but not yet budgeted for. It can be argued that the ADN is currently not appropriate for very low-income households (incomes below R7,500) because of the distance from the CBD and active economic hubs in the metro, combined with the lack of transport. While the ADN does seem more appropriate for affordable housing (households earning between R7,600 and R25,000) the planned delivery programme for this type of housing is potentially significant through a range of different projects already being undertaken including Visa Park 1 and 2, Hillside View, Mandela View, Raceway Park and Estoire. These developments are generally on properties better located than ADN. High income households (earning above R25,000) are unlikely to find the ADN attractive due to its closeness to the airport and the attraction of the western area.

- c) **Overlap and a lack of integration with developments in the surrounding area:** The hinterland of the ADN is the airport to the north, small holdings of Estoire earmarked for commercial development and residential (mixed and lower income), the Raceway Park development comprising affordable housing with a shopping centre, the Transwerk and Estoire industrial areas which are largely vacant and golf courses along the N8 towards the CBD. To the south is all small holdings with some being subdivided for townhouses. The ADN has similar land uses and there appears to be little consideration of this local locational context. Consideration should be given to the development being done under a broader programme umbrella that covers the full Integrated Zone 2. This will allow for better understanding of the market take up and value realization in this part of the city.
- d) **Impact on the metro as a whole:** Given the economic context, the ability to develop the intended land uses planned for the ADN will depend on the strongest economic sectors (government, university, retail) which are located in the CBD and its immediate surrounds and the inner areas of Bloemfontein, being moved to the ADN. While ADN may be successful in enticing some established firms to

relocate to the development, this will do little to enhance competitiveness or productivity across the metro in a sustainable way. A more effective intervention is likely to involve identifying specific private sector investments that can enhance some of the few sector value chains that demonstrate some signs of competitiveness. The location of such investments should be determined largely by the location of established firms in those sectors and value chains, so that they enhance the long-term competitiveness and productivity of those value chains. Such an intervention would need to be based on a detailed pre-feasibility analysis.

The inclusion of unique anchor uses such as a convention centre and a tertiary institution may provide uses not found in the CBD, however there is no market research or feasibility study available to substantiate this and no evidence that this site would be attractive to these forms of investments given its isolation from existing activities.

- 3) **Spatial context:** The ADN comprises two phases which are apportioned on land north and south of the N8. Phase 1 (the focus of the Review), consists of 700 hectares and is south of the N8. The ADN is well entrenched within the SDF and BEPP of the Mangaung Metropolitan Municipality, in that it falls within an Integration Zone (IZ2). It has been approved as a township and is broadly aligned to the key spatial policy documents (IDP, SDF and BEPP).

There are however some contradictions between the SDF and BEPP and the ADN. The SDP has the strategic intent to promote compact development and prevent urban sprawl and the BEPP promotes CBD regeneration and compact development. Yet the ADN has leapfrogged over underutilised land and created a decentralised node. The ADN therefore runs the risk of undermining more compact and integrated forms of development that extend out incrementally from the CBD.

Furthermore, the ADN is creating a new node that is likely to be in competition with the existing CBD and other mixed-use developments within the metro including for example Vista Park, Hamilton and Cecilia Park. Given the economic realities of the metro (including the western decentralisation trend), by creating another focal point for investment, with similar uses to the CBD, it could be that the ADN will result in a diluting of investment potential and further deterioration of the existing CBD.

- 4) **Development design:** The development is designed as a modern, mixed-use, high-income CBD-type node that is targeting key economic activities and modern urban apartment living. It also targets the

affordable (and higher) housing market. Given the concerns raised above, the appropriateness of the design to the realities of the market is questionable. Further issues concerning the design include:

- Its proximity to the N8. While the layout has some sites adjacent to the N8, a landmark site at the intersection with the N8 is not owned by the metro, but by the Province. No consideration of a land swap is evident.
- That the design of the development is very detailed with erf sizes that are not flexible to meet prospective investors' needs. Larger blocks of land could rather have been included to provide flexibility especially given the concerns with take up as indicated above.
- That phases of development are not evident which affects the ability of the development to be released over time. Phases should be indicated in the design of the development allowing for costs of servicing to be managed against land release and infrastructure requirements.

It should be noted that the layout has been approved by the municipal planning tribunal. The next step is to have the approved township proclaimed. This requires the layout plan to be surveyed and a general plan prepared for submission to the Surveyor General for approval. Pegging of the site is currently underway. This is sent to the Registrar of Deeds to open a township register, so that sites can be sold and title deeds to the properties obtained. The township was approved in terms of SPLUMA and the Mangaung Planning Bylaws¹¹. The By law has provisions that cause the application to lapse. Section 22(1) and 23(1) give the municipality two years to get the general plan and township register opened, failing which it lapses (extensions of time can be applied for). Even if Sections 22 and 23 are complied with and the township gets proclaimed, a developer may need to rezone sites or consolidate or subdivide sites to meet specific requirements. In these instances, there are also lapsing clauses (three years in the case of a consolidation and subdivision).

The municipality must be mindful of these clauses as they pose future risks to the development. Accordingly, the municipality has two years from mid-September 2017, before the application lapses. Should it proceed to getting a General Plan approved, it must lodge this with the

¹¹ As advertised in the Provincial Gazette No.35 of July 2015.

Registrar of Deeds or else the application lapses. A General Plan can be amended or partially cancelled (Section 25 of by law).

