UNIVERSITY OF CAPE TOWN

# LEVERAGING PUBLIC LAND OWNERSHIP IN THE URBAN LAND MARKET FOR COMMERCIAL PROPERTY DEVELOPMENT TO ACHIEVE SOCIO-ECONOMIC OUTCOMES IN SOUTH AFRICA

Thesis submitted to the Department of Construction Economics and Management in partial fulfillment of the Master in Science Degree in Property Studies



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# *Leveraging public land ownership in the urban land market for commercial property development to achieve socio-economic outcomes in South Africa*

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## ABSTRACT

This thesis investigated how the South African local governments in the Western Cape Province are involved in the urban land market and, specifically, land supply for commercial property development to optimise socio-economic objectives in the South African property sector. The current conditions, challenges, and opportunities were examined using a qualitative research approach, combining primary and secondary data collection methods. The data for this research was gathered from a literature review, interviews and an online survey with local government property management officials directly involved in land transactions in local governments in the Western Cape Province, South Africa.

The research found that, if well-managed, public land offers opportunities to achieve government's socio-economic objectives of driving economic growth, creating employment opportunities, and advancing people economically and socially. Through their majority urban land ownership (Gelderbloem, 2012), the South African local governments in the Western Cape Province can leverage their land assets for commercial property development to achieve socio-economic outcomes in the urban land market. Local governments can achieve this by leading, shaping and unlocking development potential through direct supply of land, land use allocation, and facilitating, expediting and incentivising development to stimulate desired catalytic property developments. Catalytic projects refer projects that stimulate development and redevelopment of surrounding properties. The land allocation and property decisions in local governments are mainly driven by socio-economic objectives where sustainable development is the top priority and financial gain, though important is not key. In order to give full effect to leading, shaping and unlocking development on public land, local governments should make conscious, calculated interventions in the land supply chain for commercial property development to ensure a healthy property market. Also, it was found that, ideally, local governments should dispose of their land with rights in place in order to realise full valuation potential on their property as well as to minimise risk to the potential developer. Lastly, it was found that land supply from local governments for commercial development is faced with a number of challenges, chief among

them being: excessive legislation and compliance requirements, lack of expertise, political interference, inadequate land management systems and others.

In order to optimise local government land ownership to achieve socio-economic objectives in the urban land market, it is recommended that municipalities make well thought out strategic interventions in the land market as well as invest in the establishment of land management information systems to establish comprehensive asset registers to render effective planning and programming of their land holdings. Notwithstanding the challenges faced by local governments in alienating land, local governments in South Africa can leverage their land ownership in the urban land market for commercial property development to achieve socio-economic outcomes.

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# CHAPTER 1: INTRODUCTION AND BACKGROUND

## 1.1 INTRODUCTION

In this chapter, a background to the study is given by stating the research problem, research questions, research aims and objectives of the research. Thereafter, an overview of the research method is given, followed by a concise summary of the organisation of the chapters and the conclusion of this chapter.

The 21st Century is the urban century (COGTA, 2016) and there is general confidence that cities can drive economic growth and advance people economically and socially (UN Habitat, 2016; SACN, 2016b). Urbanisation, measured as urban population as a proportion of the total population, is growing in developing countries and has a significant impact on urban development (Jiboye, 2011; Healey & Barret 1990). Urban development occurs by expansion in greenfields as well revitalitalisation of decaying regions. Urbanisation exacerbates urban challenges such as land shortages, unemployment, urban poverty, housing shortages, inadequate social infrastructure, and crime. Paradoxically, at the same time, cities drive economic growth and job creation, offer a range of opportunities and activities, and have the highest living standards in the country (SACN, 2016a). Bearing this in mind, South Africa needs strategies and frameworks that take advantage of the urbanisation process to increase development gains and sustainability (COGTA, 2016). Local governments can use both spatial and non-spatial levers to improve the ease of doing business in the city space (SACN, 2016a), thereby unlocking commercial property development. SACN (2016b) acknowledges that private sector investment, including commercial property development, plays an important role in spatially transforming South African cities.

Cities are centres of modern living and the majority of productive activities are concentrated in them (Cohen, 2006). Xu *et al.,* (2009: 891) point out that, “all cities require the production of space in the form of both buildings and sites for various activities”. This space is generally referred

to as real estate or immovable property. Graaskamp (1981:1) says, “real estate can be defined as space delineated by man, relative to a fixed geography, intended to contain an activity for a specific period of time and the creation and management of this space is termed real estate development”. In other words, property development is a process whereby buildings are erected on land (Isaac *et al.,* 2010). Generally, property development occurs when the present value of its benefits outweighs the present value of costs incurred over the life of the development (Graaskamp, 1981). As a result, the availability of suitable land, at an appropriate price and time is a critical determinant of commercial property development activity. Graaskamp (1981:2) points out that “land is a limiting factor in development and both a reference and a bearing point for space-time units”. Local governments in many economies, including South Africa, dominate land ownership (Kaganova & Neyer-Stone, 2000) and possess some of the few, available, prime development sites in their cities, which can be leveraged in the urban land market to lead, shape and control commercial property development activity in order to achieve socio-economic objectives.

According to the Di Pasquale-Wheaton Real Estate Model, assuming the availability of finance in the capital market and appropriate rental in the rental market, land should be available in the urban land market to enable property development (Di Pasquale & Wheaton, 1996). Caeser (2016) points out that suitable land (which includes a location that is suitable for building, marketing and implementing) is an essential component in property development. Consequently, the urban land market must be considered, particularly land supply for commercial property development. Given that government dominates the urban land bank, it is necessary to consider how the government should involve itself in the land supply chain for commercial property development to achieve socio-economic objectives.

Governments are involved in the property development process as a developer, regulator as well as supplier of land for property development purposes. Government releases land into the market for development with or without development rights that entail different risks, costs and opportunities for the landowner. Similar to differences in local governments around the world,

South African local governments are diverse in nature, each with different roles and requirements (COGTA, 2016). In other words, they are characterised by different strengths, weaknesses, opportunities, and challenges. For instance, the *Doing Business Report* and the *Global Competitive Index* highlight that cities around the world, regionally and sub-nationally are unique (World Bank, 2017a; 2017b; 2017c; World Economic Forum, 2016). As a result, there is no, single, prescriptive solution that can best fit local governments to manage their land better. Instead, some guiding principles or a framework is required, which can be pursued in differentiated and locally relevant ways. Accordingly, this study does not provide definitive answers but attempts to stimulate debate about how local governments can intervene in the urban land market most usefully, particularly to enable commercial property development to achieve government's socio-economic objectives.

## 1.2 BACKGROUND

Over the last 50 years, the global urban population has quadrupled, and 90% of this growth is in cities of developing countries, where it is estimated that 80% of the population will live by the year 2025 (Home, 2007; Jiboye, 2011). More than half (about 54%) of the world's population lives in urban settlements and, by 2050, 70% will be city dwellers (UN Habitat, 2016). Kironde (2000) indicates that Africa, particularly Sub-Saharan Africa, is urbanising fast. Like most of Africa and other developing countries, South Africa is experiencing continuing urbanisation. COGTA (2016) reported that more than 60% of South Africa's population of 51.7 million people live in urban areas and this figure is expected to increase to 71.3% and 80% by 2030 and 2050 respectively.

Unlike the global North where urbanisation was driven by industrialisation, growth in South African cities is driven by economic opportunities and prospects in the cities (SACN, 2016a). While urbanisation has helped millions escape poverty through increased productivity, employment opportunities, improved quality of life and large-scale investment in infrastructure and in developed countries services (UN Habitat, 2016: 34), this is not the case in developing countries including South Africa. This is because, in Africa, there is no economic growth corresponding with

urbanisation to create employment opportunities. As a result, African urbanisation is characterised by “an urbanisation of poverty”, as individuals and families migrate to cities to escape rural poverty, conflict or other hardships (SACN, 2016b). As a result, South Africa is not realising the benefits of urbanisation, also known as the “urban dividend” where an increase in economically active population results in an increase in economic activity and productivity (SACN, 2016a). For that reason, rapid urbanisation is a cause of concern because of social disruptions and apparent erosion of government’s ability to maintain control over development (Li & Ho, 2008). Kironde (2000) points out that the rapid urbanisation in Africa has resulted in the failure of African governments to provide sufficient land to meet the needs of the burgeoning population. Likewise, Jiboye (2011:176-177) says that “the effects and problems emanating from these population increases have undoubtedly constituted critical challenges to sustainable housing and urban development”.

Managing the ever-growing cities becomes complex because of the associated challenges of growth, where growth outstrips the capacity of urban managers to provide adequate basic urban services (Cohen 2006). Jiboye (2011) citing Oladunjoye (2005), points out that the rapid urbanisation has not only complicated and exacerbated urban problems progressively, but also accelerated poverty. Furthermore, South Africa’s urban areas are still burdened with a legacy of racial segregation, poverty and exclusion from social and economic opportunities resulting in high levels of inefficiency and wasteful use of scarce resources such as land (COGTA, 2016). It is against this background that the various socio-economic policies of the South African Government from 1994 to 2013 have been focused on stimulating economic growth, creating employment opportunities, and reducing poverty in order to advance people economically and socially. These policies include: The Reconstruction and Development Programme (RDP) in 1994, the Growth, Employment and Redistribution programme (GEAR) in 1996, the Accelerated and Shared Growth Initiative for South Africa (ASGISA) in 2005, the New Growth Path (NGP) 2010, and the National Development Plan: Vision - 2030 in 2013.

Over the last two decades, cities have become important item on the global agenda and have been highlighted in the Sustainable Development Goals (SDGs) which aim, *inter-alia*, to make cities inclusive, safe, resilient and sustainable (SACN, 2016b; COGTA, 2016). Despite the challenges ranging from poverty to pollution faced by cities, they are also powerhouses of economic growth and catalysts for inclusion and innovation (UN Habitat, 2016). The South African Integrated Urban Development Framework places cities at the centre of achieving national development objectives because they are the productive heart of the economy and engines of growth and opportunity (COGTA, 2016). Cities are well positioned to take a leading role in South Africa's economic recovery and development (SACN, 2016a). Given the growing unemployment and slow economic performance and/or growth in South Africa, there is sharpened focus on the role that cities play in stimulating and supporting economic development. The global trends have shown that, when well-managed, urbanisation has the potential to reduce poverty, unemployment and inequality (UN Habitat, 2016; COGTA, 2016) and, accordingly, South Africa can harness its urbanisation for economic growth.

COGTA (2016) says that urban spaces are characterised by concentrated economic activity, cultural diversity, learning, innovation and creativity, which together position cities to enable a country to build a competitive advantage and enhance the socio-economic wellbeing of its people. UN Habitat (2016:161) says that, "with more than 80 per cent of the world's goods and services now produced in urban areas— and 80 per cent of future growth to 2030 expected to occur in cities— it is not an exaggeration to assert that the economic and social futures of whole countries, regions, and the world will be made in cities, today's nests of 'emerging futures'". Like other cities around the world, South African cities are not only home for the majority of the population but also play a critical role in driving the economy because they generate approximately two-thirds of the country's economic activity and just over half of national employment (SACN, 2016a; COGTA, 2016). Some international public property researchers, including Kaganova & Nayyar Stone (2000); French (1994); Vermiglio (2011) and Gibson (1994), agree that better management of public property by local authorities can achieve sustainable development simultaneously and pursue the best value for their real estate portfolio.

Globally, municipalities own and control a considerable amount of immovable property assets including land and buildings (Kaganova & Nayyar-Stone, 2000; French, 1994). In Italy, local governments own approximately 80% of the total public portfolio (Vermiglio, 2011) and these assets contribute a significant percentage to the municipalities' resource base (Gibson, 1994). It was also found that many public authorities do not have comprehensive records or asset registers of their land holdings (Dent, 1998; Kaganova & Nayyar-Stone, 2000; French, 1994). Like the rest of the world, South African local governments own significant amount and/or the majority of land in their areas of jurisdiction and the exact extent of their land holding is not known. Notwithstanding the absence of comprehensive asset registers, governments own the majority of the urban land which can be used to leverage the financial, economic, social and environmental benefit of communities.

However, governments do not manage their immovable property portfolio efficiently and this inevitably results in illegal construction (i.e. squatter settlements), shortages of building areas, and under-utilisation of building sites in prime locations (Kaganova & Nayyar-Stone, 2000). Therefore, there is opportunity to use municipal property portfolios optimally to achieve government's socio-economic objectives (Muhammed Hasbi *et al*., 2010). Garba & Al-Mubaiyedh (1999) point out that land is a basic resource that is limited in supply and key in urban development. For that reason, the limited land available should be managed effectively and properly. Gibson (1994) agrees that property assets should be utilised as a strategic lever to respond to organisational objectives rather than as an *ad hoc*, replaceable resource. One of the recommendations proposed to achieve efficiency in managing public-sector property portfolios is to change government's role from "provider" or "supplier" of space to a partner and/or enabler of property development (Kaganova & Nayyar-Stone, 2000). This calls for government involvement in the urban land market to stimulate growth but does not indicate how the government should involve itself appropriately "to enable" commercial property development. Government intervention in urban land markets is inevitable to minimise negative externalities and to ensure efficient functioning of market processes (Tania & Ma, 2009 citing Loughlin, 1988).

In addition, government intervention can improve the ease of doing business in the city space, which has the positive effect of stimulating growth including commercial property developments and creating jobs. Zhu (1997:627) states that "government intervention seems indispensable not only to make the market efficient but also achieve other non-economic goals". State intervention is required in land markets because they are imperfect. Zhu (1997) states that "the property market is one of the least perfect markets due to the heterogeneity and immobility of its products and high costs in transaction". Zhu (1997) identified land supply as one of the instruments in his model of government intervention in the property market. Owing to its majority ownership of urban land, the state has substantial control over land supply and use. Tania & Ma (2009: 599) say that "this public ownership provides a strong tool for state intervention in the land market". Effective intervention requires adequate operational capacity and sound administrative processes/systems to respond appropriately to demand changes (Tania & Ma, 2009), otherwise public land ownership cannot be used efficiently or equitably (Doebele, 1987). Likewise, Garba & Al-Mubaiyedh (1999) point out that effective management of land requires accurate and up-to-date information about it.

Further, an understanding of the market's structure, processes, and interaction of actors is essential to achieve effective intervention in the property market and this is often lacking (Zhu, 1997). Following a finding that the Scottish executive lacked a proper understanding of the development market, Adams *et al.,* 2012 argue for a thorough understanding of the development industry to ensure effective urban policy making in respect of real estate development by the private sector. Similar to local governments around the world, South African local governments have inadequate understanding of the structure and processes of commercial property development, which inevitably results in misguided policies, and distrust of the developer. Consequently, the local governments are unable to leverage their land ownership to lead, shape and control urban development to address the mounting urbanisation challenges.

Tian & Ma (2009), through their research of government intervention in city development in China, found that public land ownership is an important tool of land supply. There is consensus

in literature (Louw, 2008; Tian & Ma, 2009; Garba, 1997; Zhu, 1997; Garba & Al-Mubaiyedh, 1999) that government land ownership provides leverage for the government to shape, control and detect the physical form and nature of property development in the city. Accordingly, land supply is one of the intervention instruments that can be used by the government to intervene in the property market (Zhu, 1997; Garba & Al-Mubaiyedh, 1999). Public intervention and control of urban land markets is necessary to ensure effective land management.

Effective land management improves social and economic conditions as well as orderly growth and development of urban areas (Garba, 1997). Given that, "land ownership is the key to urban transformation in terms of property development" (Louw, 2008:69), it is important to establish how the government should intervene in the land supply chain as a "partner" or "enabler" of property development as recommended by Kaganova & Nayyar-Stone, (2000). In South Africa, like other countries, there is a growing shortage of the supply of land suitable for development, despite the public ownership of land, as evidenced by massive housing backlogs, and speculative/high prices for the commercial land (Garba & Al-Mubaiyedh, 1999).

## 1.3 RESEARCH PROBLEM

Given their majority land ownership, cities can leverage their land to stimulate commercial property development and thus meet government's socio-economic objectives, which includes: employment opportunities, economic growth; and poverty reduction. Other than scholars that argue for the importance of public land ownership and land supply (Zhu, 1997; Garba & Al-Mubaiyedh, 1999; Garba, 1997 & Louw, 2008), the use of government land ownership as a tool for land supply (Zhu, 2006) or as an interventionist instrument in the property market (Tania & Ma, 2009), and recommendations of a paradigm shift from government being a supplier to being an enabler/partner in property development (Kaganova & Neyyer-Stone, 2000), there has been no explicit discussion on how the government should involve itself in the land supply chain.

The role of government land ownership and its impact on the organisation of commercial property development is given little attention in much urban development literature. South Africa is no exception. For instance, both the 2016 State of South African Cities Report and the Integrated Urban Development Framework introduced in 2016 are silent on the role of public property in stimulating economic growth but emphasise the use of public land to address the spatial inequalities created by the apartheid regime. In South Africa, research on urban land markets has been focused in one way or another on the impact of apartheid, with the main focus being housing delivery and polarised spatial development patterns (Napier, 2007; Charlton, 2006; Todes *et al,* 2010; Hall, 2004; Saff, 1996; and Lemanski, 2004). Thus, there is no attention given to the role of public land ownership, the organisation of the construction industry, and the importance of different actors (Healey & Barret, 1990) in commercial property development to stimulate economic growth. This research study aimed to fill that gap and to establish how local government should intervene usefully in the urban land market, and specifically land supply for commercial property development in order to achieve government's socio-economic objectives.

## 1.4 RESEARCH QUESTIONS

The key question addressed by this research was, how the public sector should involve itself usefully in the supply of land for commercial property development in order to meet government's socio-economic objectives in South Africa. In order to answer this question, the preliminary investigation focused on addressing the following questions:

i. In what ways do local governments use their land ownership as a tool to intervene in the urban land market?
ii. How responsive is the local government land supply to the commercial property development market land demand?
iii. Are local governments optimally and/or appropriately packaging their land for commercial property development?

iv. What are the challenges faced by local governments in packaging land for commercial property development?
v. How should local governments involve themselves in the land supply chain for commercial property development purposes?

## 1.5 RESEARCH AIM

The aim of this study was to assess how local governments should intervene in the urban market land supply to stimulate commercial property development to achieve government's socio-economic objectives.

## 1.6 RESEARCH PROPOSITION

Local governments in South Africa do not leverage their land ownership in order to optimise socio-economic outcomes in the South African property sector.

## 1.7 RESEARCH OBJECTIVES

The research objectives of this study were to:

i. Identify ways in which local governments use their land ownership as a tool to intervene in the supply of land in the urban market.
ii. Assess the responsiveness of local government land supply to the demand for land in the commercial property development market.
iii. Evaluate whether local governments are packaging their land appropriately for commercial property development.
iv. Identify the challenges faced by local governments in packaging land for commercial property development in South Africa.

v. Recommend an appropriate level of local governments' involvement in the land supply chain for commercial property development purposes.

## 1.8 RESEARCH METHOD

In order to determine how local governments should be involved in the urban land market to stimulate commercial property development, the current conditions, challenges, and opportunities are examined. The study is based on primary data obtained from structured interviews and an online survey of experts and senior managers who facilitate property development (who are property decision makers) in the public sector. The main actions carried out during the study are summarised below and are explained in more detail in Chapter 3. The different steps describe the process envisaged in chronological order.

i. A review of literature pertinent to the study.
ii. Expert in-depth interviews and structured scoping interviews with some public-sector officials who facilitate property development.
iii. Survey questionnaire design, development and validation through a pilot study.
iv. Data collection through an online survey and structured interviews of experienced property development professionals, experts, senior managers and decision makers in the public sector.
v. Data analysis and interpretation.
vi. Conclusions and recommendations.

## 1.9 RESEARCH SCOPE AND LIMITATIONS

The sample population of this research consisted of public property managers/professionals in Western Cape local governments.

This study was subject to the following limitations:

i. The survey was only carried out in local governments from the Western Cape Province, South Africa.
ii. Challenges in acquiring data from local government officials due to information confidentiality.

## 1.10 RESEARCH SYNOPSIS

This research report is divided into 5 chapters

**Chapter 1** introduces and gives background to commercial property development in urban areas, highlighting the need for, and the role of, government land supply in the urban land market. Subsequently, succinct statements of the research problem, research questions, research aims and objectives addressed by the research are given. Thereafter, an overview of the research method used to achieve the aim and objectives of the study is given followed by a concise summary of the organisation of the study (Chapter Synopsis) and, finally, a conclusion of the chapter.

**Chapter 2** provides a critical review of literature and theory pertinent to the study. The chapter begins with contextualisation of property development concepts and the process; placing it as a sub-component of the property value chain and as a process to deliver the real estate product of built space. An overview of the property market is presented, highlighting the nature of the property market and its sub-markets, with a focus on the development market and the land market. It also considers the context of urban land supply for commercial property development and an overview of the property development in South Africa. In addition, a review of international experience and trends in the urban land problem is highlighted. The chapter then presents an overview of the context of the public sector organisation and the legislative framework that governs the management of immovable public property assets. This is then followed by a review of the literature on the rationale for public intervention and ways in which the government intervenes in urban land management. In the end, a review of the public land management system and causes of ineffective land management is discussed.

**Chapter 3** presents the detailed research methodology used to achieve the research aim and objectives of this study.

**Chapter 4** contains a presentation and analysis of the research findings.

**Chapter 5** presents a synopsis of research findings that refer back to the aim, objectives, and proposition of the study. The chapter concludes the research and includes recommendations on how local governments be involved in the urban land market, and specifically land supply for commercial property development.

## 1.11 CONCLUSION

This chapter contains the objectives of the study which follow from the statement of the problem. The given research objectives and specific research questions guided the design and scope of the research methodology and also guided the analysis and presentation of research findings, dealt with in chapters 3 and 4 respectively.

# CHAPTER 2: LITERATURE REVIEW

## 2.1 INTRODUCTION

This chapter contains a critical review of literature and theory pertinent to the study. The chapter begins with an overview of the property market, contextualising the property development concept and process and situating it as a sub-component of the property value chain as well as a process to deliver the real estate product of built space. This is then followed by an exposition of the context for commercial property development with an overview of government socio-economic policies, the organisational and institutional framework, and the business context. Thereafter, a review of the literature on the rationale for public intervention in the urban land market is given. In the end, a review of the public land management system and causes of ineffective land management is presented.