- 5) **Land release approach:** The land release approach proposed is to prepare the land to the point of proclamation, construct all required internal infrastructure and then on-sell to developers. This approach has the potential for the metro to maximise its value through site preparation and reduces the major risks to the private sector. This can be a useful approach where there is high demand and the land is of high value. Yet, in this case, the property is very large and market interest may differ from proposed uses, densities and layout. The cost of providing the infrastructure and services with the level of uncertainty of take up could result in high exposure of the municipality and large-scale waste of capital. Even on sites that have high potential, the approach of land release should be phased, depending on take-up.

Releasing the property when the market has not yet been realized also has the potential to devalue the opportunities. Consideration should be given to preparing the property up to proclamation (without services) and releasing when there is interest. Internal servicing should be done by the developers as and when the property is acquired. Servicing areas without users means operating costs are not recouped and large investments are potentially wasted. There is very little rationale to putting in internal infrastructure in developments which could be done by the investors in the individual sites.

- 6) **Options and private sector involvement:** Consideration has not been given to the form of involvement of the private sector in the development plan. No consideration has been made of the financial options for private sector involvement outside of a straight sale. The project does not provide for options and therefore no analysis has been done of risks and opportunities. No partnerships are considered outside of the straight property release contract. Given the scale of this development there is a need to consider the metro's exposure and ability to manage this over the long term.

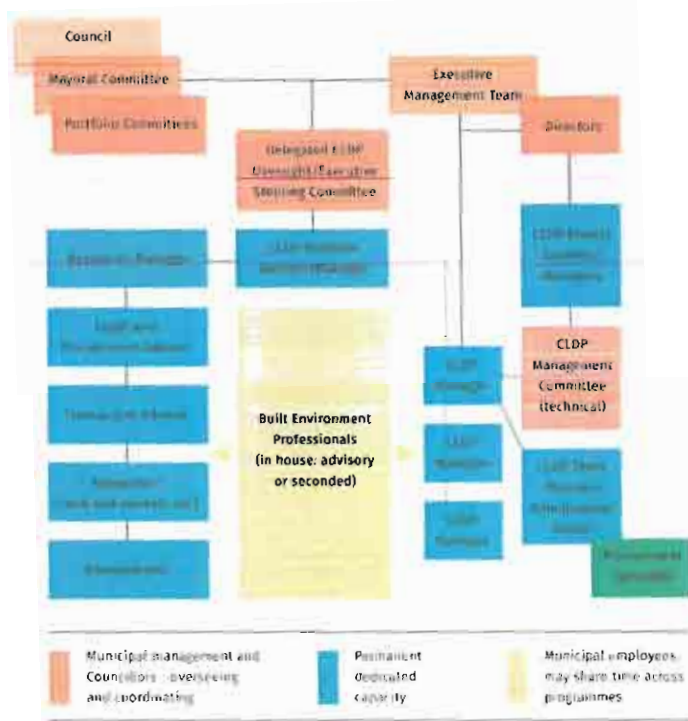
Private sector involvement in transactions depends on the best use options generated in the pre-feasibility and feasibility studies. These options will determine viability and potential for involvement of private sector parties. The involvement can be in the form of financial investments or loan financing, purchaser with obligations, leasee with obligations or developer on behalf of the metro. These cannot be considered at this point of the project given the lack of market analysis and economic opportunities.

- 7) **Work undertaken:** Work undertaken has been driven from a planning perspective. Accordingly, a conceptual spatial plan has been completed, engineering services reports and studies have been undertaken and a detailed layout plan has been developed. Bulk requirements have been established and bulk facilities in respect of water and sewerage have been developed and are operational.

Given that the CLP life-cycle stages are a relatively new introduction, it is not expected that existing metropolitan catalytic land development programmes will conform to these stages. Rather, the stages provide a guidance mechanism to examine the status of programme development. If this is applied to the ADN then it is evident that the requirements of Phase 1: Spatial Planning and Phase 2: Programme Preparation have not been sufficiently undertaken. Of significance is that a clear rationale within the spatial context of the Mangaung metropolitan area is not evident and a business case has not been developed.

- 8) **Institutional arrangements:** Capacity to manage the project from the point of land preparation has not been put into place. This will require dedicated property management and development skills that is able to engage with developers and access the various forms of funding (private, subsidies, loan financing and package deals). The figure below illustrates institutional structuring for programmes of similar magnitude for ADN.

Figure 19: Illustration of Institutional Structure for CLDP management



Source: Cities Support Programme. Catalytic Land Development Guideline. June 2018.

Further, the ability to manage the ADN requires compliance with the Municipal Finance Management Act (MFMA) and the Municipal Asset Management Regulations for example consideration of issues such as the basis by which sub-leases, concessions, and sales are to be undertaken is required and has not yet been considered.

On the basis of collated findings above, it is concluded that the ADN is being undertaken in the context of constrained economic conditions and limited market where the demand for the land uses while either be in-sufficient or pull market share from other areas around the CBD. The development approach as envisioned is also likely to expose the municipality to significant expenses while it awaits private-sector response and uptake.

The ADN has not been planned with specific consideration to the sub-regional context nor well- coordinated with surrounding land uses. There is also concern that the development vision hinges on transfer of municipal land uses which could lead to severally compromising the current CBD and further levels of decentralisation and urban fragmentation.

There is no evidence basis to suggest that ADN will result in integration of the urban form or address the needs for employment or housing of the most marginalised. It is therefore concluded that the ADN in its current form is not a Catalytic Land Development Programme, and if implemented may result in economic and financial risk for the metropolitan municipality.

5 Recommendations

While there has been significant investment in the ADN, both in respect of the spatial and detailed layout planning that has been undertaken and the investment in bulk infrastructure, key market and economic factors have not been considered or are outdated. This means that if it proceeds in terms of the current approach, it could result in poor take up and ultimately unnecessary holding costs for the municipality, as well as negative impacts on the metro spatially.

The panel suggests that the township proclamation process is suspended until such time as the 'missing' components are addressed.

With respect to ADN, the following actions are recommended:

- 4) **Step 1: Initiate a process to simultaneously undertake a review Phase 1 Spatial Planning phase and Stage 2.1 Programme Conceptualisation of the Programme Preparation Phase.** These components of work would enable greater coherence of ADN objectives within the broader Integration Zone 2 and alignment with other key land-development activities taking place concurrently within Integration Zone 2.

In undertaking this work it is recommended that the ADN should be considered as part of the broader Integrated Zone 2 (IZ2) regional plan, which should be more detailed to determine infill development potential and linkages with the western portions of the city through the M10. Consideration should be given to expanding the ADN to incorporate Raceway Park, Estoire and the Transwerk Industrial area. Thus providing clear objectives and rationale for the ADN within the spatial context of the metro.

Arising from this work a high-level business case should be developed that sets out:

- How the IZ2 will be developed and managed.
- How the ADN links into the IZ2 and forms part of a development trajectory.
- What the anticipated development phasing of the IZ2 is likely to be, and how the ADP will fit into this.
- What role the can municipality play in the IZ2 and in the CLDP's that relate this this (including the ADN). This could include passive land holding, selling the land, a phased release (Demand Led Development), appointment of a developer and participation in the development or acting as the developer.

- 5) **Step 2: ADN specific Pre-feasibility:** Once Step 1 is completed and approved by the Council, a pre-feasibility should be undertaken to review the economic and market opportunities. A component of the Pre-feasibility will be to analyse options for both institutional approach and top-structure development as follows:
- a. Institutional systems need to be considered in relation to project preparation, accessing financing, managing land release, managing property development, ongoing operating and management of the area, the release of portions over time and value realization.
 - b. An initial and general financial modelling exercise should be undertaken to test viability and determine the best approach to maximise benefits for the metro.
 - c. An impact analysis should be undertaken to evaluate cost vs returns (social, economic and financial). The best use options should be evaluated to maximise the sustainability of the development.
- 6) **After these stages are completed:** Based on the output of Steps 1 and 2, the municipality can consider the programme in terms of its overall priorities and opportunities.

References

- 1) Mangaung Metropolitan Municipality, Built Environment Performance Plan, 2017/18-2019/20
- 2) Mangaung Metropolitan Municipality, Integrated Development Plan, 2017 – 2022
- 3) Mangaung Metropolitan Municipality, Annual Report, 2014/15, 2015/16 and 2016/17
- 4) Mangaung's Residential Property Market, Size, Activity, Performance, Centre for Affordable Housing Finance in Africa, February 2018
- 5) Excel of financial information and studies conducted to-date (March 2018)
- 6) PowerPoint presentation on designs for Airport Node Corridor (18 September 2017)
- 7) Bloemfontein N8 Airport Node – Phase 1: Development Guidelines (December 2012)
- 8) PowerPoint presentation on the N8 corridor (2010)
- 9) Planning and Implementation Framework Document for N8 corridor (2006)
- 10) Pro-Plan Airport Node Reports (Various presentations and progress reports 2013-2014)
- 11) Various Technical Services Reports on Airport Node:
 - Bulk Services Report (Pro-Plan 2013)
 - Floodline Determination Report (Pro-Plan 2013)
 - Geotechnical Investigation (Pro-Plan 2013)
 - Inception Design Report (Pro-Plan 2013)
 - Internal Rode Network (Pro-Plan 2013)
 - Progress Report (Pro-Plan 2013)
 - Topographical Survey Report (Group Five 2013)
- 12) SAPOA, Research Retail Trends Report June 2017
- 13) Quantec Standardised Regional Database
- 14) Statistics South Africa, Census 2011 Provincial Profile: Free State
- 15) Quantec RSA Regional Trade QSIC Database
- 16) Census 2011

Appendices

Appendix: Agenda for the site visit

Purpose of the Site Visit

The Mangaung Metropolitan Municipality has requested technical assistance from the Cities Support Programme in respect of the Airport Development Node (AND) Catalytic Land Development Programme. In March 2018 an initial scoping visit was undertaken, and it was agreed that an independent review by a panel of professionals is necessary, where expert resources are deployed to assess the current spatial development objectives, economic rationale and institutional approach to the AND Programme. The objectives of the panel are:

- 1) To provide a review of available **conceptualisation and establishment documentation** already completed by the Mangaung Metropolitan Municipality
- 2) To determine if **key steps** within programme development have been missed and provide strategies to address gaps in life-cycle development.
- 3) To provide an independent review of the **concepts being proposed**.

On the basis of the review the Panel will propose a recommended approach upon which catalytic programme preparation can proceed including the CSP future support and technical assistance activities.

The purpose of the two-day briefing is to provide detailed information to the Panel Team on the ADN programme and to workshop key components of the programme.