## 2.2 OVERVIEW OF THE PROPERTY MARKET

### 2.2.1 What is Real Estate/Property

Real estate, otherwise known as immovable property, consists of land and/or improvements affixed to land such as buildings and their components such as plumbing, heating and lighting fixtures (South African Revenue Service, 2013). The term real estate and property are used interchangeably in this study. Graaskamp (1981) indicated that real estate development started in ancient times when caves were made comfortable dwellings that provide enclosed, safe and warm shelter and has now evolved into complex, skyscraper developments in the 21st Century. In the past, real estate consideration was based on need and custom but is now based on economic and social viability while simultaneously meeting statutory and regulatory requirements (Graaskamp, 1981). In addition, consideration is given to sustainability principles, which have given rise to the wide adoption of green building ideology which is meant to mitigate the environmental impact of real estate (Kingsley, 2008; Gunnell, 2009; Durmus-Pedini & Ashuri, 2010). Some of the key features of real estate are heterogeneity, high asset value, illiquidity, and fixed location and durability (Isaac *et al.*, 2010).

### 2.2.2 The Property Market

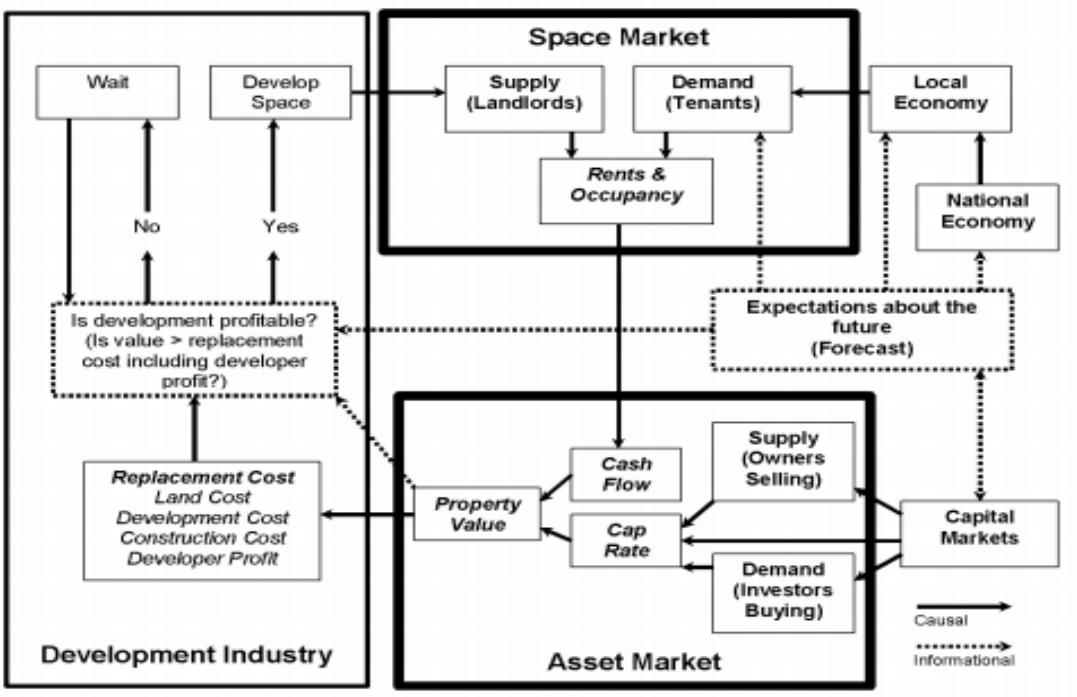
Supply and demand market forces are fundamental concepts that underpin economic theory on resource allocation and price determination in the market (Mohr, 2015). Generally, a market involves sellers and buyers who voluntarily exchange goods and services at a price (Dowell, 1993). In the property market, real estate is exchanged. On one hand, demand for real estate comes from occupiers of space, such as firms who are willing to rent or buy the space as a factor in production, or as a commodity for households (DiPasquale & Wheaton, 1996). Kironde (2000) points out that demand for land is a derived demand because land is not demanded as an end itself but for end uses for which demand affects the demand for real estate. Real estate demand is a function of demographic and economic growth. On the other hand, the supply of real estate comes from the property development sector and depends on the asset price in relation to the property development cost. Dowell (1993) identified four functions of the property market: (1) bring buyers and sellers together to facilitate transactions; (2) set prices for land; (3) allocate land by setting clearing prices where demand equals supply; and (4) ensure land is efficiently utilised. The public sector can leverage its land ownership to determine land allocation and uses that stimulate development and generate employment opportunities. Accordingly, governments can use their land ownership to achieve socio-economic benefits in the urban land market.

### 2.2.3 Property Market Sub-Markets

The real estate market is composed of two inter-related markets: the market for real estate space and the market for real estate assets (DiPasquale & Wheaton, 1992). In the former, real estate is physical capital whereas in the latter it is financial capital. Therefore, demand for real estate and the price for built space is determined by conditions in both markets. Figure 1 below presents the relationship between the space market and the asset market. In response to changing economic conditions at local, regional and national levels, firms adjust their accommodation to meet the changing demand for their service. Firms increase their accommodation space in the case of economic boom and decrease their current holdings to shed unutilised/unnecessary space when there is stagnation or recession. This has a direct impact on the rentals as explained

later. In the asset market, a property is sold by the seller to the investor for profit and the investor acquires the property after careful due diligence regarding potential net income. A positive market outlook (where development is profitable) drives development activity up while a negative market outlook makes landowners hold on to their land.

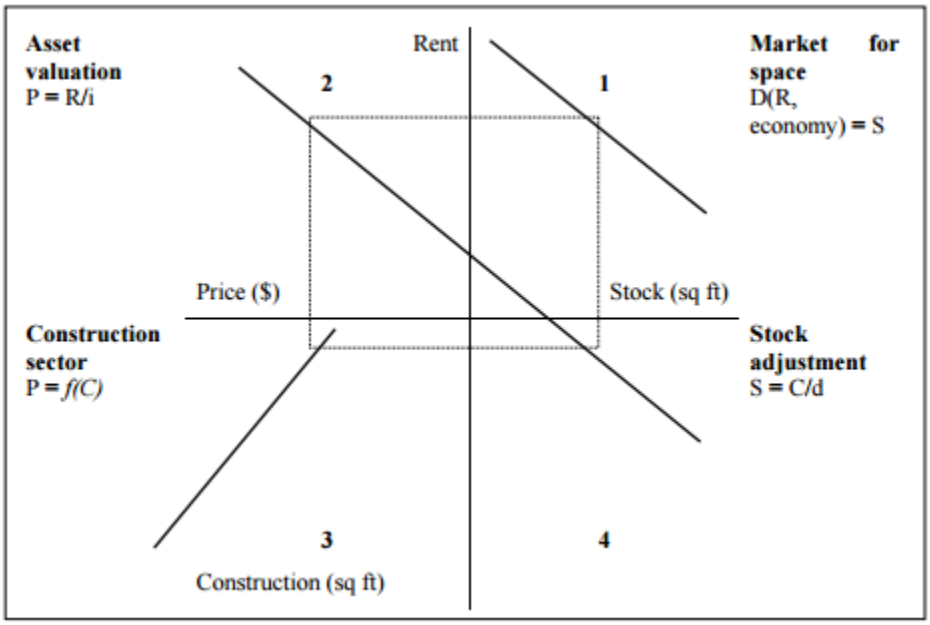
***Figure 1: Relationship between Space Market and Asset Market***




***Source: Adapted from Ojetunde, 2013***

The DiPasquale-Wheaton Four Quadrant Model (4QM) in Figure 2 below (DiPasquale & Wheaton, 1996) illustrates the relationship between the asset and space market as well as the adjustments that take place to establish equilibrium in the supply and demand of real estate. The two right-hand quadrants of the 4QM represent the space market; the two left-hand quadrants represent the asset market (Du Toit & Cloete, 2015).

*Figure 2: Fischer-DiPasquale-Wheaton Real Estate Model*




***Source: DiPasquale and Wheaton (1996)***

These quadrants represent four property sub-markets: the User Market, Financial Market and Development Market that drive the Land Market. Rent levels that are determined by the user/space market through the interaction of demand and supply for space determine the demand for assets signaled by increased asset value in the asset or financial market, where investors purchase assets based on the income stream (rent) the asset generates (DiPasquale & Wheaton, 1996). In other words, the space market determines rents in Quadrant 1, which are capitalised at an appropriate capitalisation rate to derive asset prices in Quadrant 2 (Du Toit & Cloete, 2015). Higher rentals mean higher asset prices that will trigger the supply of new construction (in Quadrant 3), which gives a new level of stock in the space market. On the other hand, if supply in the asset market increases through new stock, asset prices fall following the decrease in rents in the user/space market. In addition, re-developments, replacements, withdrawals and demolitions trigger adjustments to asset prices in Quadrant 4 (Du Toit & Cloete, 2015). The space and asset market are in equilibrium when the starting and ending levels of stock are the same. Equilibrium in the property market is depicted by a rectangle intersecting the four

axes in the four quadrants. The Four Quadrant Model is a static model of the long-run equilibrium between space and asset markets and does not address short-run dynamics in the market.

Real estate markets are affected by exogenous and endogenous factors. The exogenous factors are indirect factors including fiscal and monetary policies, climate change, world trade, and technological factors which affect real estate markets. The endogenous factors are direct factors such as land prices and availability, and development costs which encompass construction material costs and labour costs. The above-mentioned factors have a huge impact in the development market and the public sector can play a key role in creating an enabling environment by providing suitable land for development to ensure the viability of development projects. Hence, government intervention by means of land supply in the property market is catalytic in the development market. On the contrary, an unresponsive public sector in the urban land market neutralises or cripples development opportunities as it sits on land with development potential.

### 2.2.4 The Development Market and the Land Market

Real estate is measured as either a flow or a stock, where the former involves the value of new buildings or the number of building plans passed and completed in a year, and the latter involves the value of all land and all existing buildings. The supply of real estate comes from the development market and is dependent on a number of factors such as market trends, expected property values, development costs, and risks associated with the development (Viruly, 2015). The level of development activity is a function of expected asset value and development costs, where development costs involve costs of land, construction material, labour, developer's profit and finance, and so on. Development is triggered when value of assets is sufficiently higher than the costs of development.

An increase in development activity increases demand for land and subsequently the value of the land. There are two types of development activity: brown field development involving re-

development of existing sites; and green field developments involving entirely new developments. The land market is one of the four property sub-markets and represents the outcome of activity in the development market (Viruly, 2015). Kironde (2000) perceives the land market as a platform where those who own or control land and those seeking land meet to transact, and exchange ownership and control of land. The value of land increases with increasing demand, depending on land supply elasticity. Lower land prices improve the viability of construction projects and the level of development activity.

Government intervention in the urban land market has an impact on urban land supply (Yan & Ge, 2014). There are two kinds of government intervention in the land market. The first involves development control, which shapes and imposes restrictions on the land use. Supply of land is influenced by the spatial pattern of bulk infrastructure services, government restrictions on zoning policies and related urban policy interventions, which affect the willingness of landowners (including government) to make land available on the market (Kironde, 2000). The second involves direct control, where the government is involved as a market participant and supplier of land for commercial property development (Yan & Ge, 2014). Zimmermann (2007) says that "good governance in managing public land, first of all, means establishing a sound policy regarding how government should intervene in land matters". Thus, there is a clear distinction between government intervention using its land ownership, which is the focus of this study, and the policy-related interventions.

## 2.3 PROPERTY DEVELOPMENT

### 2.3.1 Defining Property Development

Real estate development is the creation of value through physical, legal and material improvement of land (Bulloch & Sullivan, 2010; Caesar, 2016). According to Bryson & Lombardi (2009), property development is concerned with the production of a commodity, built space, which is both a productive asset and a financial asset. Isaac *et al.* (2010) say that, in property development, buildings are built either for owner occupation or for investment purposes, where

the building is leased or sold for financial returns. Other than the economic rationale for a return, some property development is also undertaken to meet social and cultural objectives (Isaac *et al.,* 2010). For instance, the public sector releases its land for property development to stimulate economic development which results in job creation and addresses urban poverty challenges at the same time. The local governments play a role in making their cities competitive through ease of doing business by improving access to land for commercial property development, thus leveraging land for economic growth.

There is consensus in academic literature that the property development process is a complex endeavour involving multiple stakeholders, organisations, drivers, stages and objectives (Fisher, 2005; Kohlhepp, 2012; Isaac, 2010; Fisher & Collins, 1997; Bryson & Lombardi, 2009). It seeks to accommodate an activity within a given portion of land, and also seeks to integrate with the surrounding environment including different personalities and interest groups, as well as limited resources (Graaskamp, 1981). In addition, the complexity is also a result of the series of stages involved, along with many actors with different objectives within the building cycle context (Harding, 2011). Bulloch and Sullivan (2010) agree that the complexity of the property development process is the result of the plethora of disciplines and professions involved, which includes but is not limited to architects, engineers, planners, lawyers, bankers, public officials, and construction trades. Looking at land supply from the public sector, the public sector can leverage its land ownership to unlock development by facilitating land packaging and accelerating statutory approval processes. This has the effect of reducing the developer's risk and thus makes development more attractive.

Property development has externalities which have both a private and public impact. For that reason, the public sector intervenes to regulate property development activity to minimise social costs and maximise social benefits. This is achieved through planning controls and zoning schemes to ensure sustainability in property development. There is a need to ensure sustainability in the property development process, which is achieved by maintaining an appropriate balance between profitability and social and environmental integrity objectives

(Bryson & Lombardi, 2009). Accordingly, when the public sector considers disposing of its surplus land, it defines the land-uses and allocates the land in consideration of meeting priority socio-economic objectives.

### 2.3.2 Property Development Process

Despite the fact that there are different views of the property development concept, there is no debate over its ultimate product, which is the "built space". Isaac *et al.* (2010) discuss the property development process from four different perspectives in terms of the stages involved, the organisations involved, the economic context, as well as sustainable development. On the other hand, Fisher and Collins (1997) point out that the development process is infinitely flexible and not predictable, and they view it from the four dimensions of structure, actors, site and events. Undoubtedly, there are many different theoretical approaches to property development and the public sector is involved in one way or the other in these different approaches as explained below.

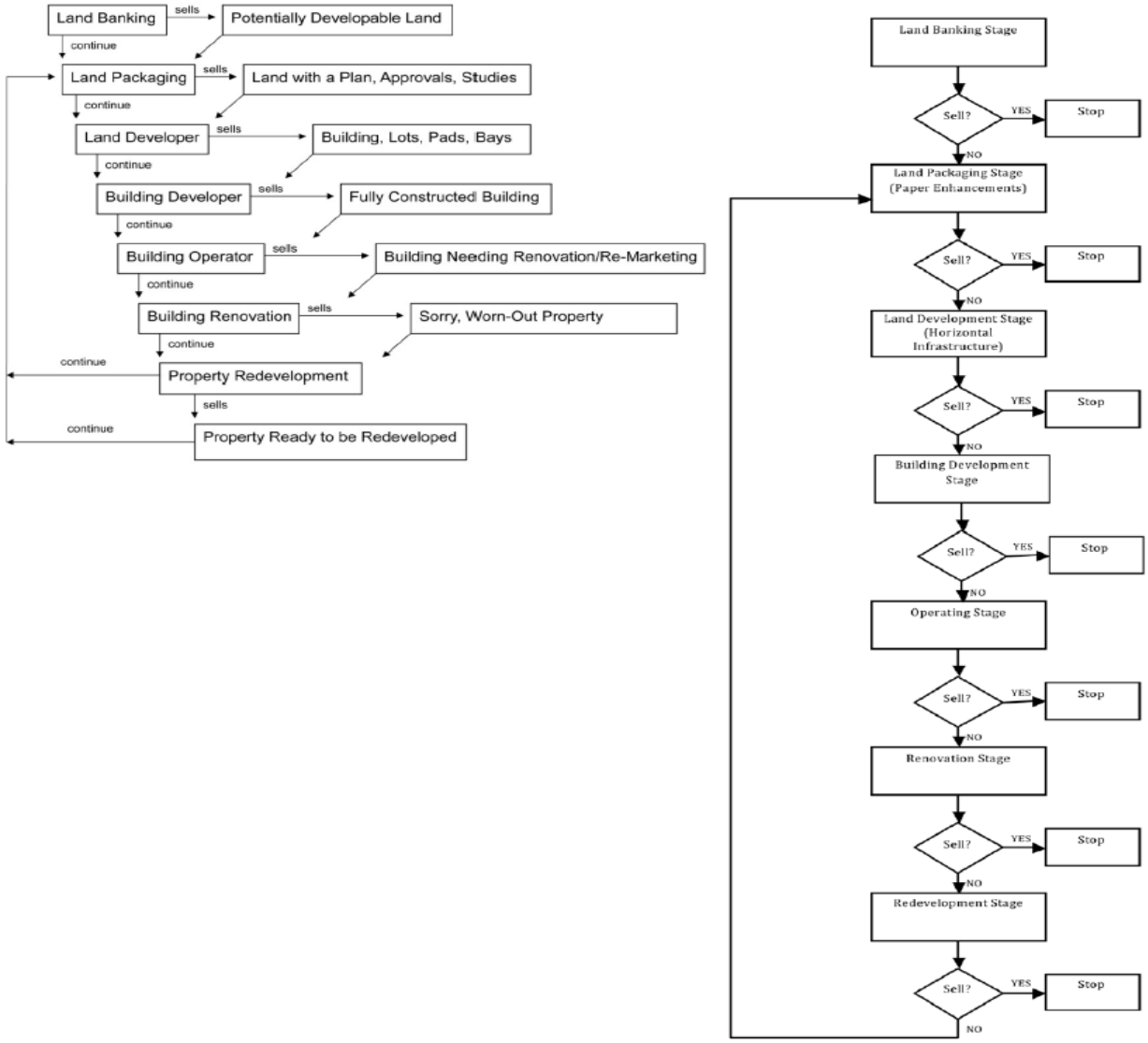
#### *2.3.2.1 Stages of Real Estate Development*

The overall, real estate life cycle can be divided into stages as shown in Figure 3 below. The notable locational specificity of land, variance in physical conditions, and stakeholders render it difficult to make a comprehensive, scheduled plan for the property development process (Cheshire, 2013; Fisher & Collins, 1997). In addition, property development stakeholders play interchangeable roles and have different interests from project to project. For the purpose of this study, discussion will focus on land banking, land packaging and land development stages which characterise the land supply chain for green field developments and the re-development sites for brown field developments.

**Land Banking Stage:** Governments hold undeveloped land for future development or disposal when it is deemed not necessary for the provision of basic services. While firms or private "land

bankers" sell land, or develop the land when the market conditions become attractive, the public sector land is only released for sustainable development in the public interest. Consideration is given to land uses and/or developments that stimulate economic development and/or regenerate the urban space. The public sector may sell the land with development potential "as is", or as developed land with development rights in place obtained through land packaging processes.

***Figure 3: Stages of Real Estate Development***




***Source: Kohlepp (2012)***

**Land Packaging Stage:** The public sector is involved in land packaging where it seeks to obtain statutory approvals for the prospective land buyer, thereby unburdening the land, reducing the risk to the purchaser and enhancing the value of the land. This involves conceptual land planning, zoning changes, accurate surveys, geotechnical surveys and environmental, transport and heritage assessments. Government entities, or through their consultants, get government approvals of their own land so as to enhance the value of the land before they release it to the market. Once the land is packaged, it is released to the market through clear and transparent disposal mechanisms.

**Land Development Stage**: This involves the servicing of land. This usually involves the construction of horizontal infrastructure such as roads and utilities as well as common improvements such as water dentition facilities. The public-sector utility departments levy development charges to the developer for the water and electricity service connections after the statutory approvals.

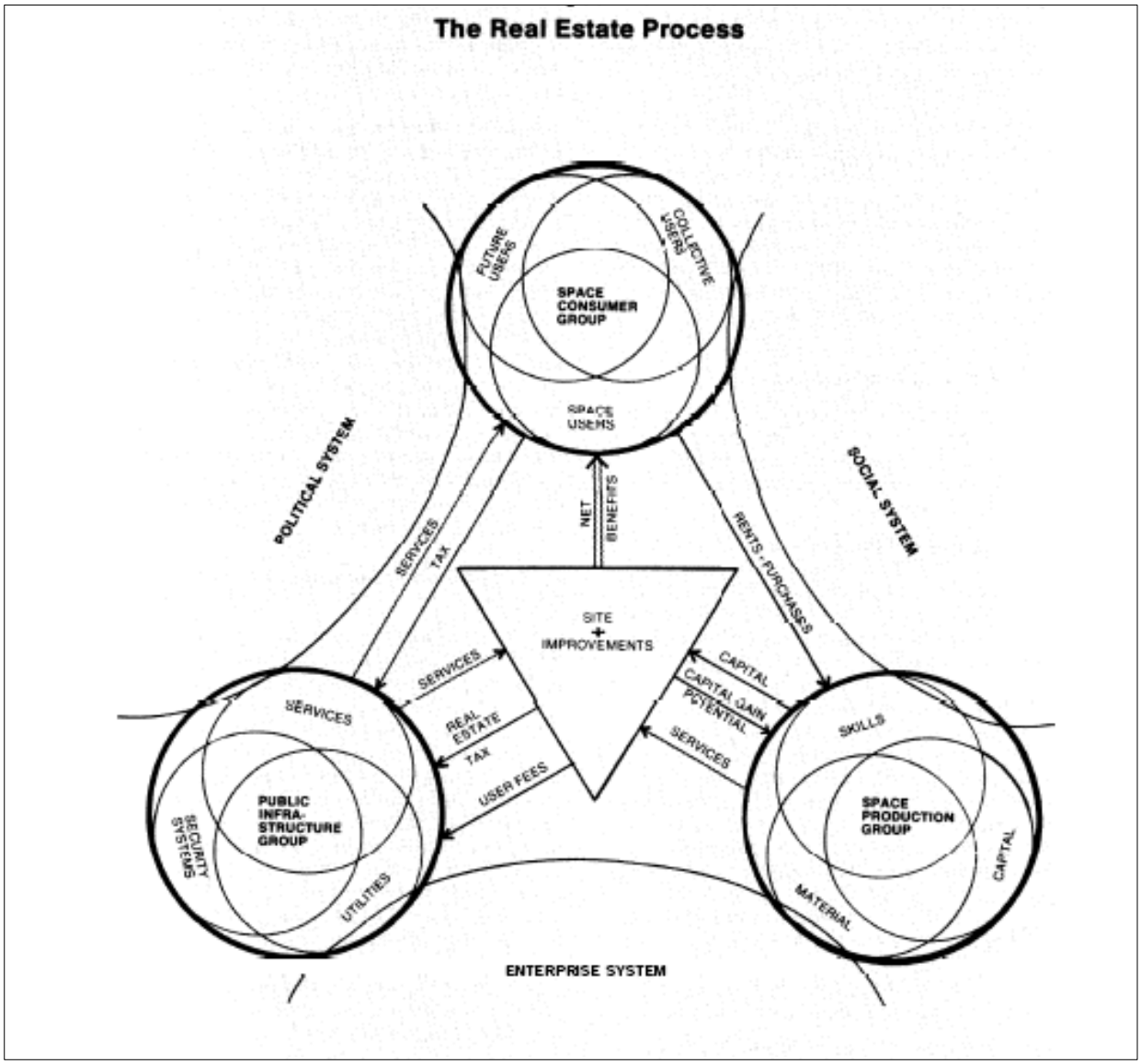
**Re-development Stage:** The "property re-developer" buys the property with such serious physical or functional deficiencies that the structures must be torn down and re-developed for another use. This essentially begins the real estate development process all over again.