Agenda: Day 1: June 5th 2018

<i>Time</i>	<i>Session focus</i>	<i>Participants</i>
9:00 – 10:00	Introduction and agreement on the objectives of the review	Head of Economic and Rural Development
10:00- 12:00	Detailed workshop and strategic review on the conceptualization and objectives of the ADN programme.	Economic and Rural Development, Planning, Human Settlements, Gap Housing Directorate
12:00 – 13:00	Lunch	
13:00 – 14:00	Detailed workshop and strategic review with the Planning Department on the location and planning implications of the ADN programme	Planning Department
14:00 – 16:00	Site visit	Planning Department

Agenda: Day 2: June 6th 2018

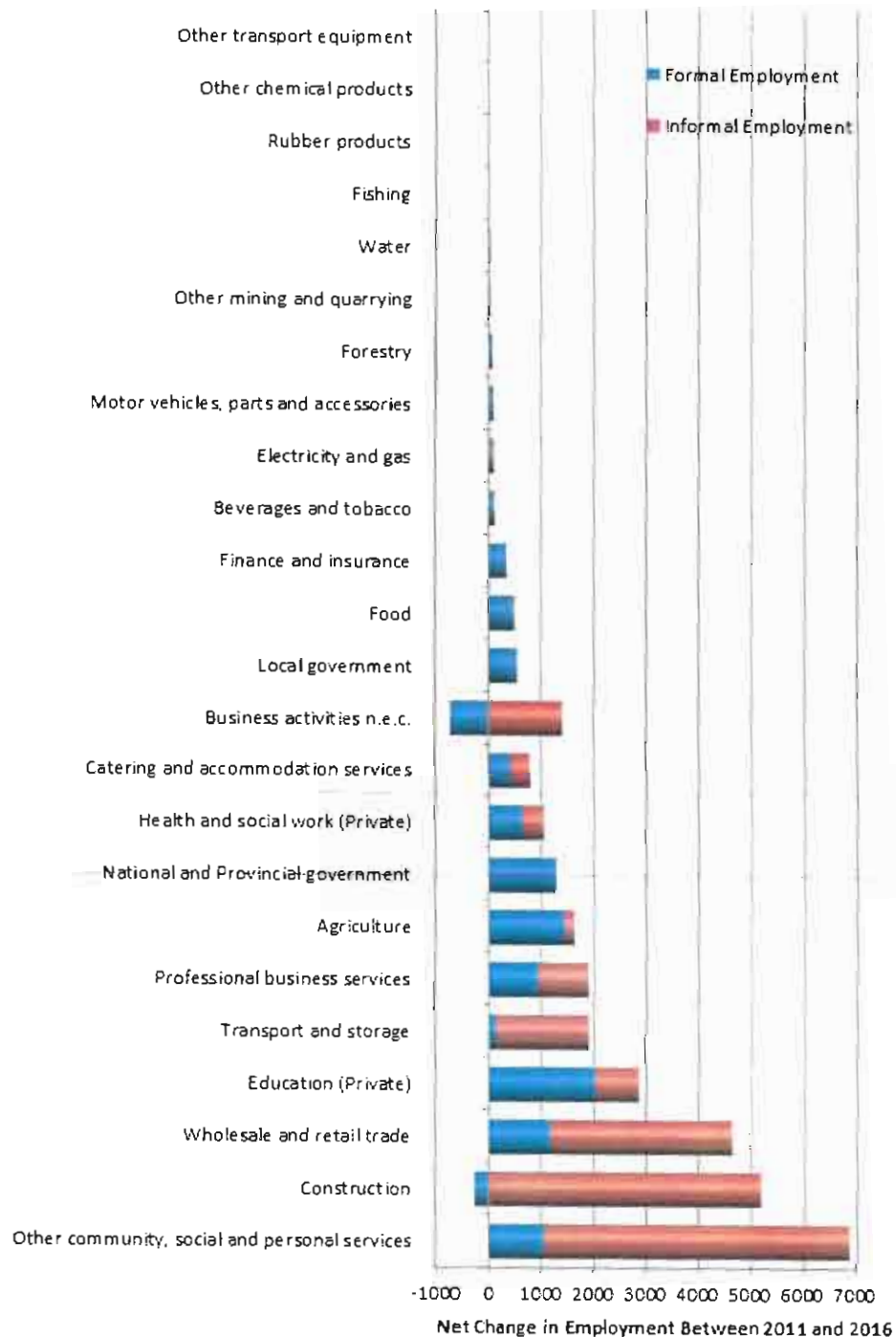
<i>Time</i>	<i>Session focus</i>	<i>Participants</i>
9:00 – 12:00	Panel members to hold one on one meetings with relevant Departments separately. Sessions still to be finalised	Economic and Rural Development, Planning, Human Settlements, Gap Housing Directorate
12:00 – 13:00	Lunch	
13:00 to 15:00	Close-out Session: Final questions and agreement on the way forward	Economic and Rural Development, Planning, Human Settlements, Gap Housing Directorate