The public sector is involved in the urban land market in varying degrees with the option to exit the land supply chain at stage one by releasing land without development rights, or after obtaining development rights or after servicing the land. In addition, the public sector may release its redundant properties for re-development by the private sector for another use. This creates value in redundant sites and maximises the development potential of public land which, in turn, enables the achievement of some socio-economic objectives such as job creation, poverty, and crime reduction.

### 2.3.3 Stakeholders in the Property Development Process

The stakeholders involved in the real estate development process can be categorised broadly into three major groups: consumer group, a production group, and a public infrastructure group (Graaskamp, 1981). Figure 4 below presents the role players in the property development process who have very different needs and objectives.

*Figure 4: Stakeholders in Property Development Process*




***Source: Graaskamp (1981)***

- ***The Space Consumer Group***

  The space consumer involves private companies and individuals seeking to rent or buy real estate space to accommodate their needs (Graaskamp, 1981). The individuals' goals are to maximise their utility, security, and satisfaction, which is achieved through trade-offs on location, space, and operating cost that determine the real estate decisions. On the other hand, collective users pursue their real estate interests using political systems to acquire real estate for the provision of public infrastructure and control development through taxation. Public sector land provision for property development enables the space consumer to get the required space and simultaneously creates opportunities for the viability of the space consumer.

- ***The Space Production Group***

  The space production group includes all players involved in the creation and maintenance of space, who use their expertise to convert space-time requirements to money-time (Graaskamp, 1981). The system includes financiers, investors, contractors, developers, architects, building operators and regulatory authorities. In terms of commercial property, the developer is part of space production group and is responsible for making the development happen. On the other hand, the public sector is involved as a regulator, setting guidelines that shape what can be developed (development control) as well as directly (as a participant) through supplying the land for commercial property development. Misra (1986) argues that land development needs public regulation and control to ensure that infrastructure is deployed optimally.

- ***The Public Infrastructure Group***

  This involves all players involved in land development whereby land gets serviced with bulk infrastructures like roads, telecoms, sewer, and water. Graaskamp (1981:3) says "the public infrastructure group includes all those enterprises that provide a network of tangible and intangible, off-site systems for the individual space user, including physical networks of street and sewer and other utilities". Misra (1986:59) says "infrastructure is

the basic requirement of urban life and its adequacy and appropriateness set the pace of development and quality of life". The public sector has the mandate to provide the basic bulk infrastructure services.

### 2.3.4 Land Supply for Property Development

Dowell (1993) points out that the actual, effective demand of land by developers depends on: (1) what can be physically, legally, and economically built on the site; (2) the market value of developed land; (3) the development costs; and (4) sufficient return for the developer. Concomitantly, considering the size of the development, Isaac *et al.* (2010:17) say that "the optimal size of a development is determined by profit maximization point where the MC=MR. However, this may be limited/constrained by planning controls and zoning restrictions which limits the heights and densities on sites".

Healey & Barrett (1990) argue that, besides being space where processes of production and consumption is done, the way in which land and property are themselves "produced" and "consumed" enters into the processes of economic production and consumption. Accordingly, property development activity has socio-economic benefits which emanate from activity where employment opportunities are created and economic growth is sustained. For that reason, commercial property development has direct and indirect impact on socio-economic conditions, which means that it is in the public interest that governments support commercial development investments.

Land is expensive on an open market and developers pay substantial amounts of money to acquire access to that land (Bryson & Lombardi, 2009). Although there is a general perception that public land is cheap, the number of failed bids when the public sector tenders its land at market value attests that public land is not cheap. Bryson & Lombardi (2009) point out that governments dispose of land for development, develop the sites for public and own use or enter

into joint ventures on strategic or catalytic development projects. In South Africa, while government dominates land ownership, the private sector dominates commercial real estate development. Therefore, there is a need for a good working relationship between the local governments and developers to realise investments in commercial property developments.

## 2.4 CONTEXT FOR COMMERCIAL PROPERTY DEVELOPMENT IN SOUTH AFRICAN URBAN AREAS

### 2.4.1 Government's Socio-Economic Objectives

Government's socio-economic objectives can be found in the South Africa's key socio-economic policies/programmes from 1994 to 2013 as follows:

- **The Reconstruction and Development Programme (RDP)1994**

  The Reconstruction and Development Programme adopted in 1994 is the basic socio-economic policy in South Africa aimed at providing all citizens with basic needs to create an equal society (Mbeki, 2016). The RDP objectives included providing all citizens with water, electricity, sanitation, jobs, housing, education, social protection, quality healthcare, clean environment, public transport as well as adequate nutrition. The RDP was established in order to rebuild and transform the economy after years of the apartheid regime's economic isolation and financial sanctions which were enforced by the international community (SAHO, 2014). The White Paper on the Reconstruction and Development Programme (1995) identifies the RDP's five major policy programmes as: meeting basic needs; developing human resources; building the economy; democratising the state and society; and Implementing the RDP. RDP was successful in some areas such as social security in which the government established a very extensive welfare system but did not do well in terms of economic growth (SAHO, 2014).

- **Growth, Employment, and Redistribution (GEAR) 1996**

  Government introduced Growth, Employment and Redistribution (GEAR) as a macro-economic policy in 1996 to stimulate economic growth to increase resources required to provide social needs. Under the GEAR policy there was some improvement in the macroeconomic situation where the fiscal deficit, inflation and government consumption targets were all approximately met, bringing about greater macro-economic stability (SAHO, 2014). While the GEAR strategy was successful in the achievement of macro-economic objectives, it fell short in regard to the social challenges of the country, most notably poverty reduction and employment creation as envisaged.

- **Accelerated and Shared Growth Initiative for South Africa (ASGISA) 2005**

  GEAR was replaced in 2005 by the Accelerated and Shared Growth Initiative for South Africa (ASGISA) as a further development on the first two developmental strategies followed post 1994. ASGISA's aims were to: reduce poverty by 2010, and halve unemployment by 2014 from the 28% in 2004 to 14% by 2012; and also recognised that the policies implemented to address these issues needed to be at the forefront of economic policy decision making (SAHO, 2014). ASGISA built on the foundations of the RDP's goals of building a united, democratic, non-sexist and non-racial society, and a single integrated economy.

- **New Growth Path (NGP) 2010**

  ASGISA was replaced with the New Growth Path (NGP) in 2010. NGP recognised that structural unemployment remains extremely high; poverty continues to afflict millions; oppression of workers continues; and that the inequalities are now deeper than ever before (SAHO, 2014). In this regard, the NGP was adopted to accelerate growth in the South African economy, and to do so in ways that rapidly reduce poverty, unemployment and inequality.

- **National Development Plan (2013): Vision 2030**

  In 2013, the government introduced the National Development Plan (NDP): Vision: 2030 as South Africa's long-term socio-economic development roadmap. This policy was adopted as the cornerstone and blueprint for a future economic and socio-economic development strategy for the country. The NDP is viewed as a policy blueprint for eliminating poverty and reducing inequality in South Africa by 2030. The NDP sets out an integrated strategy for accelerating growth, eliminating poverty and reducing inequality by 2030 and highlights the need to raise employment levels through productive growth (NPC, 2012). Amongst other things, this can be achieved by "... facilitating private investment…" (NPC, 2012: 109)

- **Integrated Urban Development Framework 2013**

  The Integrated Urban Development Framework (IUDF) is government's policy position to guide the future growth and management of urban areas. The national Integrated Urban Development Framework states that South African cities should be safe, livable, socially integrated, economically inclusive and globally competitive, with an active citizenry. It acknowledges the critical role of cities in addressing poverty reduction and sustainable development, and recognises the need to leverage the urbanisation process for increased development gains and sustainability.

The major focus of the past and the present socio-economic policies in South Africa is on the need to reduce poverty, create or stimulate economic growth, and create employment opportunities to advance the people economically and socially. The RDP provides the foundation of the socio-economic objectives of the government but, owing to implementation challenges, there have been some changes in approach through successive policies such as GEAR, ASGISA and the NGP. The NDP, which provides the general framework for achieving the government's socio-economic objectives, recognises the critical role of cities as engines for economic growth, and hence calls for the Integrated Urban Development Framework (SACN, 2016a). The IUDF aims to guide the development of inclusive, resilient and livable urban settlements, while directly

addressing the unique conditions and challenges facing South Africa's cities and towns (COGTA, 2016).

### 2.4.2 Cities and Urbanisation

Urbanisation is a global phenomenon with the African continent having the highest rate (SACN, 2016b). While urbanisation has helped millions to escape poverty through increased productivity, employment opportunities, improved quality of life and large-scale investment in infrastructure and services in developed countries (UN Habitat, 2016: 34), this is not the case in developing countries, including South Africa. Unlike the urbanisation led by industrialisation- in the developed countries, urbanisation in developing countries has aggravated socio-economic inequalities, unemployment, crime, housing shortages and unsustainable use of resources, and South Africa is no exception (SACN, 2016b). This is because there is no economic growth corresponding with urbanisation in Africa to create employment opportunities, thus urbanisation is characterised by "an urbanisation of poverty" (SACN, 2016a). As a result, South Africa is not realising the benefits of urbanisation, also known as the "urban dividend", where an increase in economically active population results in an increase in economic activity and productivity (SACN, 2016a). In addition, South Africa's urban areas are still burdened with the legacy of racial segregation, poverty and exclusion from social and economic opportunities resulting in high levels of inefficiency and wasteful use of scarce resources such as land COGTA (2016). Nonetheless, cities drive economic growth and job creation, offer a range of opportunities and activities, and have the highest living standards in the country (SACN, 2016a).

### 2.4.3 South Africa's Urban Areas

In South Africa, "urban area" does not only refer to the metros, but to a range of spaces in South Africa that are urban in character including the metros, secondary cities (smaller cities such as Rustenburg, Mbombela, Polokwane, George, Sol Plaatje and Tlokwe) and small towns such as Alice, Zeerust, Harrismith or numerous towns in the Karoo region (SACN, 2016). COGTA (2016:15) says that urban spaces are characterised by concentrated economic activity, cultural diversity, learning, innovation and creativity, which together position cities to enable a country to build a competitive advantage and enhance the socio-economic wellbeing of its people. SACN

(2016a:15) states that, “cities are becoming an important item on the global agenda. They are highlighted in the Sustainable Development Goals (SDGs), a set of international aspirational goals aimed at ’Transforming our world: the 2030 Agenda for Sustainable Development’”. Goal 11 of the 17 goals states: “Make cities inclusive, safe, resilient and sustainable”. The World Cities Report (2016:161) says that, “with more than 80 per cent of the world’s goods and services now produced in urban areas — and 80 per cent of future growth to 2030 expected to occur in cities — it is not an exaggeration to assert that the economic and social futures of whole countries, regions, and the world will be made in cities, today’s nests of ’emerging futures’”. Like other cities around the world, not only are South African cities home to the majority of the population, but also they play a critical role in driving the economy where they generate about two-thirds of the country’s economic activity and just over half of national employment (SACN,2016a). COGTA (2016:17) says that, “since the end of apartheid, urban centres have grown in importance in terms of population, economy, individual incomes and employment”.

Despite the challenges faced, ranging from poverty to pollution, cities are also powerhouses of economic growth and catalysts for inclusion and innovation (UN Habitat, 2016). The 2016 South African Integrated Urban Development Framework (IUDF) places cities at the centre of achieving national development objectives because they are the productive heart of the economy and engines of growth and opportunity (COGTA, 2016). This is supported by the South African State of Cities Report 2016, which highlights that cities are well positioned to take a leading role in South Africa’s economic recovery and development (SACN, 2016a). Given the growing unemployment and slow economic performance/growth in South Africa, there is heightened focus on the role that cities play in stimulating and supporting economic development. When well managed, urbanisation has the potential to reduce poverty, unemployment and inequality (UN Habitat, 2016; COGTA, 2016) and I is suggested in this study that, through their land ownership, the local governments can influence the urban land market to stimulate commercial property development to achieve the government’s socio-economic objectives. Local governments need to be more proactive in leading and shaping the future of urban areas to make strong productive cities that are able to attract, retain and develop firms and entrepreneurs.

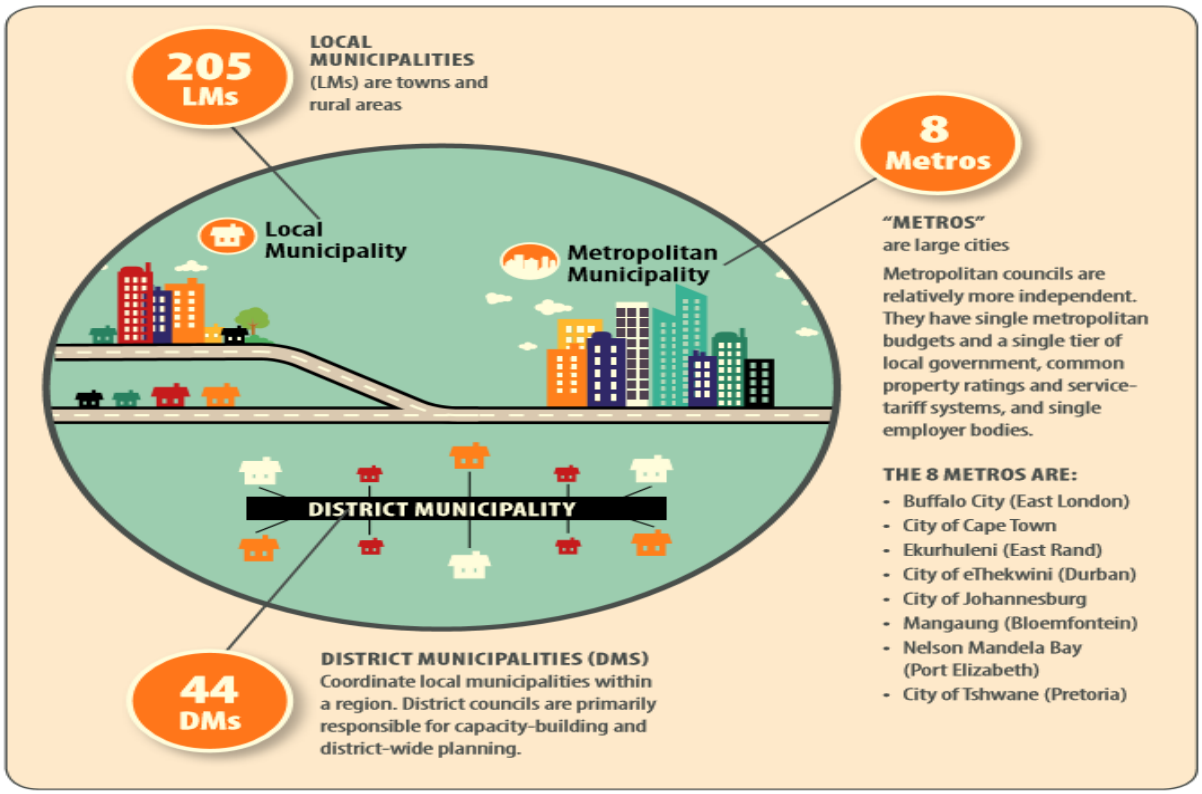
More specifically, the local governments can leverage their land in the urban land market to ensure local and global competitiveness in attracting commercial property development investments and business establishments in their regions.

### 2.4.4 Local Governments in South Africa

South Africa has three spheres of government as shown in Figure 5: national, provincial and local, and all three have legislative and executive authority and powers from the Constitution (SACN, 2016a). The local government focus is on growing local economies, providing infrastructure and service, and making and administering by-laws (SACN, 2016a). In terms of Section 157 of the Constitution of the Republic South Africa 1996, local government's objective is to provide democratic and accountable government for local communities; ensuring the provision of services to communities in a sustainable manner, promoting social and economic development, and encouraging the involvement of communities and community organisations in the matters of local government. The local government is made up of 257 municipalities, which are broadly categorised into metropolitan, local, and district municipalities (SACN, 2016b).

These municipalities are not homogeneous but rather dynamic and diverse based on their different histories, demographics, size, configurations and challenges. As a result, they have very different needs, levels of vulnerability, ability to engage and mobilise other actors, levels of dependency, resource availability and capacity (SACN, 2016b). For instance, small/secondary towns have relatively weak strategic and spatial planning capabilities, poor municipal management and weak relations, poor infrastructure, and possible tensions between elected councillors and traditional leaders (COGTA, 2016). Thus, policy interventions in municipalities' land management should take cognisance of these variations and not be prescriptive but, rather, emphasise a set of principles that ensure best decisions.

*Figure 5: Local Governments in South Africa*




***Source: Independent Electoral Commission***

The control structure within a municipality in relation to property decisions, summarised in Table 1 below, is an essential element of good governance and necessary to ensure that best decisions are made.

*Table 1: Urban Land Market Stakeholders and their Interests*

| Stakeholders in Urban Land Market | Interests |
|---|---|
| Mayor, Deputy Mayor, and Mayoral Council, Sub-Councils, and Portfolio | • Functioning municipality; Good performance perceived by constituency.<br>• Election success and constituents' perceptions regarding the effective and efficient utilisation of a strategic resource type. |
| Executive management Team (EMT) and EMT Sub-Committees | • Effective operational imperatives to execute immovable property asset management function in alignment with political and strategic directives. |

| | |
|---|---|
| **Planning Department Urban Master Plan** | • Assets for City Operations and Functions; Lists of Surplus Assets. |
| **Other Departments utilising Council** | • Management of legal issues/conflicts<br>• Operational urban plans; compliance with objectives, such as proportion of parks and green areas, installation of public services and infrastructure. |
| **Municipal citizenry/electorate** | • Diffused interests but mainly the functioning of the municipality |
| **Private Sector, cont** | • Access to land/resources; Good infrastructure; Priorities for investment/partnership. |
| **Other spheres of Government Status Quo** | • Divergent interests. |
| **Professional associations/ NGO's** | • Participation in municipal development; effective municipal government; Access to information and services. |
| **Neighbourhood associations** | • Participation in municipal development; Mechanisms to give feedback. |
| **Political parties/Personalities** | • Access to resources. Use of resource base to win elections; Political platform. |
| **Central Government** | • Functioning local governments control/access to resources; Priority to special programmes and projects |

***Source: MFMA (n.d.)***

The multi stakeholders in public land require a rigorous process for alienating land for commercial property development to ensure transparency and satisfaction of all stakeholders. This involves the use of public participation processes and cumbersome bureaucratic processes which in one way or another present a challenge to public sector efforts to leverage its land ownership for commercial property development. For instance, a requirement to follow competitive processes for disposal of land, where the tender or call for alternative proposals option is used, makes the highest bidder the winner of the tender to own public land, which might not necessarily ensure the highest and best socio-economic value to the community.

### 2.4.5 Land System in South Africa

Land can be viewed from different angles according to its location, ownership or its use, and a distinction can be made between urban and rural/farm land (Lin & Ho, 2008). Eidelman (2016) contends that land ownership is more than ownership of a physical good, as it includes a suite of enforceable rights which vary depending on the property category (i.e., private, common or

state). Private property involves freehold title where individuals have exclusive right to use a parcel of land, whereas common property refers to non-exclusive rights to make use of public property such as public parks, and state property has aspects of both private and common property. The state, as a legal entity, has exclusive rights over land parcels enabling it to buy, sell, protect or dispose of them in a similar way to private ownership. For that reason, Eidelman (2016) concludes that rights of land ownership are more than just private or public because the land designated as "public" might involve elements of state, common and private rights. In addition, while public land is for the community at large, in some cases it is not for communal purposes. For that reason, public land is best defined as real property where the government or its agents have full or partial ownership rights in the title or material interest (Eidelman, 2016).

Napier (2007) reported that South Africa has a formidable land administration system and a strong land rights base. Unlike in Nigeria and China where land is nationalised (Tian & Ma, 2009; Garba, 1997), in South Africa, title to real property vests in the landowner and not the state (Bembridge, 2013). Besides, there is also a robust legal and institutional framework for the ownership and transfer of real estate (Bembridge, 2013). Land ownership in South Africa is shown and evidenced by a title deed which is issued by the Deeds Office on registration of transfer of ownership. The title deed records the owner's details as well as the conditions, restrictions, and encumbrances on the property. The Deeds Registries Act 47 of 1937 along with its regulations governs the transfer and registration of land in South Africa. The Constitution of Republic of South Africa 1996 provides property rights to the landowners.