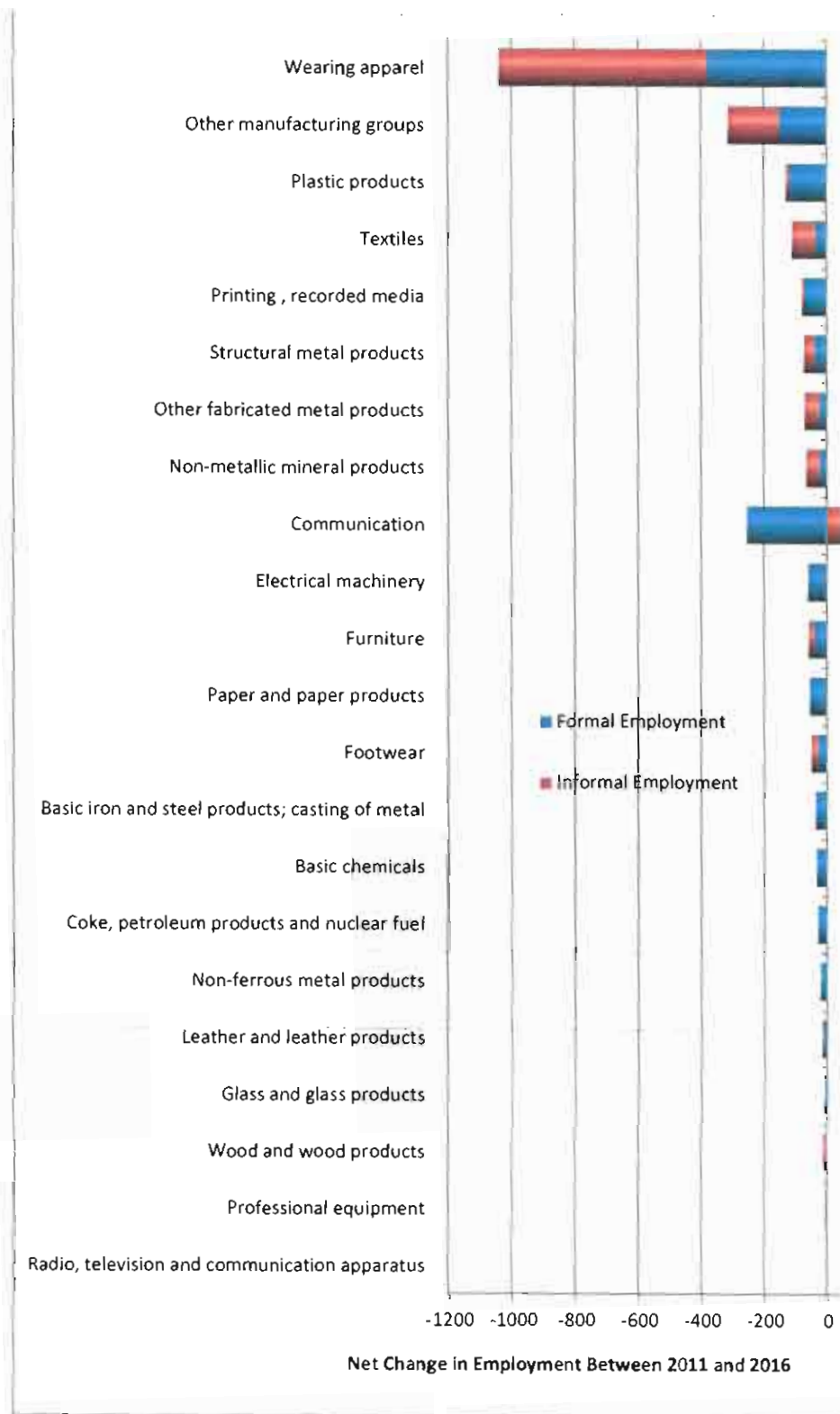
Annexure B: Sector breakdown by resilience category

All Rounders	Fair Weather Performers	Foul Weather Performers	Non Contenders
Other mining and quarrying	Forestry	Catering and accommodation services	Agriculture
Food			Fishing
Basic chemicals			Beverages and tobacco
Rubber products			Textiles
Non-ferrous metal products			Wearing apparel
Motor vehicles, parts and accessories			Leather and leather products
Electricity and gas			Footwear
Water			Wood and wood products
National and Provincial government			Paper and paper products
Education (Private)			Printing , recorded media
			Coke, petroleum products and nuclear fuel
			Other chemical products
			Plastic products
			Glass and glass products
			Non-metallic mineral products
			Basic iron and steel products; casting of metal
			Structural metal products
			Other fabricated metal products
			Machinery and equipment
			Electrical machinery

All Rounders	Fair Weather Performers	Foul Weather Performers	Non Contenders
			Radio, television and communication apparatus
			Professional equipment
			Other transport equipment
			Furniture
			Other manufacturing groups
			Construction
			Wholesale and retail trade
			Transport and storage
			Communication
			Finance and insurance
			Professional business services
			Business activities n.e.c.
			Local government
			Health and social work (Private)
			Other community, social and personal services

Annexure C: Net change in formal and informal employment by sector between 2011 and 2016