### 2.4.6 Land Disposal in Local Governments

The MFMA (n.d.) indicated that an asset's life-cycle includes all phases of an asset's life from planning, through its acquisition, operation, maintenance and eventual disposal and they should all align with the municipality's planning, budgeting, and reporting processes. The disposal of an asset, including land, is the last phase and there are disposal costs involved in the disposal of the asset as well as receipts of disposal proceeds.

In terms of Section 14 and 90 of the MFMA and Regulation no. 27636 of Municipal Supply Chain Management, the following specific requirements regarding the disposal of capital assets must be met. In the former, a municipality may not "...permanently dispose of a capital asset needed to provide the minimum level of basic municipal services". In the latter, where a municipal council has decided that a specific asset is not needed to provide the minimum level of basic services, a transfer of ownership of an asset must be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy. Accordingly, the selection of development partners or private firms or individuals to lease, buy and take ownership of land from the government is part of the procurement process and thus follows the supply chain management process. SACN (2016a) condemned government SCM processes, pointing out that the centralised process has tended to entrench corruption throughout government and has a direct impact on the private sector. In terms of land transactions, corruption manifests itself in irregular awarding of tenders and misallocation of land, which increases difficulties of doing business in cities as potential investors are crowded out from getting land from municipalities (COGTA, 2016).

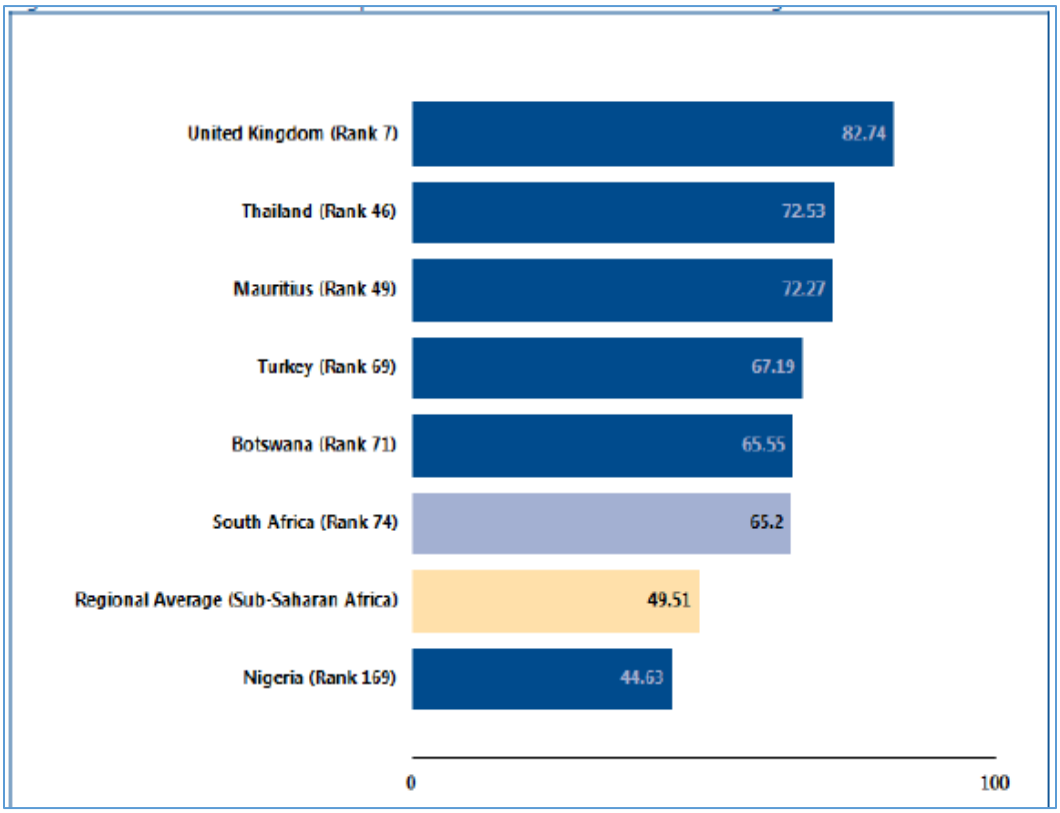
There are various methods of land disposal used by municipalities. The selection of disposal methods used takes the following into consideration: the potential market or other intrinsic values; the location and volume of assets to be disposed of; the ability to support other government programmes; and environmental implications (MFMA, n.d; Kaganova, 2012). Some of the methods used by governments around the world to dispose of land include competitive bidding, verbal auctions, bids submitted in sealed envelopes, and online auctions (Kaganova, 2012). In South Africa, appropriate means of disposal may include public auction, public tender (competitive bidding), and transfer or sale or letting to another institution (MFMA, n.d.). There is also provision for deviation from a competitive process when either disposing of unviable land, transfer to an organ of state or for community benefit where the potential buyer intends to use the property for social purposes. In addition, municipalities sometimes enhance or rehabilitate their assets before disposal, depending on the cost and benefit of such alternatives. As pointed

out by COGTA (2016), land values are influenced by development rights whereby developed land is more valuable than undeveloped land.

### 2.4.7 Business Context for Commercial Property Development

The *Doing Business Report* highlights the ease of doing business around the world and sub-nationally including planning approval time frames in various cities. Figure 6 below shows how South Africa ranks relative to comparable economies and relative to the regional average in terms of ease of doing business. Globally, New Zealand, Singapore and Denmark topped the ease of doing business rankings in 2017, while South Africa was ranked 74$^{th}$ globally and fourth in Sub-Saharan Africa after Mauritius, Rwanda and Botswana (World Bank, 2017a; 2017c). COGTA (2016) reports that there are some difficulties in doing business in South Africa because of varying regulatory and efficiency levels in municipalities, which result in excessive red tape, poor infrastructure, poor service and inadequate urban management.

***Figure 6: How South Africa and comparable economies rank in the ease of doing business***




***Source: World Bank (2017b)***

The World Bank (2017b) asserts that, while construction regulation is critical to ensure sanity in the built environment, it should be time and cost efficient otherwise it will deter development as potential builders opt out. South Africa is rated 68.21 (out of 100) in terms of efficiency and quality of building regulations and ranked 99 out of the 190 economies globally in terms of ease of dealing with construction permits, as it takes an average of 141 days to adjudicate a building permit application (World Bank, 2017b). The rankings for the comparable economies and the regional average are shown in Figure 7 below. The best performer globally is New Zealand, which is rated 87.4% with an average of 93 days to adjudicate planning applications. The Sub- average Saharan African rating is 57.75% with an average time of 155.6 days.

***Figure 7: How South Africa and comparable economies rank in the ease of dealing with construction permits***

| Municipality *Municipal seat* | Starting a business | | Dealing with construction permits | | Getting electricity | | Registering property | | Enforcing contracts | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ranking (1–9) | DTF score (100 = best result) | Ranking (1–9) | DTF score (100 = best result) | Ranking (1–9) | DTF score (100 = best result) | Ranking (1–9) | DTF score (100 = best result) | Ranking (1–9) | DTF score (100 = best result) |
| Buffalo City *East London* | 4 | 78.67 | 3 | 77.50 | 4 | 75.32 | 4 | 62.84 | 9 | 62.54 |
| Cape Town *Cape Town* | 4 | 78.67 | 1 | 78.08 | 2 | 81.81 | 8 | 59.23 | 6 | 67.53 |
| Ekurhuleni *Germiston* | 1 | 81.18 | 4 | 76.84 | 5 | 71.83 | 3 | 64.23 | 4 | 68.26 |
| eThekwini *Durban* | 4 | 78.67 | 5 | 76.15 | 3 | 75.73 | 6 | 62.05 | 3 | 69.27 |
| Johannesburg *Johannesburg* | 1 | 81.18 | 8 | 68.52 | 8 | 55.74 | 1 | 65.82 | 8 | 66.14 |
| Mangaung *Bloemfontein* | 4 | 78.67 | 9 | 68.22 | 1 | 83.86 | 9 | 58.41 | 1 | 71.04 |
| Msunduzi *Pietermaritzburg* | 4 | 78.67 | 6 | 74.07 | 7 | 63.00 | 7 | 59.49 | 2 | 70.81 |
| Nelson Mandela Bay *Port Elizabeth* | 4 | 78.67 | 2 | 78.05 | 9 | 53.14 | 5 | 62.69 | 7 | 66.89 |
| Tshwane *Pretoria* | 1 | 81.18 | 7 | 69.88 | 6 | 68.51 | 2 | 64.71 | 5 | 68.17 |

***Source: World Bank (2017b)***

South Africa's sub-national Doing Business 2015 Report, covering South Africa's nine largest cities, indicates there are differences in the ease of doing business between South African cities. The rankings are shown in Figure 8 below. The report shows that it is easier to start a business in Ekurhuleni, Johannesburg and Tshwane, to deal with construction permits in Cape Town, o get electricity and enforce a contract in Mangaung, and to register property in Johannesburg (World Bank, 2017b). Furthermore, the report shows that no city outperforms others in all areas and there is room for improvement (COGTA, 2016).

***Figure 8: Doing Business in South Africa***

| Municipality *Municipal seat* | Starting a business | | Dealing with construction permits | | Getting electricity | | Registering property | | Enforcing contracts | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ranking (1–9) | DTF score (100 = best result) | Ranking (1–9) | DTF score (100 = best result) | Ranking (1–9) | DTF score (100 = best result) | Ranking (1–9) | DTF score (100 = best result) | Ranking (1–9) | DTF score (100 = best result) |
| Buffalo City *East London* | 4 | 78.67 | 3 | 77.50 | 4 | 75.32 | 4 | 62.84 | 9 | 62.54 |
| Cape Town *Cape Town* | 4 | 78.67 | 1 | 78.08 | 2 | 81.81 | 8 | 59.23 | 6 | 67.53 |
| Ekurhuleni *Germiston* | 1 | 81.18 | 4 | 76.84 | 5 | 71.83 | 3 | 64.23 | 4 | 68.26 |
| eThekwini *Durban* | 4 | 78.67 | 5 | 76.15 | 3 | 75.73 | 6 | 62.05 | 3 | 69.27 |
| Johannesburg *Johannesburg* | 1 | 81.18 | 8 | 68.52 | 8 | 55.74 | 1 | 65.82 | 8 | 66.14 |
| Mangaung *Bloemfontein* | 4 | 78.67 | 9 | 68.22 | 1 | 83.86 | 9 | 58.41 | 1 | 71.04 |
| Msunduzi *Pietermaritzburg* | 4 | 78.67 | 6 | 74.07 | 7 | 63.00 | 7 | 59.49 | 2 | 70.81 |
| Nelson Mandela Bay *Port Elizabeth* | 4 | 78.67 | 2 | 78.05 | 9 | 53.14 | 5 | 62.69 | 7 | 66.89 |
| Tshwane *Pretoria* | 1 | 81.18 | 7 | 69.88 | 6 | 68.51 | 2 | 64.71 | 5 | 68.17 |

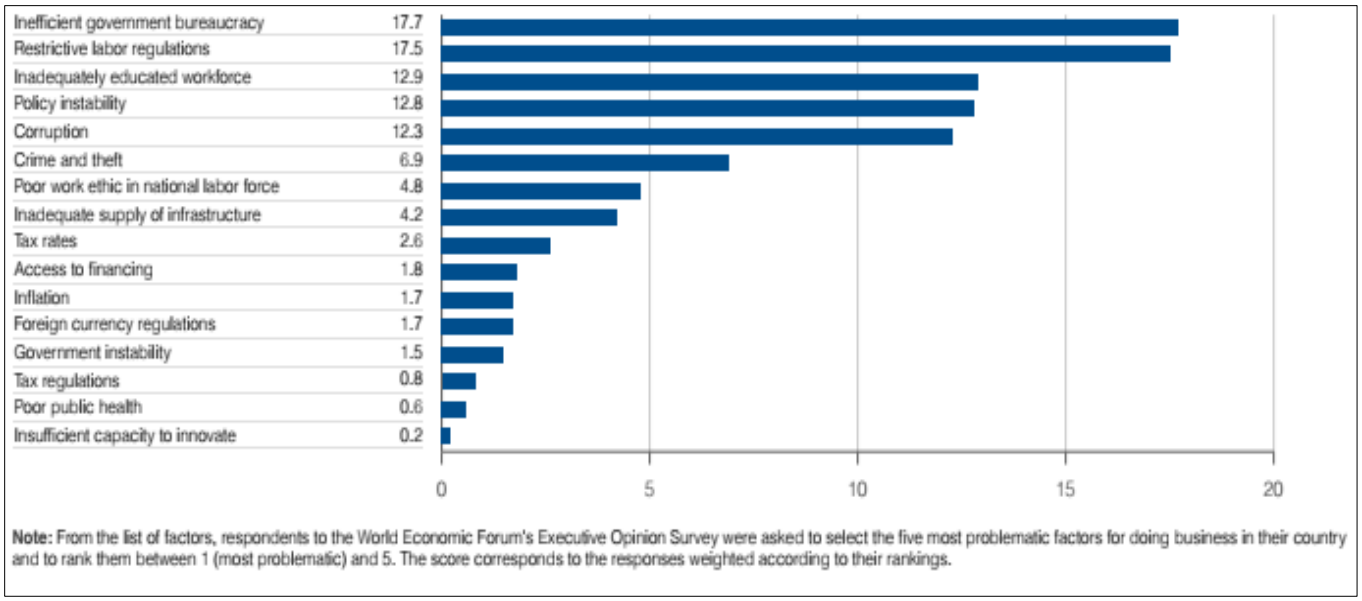
***Source: SACN (2016a)***

### 2.4.8 Enabling Environment for Commercial Property Development

In this section, ways in which local government can create an enabling environment to unlock commercial property development are discussed. Local governments can use both spatial and non-spatial measures such as investment in infrastructure, strengthening land-use management instruments, and using zoning schemes or regulations to improve the ease of doing business in a city (SACN, 2016a). This will enable the city to benefit from the urban dividend by making the city competitive and hence an investment destination because of the ease of doing business ((COGTA, 2016; SACN, 2016a)). COGTA (2016: 83) says that, "the lack of an enabling environment for economic productivity and growth will compromise the possible positive economic gains from agglomeration economies and innovation in urban centres".

SACN (2016a) identified some factors that are obstructing development in South Africa including long and complicated official processes to register and start a business. These include processes such as town planning approval and the macro regulatory framework, which eventually makes it difficult to capitalise on market potential. Figure 9 below presents the most problematic factors for doing business in South Africa, identified by the World Economic Forum in compiling the Global Competitive Index (GCI).

*Figure 9: Most problematic factors for doing business in South Africa*




***Source: World Economic Forum (2016)***

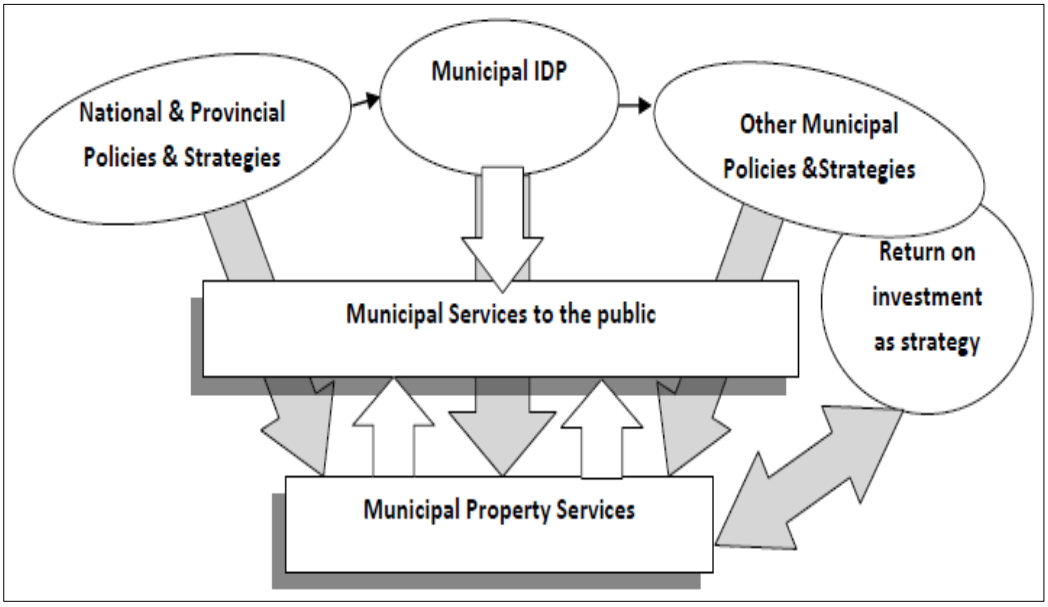
COGTA (2016) points out that land-use planning and management processes are often slow, despite legislated time frames. Thus, there is opportunity to rationalise regulations and processes to enhance efficiency in land disposal for commercial property development. Furthermore, there is a poor relationship and lack of trust between city officials and private developers that stem from the perceived failure of government (SACN, 2016a) as well as poor understanding by city officials of the commercial property development structure and processes (Adams *et al.,* 2012). For that reason, there is a need for engagement with the commercial property developers and investors to create development coalitions, simultaneously building good trust and understanding among the parties (SACN, 2016a; COGTA, 2016). Furthermore, there is growing concern about corruption relating to supply chain management (SCM), where the centralised process has embedded corruption in the public sector, worsening the difficulties of doing business in cities (SACN, 2016a). In addition, there is a challenge in accessing land, especially well-located land for commercial property development. It is against this background that local governments need to leverage their land ownership to unlock development in pursuit of socio-economic objectives.

## 2.5 LEGISLATION IN URBAN LAND MANAGEMENT

This section provides an overview of over-arching legislation in urban land management and specifically in the land disposal phase. COGTA (2016) says that South Africa has a range of legislation, policies and strategies that guide urban land management such as the National Development Plan, the Municipal Systems Act (No. 32 of 2000), the National Environmental Management Act (No. 107 of 1998, amended by Act No. 25 of 2014) and the Spatial Planning and Land Use Management Act (No. 16 of 2013). While local authorities have authority to dispose of land for commercial development as private ownership or in a long lease, they are governed by a suite of policies and strategies from both National and Provincial Government besides their own, as depicted in Figure 10 below. The policies and strategies provide principles for integrating and aligning government plans, such as spatial development frameworks (SDFs), integrated development plans (IDPs), built environment performance plans (BEPPs), growth and development strategies, and sectoral plans. They are aimed at ensuring that priorities are set,

resources are allocated and implementation takes place in an integrated, effective, efficient and sustainable way.

*Figure 10: Municipal property services in relation to policies and strategies*




***Source: City of Cape Town (2008)***

### 2.5.1 The Spatial Planning and Land Use Management Act (SPUMLA)

This Act provides a framework for spatial planning and land-use management in South Africa. COGTA (2016: 16) says it specifies the relationship between spatial planning and other kinds of planning, and provides for inclusive, developmental, equitable and efficient spatial planning. Its objective is to promote greater consistency and uniformity in the application procedures and decision making by authorities responsible for land-use decisions and development applications.

### 2.5.2 Government Immovable Asset Management Act No. 19 of 2007 (GIAMA)

The GIAMA provides a uniform framework for the management of immovable assets in the public sector (i.e. national or provincial government) to ensure uniform standards and co-ordination of the portfolio management and service delivery objectives. GIAMA aims to optimise service

delivery by ensuring accountability in property decisions and transactions, and efficiency in the property life-cycle while at the same time protecting the environment as well as preserving cultural and heritage assets (Republic of South Africa, 2007).

### 2.5.3 Municipal Finance Management Act No. 56 of 2003 (MFMA)

The MFMA provides a framework for sound financial governance and it separates the roles and responsibilities of the council, mayor, and officials. Section 14 of the MFMA, which deals with disposal of capital assets, indicates that a municipality may not transfer ownership of assets needed to provide the minimum level of basic municipal services. In addition, it requires public participation and consideration of fair market value in the exchange for the asset. The MFMA promulgated with the Municipal Asset Transfer Regulations (MATR), provides a practical framework and an outline to achieve its provisions for the transfer and disposal of capital assets.

### 2.5.4 Municipal Asset Transfer Regulations 2008 (MATR)

The Municipal Asset Transfer Regulations gazetted in 2008, in terms of the Municipal Finance Management Act No. 56 of 2003, provide guidelines and a framework for: the transfer and disposal of capital assets by municipalities and municipal entities; the granting by municipalities and municipal entities of rights to lease, use, control or manage capital assets; and management of the municipal immovable property assets. The MATR ensures transparency and accountability in the property transactions by setting out key principles and procedures required when transferring or disposing of capital assets (Republic of South Africa, 2008). The MFMA and MATR require that land is allocated and/or transferred from the local authorities through competitive procurement at a market value and on condition that the land is not required now or in future (Republic of South Africa, 2004; 2008).

### 2.5.5 The Policy on the Management of Council's Immovable Property

The policy defines Council's powers concerning the reservation and management, use, enhancement, improvement, cultivation of properties for strategic and operational purposes. It provides guidelines for acquisition and alienation of property and rights in property as well as for the letting of immovable property. The policy also provides that; the City may not dispose of a property needed to provide a minimum level of basic municipal services as provided in section 14(6) of the MFMA read with Chapter 3 of MATR. In respect of the disposal of immovable property for commercial purposes, it is required that the Council approves that the property is not needed to provide the minimum level of basic municipal services, a fair market value in exchange for the property and follows the competitive process (City of Cape Town, 2010).

### 2.5.6 The Spatial Development Framework (SDF) and District Spatial Development Plans (DSDP)

The SDF and DSDPs provide the conceptual development framework and vision for the City of Cape Town's future together with other supporting city-wide strategies and policies. The district plans provide detailed mapping of the urban development zones and protected environmental areas that informs the restructuring of the urban environment and public capital investment.