Annexure D: Trade balance by product sector between Mangaung and Lesotho

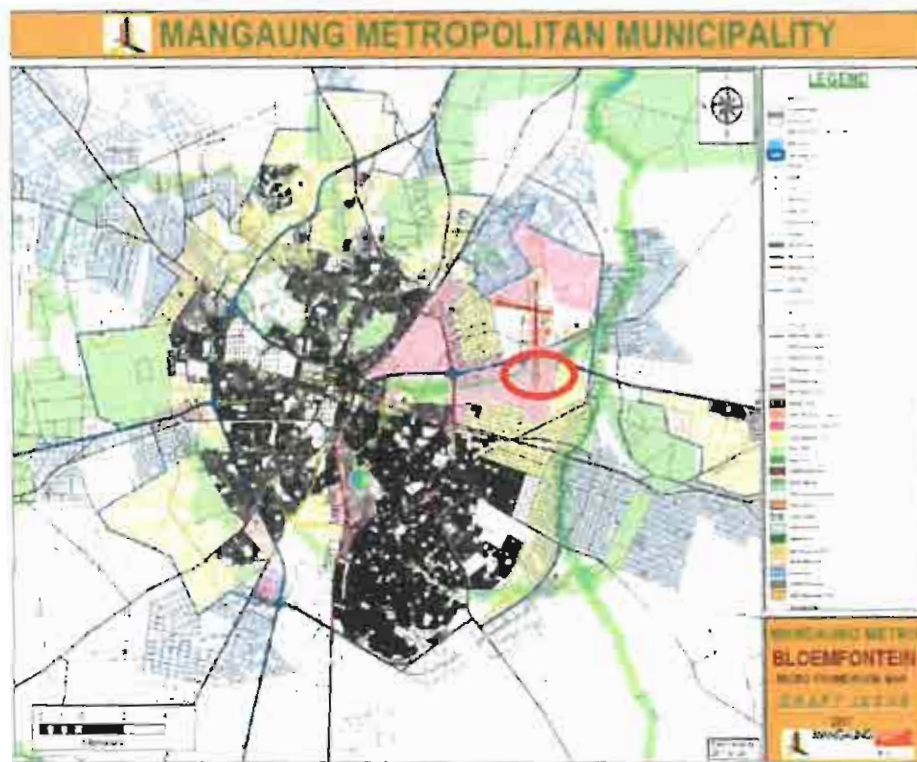
SIC Product Sector	2015	2016	2017
Total	798,702,453	793,688,458	959,774,617
Agriculture	36,587,540	36,278,406	24,016,049
Forestry	1,497,481	2,259,532	1,533,807
Fishing	2,829,939	2,491,677	4,394,857
Coal	29,222	7,628	74,800
Crude oil and natural gas	3,373,317	4,249,292	3,451,705
Gold	-	-	-
Iron ore	199	-	-
Copper	-	4,997	-
Platinum group metals	-	-	-
Other metallic minerals	3,484	-	-
Building materials	1,517,916	1,357,894	1,076,481
Other non-metallic minerals	250,296	4,243,681	3,203,290
Meat , fish, fruit etc.	185,009,678	127,951,099	391,010,531
Dairy products	60,947,361	67,969,503	91,174,113
Grain mill products	41,984,077	117,539,370	46,073,529
Other food products	6,789,669	2,144,580	11,980,945
Beverages	85,753,769	65,815,068	62,791,908
Tobacco	959,338	1,272,094	1,770,160
Textiles	9,693,070	27,014,671	24,150,199
Other textile products	23,027,340	16,919,075	16,029,111
Knitted, crocheted articles	180,384	522,826	125,696
Wearing apparel	(33,833,809)	(41,858,589)	(36,902,980)
Leather, leather and fur products	249,589	493,597	185,842
Footwear	3,037,046	1,789,756	1,767,352
Sawmilling and planing of wood	9,338,427	6,538,823	3,982,777
Products of wood	3,487,985	5,441,655	5,866,972
Paper and paper products	(2,090,389)	1,412,889	82,480
Printing , recorded media	6,180,489	4,277,315	5,557,925
Coke, petroleum products and nuclear fuel	114,210	1,254,531	496,213
Basic chemicals	7,497,454	2,212,214	998,903
Other chemical products	32,313,969	36,749,888	31,507,284
Rubber products	14,674,391	9,081,962	20,855,036
Plastic products	3,862,275	2,411,978	4,387,284
Glass and glass products	5,507,655	5,301,127	6,488,554
Non-metallic mineral products	25,218,512	35,535,686	28,360,011
Basic iron and steel products	38,012,912	12,604,245	10,845,365
Non-ferrous metal products	9,145,043	15,762,149	7,195,620
Casting of metals	1,741,878	760,163	541,865
Structural metal products	7,159,511	10,959,136	28,067,146
Other fabricated metal products	20,309,821	19,285,265	13,723,926
General purpose machinery	15,971,626	10,807,373	9,192,591
Special purpose machinery	44,301,007	54,304,802	37,786,150
Household appliances	4,864,069	4,571,805	3,149,747
Office, accounting, computing machinery	9,153,487	6,115,456	5,746,054

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SIC Product Sector	2015	2016	2017
Electric motors, generators, transformers	2,993,060	4,301,487	2,021,024
Electricity distribution and control apparatus	41,333,656	35,852,656	23,766,210
Other electrical equipment	5,228,543	9,000,294	9,978,589
Radio, television and communication apparatus	13,623,194	4,944,469	3,133,496
Professional equipment	3,286,711	3,212,814	2,527,590
Motor vehicles	24,303,337	29,496,415	24,313,782
Parts and accessories	1,152,857	2,577,740	1,819,331
Other transport equipment	1,454,410	905,036	2,844,889
Furniture	13,126,433	14,066,006	11,160,418
Other manufacturing groups	5,549,013	5,476,922	5,469,990
Electricity and gas	-	-	-

Source of basic data: Quantec RSA Regional Trade QSIC Database

Annexure E: Mangaung city SDF



Annexure F: Kahn Model

The Kahn Model combines LSM, household numbers within a catchment area (which is the average radius of the primary trading area and is determined by the types of centre being evaluated).

According to the Urban Studies report: 'Classification and Hierarchy of Retail Facilities in South Africa, 2010' the required LSM and demographic sizes required for the various types of shopping centres are shown in the table below.