## 2.6 PUBLIC INTERVENTION AND URBAN LAND MANAGEMENT

### 2.6.1 Public Land Management: Global Perspective

Following the 1976 United Nations Habitat Conference in Vancouver, which declared land to be a basic scarce resource which requires public scrutiny, many countries from both the developing and developed world have shown growing concern about the problems of urban land supply, price and use allocation (Misra, 1986). Concurrent with the conference's recommendations for public land ownership as a means to control areas of rapid urbanisation, Nigeria nationalised its urban land in 1978 as a means to improve equity in accessing it and its management (Garba, 1997). Kaganova & Nayar-Stonne (2000) reported that the public sector is the dominant owner

of urban land world wide, which is also the case in South Africa. However, there is a shortage of supply of s land suitable for commercial property development (Garba, 1997).

### 2.6.2 The Role of Public Land in Achieving Social-Economic Objectives in the Urban Land Market

Public land is a key factor in commercial property development in urban areas because it is a remnant of well-located, prime sites and comparatively low-priced land that makes commercial property development projects more viable. McGough & Bessis (2015) identified three ways in which public land can be optimised in urban development as follows:

- **Leading Development:** this involves proactive planning to stimulate growth and economic development, for example, urban regeneration efforts where systematic intervention is undertaken to revitalise urban development nodes or corridors.
- **Shaping Development:** this involves using public land to influence how, and what kind of, development happens on certain sites, regions, corridors or nodes in line with the vision of the city as provided in the Spatial Development Framework (SDF) or Town Planning Scheme.
- **Unlocking Development:** this involves removing development constraints or barriers on sites and projects by obtaining statutory approvals and/or development rights for the difficult sites. This creates new opportunities and releases strategically located, valuable land in the urban areas.

### 2.6.3 Rationale for Public Intervention in the Urban Land Market

Garba and Al-Mubaiyedh (1999:270) point out that, “Land has always been the subject of debate in the research literature between scholars who favor a neoclassical economic approach to its management and those who favor a political economy approach”. Given perceived shortcomings of government, Tani & Ma (2009) argue for minimum government intervention to protect private property rights. Likewise, Garba & Al-Mubaiyedh (1999) say that, notwithstanding some critical views of government intervention, some form of government intervention is inevitably necessary

and generally accepted. Schiavo-Campo and McFerson (2008:49) say, "Government regulation is essential for defining and protecting property rights and important to foster competition, correct market failures, protect public safety, and promote sound social and environmental policies". However, the question is to what extent the government should become involved in economic activities. While the *laissez-faire,* minimalist model has been successful in some western countries such as the United States, government intervention has also been successful in other countries and cities in achieving positive economic growth (Tani & Ma, 2009). The state plays a crucial role in governing the market to ensure the well-being of the property market (Zhu, 1997). Castells *et al*. (1990;2) cited in Tani & Ma (2009) point out that "it is generally accepted today in specialized literature that the state has been the engine of the process of hyper-growth in the leading Asian economies, first in Japan, and then in South Korea, Taiwan, and Singapore". *T*hrough an examination of Singapore property markets in the 1980s, Zhu (1997) found that government intervention contributes considerably to an efficient property market within the framework of a free market economy.

Garba (1997) believes that one of the best means to ensure effective urban land management is through public intervention and control of land markets. Dowell (1993) identified three justifications for government interventions in urban land markets being to reduce negative externalities; to remove market failures; and to ensure equitable distribution of scarce resources. Given that land is a basic resource for urban development that has implications for social and economic development (Garba, 1997), urban governments should have some control over ownership and use of land as well as the ability to obtain fees and taxes from it (Garba & Al-Mubaiyedh, 1999). The level of public control depends on ideological orientation, which varies between countries (Garba, 1997; Garba & Al-Mubaiyedh 1999; Oi, 1996). Dowell (1993) says that government intervention in land markets would increase the efficiency of the outcomes of land market allocations as well as improve the quality of land market outcomes. This is achieved through land-use allocations and designations in the Spatial Development Frameworks as well as development control and management to keep right mix and harmony of land uses. In other words, the public sector can leverage its land assets to drive economic growth and sustainable

development (City of Cape Town, 2015). Local governments can leverage their land ownership to lead development, shape development and unlock development so as to achieve and support socio-economic objectives.

### 2.6.4 Measures of Public Urban Land Management Intervention

Yan *et al.* (2014:517) state that "government intervention in land markets exists in countries with different land use systems." The different land use systems involve freehold, communal and state land use. Garba & Al-Mubaiyedh (1999), quoting Denman (1980), say that public sector intervention in urban land management is essentially focused on ownership of land, use of land, marketing of land, and taxation of land. Yan *et al.* (2014) contend that government intervention takes two forms: indirect, which involves land use regulations, directly which involves direct government control over land supply where government acts as a participant and as a supplier of land to developers. A distinction can be made between legal and fiscal control measures within the indirect government intervention. In light of the foregoing argument, measures of public intervention can be categorised broadly into legal measures, fiscal control measures, and direct public sector action (Garba, 1997; Schiavo-Campo &McFerson 2008).

**Legal Measures:** Legal measures involve the legislative framework which includes laws, by-laws and regulations that govern, regulate and guide the urban land market in terms of land ownership patterns and rights, compulsory acquisition or expropriation of land by the public sector and the regulation and control of land use (Garba & Al-Mubaiyedh, 1999). This also includes land use regulations such as zoning, urban growth boundaries, greenbelt, designation of urban development zones and so on, which identifies uses to which a piece of land can be put (Yan *et al.,* 2014).

**Fiscal Control Measures:** Fiscal control measures involve the use of taxes, rates, levies, fees and/or charges to control and regulate urban land development (Garba & Al-Mubaiyedh, 1999). These measures are also used to capture value where the public sector recovers the cost of public

investment in land development and/or to recoup unearned increments in property value accruing to landowners following major public infrastructure investment (Doherty, n.d.).

**Direct Public Sector Action:** Direct public action entails direct public sector participation in the land market in order to improve market efficiency and equity in the allocation and use of urban land (Rivkin, 1983 cited in Garba & Al-Mubaiyedh, 1999). On one hand, government is involved as a market participant where it plays a part in creating an enabling environment through provision of bulk infrastructure and land assembly or servicing and directly supplying land to property developers (Yan *et al.* 2014). When government owns the land, and hence has direct control of land supply, it has direct control over urban development (Tian & Ma, 2009; Xu *et al.,* 2009). On the other hand, governments are involved as developers and financiers (Garba & Al-Mubaiyedh, 1999).

Yan *et al.* (2014) assert that government intervention in land markets has a profound impact on real estate market outcomes. For instance, it ensures preservation of greenbelt, heritage, and cultural sites, ensures equitable accessibility of land, and also ensures more efficient provision of public infrastructure.

### 2.6.5 Effective Intervention in the Urban Land Market

A number of factors hinder the success of public sector intervention in achieving effective land management (Garba & Al-Mubaiyedh, 1999). According to Adams *et al.* (2012), one of the main challenges which render government intervention ineffective is the lack of understanding of the structure of the development market by the policy makers. The lack of understanding of the developer and his objective in the development market makes the targeted intervention miscalculated and indiscriminate, which causes more harm than good in achieving the desired healthy outcome. Indiscriminate supply of land can have negative effects on the urban land market from over-supply of land, which potentially distorts the self-balancing urban land market system and, in the end, devastates the market (McGough & Bessis, 2015). The other key problem

is the unavailability of information to make informed decisions about the allocation and use of land. There is consensus in literature that many public authorities do not have comprehensive information about their land holdings (Dent, 1998; Kaganova & Nayyar-Stone, 2000; French, 1994). Garba and Al-Mubaiyedh, (1999: 271) point out that, "information is needed to understand the nature of land problems, for planning and decision making and also in the evaluation of land management actions and programs". Other than the understanding of the land holding itself, Zhu (1997) believes that effective intervention in the property market requires an understanding of the market – its structure, processes, and interaction of actors. This includes factors like: the development framework guidelines, policies, co-ordination of the policy measures, administrative factors and the state of the organisational land management system (Garba & Al-Mubaiyedh, 1999). Garba (1997) points out that, "the definition of clear institutional responsibility, the level of inter-organizational co-ordination between management institutions, the capacity of the institutions and availability of information are all factors that affect land management effectiveness".

### 2.6.6 The Public Land Management Intervention System

Garba and Al-Mubaiyedh (1999: 271) say that "an urban land system can be conceptualized as being made up of four interacting systems; urban activity, land development, land ownership, and public land management intervention system".

- **The activity system** is concerned with the government and agents (households, firms, and institutions) that transform activity over time simultaneously determining space and location requirements needed by the agents.
- **The Land development system** is a framework for transformation of land (which includes releasing land and subsequent packaging of land) in specific locations to meet the demand from activity agents.

- **The land ownership systems** serve to define the land system rights and the structure of land ownership and how the land is transferred between parties, and to the land development system.
- **The public land intervention system** influences the form and behaviour of the above three systems and how they interact with each other. Garba and Al-Mubaiyedh (1999) assert that the purpose of the public intervention system is to balance land system components and, simultaneously, to protect public interests. Garba & Al-Mubaiyedh (1999) say that land systems are complex and dynamic and they require constant intervention and control to ensure balance of the system and to respond to emerging shocks in the system.

Accordingly, the public sector can optimise socio-economic objectives by leveraging their majority urban land ownership in the urban land market.

## 2.7 CONCLUSION

This chapter contains the literature review that underpins this research study. The chapter began with the definition of property, and an overview of the property market and sub-markets. It was highlighted that local governments can improve access to land for commercial property developers to unlock development. Thereafter, the property development processes and stakeholders were discussed and it was found that there are different theoretical approaches to development and different role players with divergent objectives and interests. This was then followed by discussion of the business context for commercial property development, where the underlying socio-economic objectives of government to ensure economic growth, create job opportunities and reduce poverty in order to advance people economically and socially were the main focus. Subsequently, it was evident that cities have become important around the world and in South Africa for economic growth and advancing people economically and socially. Furthermore, South Africa is failing to capitalise on the benefits of the urban dividend to achieve economic growth. Finally, the rationale for government involvement in the land market together

with the ways in which government can intervene to improve access to land for commercial property development was discussed. Government needs to use both spatial and non-spatial measures to improve ease of doing business in the cities to ensure economic growth, and this involves using its land ownership to unlock commercial property development.

# CHAPTER 3: RESEARCH METHODOLOGY

## 3.1 INTRODUCTION

This study investigates how the public sector can use its land ownership in the urban land market to optimise socio-economic outcomes in the South African property sector. In this chapter, the research methodology and design employed for this study are presented, including the sample population, instruments for data collection, validation of the questionnaire, survey administration and the method of data analysis.

## 3.2 RESEARCH APPROACH AND DESIGN

A qualitative survey research approach was chosen to gather responses from public sector officials in the property management field. An essential consideration in choosing this research approach was because it was the best way to address the research questions and the purpose of the study systematically. Qualitative, in-depth interviews with subject matter experts and scoping interviews at the beginning of the study were also used to obtain a better understanding of what needed to be measured in the subsequent quantitative phase. In addition, this approach helped to understand the subject better in order to formulate and refine the thesis of the study.

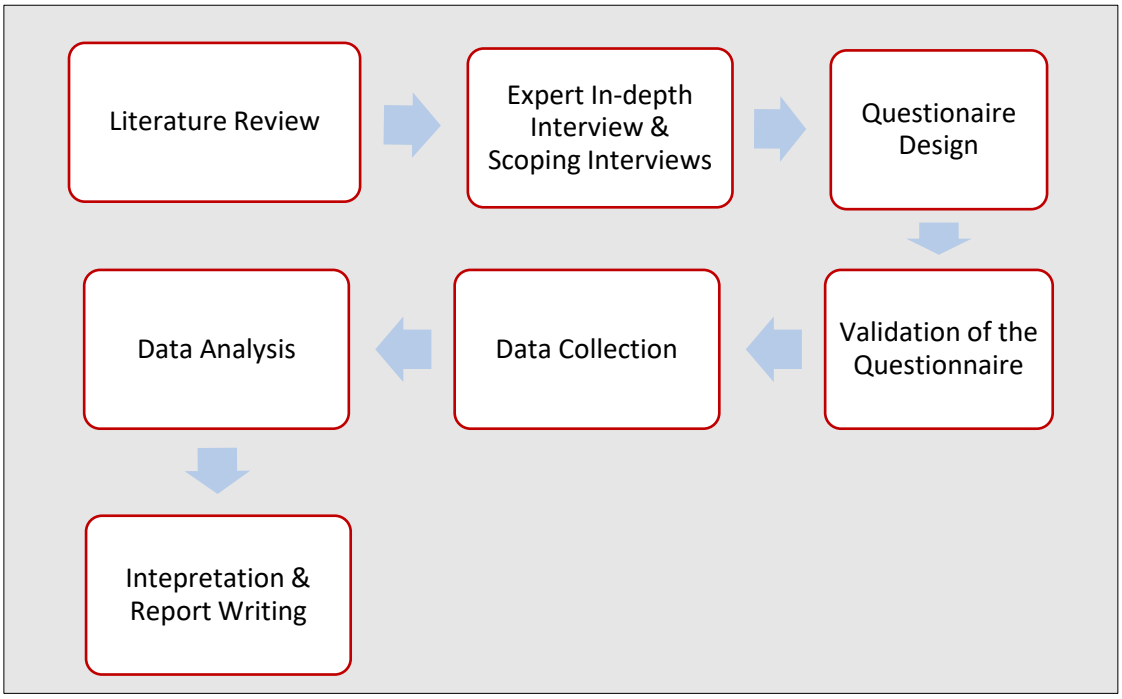
An online questionnaire was used to obtain the core data for the study. Generally, surveys are used for descriptive, explanatory and exploratory research and, for this study, a descriptive survey was used. For this study, the information was collected using online survey and interview, data collection methods. A descriptive survey was used because it best describes variables and provides an accurate account of characteristics, opinions, and knowledge of a particular individual or situation (Key, 1997).

## 3.3 RESEARCH METHODOLOGY

A combination of primary and secondary data collection methods was used, including a literature review, interviews and online surveys with local government property management officials

directly involved in land transactions o gather data for this study. The research process consisted of the steps summarised in Figure 11 and explained below.

***Figure 11: The Research Process***




***Source: Researcher's construct***

### 3.3.1 Step 1: Literature Review

The research began with a careful and systematic review of local and international literature to the topic under discussion on public-sector involvement in urban land markets related. Multiple sources of information were used for the literature review including journal articles, reference books, government gazettes and publications, the internet and conference proceedings. However, from the literature review, some gaps were noted mainly concerning the role of public sector land in urban land markets, which are potential areas for future research.

### 3.3.2 Step 2: Expert In-depth Interview and Scoping Interviews

One-on-one interviews with seasoned property development experts, who have extensive private and public sector experience, were conducted at the front and back end of the study. At the front end, the objective was to gather background and expert knowledge which assisted in formulating the thesis of the study, as well as structuring the survey questions. Interviews were used to gather background information and tap into the expert knowledge of an individual (Harell & Bradley, 2009). Interviews at the back-end of the study provided an opportunity to give feedback to the expert and also gather supplementary detail to explain the research findings.

Structured scoping interviews were held with a representative of the South African Local Government Association (SALGA) and senior managers in public sector property management to obtain a general understanding of the situation in the urban land market, and views on how municipalities in South Africa should participate in the land supply chain. The interviews also covered perceived challenges faced by the public sector in delivering land for commercial property development.

### 3.3.3 Step 3: Questionnaire Design

A questionnaire titled: Leveraging Local Government Land Ownership in the Urban Land Market to Achieve Socio-Economic Objectives in Urban South Africa (see Annexure A) was designed for this research and used for data collection and guiding structured interviews. The questionnaire had 33 main questions and 64 sub-questions that were broadly categorised into 5 sections. The content of the questionnaire was based on the literature review as well as interviews held with subject experts. The preamble o the survey introduced the researcher and the theme and purpose of the research. In addition, it presented the respondents' rights to self-determination, anonymity, and confidentiality in participating in the survey. The questionnaire had five sections:

- The first section of the questionnaire collected the background information of the respondents including their professional background, years of experience and age.

- The second section collected information on the various ways in which the public sector uses land ownership as a tool in the urban land market.
- The third section gathered data on public sector involvement in the land supply chain, particularly for commercial property development.
- The fourth section captured information on the responsiveness of the public sector in the urban land market.
- The last section solicited information on the challenges faced by the public sector in delivering land for commercial property development in South Africa.

The questionnaire was structured using a Likert-syle, 5-point rating scale, multiple choice questions, check boxes, and grid matrix questions. The respondents were asked to indicate the option that matched their agreement with statements in the questionnaire.

### 3.3.4 Step 4: Validation of the Questionnaire

Validity determines whether the research measures what it is intended to measure or how truthful the research results are (Golafshani, 2003). The questionnaire was subjected to a validation process for content validity by the subject experts in public sector property management to ensure the appropriateness of the content of the questionnaire schedule. These experts were asked to review the research questions and the questionnaire to determine the appropriateness and adequacy of the instrument. Some useful suggestions and comments were received and incorporated in restructuring the questionnaire, removing some duplications, adding some more questions and reframing certain questions to remove ambiguity.

Subsequent to the questionnaire validation process, the questionnaire was piloted using five former work colleagues in public sector property management in the Gauteng Province, which was not involved in the actual study. Ekanayake and Ofori (2004) point out that the aim of the pilot study is to obtain feedback on the questionnaire structure, clarity of questions and instructions, flow of information and length. Accordingly, a pilot study was conducted to:

- ascertain whether the questionnaire was clear and easy to understand;
- determine the nature and quality of data from the survey;
- assess the data and the appropriateness of the data analysis method; and
- gauge the reaction and feeling of participants about the questionnaire in terms of length.

Based on the feedback from the pilot study, there were a few minor changes to the questionnaire, which included rewording certain questions for clarity and combining some questions to shorten the questionnaire.

In addition, validity was also ensured through the consistent administration of the survey by inviting participants (via email) to participate in the survey. Also, the questions used simple language for clarity and easy understanding and additional instructions were provided to assist the participants to complete the survey. For instance, respondents were asked either to select one alternative or to select applicable alternatives.

### 3.3.5 Step 5: Data Collection

Before collecting the data, clearance to conduct the survey was obtained from the University of Cape Town Research Ethics Board (see Annexure B) before loading the survey on line for distribution. Subsequent to obtaining the ethics clearance, the questionnaire was administered to the targeted sample using "Google Docs", a free Google online survey function, where invitations were sent by email to participants in the study. A web-based, online survey was chosen for easy and inexpensive access to respondents (Bowen *et al.,* 2009). In addition, this method has a quicker turnaround time and the largest possible response rate, which enables meaningful data analysis, which is important for surveys (Fowler, 2002). The online survey was developed to gather information from participants. Yu *et al.* (2007:199) says "questionnaires are widely used for descriptive and analytical surveys in order to find facts, opinions and views on what is happening, who, where, how many or how much".

The landing page of the email (see Annexure C1) contained the introduction to the survey and a link to open the survey questionnaire. Seventy-one questionnaires were sent out successfully by email for completion. The survey was planned to last two weeks, and a reminder email (see Annexure C2) was sent to respondents one week after sending the initial email. The survey was extended by a week to give an opportunity to some participants who had not completed the survey within the two weeks' time frame. There were 38 responses from the 71 respondents representing a 54% response rate.

### 3.3.6 Step 6: Data Analysis

A qualitative approach was used in this research to establish how the public sector should be involved usefully in the supply of land for commercial property development in the urban land market. On one hand, the qualitative data gathered from interviews with subject experts provided background information as well as additional information to supplement the results obtained from the online survey. The qualitative data from experts helped to explaining and to interpret the findings. A thematic content analysis was used to organise the data into themes and sub-themes according to the research questions.

On the other hand, data from online surveys provided the core data for the survey. The data collected through online surveys was quantitatively analysed. Basic descriptive statistics for the survey results were provided by the Google Docs survey function, and the Statistical Package for Social Sciences (SPSS V23 for Windows) was used for other statistical analysis, including mean score calculations and a One Way Sample *t*-Test for the mean. The response options to the questionnaire, which were based on a 5-point, Likert rating scale, were weighted as: strongly disagree=1, disagree=2, neutral=3, agree=4 and strongly agree=5. All attributes were first calculated and ranked according to their mean score ratings. The acceptance point for the items was 3 and any mean below 3 was regarded as rejected, not prevalent or as the unpopular view.

In addition, the One-Way Sample *t*-Test was used to check whether the population would consider the attributes significant or otherwise, as follows:

The null hypothesis $H_0 = \mu \leq \mu_0$, against the alternative hypothesis $H_A = \mu > \mu_0$, where μ is the population mean and μ0 represents the critical rating above which the attribute was considered as most significant. The value of μ was fixed at '3' because, by definition, ratings above 3 represent 'agree' and 'strongly agree'.

**The decision rule** was to reject the null hypothesis ($H_0$) when the calculation of observed *t* value ($t_o$) was greater than the critical *t* value ($t_c$). The significant level was set at 5% (0.05) following the conventional risk level. Only if the observed *t* value of the statistical test of the mean ratings by the respondents was smaller than the critical t value ($t_o < t_c$) null hypothesis that the attribute was 'neutral', 'agree' and 'strongly agree' was it accepted. However, only if the observed *t* value was greater than the critical *t* value ($t_o > t_c$), at 95% confidence interval, then null hypothesis ($H_0$) that the attributes were 'neutral", 'disagree' and 'strongly disagree' was I rejected and the alternative hypothesis accepted.

### 3.3.7 Step 7: Conclusions and Recommendations

Conclusions were drawn from the analysis of the results and recommendations were made on the basis of the conclusions and survey results. The study concludes with answers to the key research questions and recommendations appropriate to ensure that local governments maximise the leverage of their land ownership in the urban land market to achieve social-economic outcomes in the South African property sector.

## 3.4 THE STUDY POPULATION AND SAMPLE

The research population includes all elements (individuals, objects, and events) that meet criteria for inclusion in the study (Shilubane, 2009). The target population for this study was all, local government, property management officials involved in the disposal of public land in South Africa, while the accessible population was those in the Western Cape Province, which was within reach of the researcher. Table 2 below shows the municipalities or local governments in the Western Cape Province.

***Table 2: Municipalities in Western Cape Province***

| | |
|---|---|
| City of Cape Town | Eden District Municipality |
| Cape Winelands District Municipality | Bitou |
| Breede Valley | George |
| Drakenstein | Hessequa |
| Langeberg | Kannaland |
| Stellenbosch | Knysna |
| Witzenberg | Mosselbay |
| Overberg District Municipality | Oudtshoorn |
| Cape Agulhas | West Coast District Municipality |
| Overstrand | Bergriver |
| Swellendam | Cederberg |
| Theewaterskloof | Matzikama |

| | |
|---|---|
| Central Karoo District Municipality | Saldanabay |
| Beaufort West | Swartland |
| Laingsburg | |
| Prince Albert | |

In addition, property management officials in the local government were considered to be appropriate as part of the population of the study because they are directly involved in the decisions and administration of land disposal by municipalities to the private sector for commercial development. Most of the public officials have extensive working experience in the public sector and are therefore best informants to the study with the required data to answer the research questions and purpose of this study.

Owing to time and resource constraints, a sample was drawn from municipalities in the Western Cape Province where all personnel who met the criteria were targeted. Respondents from the City of Cape Town were sourced internally by the researcher, whereas contact details (email addresses) for targeted respondents from other municipalities in the Western Cape Province were obtained from SALGA. The sample size was appropriate for the study as the topic is specialised and sampling only public sector officials provided a fair representation in the study. Furthermore, a large sample does not necessarily guarantee the sample's precision (Bryman & Bell, 2003). The sample of the population, that is those who were invited to participate in this research, numbered 71, with 35 from the City of Cape Town and 36 from other municipalities.

## 3.5 JUSTIFICATION OF THE METHODOLOGY

The principal methodology applied in this study was qualitative. The qualitative approach complemented the researcher's work experience and informed data analysis for this study. The justification for using this methodology to understand the specific situation in the property markets, and particularly urban land markets, has been recognised by many researchers (Kironde, 2000; Caesar, 2016; Kaganova & Nayyar-Stone, 2000; Abdullah *et al.,* 2011) who adopted a qualitative, descriptive, survey approach. For a study of municipal land allocations in Sweden, Caesar (2016) used a combination of interviews and questionnaire surveys. Similarly, this study used a similar approach, conducted through interviews to gather broader and deeper knowledge of the subject and the questionnaires were used to collect information from public officials about their experience in the public sector's role in the urban land market.

## 3.6 LIMITATIONS

The qualitative approach was appropriate to gather data for this study as it complemented the researcher's work experience and informed the required analysis. However, the research had some unavoidable limitations as follows:

- Due to time and budget constraints, the research focused only on local governments of the Western Cape Province and participants who attended the SALGA property management workshop in November 2016, except for City of Cape Town respondents where the researcher had direct contact with all potential participants. The study could have involved more participants from other municipalities beyond those provided by SALGA and the study could have been rolled out to all local governments across South Africa.
- Given that the area of study is a specialised field with relatively few people involved, there was a limited number of respondents, which constituted other limitation to this dissertation.

- Some respondents indicated that they could not open the survey on their computers because of software incompatibility. Thus, a better response could have been achieved than was actually achieved in this study.
- Of the 38 respondents to the survey, 24 were from the City of Cape Town and the other 14 were from the other municipalities in the Western Cape Province.

## 3.7 RELIABILITY

Reliability is when results of a study can be reproduced under similar conditions using a the same methodology (Roberts *et al.,* 2006). According to Golafshani (2003), reliability means research findings are consistent over time and give an accurate representation of the total population under study. To ensure the reliability of this study, errors were minimised by using an online survey method and statistical data analysis software (SPSS) which eliminated the errors commonly found in data capturing.

## 3.8 ETHICAL CONSIDERATIONS

The ethical consideration of confidentiality was assured in the introduction to the online survey and interviews and was strictly upheld in this study. Confidentiality was achieved through protection of the privacy of the respondents by ensuring anonymity of their identity. For instance, a blind carbon copy (Bcc) email was sent to the participants; no disclosure was made of the details of the participants, and the questionnaire did not ask for information that would enable the respondent to be linked o the responses. Also, permission was obtained to undertake the study from the UCT's Research Ethics Committee, SALGA and respective directors in the public sector property management department. The research proposal was also subject to approval by the Department of Construction Economics and Management at the University of Cape Town (UCT). The information gathered from the research was kept safe and confidential and only summary statistics were used for reporting on the research findings.

## 3.9 CONCLUSION

In this chapter, the details of the research process were presented and the manner in which respondents were selected was clarified. The way in which data were collected and analysed was also explained. A qualitative survey approach was adopted for the study whereby both primary and secondary data collection methods were used. Public sector senior officials involved in land transfer, development and facilitation were targeted in this research and the scope was limited to the Western Cape Province because of time and resource constraints.

In summary, this chapter contains the research methodology, comprising the target population, sample, data collection methods and instruments as well as strategies used to ensure ethical standards, reliability and validity of the study. The next chapter contains the data analyses and findings based on the methodology highlighted in this chapter.

# CHAPTER 4: DATA PRESENTATION AND ANALYSIS

## 4.1 INTRODUCTION

In this chapter the data analysis and findings from 38 questionnaires and interviews with experts involved in property development and facilitation in the local governments in Western Cape Province, South Africa, are discusses. The purpose of this study was to investigate how the public sector should intervene usefully in the urban land supply chain for commercial property development using its land ownership in order to optimise socio-economic outcomes in the South African property sector. The data from the questionnaires was analysed statistically using SPSS software version 23 while a thematic analysis was used to analyse interview data. The findings are discussed according to the objectives of the study, which were to:

i. Identify ways in which local governments can use their land ownership as a tool to intervene in the market supply of urban land.
ii. Assess the responsiveness of local governments' land supply to the demand for land in the commercial property development market.
iii. Evaluate whether local governments are appropriately packaging their land for commercial property development.
iv. Identify the challenges faced by local government in packaging land for commercial property development in South Africa.
v. Recommend an appropriate level of local governments' involvement in the land supply chain for commercial property development purposes.

Of the 38 respondents to the survey, 24 were from the City of Cape Town and the other 14 were from other municipalities in the Western Cape Province. There were 24 responses out of 35 respondents from the City of Cape Town representing a response rate of 69%. Respondents from other municipalities in the Western Cape Province were obtained from SALGA and, out of the targeted 36 respondents invited to participate in the survey, 7 were undelivered emails and there

were 14 responses, representing a response rate of 48%. Thus, on an aggregate level, there were 38 out of 71 targeted responses, which gave an average response rate of 54%.

Owing to the dominance of the Cape Town respondents to the survey, constituting about 63%, a differentiation of the responses from Cape Town to other municipalities was conducted. The objective was not to compare Cape Town with other municipalities but to find out where there is significant variation between the two groups to enable meaningful generalization for the whole province. Therefore, attention and highlights have only been made when there are significant differences between Cape Town and other municipalities.

## 4.2 BIOGRAPHIC DATA

This section of the questionnaire covered the respondents' work experience, educational qualifications, job functions and professional background. Though not central to the study, the personal data helped o contextualise the findings and the formulation of appropriate recommendations. The research was based on a mixed method where interviews were used to obtain in-depth insight into the study, develop variables tested in the questionnaire and to help interpret and explain quantitative data from the questionnaire survey. A total of 5 subject experts and senior officials in the municipalities in the Western Cape Province were interviewed and a questionnaire was used to reach a further 38 officials throughout the province. Since the interview respondents were known subject experts and senior officials, the remainder of this section gives a profile of questionnaire respondents to enable the researcher to validate and understand the quantitative data obtained from the questionnaire survey in-depth.

### 4.2.1 Respondents' Work Experience

The respondents were asked how many years of experience they had in total as well as in the local government sector. The respondents' work experience (in years) is summarised in Table 3 below.

*Table 3: Respondents' Work Experience (in years)*

| *Experience (Years)* | Total Work Experience | Work Experience in Local Government |
|---|---|---|
| *Less than 2* | 4 | 12 |
| *2-5* | 10 | 8 |
| *5-8* | 6 | 10 |
| *More than 8* | 18 | 8 |

Considering the respondents' experience, the majority were very experienced, with 63% having more than 5 years' working experience and only 10.5% with less than 2 years' experience. On the other hand, 47% of the respondents had more than 5 years' experience in local government, and about 32% had less than 2 years' experience in local government.

### 4.2.2 Respondents' Educational Background

The educational background of respondents is presented in Table 4 below. The majority of the respondents, 34 (89%) had a minimum of a Bachelor's degree, and 14 (36%) had a Master's degree. The least qualification, held by 10% of the respondents, was a diploma.

*Table 4: Respondents' Educational Qualifications*

| *Respondents' Education Level* | Count/Frequency | Percentage |
|---|---|---|
| *Certificate (s)* | 4 | 11 |
| *Diploma* | 10 | 26 |
| *Bachelors/ Honours* | 10 | 26 |
| *Postgraduate Diploma/ Masters* | 14 | 37 |
| ***Grand Total*** | **38** | **100** |

### 4.2.3 Respondents' Professional Background and Job Functions

The respondents were asked about their professional background and job function. Survey results are shown in Table 5 below, and they indicate respondents were involved in a number of areas related to the local government land supply chain. The majority (68%) of the respondents indicated that they were involved in local government property development and facilitation which is central to the subject of the study.

*Table 5: Respondents' Professional Background*

| ***Respondents' Job Function*** | **Professional Background/ Job Function (frequency)** | **Professional Background/ Job Function (%age)** |
|---|---|---|
| *Property Development & Facilitation* | 26 | 68 |
| *Project Management* | 16 | 42 |
| *Supply Chain Management* | 4 | 11 |
| *Town Planning/ Surveying* | 5 | 13 |
| *Property Management/ Leasing* | 14 | 37 |
| *Facilities Management* | 10 | 26 |
| *Valuation* | 5 | 13 |
| *Property Asset Management* | 8 | 21 |
| *Management/ Public Administration* | 7 | 18 |
| *None* | 4 | 11 |

### 4.2.4 Summary of Personal Data

This section shows the respondents' work experience, educational and professional background and their job functions. The majority of the questionnaire respondents were experts in the field of study, possessing high academic qualifications, extensive relevant experience and were also

currently involved in the land supply chain in their respective local governments, thus increasing the validity of the data. All in all, survey respondents including interviewees and questionnaire respondents were relevant participants ensuring accuracy and validity of the data collected for this research.

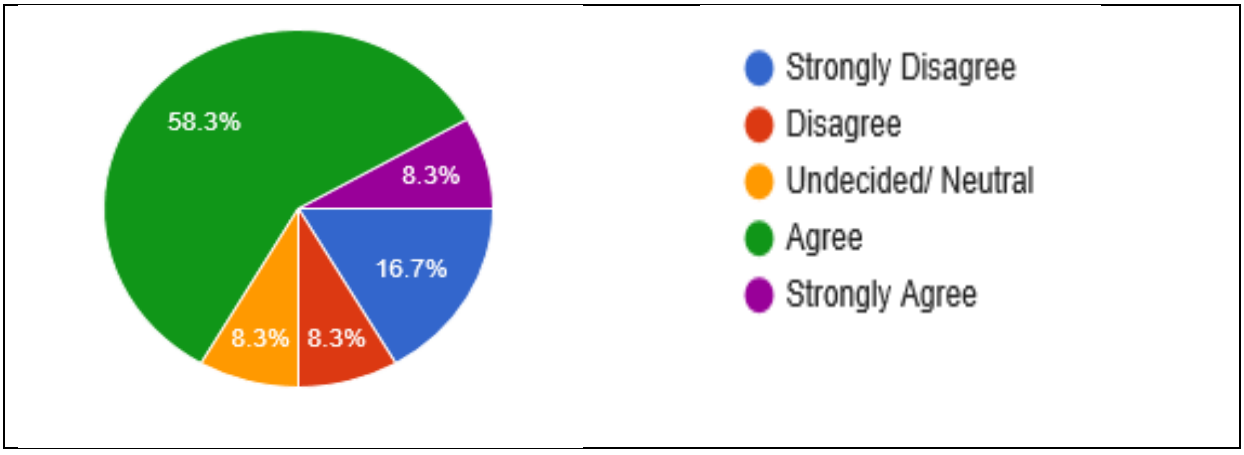
## 4.3 RESEARCH RESULTS

This section contains the report on the survey findings with respect to local government involvement, responsiveness and challenges in the land supply chain for commercial property development, which collectively determine whether local governments optimise their land ownership to achieve socio-economic objectives in the urban land market.

### 4.3.1 Public Sector Intervention in the Urban Land Market

The majority (over 65%) of questionnaire respondents agreed and strongly agreed that their local governments (which are in South Africa) use their land ownership to influence the urban land market to stimulate commercial property development. The respondents' responses are summarised in Figure 12 below.

*Figure 12: Local Governments Land ownership Leverage in the Urban Land Market*




***Interview Response:***

In agreement with the quantitative research data, interviewees generally agreed that local governments simulate development by making their land available for commercial property development in the form of development leases or outright sales. As one of the biggest owners of land in their towns, their systematic release of land in the urban land market can stabilizes, if not reduce, the cost of land in the open market because of the increased supply in the market. In addition, municipalities also leverage their land ownership for commercial development through joint ventures with the private sector where City land is provided as equity in the development.

### 4.3.2 Local Government involvement in the Urban Land Market

Local governments are involved in the urban land markets in many ways. Survey questionnaire respondents were asked to indicate the involvement of their respective municipalities in the urban land market, particularly for commercial property development, by rating defined roles (attributes A1 to A8 in Table 6) on a five-point Likert scale: Strongly Agree, Agree, Neutral, Disagree, Strongly Disagree. Survey results are shown in Table 6 below.

Overall, results indicate that municipalities are involved in the urban land market as a partner in the development of urban land and as a supplier of land, as shown by total mean scores of 4.05 and 3.7 respectively, which indicate respondents' general agreement that municipalities supply land and act as partners in the commercial property development of their land. In addition, municipalities also intervene through policy-related measures in land matters as a land-use or development control manager, as well as the administrator of policies and laws that govern commercial property development.

### *Table 6: Local Governments Involvement in the Urban Land Market*

| Local Government involvement in Urban Land Market | Group Statistics | | | One-Sample t-value Statistics | | | |
|---|---|---|---|---|---|---|---|
| | Organisation | N | Mean | Total Mean | Std. Deviation | Observed t-value | Sig. |
| **A1.** Partner in development of urban land | City of Cape Town | 24 | 3.750 | 4.053 | .9571 | 6.780 | .278 |
| | Other Municipalities | 14 | 4.571 | | | | |
| **A2.** Inhibit commercial property development | City of Cape Town | 24 | 2.250 | 2.632 | 1.0506 | -2.162* | .187 |
| | Other Municipalities | 14 | 3.286 | | | | |
| **A3.** Developer in the commercial property market | City of Cape Town | 24 | 2.417 | 3.000 | 1.4332 | 0.000* | .018** |
| | Other Municipalities | 14 | 4.000 | | | | |
| **A4.** Direct supplier of land for commercial property development | City of Cape Town | 24 | 3.917 | 3.737 | .8601 | 5.281 | .004** |
| | Other Municipalities | 14 | 3.429 | | | | |
| **A5.** Policy and lawmaker | City of Cape Town | 24 | 4.500 | 4.105 | .9806 | 6.948 | .000** |
| | Other Municipalities | 14 | 3.429 | | | | |
| **A6.** Land-use manager/ development control | City of Cape Town | 24 | 3.750 | 3.684 | .9893 | 4.263 | .557 |
| | Other Municipalities | 14 | 3.571 | | | | |
| **A7.** Administrator | City of Cape Town | 24 | 4.500 | 3.632 | 1.4411 | 2.702 | .000** |
| | Other Municipalities | 14 | 2.143 | | | | |
| **A8.** Major land holder of urban land | City of Cape Town | 24 | 3.833 | 3.368 | 1.1951 | 1.900 | .35 |
| | Other Municipalities | 14 | 2.571 | | | | |

**Remarks:**

- Respondents' responses were coded: strongly disagree=1, disagree=2, neutral=3, agree=4 and strongly agree=5
- N= sample size, Mean= average weighted score of responses, df= degree of freedom,
- * Observed t-value is less than critical t- value (t0 <tc) on One Way t-Test, (i.e. result is statistically insignificant)
- **Levene's significance value less than 0.05, equal variance was not assumed

On the other hand, it was found that municipalities are not involved as a developer of commercial properties. They are limited to the enabling function only where they leverage their land ownership to address the socio-economic objectives. Despite their cumbersome administrative

and statutory requirements for developers to obtain the development rights, respondents believed that municipalities support rather than inhibit commercial property development. A One-Way Sample t-Test indicated attributes A2 and A3 to be statistically insignificant, which further confirms the mean score rating of less than 3, so it cannot be concluded that municipalities are involved in commercial property development and that they inhibit commercial property development.

***Interview Response:***

It was gathered from the interviews that it is not the constitutional mandate of municipalities to drive economic development nor commercial property development but service delivery. However, it is to their advantage to make their City's competitive in terms of ease of doing business by ensuring easy access to land for commercial property development. This will have a net positive effect in the City including, but not limited to, economic growth, increased property rates and employment opportunities, which advance people economically and socially. In agreement with findings from the questionnaire survey, the interviewees indicated that local governments are involved as partners in development facilitation. In some cases, municipalities package their land for development to unlock the development potential of their land holding by acquiring development rights for commercial property development. This involves statutory approvals with respect to consolidations, rezoning, and other planning approvals. Since there are no land holding costs of their land, and because of their role as development management of the urban space, land packaging is both cost-effective and time-efficient when done by the municipalities rather than by private developers. Packaging the land before its disposal provides less risk to the developer and the seller obtains a better purchase price since the development potential is known. Therefore, it is to the City's advantage to dispose of properties with rights in place, however, it is not always feasible.

### 4.3.3 Land Ownership as a Tool in the Urban Land Market

Respondents were asked to indicate how their respective municipalities use their land ownership to influence urban land market outcomes, by rating defined roles (attributes B1 to B8 in Table 7). Results are shown in Table 7 below. Overall, results indicate that local governments leverage their land ownership in the urban land market to achieve socio-economic objectives outcomes in the urban land market.

*Table 7: Local Government Land ownership as a Tool in the Urban Land Market*

| Local Government Role in Commercial Property Development | Group Statistics | | | One-Sample t-Value Statistics | | | |
|---|---|---|---|---|---|---|---|
| | Organisation | N | Mean | Mean | Std. Deviation | Observed t-value | Sig. |
| **B1.** Direct provision of land for commercial property development | City of Cape Town | 24 | 3.417 | 3.211 | 0.704 | 1.845 | 0.595 |
| | Other Municipalities | 14 | 2.857 | | | | |
| **B2.** Commercial property development facilitation on government owned land | City of Cape Town | 24 | 3.000 | 2.947 | 0.899 | -0.361* | 0.431 |
| | Other Municipalities | 14 | 2.857 | | | | |
| **B3.** Development partnership (Public-Private Partnership) for catalytic projects | City of Cape Town | 24 | 2.833 | 2.947 | 0.769 | -0.422* | 0.034** |
| | Other Municipalities | 14 | 3.143 | | | | |
| **B4.** Proceeds from land supply contribute to local government revenue which can be channelled to infrastructure provision | City of Cape Town | 24 | 3.833 | 3.789 | 0.905 | 5.376 | 0.188 |
| | Other Municipalities | 14 | 3.714 | | | | |
| **B5.** Prescribe inclusion of public oriented elements on commercial property developments | City of Cape Town | 24 | 3.833 | 3.684 | 0.873 | 4.830 | 0.582 |
| | Other Municipalities | 14 | 3.429 | | | | |
| **B6.** Shape, control and detect the physical form and nature of property development in the City | City of Cape Town | 24 | 4.000 | 3.842 | 0.823 | 6.309 | 0.926 |
| | Other Municipalities | 14 | 3.571 | | | | |
| **B7.** Ensure effective land management and allocation that improves social and economic conditions | City of Cape Town | 24 | 3.667 | 3.684 | 1.093 | 3.859 | 0.776 |
| | Other Municipalities | 14 | 3.714 | | | | |
| **B8.** Ensure orderly growth and development of urban areas | City of Cape Town | 24 | 3.833 | 3.895 | 0.649 | 8.500 | 0.073 |
| | Other Municipalities | 14 | 4.000 | | | | |

Referring to Table 7, respondents to the survey indicate that, through their land ownership, local governments shape, control and detect the physical form and nature of development and also

ensure orderly growth in urban development as indicated by a total mean score of 3.8 for each. Municipalities execute their development management function in shaping and controlling the form of development thus ensuring orderly urban growth by setting appropriate development guidelines in the property sales agreement on the sale of land for commercial property development. In this regard, the sale agreement normally has claw-back conditions whereby the land will revert to the city on non-compliance with the terms and conditions of the agreement.

In addition, the survey results indicate that local governments ensure effective land management and land-use allocation that improves their citizens' socio-economic conditions. Furthermore, municipalities also prescribe inclusion of public oriented elements in lieu of development application approval which forces the developers to include "public goods" on their development plan. Furthermore, respondents indicate that proceeds from land supply contribute to local government revenue which can be channelled to infrastructure provision in the under-resourced regions, i.e. cross-subsidise development in poor sections of the city.

On the other hand, the survey found that, generally, municipalities are not involved in commercial property developments either in Private-Public Partnerships (PPPs) or on their own as indicated by total mean scores of below 3, and the observed t-values of less than 0.05 (insignificant).

***Interview Response:***

Municipalities stimulate development by promoting developments in certain nodes or corridors by designating them as Urban Development Zones (UDZs) where developers benefit from tax incentives and rates rebates on property developments. Further, municipalities also use their land ownership to prescribe the nature and type of development. For instance, the City of Cape Town has adopted the Transit Oriented Development (TOD) framework which identified certain sites for high-density developments to take advantage of the available public transport network and to make the Integrated Rapid Transit system viable. It was also evident from the interviews that local governments' land ownership enables them to provide land directly for commercial property development and some typical examples of major land releases from local governments

for commercial property developments with socio-economic benefits are presented in Table 8 below.