Table 13: LSM and demographic sizes required for various types of shopping centres

SUMMARY TABLE: CLASSIFICATION AND HIERARCHY OF RETAIL FACILITIES IN SOUTH AFRICA

Type of Centre	Size of centre (m ²)(GIA)	Trade area	Access Requirements	No. of households	Population	Socio-economic groups	Avg. Radius (km)	Median Travel time (minutes)	Main tenants
CORE CLASSIFICATIONS									
Small free standing and convenience centre	500 – 5 000 5-25 stores	Serves part of a suburb	Suburban street	LSM 1-5, (<10 000) LSM 6-9, (<4 500) LSM 10-16+, (<2 000)	<40 000 <15 000 <7 000	All LSM groups	1 – 1.5	<3	• Cafe/Superette • few convenience stores
Neighbourhood centre	±5 000-±12 000 25-50 stores	Centrally located for a group of suburbs	Major collector roads	LSM 1-5, (20 300-47 000) LSM 6-9, (9 000-20 100) LSM 10-16+, (3 700-8 600)	±135 000 ±51 000 ±18 500	All LSM 4-10	2	4-9	• supermarket • convenience • some small specialised stores
Community centre	±12 000-±35 000 50-100 stores	Strategically located to serve a suburban community	Major arterial road	LSM 1-5, (44 000-100 600) LSM 6-9, (20 000-46 000) LSM 10-16+, (8 600-19 000)	±295 000 ±115 500 ±41 000	All LSM 4-10	3	6-14	• large supermarket • convenience • small national clothing • restaurants & takeaways • services
Small regional/ Large community centre	±25 000-±50 000 75-150 stores	Specific sub region of city (can be large self contained community, i.e. Chatsworth)	Major suburban arterial road (linking to a provincial highway)	LSM 1-5, (90 000-209 800) LSM 6-9, (40 000-90 000) LSM 10-16+, (17 000-36 000)	±600 000 ±280 000 ±63 000	All LSM 4-10	5	10-16	• large supermarket • 1 or 2 large clothing anchors • Strong seasonal tenant component • boutiques • restaurants • entertainment • services
Regional centre	±50 000-±100 000 150-250 stores	Large region of city/ or whole city/ rural towns	Major arterial road usually a Provincial main road linking to a National road	LSM 1-5, (180 000-430 000) LSM 6-9, (80 000-185 000) LSM 10-16+, (23 000-76 000)	±1 200 000 ±454 000 ±165 000	All LSM 4-10	8	14-20	• large supermarket (even 2) or hyper • 3 or more large clothing • small clothing stores and boutiques • entertainment, restaurants • services • convenience
Super regional centre	>100 000 >250 stores	Large region in city and surrounding areas/Tourists	Major arterial road usually a Provincial main road, linking to a National road	LSM 6-9, (106 000-250 000) LSM 10-16+, (44 000-106 000)	±623 000 ±217 500	Above average LSM 5-10	10+	24-30	• as at regional but more emphasis on entertainment and variety

Urban Studies, Classification and Hierarchy of Retail Facilities in South Africa, 2010

Annexure G: Catalytic Land Development Programme life-cycle (the Preparation Phase)

A key part of implementing Built Environment Performance Plans (BEPP) is the planning and implementation of Catalytic Land Development Programmes (CLD).

CLDPs are, typically, spatially integrated interventions which:

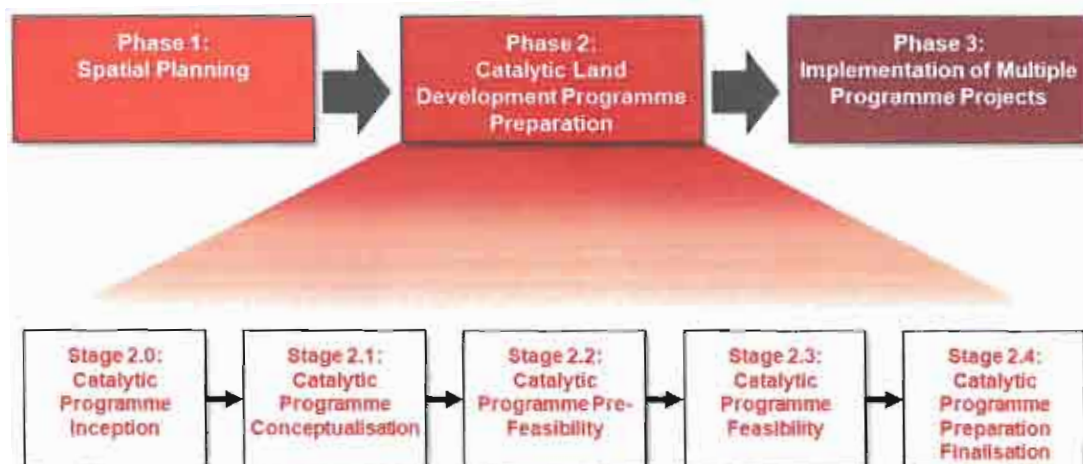
- Have significant impact on spatial form and unlock economic activity
- Comprise mixed and intensified land uses with the residential land uses accommodating a range of income bands at increased densities
- Support the viability of public transport systems
- Involve major infrastructure investment
- Require a blend of finance where a mix of public funds is able to leverage private sector investment as well as unlock household investment
- Require specific skills across a number of professions and have multiple stakeholders

These CLDPs are an ensemble of all related projects (municipal managed, Public-Private Partnerships (PPPs) and private sector related projects) to be implemented in a specific spatially targeted area and from which the total inter-governmental pipeline of projects is planned.

CLDP formulation is a complex, multi-sector exercise that requires (i) a strong vision and clear set of development objectives (could be financial, social, economic, cultural, or environmental in perspective), (ii) specialist sector skills (iii) advanced project management skills, and (iv) an understanding of (and willingness to partner with) beneficiary communities and property developers.

As indicated in Figure 1 below, the CLD Preparation Phase commences once the BEPP and allied city level planning has identified and located the CLDP intervention and ends when the CLDP master programme and schedule is completed, approved, PPP or private related projects are finally prepared and the individual projects with the CLDP are ready for implementation. This Catalytic Programme Preparation Phase is preceded by Phase 1 of the Catalytic Land Development Cycle where the municipality conducts spatial planning activities in accordance with the National Treasury's Built Environment Performance Plan.