*Table 8: Examples of Land Releases for Commercial Property Development in Cape Town*

| Name of Project | Project Description | Expected Outcome | Progress |
|---|---|---|---|
| Cape Town International Conventional Centre (CTICC) expansion project | Expansion of CTICC by about 10 000m$^2$ on land owned by the City of Cape Town and Provincial Government of Western Cape. | To provide space for large exhibitions or conferences so that CTICC will become the best long-haul International Convention Centre by 2020. | Project is near completion and the expected completion is May 2017. |
| Clifton Mixed-Use Development | The land provided opportunity for other (alternative) development in response to inquiries to buy the land from a number of developers, the City considered to sell the property for a mixed-use development. | To stimulate economic development and;<br>-Drive an enabling environment for increased investment. | Different proposals submitted for the site being evaluated. |
| Athlone Power Station site re-development | A new mixed-use transit oriented development with the expected bulk of 570 000m$^2$. | Social integration, Private sector investment with respect to commercial property developments. | Conceptualization stage is done, and the next step is land packaging. |
| The Development of the Foreshore Freeway Precinct. | Development of 6 000m$^2$of city-owned land in the Foreshore Freeway precinct. Investors and developers asked to submit proposals that would unlock the development potential of the redundant unfinished bridges. | Promote economic and housing development located closer to transport corridors. | Different proposals submitted for the site being evaluated. |
| Three Anchor Bay | Mixed-use Development of prime remnant City land in the Atlantic seaboard with the | To stimulate economic development within the City and take advantage of the established | Land packaging stage. |

| | | | |
|---|---|---|---|
| | expected bulk of over 100 000$m^2$. | Integrated Rapid Transit system. | |
| Khayelitsha Business Park | City's land about 59 000$m^2$ being gradually released in the market for development of industrial space in Khayelitsha. | -To unlock economic opportunities<br>-Drive an enabling environment for increased investment. | In progress, development phase. |
| Khayelitsha Shopping Centre | A developer obtained land from the City for development of a Shopping Centre and as part of the sales agreement he will build about 250 affordable housing. | -To unlock economic opportunities<br>-Harness private sector investment for delivery of affordable housing.<br>-Drive an enabling environment for increased investment. | In progress, development phase. |

It was also found from the interviews that, besides the proceeds from disposal (purchase price) on the sale of land, municipalities also get development contributions for the provision of bulk infrastructure services such as roads, water, and sewage to service the site as well as increased property rates as the land is improved. Therefore, commercial developments on municipal land generate triple-fold revenue for municipalities and this has since become a performance benchmark for departments involved with property development and disposals. This has been heightened particularly by the budget constraints and the increasing service delivery demands emanating from rapid urbanisation. Proceeds from the land supply are used to cross-subsidise developments in the disadvantaged locations.

Furthermore, municipalities also prescribe inclusion of public oriented elements on commercial property developments such as pedestrian access, public lights and, more recently, consideration for affordable housing components and public amenities in the case of mixed-use developments. Guided by the service delivery objectives which, *inter-alia*, seek to ensure effective land management and improve socio-economic conditions of the citizens, municipalities shape, control and detect the physical form and nature of property development in the City.

### 4.3.4 Determinants of Property Decisions in Local Government

Survey results on the rationale behind municipalities' decisions on the allocation of land for commercial property development are summarised in Table 9 and Table 10.

*Table 9: Property Decisions on Allocation of Land for Commercial Property Development*

| **Drivers of property decisions on allocation of land for commercial property development** | | | | **One Way Sample t-value Statistics** | | | |
|---|---|---|---|---|---|---|---|
| Attributes | Organisation | N | Mean | Total Mean | Std Deviation | Observed t-value | Sig. |
| **C1.** Politically motivated | City of Cape Town | 24 | 4.250 | 3.947 | .8366 | 6.981 | .816 |
| | Other Municipalities | 14 | 3.429 | | | | |
| **C2.** Socially driven (such community needs, employment creation etc.) | City of Cape Town | 24 | 3.667 | 3.842 | 1.1035 | 4.704 | .127 |
| | Other Municipalities | 14 | 4.143 | | | | |
| **C3.** Highest and Best Use | City of Cape Town | 24 | 3.417 | 3.684 | .9893 | 4.263 | .035** |
| | Other Municipalities | 14 | 4.143 | | | | |
| **C4.** Conformance to Spatial Development Frameworks | City of Cape Town | 24 | 3.667 | 3.895 | .8634 | 6.389 | .177 |
| | Other Municipalities | 14 | 4.286 | | | | |
| **C5.** Sustainable Development | City of Cape Town | 24 | 3.417 | 3.684 | .9330 | 4.520 | .107 |
| | Other Municipalities | 14 | 4.143 | | | | |
| **C6.** Need to create revenue generating assets | City of Cape Town | 24 | 3.583 | 3.526 | 1.1086 | 2.927 | .096 |
| | Other Municipalities | 14 | 3.429 | | | | |
| **C7.** In response to property market dynamics | City of Cape Town | 24 | 3.250 | 3.368 | 1.1489 | 1.977 | .204 |
| | Other Municipalities | 14 | 3.571 | | | | |
| **C8.** To stimulate economic growth and achieve social outcomes | City of Cape Town | 24 | 3.833 | 3.789 | 1.0176 | 4.782 | .815 |
| | Other Municipalities | 14 | 3.714 | | | | |

**Remarks:**

- Respondents' responses were coded: strongly disagree=1, disagree=2, neutral=3, agree=4 and strongly agree=5
- N= sample size, Mean= average weighted score of responses, df= degree of freedom,
- * Observed t-value is less than critical t- value (t0 <tc) on One Way T-Test, (i.e. result is statistically insignificant)
- **Levene's significance value less than 0.05, equal variance was not assumed

Survey results show that property decisions in the municipalities are politically driven to a great extent, guided by the spatial development framework and the need to meet socio-economic needs of the citizens as indicated by the mean score rating of about 4 for C1, C2, and C4. The other significant determinants of municipal land allocation for commercial property development are: the need to raise revenue; to stimulate economic growth; to respond to property market dynamics of supply and demand; and sustainable development (i.e. attributes C5, C6, C7, and C8 in Table 9, which averaged a total mean score of about 3.5 each meaning respondents agreed that these factors affect property decisions in the public sector. Thus, it can be concluded that property decisions in the municipalities are complex and multi-faceted.

***Interview Response:***

Unlike in the private sector where decision making is centered on profit maximisation, public sector property decisions are complex and have multiple informants and must be politically right and be guided by the need to fulfill service delivery needs that comply with legislative and policy frameworks. A thematic analysis of the interview data showed that there are basically four formal informants to decisions about land release and allocation for commercial property development by government: strategic intent, demand, supply, and operational capacity as summarised in the following table.

***Table 10: Determinants of Government Land Release/Disposal Programme***

| Level | Determinant |
|---|---|
| **Strategic** | • Integrated Development Plans (IDP), Economic and Social Development Strategy, Transit Oriented Development Framework.<br>• Strategic Projects such as Urban catalytic investment projects like Cape Town International Convention Centre (CTICC).<br>• Policy decisions (Area/ Spatial Development Plans, Mayoral Urban Regeneration Program, Violence Protection through Urban Upgrade, Urban/ Economic Development Zones). |
| **Supply** | • Availability of surplus properties in the database<br>• Readiness of property (zoning, subdivision, and availability of services) (While it is City's advantage to dispose of properties with rights in place, it is not always feasible). |

| | |
|---|---|
| **Demand** | • Property market performance (Macro and the local economy, property sector performance, local area performance and so on.<br>• Local community needs (Needs analysis, that is social infrastructure, retail facilities, housing etc., and inputs from Sub-councils, councilors, public<br>• Planning documents (Area Plans, Spatial Development Plans, Transit Oriented Development Plan,<br>• Specialized and commissioned research (Feasibility/ Market/ Vacant Land studies |
| **Operational** | • Capacity of Disposals Unit and other stakeholder departments<br>• Spread advantages over the City<br>• Mix/ Integration of economic and social |

Every decision on a high level in the public sector, which is also the case for property decisions, has to align with broad strategic objectives which are usually detailed in the Integrated Development Plans (IDP), Spatial Development Framework (SDF), Economic Development Strategy, Social Development Strategy and the Transit Oriented Development Framework. Land allocation decisions should be aligned with the broad objectives of the municipalities to ensure that their assets are used effectively and efficiently to serve public interests and thus achieve socio-economic objectives. One of the local governments involved in this study has as its mission: "to leverage City's assets to achieve socio-economic objectives", which underpins that land released by municipalities for commercial property development ought to have reasonable socio-economic benefits.

Within the confines of strategic intent, the fundamental market forces of supply and demand are considered. On the supply side, the municipalities consider whether they do have surplus properties for disposal. and the readiness of the properties for disposal. On the demand side, the municipalities gauge the market needs based on property market performance, community needs analysis as well as the spatial development planning framework. On disposal of public sector immovable assets, property decisions should comply with legislation such as the Municipal Asset Transfer Regulations, Municipal Finance Management Act, the municipalities' specific Supply Chain Management policies, and others. Municipalities are required to maintain a disposal plan which includes a list of land identified for disposal and a targeted timeline for disposal. Extensive technical investigations are carried out to ascertain that land marked for disposal is not

required for the minimum provision of municipal basic services in line with the MATR and MFMA. In light of the foregoing, inter-branch circulation and public participation for comments, objections, and suggestions for any intention to lease or sell municipal land is done. Survey results in Table 11, where attribute D.6 had the highest mean score of 4, indicates that a determination that land is not required for municipal purposes is important before proceeding with any property transaction in the local government sector.

### *Table 11: Local Government Land Disposal*

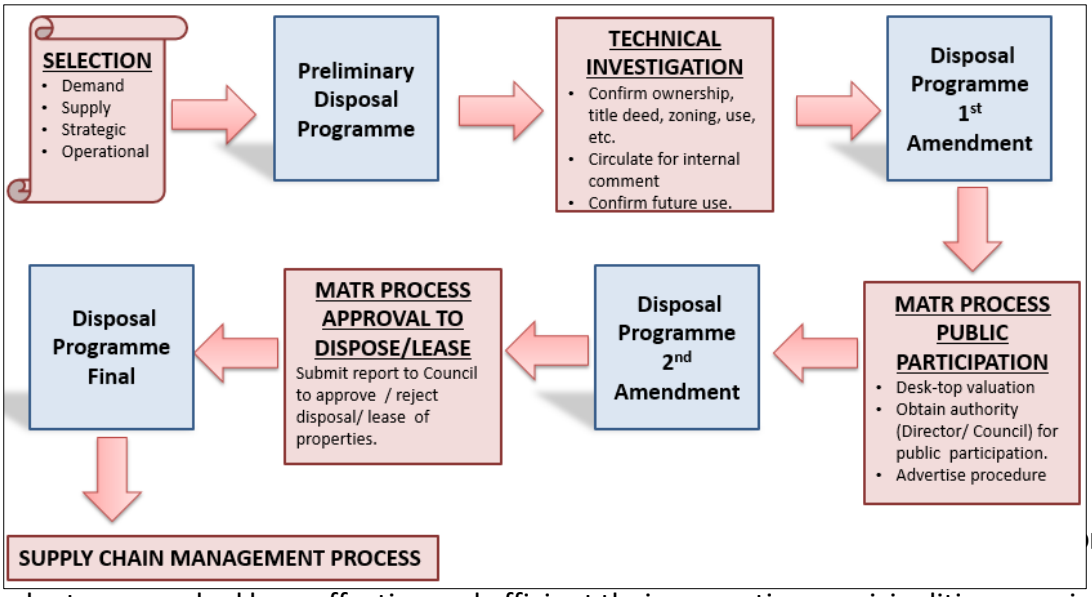
| Local Government Land Disposal Rationale/ Drivers | Group Statistics | | | One-Sample Test | | | |
|---|---|---|---|---|---|---|---|
| | Organisation | N | Mean | Mean | Std. Deviation | Observed t-value | Sig. |
| **D.1** The need to raise money (revenue generation) | City of Cape Town | 24 | 4.250 | 3.947 | 1.0641 | 5.488 | .009** |
| | Other Municipalities | 14 | 3.429 | | | | |
| **D.2** Maximize the development potential of the land | City of Cape Town | 24 | 3.833 | 3.737 | 0.978 | 4.646 | .137 |
| | Other Municipalities | 14 | 3.571 | | | | |
| **D.3** Sustainable development | City of Cape Town | 24 | 3.333 | 3.526 | 0.951 | 3.411 | .103 |
| | Other Municipalities | 14 | 3.857 | | | | |
| **D.4** Alignment with the Spatial Development Framework | City of Cape Town | 24 | 3.500 | 3.632 | 0.819 | 4.751 | .000** |
| | Other Municipalities | 14 | 3.857 | | | | |
| **D.5** Potential multiplier effects (catalytic) of the development | City of Cape Town | 24 | 3.583 | 3.737 | 0.724 | 6.278 | .014** |
| | Other Municipalities | 14 | 4.000 | | | | |
| **D.6** Getting rid of surplus property not required for provision of municipal basic services | City of Cape Town | 24 | 4.417 | 4.000 | 1.315 | 4.687 | .217 |
| | Other Municipalities | 14 | 3.286 | | | | |
| **D.7** Need to meet performance targets | City of Cape Town | 24 | 4.250 | 3.737 | 1.267 | 3.586 | .400 |
| | Other Municipalities | 14 | 2.857 | | | | |
| **D.8** Unsolicited bids from prospective buyers | City of Cape Town | 24 | 2.833 | 2.947 | 0.837 | -0.388 | .179 |
| | Other Municipalities | 14 | 3.143 | | | | |

**Remarks:**

- Respondents' responses were coded: strongly disagree=1, disagree=2, neutral=3, agree=4 and strongly agree=5
- N= sample size, Mean= average weighted score of responses, df= degree of freedom,
- * Observed t-value is less than critical t- value (t0 <tc) on One Way T-Test, (i.e. result is statistically insignificant)
- **Levene's significance value less than 0.05, equal variance was not assumed.

The determinants of local government property decisions as discussed above are important as they provide input into the selection stage of the local government land disposal programme, where land allocation decisions are made. Figure 13 below shows the process of the land disposal programme of one of the Western Cape Province local governments.

*Figure 13: Local Government Land Disposal Program*




### 4.3.5 mes

Respondents were asked how effective and efficient their respective municipalities were in using their land ownership to influence the urban land market, by rating the potential ways using a five-point Likert scale for: very ineffective and inefficient; ineffective and inefficient; average; effective and efficient; and very effective and efficient. The results are summarised in Table 11 below.

Consistent with earlier findings that municipalities rarely develop commercial properties alone or in partnership with the private sector to influence the urban land market, respondents indicated that municipalities are ineffective and inefficient in employing these measures to influence the urban land market. A One-Way Sample t-Test also established that it cannot be concluded that municipalities develop commercial properties and are involved in the PPPs in

commercial property development. However, with regards to the direct provision of land for commercial property development, there was a total mean of 3 indicating average effectiveness.

***Interview Response:***

It was gathered from the interviews that the effectiveness of measures used to leverage land ownership to intervene in the urban land market is dependent on a number of factors such as the availability of private land for commercial property development, the political administration, the municipality's strategic objectives, skills capacity and resources of the municipalities.

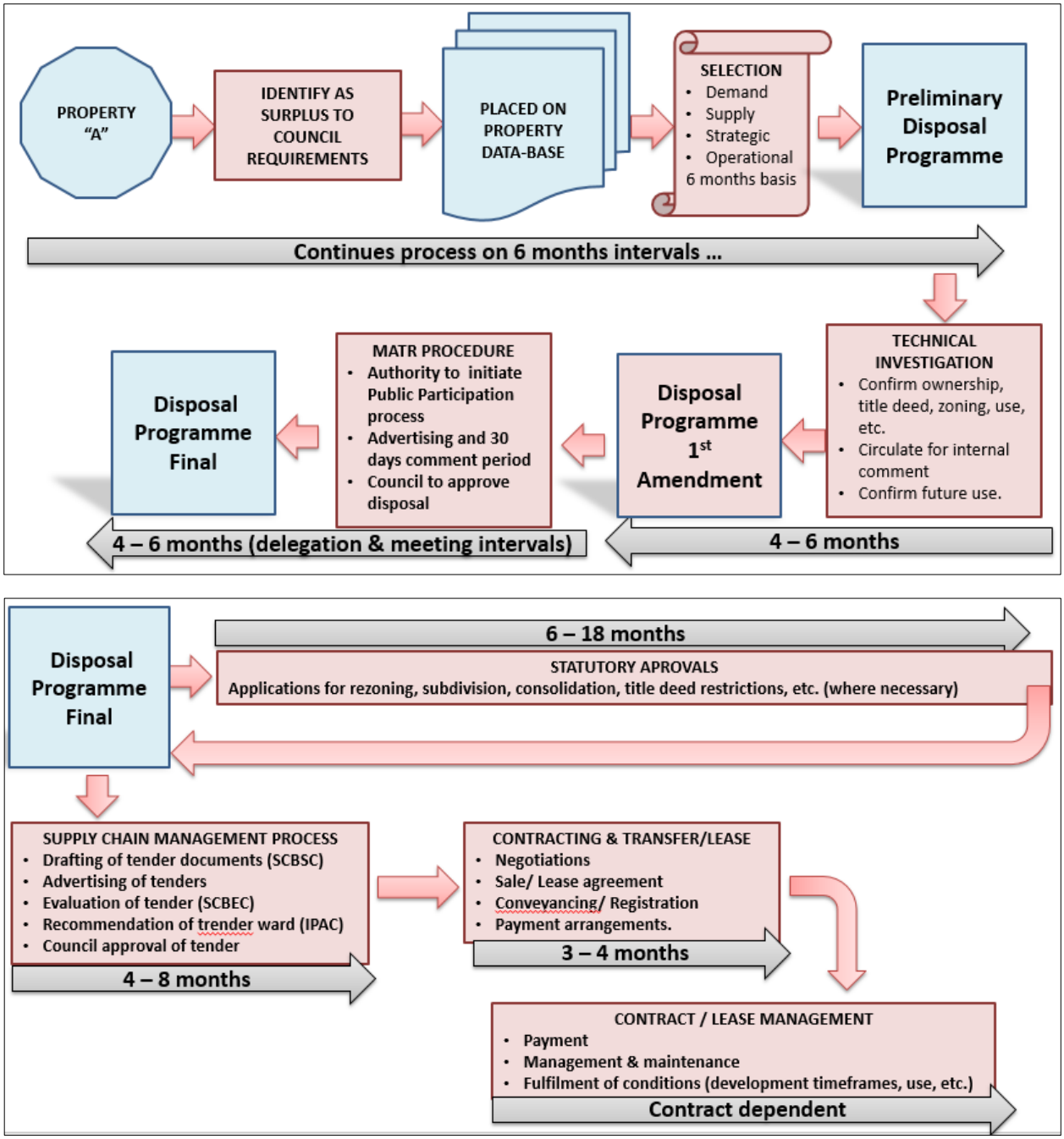
***Table 12: Local Government Influence on Urban Land Market Outcomes***

| **Local Government Land Ownership influence on Urban Land Market outcomes** | **Group Statistics** | | | **One-Sample Statistics** | | | |
|---|---|---|---|---|---|---|---|
| | Organisation | N | Mean | Total Mean | Std. Deviation | Observed t-value | Sig. |
| **E1.** Direct provision of land for commercial property development | City of Cape Town | 24 | 3.333 | 3.000 | 1.040 | 0.000* | .784 |
| | Other Municipalities | 14 | 2.429 | | | | |
| **E2.** Commercial property development facilitation on previous government improved property | City of Cape Town | 24 | 3.000 | 2.842 | 0.754 | -1.290* | .324 |
| | Other Municipalities | 14 | 2.571 | | | | |
| **E3.** Development partnership (Public-Private Partnership) for catalytic projects | City of Cape Town | 24 | 2.833 | 2.684 | 0.873 | -2.229* | .290 |
| | Other Municipalities | 14 | 2.429 | | | | |
| **E4.** Proceeds from land supply (that is disposal of government land) contributes to local government revenue which can be channelled for infrastructure provision | City of Cape Town | 24 | 3.583 | 3.579 | 0.758 | 4.708 | .998 |
| | Other Municipalities | 14 | 3.571 | | | | |
| **E5.** Prescribe inclusion of public oriented elements on commercial property developments | City of Cape Town | 24 | 3.500 | 3.368 | 0.883 | 2.572 | .034** |
| | Other Municipalities | 14 | 3.143 | | | | |
| **E6.** Shape, control and detect the physical form and nature of property development in the City | City of Cape Town | 24 | 3.833 | 3.632 | 0.883 | 4.410 | .167 |
| | Other Municipalities | 14 | 3.286 | | | | |
| **E7.** Allocation of land to achieve social and economic objectives | City of Cape Town | 24 | 3.583 | 3.579 | 1.004 | 3.556 | .167 |
| | Other Municipalities | 14 | 3.571 | | | | |
| **E8.** Effective land management in general | City of Cape Town | 24 | 3.500 | 3.526 | 0.951 | 3.411 | .334 |
| | Other Municipalities | 14 | 3.571 | | | | |

***Interview Response:***

Interviewees were specifically asked how local governments leverage their land ownership in the urban land market to achieve socio-economic objectives in relation to the property disposal pipeline process illustrated in Figure 14 below.

*Figure 14: Local Government Property Disposal Pipeline Process*



Looking at the property disposal pipeline process, the first leverage point is at the selection stage, where land allocation is based on the four fundamental factors (i.e. strategic, supply, demand and operational) explained above. By virtue of their land ownership, municipalities can respond to the urban land market needs by availing their land for commercial property development and/or establish policies that encourage it. The second leverage point is on statutory approvals where the local governments facilitate the development process by expediting the statutory approvals to obtain the development rights or they obtain the development rights themselves before the release of the land into the market. Thirdly, the local governments prescribe the inclusion of some public oriented elements on the future development in the sales agreement conditions, which form development guidelines that ensure achievement of socio-economic benefits. This is specified in the tender document as well as the sales agreement documents. Lastly, the local governments ensure fulfillment of the conditions of tender/development guidelines by monitoring development of the land sold for private development.