Figure 20: CLD Life-cycle



In order to effectively manage CLDP Preparation, it is useful to divide the CLDP Preparation Phase into a sequence of stages. The CSP has defined five stages within the CLDP Preparation phase (see Figure 1 above).

Further description of these stages is provided in Table 1 below.

Table 14: Five Stages in the Programme Preparation Phase

Stage	Overview of Stage
2.0. Catalytic Programme Inception	Commencement of the CLDP Preparation Phase. Typically involves: <ol style="list-style-type: none"> Establishing a brief description and motivation for the CLDP with high-level articulation of objectives as they relate to the BEPP. Establishing an overall cost indication of the intervention. There are two cost implications that need to be calculated namely, (i) the costs to take the catalytic programme through the CLDP Preparation Process and then the estimated cost to implement all the component CLDP projects (Phase 3). This second component is not envisioned to be detailed at this preliminary stage. Naming numbering and registering the CLDP within City systems. Securing the go ahead needed to formulate the CLDP concept.
2.1. Catalytic Programme Conceptualisation	Formal conceptualisation of the CLDP Concept includes; definition of strategic objectives and impact, high-level analysis of contribution to municipal strategy, the typology of the CLDP and land use mix proposal and outline yields, with an accompanying high-level marketability report. In addition, an indication of the time frames and resources that will be needed to take the CLDP forward should be compiled.
2.2. Catalytic Programme Pre-	Stage aimed at undertaking scoping investigations into the physical constraints, bulk services availability, land availability, market constraints, etc. to derive a high-level analysis of potential

Stage	Overview of Stage
feasibility (primarily for options analysis)	options for top structure development and for structuring the programme going forward. A set of development options are generated and critical risks of each assessed to identify a preferred option of land development that will be the focus of the Feasibility Stage.
2.3. Catalytic Programme Feasibility	The stage to clarify the preferred development option with a detailed breakdown of the CLDP into component projects (the Master Development Schedule) together with confirmation of the placement of the component projects on the MTEF/IDP of the responsible funding authorities. The stage also includes a detailed risk analysis and risk mitigation plan for the programme. Moreover, if private sector involvement comprises part of the Preferred Option, critical steps and processes must be programmed within this stage.
2.4. Catalytic Programme Preparation Finalisation	<p>The stage aimed at finalisation of the Master programme and schedule for implementation (minor changes) of each component project showing duration, implementation stages and cost elements per implementation stage.</p> <p>This stage entails the preparation activities for work going forward (such as final rezoning, funding secured for municipal projects per vote, preparation for private sector related projects, procurement of for example master developers). It entails the mobilisation of implementing organisations (IOs) and the formulation of the implementation specifications for component projects of the CLDP and the establishment of the institutional mechanisms for the Implementation Phase.</p>

Given that the life-cycle stages are a relatively new introduction, it is not expected that existing metropolitan catalytic land development programmes will conform to these stages. Rather, the stages provide a guidance mechanism to examine the status of programme development in consultation with the municipality.

Annexure H: High level overview of possible options

Option	Description	Objective	Institutional Structure & Management resources	Investment / Capital Requirements	Risks
1. Passive land holding	In this option the land is held as a strategic asset, given that there is no demand, current oversupply, insufficient resources and that there is a focus on other priorities.	Strategic land holding for future development, when demand / supply warrants it.	Existing institutional arrangements in that the land is overseen by the metro's Land Development & Property Management Unit. Management resources are minimal comprising security and maintenance	No further investment required. No capital required. Operational costs are land holding costs.	<ul style="list-style-type: none"> Land invasion Under recovery of bulk infrastructure investment Sterilise existing and planned housing developments No revenue generation
2. Sell the land	Land is in an improved state with bulk services being available and the rights are township are approved. The land is sold in its current state.	Generate revenue and achieve higher priority outcomes	Existing institutional arrangements used in terms of tender processes, competitive bid management and supply chain management	None	<ul style="list-style-type: none"> Value impacted by economic conditions Value impacted by land invasion risks Lack of demand for undeveloped land.
3. Phased release – Demand led development	EOI is used to draw out interested parties. Land is released over time in response to demand	Reactionary Response to Private Sector Led Development. Metro participates in increased land value over time	Existing institutional arrangements in that process is overseen by the metro's Land Development & Property Management Unit. Management arrangements include capacity to lease, enter into Land Availability Agreements and sales	No capital required. Operational costs are land holding costs.	<ul style="list-style-type: none"> Extended development timeline Land invasion Underutilised infrastructure

Option	Description	Objective	Institutional Structure & Management resources	Investment / Capital Requirements	Risks
4. Appoint developer – participate in the development	A developer is appointed on the basis of a lease. Contributions for social outcomes required.	To enable sustainable development on (commercial principals). The metro has no development risk and the investment in infrastructure is recovered.	Existing institutional arrangements in that process is overseen by the metro's Land Development & Property Management Unit. Management arrangements include capacity to lease, enter into Land Availability Agreements and sales	None	<ul style="list-style-type: none"> • 3rd Party Failure • Development commercial driver at expense of social outcomes
5. Act as developer	The metro acts as the developer and assumes full risk and maximum reward.	To maximise returns, dictate development outcomes, create a new CBD and stimulate economic growth	Special Purpose Property Development Company (SPV) formed. Management resources required to undertake property development, project management, project finance, development finance, legal, contractual, conveyancing, marketing sales and post construction management	Substantial capital required for project finance, debt, equity, pre & post construction, operational and land holding costs	<ul style="list-style-type: none"> • Significant Risks, including: • Development Risk • Construction risk • Legal • Sales • Delays • Holding costs