### 4.3.6 Local Government Land Supply Elasticity

The purpose this section was to establish how responsive the public-sector land supply is to the demand for land for commercial property development in the urban land market. Respondents were asked whether the municipal land supply met the demand, if disposal process turnaround time was acceptable and whether municipalities responded readily to the market signals. The results are summarised in Table 13 below. The survey results indicated that municipalities were generally unresponsive to the demands of the urban land market as indicated by mean scores below 3 for J1 and J3, meaning respondents felt that municipal land supply did not meet the demand for land for commercial property development and also that turnaround time for the disposal of property was a bit long.

***Interview Response:***

In line with the general view of questionnaire respondents that local governments are unresponsive, interviewees indicated that local governments are generally unresponsive to the

urban land market resulting in delays in land disposal for commercial property development. This is partly because municipalities are burdened with a suite of legislation and regulations that requires strict administrative processes to be followed to release land for commercial property development. Despite rigorous administrative processes and their inefficiency in terms of time and cost to the developer, local governments are necessary to ensure diligence and good governance in management of land otherwise there will be serious corruption. Assuming a competitive, open market, tender method for disposal of land, and all things being equal, the interviewees indicated that it would take approximately a year to dispose of a property from local government for commercial property development. Given the changing market dynamics, the developer might miss market opportunity time to release a development on time for maximum gain. Lastly, interviewees believed that combined land supply (from government and private sector) never met, is not meeting and will not meet demand in the urban land market, let alone public sector land on its own.

***Table 13: Local Government responsiveness in land market***

| **Local Government responsiveness to land demand for commercial development** | **Group Statistics** | | | **One-Sample Test** | | | |
|---|---|---|---|---|---|---|---|
| | Organisation | N | Mean | Total Mean | Std. Deviation | Observed t-value | Sig. |
| **J.1** Land supply meet the demand for land for commercial property development | City of Cape Town | 24 | 2.917 | 2.947 | 1.161 | -0.279* | 0.239 |
| | Other Municipalities | 14 | 3.000 | | | | |
| **J.2** Public sector respond readily (within reasonable time) to the demand for land | City of Cape Town | 24 | 3.000 | 3.053 | 1.114 | 0.291 | 0.386 |
| | Other Municipalities | 14 | 3.143 | | | | |
| **J.3** The turnaround time for disposal of public land is acceptable for potential business | City of Cape Town | 24 | 2.917 | 2.842 | 1.405 | -0.693* | 0.711 |
| | Other Municipalities | 14 | 2.714 | | | | |

**Remarks:**

- Respondents' responses were coded: strongly disagree=1, disagree=2, neutral=3, agree=4 and strongly agree=5
- N= sample size, Mean= average weighted score of responses, df= degree of freedom,
- * Observed t-value is less than critical t- value (t0 <tc) on One Way T-Test, (i.e. result is statistically insignificant)
- **Levene's significance value less than 0.05, equal variance was not assumed.

### 4.3.7 Local Government Approaches to Land Disposal

Respondents were asked o indicate how their respective municipalities disposed of land for commercial property development, using a five-point Likert scale: never, rarely, sometimes, a number of times and often/always. It was found that a number times local government used claw-back provisions in the direct sale of land where land is sold with the condition that, in the event of non-performance by the buyer, the land would revert back to the municipality (as indicated by the mean score of 3.7 and corresponding One-Way Sample t-value Test of 3.7). In some cases, the local governments disposed of land by offering user rights otherwise known as development leases where long-term leases were offered and reversionary clauses used. Also, the results indicate that municipalities rarely use joint venture arrangements; and delayed transfer via licensing as indicated by a mean score of less than 3.

***Interview Response:***

In terms of land disposal for commercial development, local governments either dispose of land as an outright sale or a development lease. In the former, the local governments gives full title ownership to the purchaser in perpetuity on sale of the land, except for some possible development conditions. In the latter, the developer is given a long lease to make improvements on the land and use it over a period of time before transferring the land with its improvement back to the municipality. In addition, it was indicated that local governments rarely enter into Joint Ventures to deliver commercial development except in some reasonable cases of key iconic projects such as the Cape Town International Convention Centre.

### 4.3.8 Key Considerations in disposal of Land for Commercial Property Development by Municipalities

Survey respondents indicated that various considerations are made on disposal of land for commercial property development, by rating attributes F1 to F8 on a five-point Likert scale of:

strongly agree, agree, neutral, disagree and strongly disagree. The survey results are shown in Table 14 below.

***Table 14: Key Considerations in Disposal of Land for Commercial Property Development***

| **LG Key Considerations in land disposal for commercial property development** | **Group Statistics** | | | **One Sample T-Test** | | | |
|---|---|---|---|---|---|---|---|
| | Organisation | N | Mean | Total Mean | Std. Deviation | Observed t-value | Sig. |
| **F.1** Time (shortest possible time) | City of Cape Town | 24 | 3.42 | 3.263 | 1.0315 | 1.573 | 0.697 |
| | Other Municipalities | 14 | 3.00 | | | | |
| **F.2** Land value (highest possible) | City of Cape Town | 24 | 4.58 | 4.474 | 0.506 | 17.953 | 0.102 |
| | Other Municipalities | 14 | 4.29 | | | | |
| **F.3** Maximum development potential | City of Cape Town | 24 | 4.58 | 4.579 | 0.500 | 19.453 | 0.892 |
| | Other Municipalities | 14 | 4.57 | | | | |
| **F.4** Socio-economic outcomes from the development of land | City of Cape Town | 24 | 4.25 | 4.316 | 0.662 | 12.254 | 0.178 |
| | Other Municipalities | 14 | 4.43 | | | | |
| **F.5** Meeting financial objectives of the developer | City of Cape Town | 24 | 3.67 | 3.579 | 0.948 | 3.764 | 0.178 |
| | Other Municipalities | 14 | 3.43 | | | | |
| **F.6** Surplus land irrespective of state of urban land market | City of Cape Town | 24 | 3.25 | 3.053 | 1.064 | 0.305 | 0.603 |
| | Other Municipalities | 14 | 2.71 | | | | |
| **F.7** Surplus land in accordance with disposal plan | City of Cape Town | 24 | 3.75 | 3.474 | 1.059 | 2.758 | 0.003** |
| | Other Municipalities | 14 | 3.00 | | | | |
| **F.8** Surplus land to proactively shape development and stimulate economic growth | City of Cape Town | 24 | 3.92 | 3.895 | 0.924 | 5.970 | 0.474 |
| | Other Municipalities | 14 | 3.86 | | | | |

**Remarks:**

- Respondents' responses were coded: strongly disagree=1, disagree=2, neutral=3, agree=4 and strongly agree=5
- N= sample size, Mean= average weighted score of responses, df= degree of freedom,
- * Observed t-value is less than critical t- value (t0 <tc) on One Way T-Test, (i.e. result is statistically insignificant)
- ***Levene's significance value less than 0.05, equal variance was not assumed

The survey results indicate that municipalities consider a number of factors in disposing of land for commercial development, the chief among them being the maximum development potential of the land and the highest land value/purchase price (which had a total mean score of 4.5 each) and achievement of socio-economic outcomes (which had mean score of 4.3). Another significant factor which is considered by the municipalities is the need to meet performance targets by disposing of surplus land on the disposal plan, which is sometimes done without consideration of the state of the urban land market. In addition, consideration is also given to making the development viable where the municipalities might offer the developer a discount on the purchase price for any anticipated costs to remediate the site and expedite the disposal process in the shortest possible time.

***Interview Response:***

At a strategic level, local governments endeavour to use their land in line with their spatial and non-spatial objectives provided in the Integrated Development Plan, Spatial Development Framework and, more recently, the Transit Oriented Development Framework for one of the municipalities. It was reported by an interviewee from Cape Town that they also take advantage of their land, which is suitably and strategically located, to influence market outcomes. For instance, the envisaged Freeway Project, the Clifton Mixed-Use Development, and Athlone Development which aim at recycling City land for maximum development potential. Ultimately, these projects improve access to land for commercial developments and some trickle-down effects making it easy to do business in the City. However, at administrative level, interviewees throughout the province say that, generally, the intention is: to make land transactions time efficient; to meet the city's financial objectives; and to achieve reasonably high development potential, although this is not the case on most occasions. In addition, it was evident that municipalities are more reactive than proactive in terms of their land disposal where consideration to dispose is based more on enquiries or other factors necessitating disposal of the land. As a result, some decisions to list land on the disposal programme and the timing of disposal do not necessarily consider the land market situation. This kind of disposal causes more harm than good as it distorts the market. However, respondents agreed that well calculated decisions

to release land in the urban land market improve access to land for economic growth. This ensures a healthy property market and City competitiveness in terms of ease of doing business.

### 4.3.9 Municipal Land Packaging for Commercial Property Development

Municipalities provide land for commercial property development that is undeveloped or with development rights. Respondents were asked to indicate how their municipalities dispose of land for commercial property development, by rating three possible options on a five-point Likert rating scale: never, almost never, occasionally/ sometimes, almost every time and every time. The results are summarised in Table 15 below.

***Table 15: Land Packaging in Local Government***

| Stages/ Forms of Land Packaging for Disposal | Group Statistics | | | One-Sample Test | | | |
|---|---|---|---|---|---|---|---|
| | Organisation | N | Mean | Total Mean | Std. Deviation | Observed t-value | Sig. |
| **G.1** Undeveloped (raw) land without development rights | City of Cape Town | 24 | 2.917 | 2.895 | 0.649 | -1.000* | 0.010** |
| | Other Municipalities | 14 | 2.857 | | | | |
| **G.2** Undeveloped (raw) land subject to the buyer obtaining development rights | City of Cape Town | 24 | 2.917 | 3.000 | 0.735 | 0.000* | 0.426 |
| | Other Municipalities | 14 | 3.143 | | | | |
| **G.3** Land packaged for development with rights in place | City of Cape Town | 24 | 3.667 | 3.474 | 0.687 | 4.249 | 0.574 |
| | Other Municipalities | 14 | 3.143 | | | | |

**Remarks:**

- Respondents' responses were coded: strongly disagree=1, disagree=2, neutral=3, agree=4 and strongly agree=5
- N= sample size, Mean= average weighted score of responses, df= degree of freedom,
- * Observed t-value is less than critical t- value (t0 <tc) on One Way T-Test, (i.e. result is statistically insignificant)
- **Levene's significance value less than 0.05, equal variance was not assumed

The survey results indicated that municipalities seek to get the development rights in place for the disposal of land for commercial property development almost every time. However, this is not always feasible. On the other hand, the results indicated that municipalities rarely (almost never) plan to dispose of land for commercial property development without rights, which is also indicated as insignificant by the One-Way Sample t-Test.

At the same time, in terms of the ideal stage to dispose of land for commercial property development, respondents felt that It is most desirable to dispose of developed land (land with statutory approvals or development rights) for commercial property development as shown in Table 15 below. At this stage the development potential would have been unbundled and development constraints overcome, thus pausing relatively lower risk to property developer/ investor in undertaking envisaged development. The reasons for the public sector to obtain development rights for the land (package land) before releasing it to the market for commercial property development is summarized in Table 16 below.

***Table 16: Optimum Stage to Dispose of Land for Commercial Property Development***

| **Optimum/ desirable stage to dispose Local Government land** | **Group Statistics** | | | **One-Sample Test** | | | |
|---|---|---|---|---|---|---|---|
| | Organisation | N | Mean | Mean | Std. Deviation | Observed t-value | Sig. |
| **H.1** Undeveloped (raw) land without development rights | City of Cape Town | 24 | 2.250 | 2.474 | 0.951 | -3.411* | 0.715 |
| | Other Municipalities | 14 | 2.857 | | | | |
| **H.2** Undeveloped (raw) land subject to the buyer obtaining development rights | City of Cape Town | 24 | 2.667 | 3.053 | 1.251 | 0.259 | 0.037** |
| | Other Municipalities | 14 | 3.714 | | | | |
| **H.3** Land packaged for development with rights in place | City of Cape Town | 24 | 4.583 | 4.421 | 0.683 | 12.825 | 0.595 |
| | Other Municipalities | 14 | 4.143 | | | | |

**Remarks:**

- Respondents' responses were coded: strongly disagree=1, disagree=2, neutral=3, agree=4 and strongly agree=5
- N= sample size, Mean= average weighted score of responses, df= degree of freedom,
- * Observed t-value is less than critical t- value (t0 <tc) on One Way T-Test, (i.e. result is statistically insignificant)
- **Levene's significance value less than 0.05, equal variance was not assumed

The results indicated that the chief reason for land packaging is to enable valuation of the property at full potential, hence to realise the maximum value on the sale of land and also to ensure maximum development potential wherein maximum development bulk is sought. Besides, municipalities do not have any land holding costs for their land compared with the developer who might use a loan to finance the purchase, subject to interest during the time of

land packaging. On the other hand, as the administrator of most statutory approvals involved in the application of development rights, it is logical to believe that the process will be expedited if done internally by the municipality compared with when it is done by an external party.

***Table 17: Development Rights in the Disposal of Public Land***

| Reasons for obtaining development rights before land disposal | Group Statistics | | | One-Sample Test | | | |
|---|---|---|---|---|---|---|---|
| | Organisation | N | Mean | Mean | Std. Deviation | Observed t-value | Sig. |
| **I.1** To enable valuation of the property at full potential | City of Cape Town | 24 | 4.500 | 4.421 | 0.758 | 11.556 | .022** |
| | Other Municipalities | 14 | 4.286 | | | | |
| **I.2** Transactional -less time to obtain development due to cooperation from line departments as compared when done by external parties | City of Cape Town | 24 | 4.000 | 4.000 | 0.735 | 8.385 | .242 |
| | Other Municipalities | 14 | 4.000 | | | | |
| **I.3** No holding costs of land | City of Cape Town | 24 | 3.583 | 3.526 | 0.830 | 3.910 | .006** |
| | Other Municipalities | 14 | 3.429 | | | | |
| **I.4** Ensure maximum development potential and value of land is achieved | City of Cape Town | 24 | 4.167 | 4.105 | 0.924 | 7.375 | .154 |
| | Other Municipalities | 14 | 4.000 | | | | |

**Remarks:**

- Respondents' responses were coded: strongly disagree=1, disagree=2, neutral=3, agree=4 and strongly agree=5
- N= sample size, Mean= average weighted score of responses, df= degree of freedom,
- * Observed t-value is less than critical t- value (t0 <tc) on One Way T-Test, (i.e. result is statistically insignificant)
- **Levene's significance value less than 0.05, equal variance was not assumed

***Interview Response:***

As concluded from the quantitative data, municipalities dispose of their land with development rights or without rights in place. Well-resourced and capacitated, large municipalities do much land packaging for commercial property development compared with small municipalities who lack both capacity and skill. Respondents generally agreed that it is to the municipalities' advantage to dispose of developed land compared with undeveloped land because the potential bulk and hence maximum development is known, meaning the property is valued at the highest and best use, ensuring best returns in terms of disposal proceeds. However, this is not always

possible and feasible because there is no capacity to package the land and sometimes the expected returns do not justify the need for municipalities to obtain development rights for land earmarked for disposal. Apart from the lower economies of scale on relatively small land packages, they are less complex compared to larger land packages which require much more complex processes to finalise development rights. For that reason, respondents principally agreed that, ideally, land packaging should be done on larger pieces of land than small pieces of land.

### 4.3.10 Challenges in Land Packaging or Development

Survey respondents were questioned about the challenges faced by the public sector in packaging land for commercial property development. Results from the questionnaire survey are summarised in Table 18 below.

Although opinions regarding the challenges faced by municipalities varied, they were all significant except for attribute K8 (see Table 18) implying that incompetence and corruption are not regarded as a significant challenge in the Western Cape Province. This is consistent with the clean audit findings obtained by most Western Cape municipalities in the past years. Thus, municipalities have sound policies and a governance framework to ensure corruption-free municipalities. Nevertheless, the rest of the other challenges were rated as being between moderate and extreme, implying their significance. There is a general lack of capacity in staff resources in terms of skills and competence, and information technology systems to hold the asset register and manage the property transactions. In addition, as pointed above, municipalities are running out of viable sites and they don't have comprehensive immovable property asset registers of their land holdings which render the planning and programming of land difficult.

### *Table 18: Municipal Challenges in Disposing of Land*

| Local Government Key Challenges in releasing land for commercial property development | Group Statistics | | | One Sample Test | | | |
|---|---|---|---|---|---|---|---|
| | Organisation | N | Mean | Total Mean | Std. Deviation | Observed t-value | Sig. |
| **K.1** Inadequate IT Systems to assist management of the process | City of Cape Town | 24 | 3.167 | 3.053 | 1.161 | 0.279 | 0.188 |
| | Other Municipalities | 14 | 2.857 | | | | |
| **K.2** Lack of capacity and inadequate staff to do the work | City of Cape Town | 24 | 3.083 | 3.211 | 0.777 | 1.671 | 0.414 |
| | Other Municipalities | 14 | 3.429 | | | | |
| **K.3** Lack of comprehensive information about land holdings | City of Cape Town | 24 | 3.250 | 3.474 | 0.951 | 3.070 | 0.063 |
| | Other Municipalities | 14 | 3.857 | | | | |
| **K.4** Lack of skill and expertise to expedite/ execute the work | City of Cape Town | 24 | 3.000 | 3.421 | 1.154 | 2.249 | 0.008 |
| | Other Municipalities | 14 | 4.143 | | | | |
| **K.5** Lack of planning and programming capability | City of Cape Town | 24 | 4.000 | 3.474 | 1.156 | 2.525 | 0.584 |
| | Other Municipalities | 14 | 2.571 | | | | |
| **K.6.** The need to satisfy compliance requirements | City of Cape Town | 24 | 4.000 | 3.789 | 0.963 | 5.053 | 0.684 |
| | Other Municipalities | 14 | 3.429 | | | | |
| **K.7** Rigid and cumbersome development control systems | City of Cape Town | 24 | 3.833 | 3.579 | 1.154 | 3.093 | 0.001 |
| | Other Municipalities | 14 | 3.143 | | | | |
| **K.8** Incompetence and corruption | City of Cape Town | 24 | 2.333 | 2.158 | 1.242 | -4.180 | 0.015 |
| | Other Municipalities | 14 | 1.857 | | | | |
| **K.9** Political interference | City of Cape Town | 24 | 3.917 | 3.474 | 1.202 | 2.429 | 0.002 |
| | Other Municipalities | 14 | 2.714 | | | | |
| **K.10** Misconception that public land is cheap resulting in failed bids | City of Cape Town | 24 | 4.083 | 3.842 | 1.053 | 4.928 | 0.060 |
| | Other Municipalities | 14 | 3.429 | | | | |
| **K.11** Significant amount of land not developable or not available | City of Cape Town | 24 | 3.083 | 3.105 | 1.034 | 0.627 | 0.351 |
| | Other Municipalities | 14 | 3.143 | | | | |
| **K.12** Lack of understanding of the structure and process of the commercial sector property market | City of Cape Town | 24 | 3.583 | 3.316 | 1.276 | 1.526 | 0.071 |
| | Other Municipalities | 14 | 2.857 | | | | |
| **K.13** Multiple stakeholders with different/ conflicting interests on public land | City of Cape Town | 24 | 3.583 | 3.579 | 1.004 | 3.556 | 0.398 |
| | Other Municipalities | 14 | 3.571 | | | | |
| **K.14** Multi-disciplines and professions involved in packaging of land | City of Cape Town | 24 | 3.250 | 3.316 | 1.141 | 1.705 | 0.925 |
| | Other Municipalities | 14 | 3.429 | | | | |

**Remarks:**

- Respondents' responses were coded: strongly disagree=1, disagree=2, neutral=3, agree=4 and strongly agree=5
- N= sample size, Mean= average weighted score of responses, df= degree of freedom,
- * Observed t-value is less than critical t- value (t0 <tc) on One Way T-Test, (i.e. result is statistically insignificant)
- **Levene's significance value less than 0.05, equal variance was not assumed

More so, there is a challenge to ensure compliance requirements under the rigid and cumbersome control systems, while facing political interference or influence. Besides that, there are multi-stakeholders, including different departments, the public, councillors and so on, involved in the land packaging process which often have different and conflicting objectives regarding land allocation and use.

***Interview Response:***

Interview respondents reinforced the findings from the quantitative data, highlighting that regulatory processes that govern land disposal in local governments are excessive and an obstacle to doing business. In addition, it was evident that most municipalities do not have comprehensive asset register systems and asset management frameworks to enable proper, property, life-cycle management. As a result, the municipalities hoard more properties than they require and, with indiscriminate land disposals, they will run into deficits in future. Furthermore, respondents also indicated that there is a misconception in the market where developers think that buying land from government is cheap. However, this is not the case as municipalities, on principle and as per legislation, value their land at market value leading to non-performance on many bids when municipalities dispose of property by competitive tender processes. Furthermore, it was found that there are many stakeholders with different and sometimes conflicting objectives for the management of City land which causes further delays in the land disposal processes and undue political interference in technical and administrative issues resulting in ineffective property decisions. Clearly, there is also misunderstanding and no trust between local governments and the developers. For instance, in a meeting to present the Metropolitan Spatial Development Framework (MSDF), attended by the researcher at one of the municipalities, a senior executive echoed that, “developers are fools, because they don’t follow MSDF guidelines, they always want to rezone properties to meet their profit motives”. It is clear that there is general misunderstanding and mistrust between the role players in the property development process.

## 4.4 DISCUSSION OF THE RESULTS

This section contains a discussion of the research findings. Having targeted respondents from municipalities in the Western Cape Province, South Africa, that are involved in the land supply chain as the survey's sample frame, efforts were made to ensure the highest possible response rate by using an online survey method which is both convenient and easy to use. A survey questionnaire was carefully developed and tested in a pilot study and further reviewed by subject experts to ensure that it was valid. Selected subject experts were interviewed to gain understanding of the survey subject, which provided baseline details that helped in formulating the research proposition and the survey questionnaire. In addition, the subject experts were also used to review the outcome of the survey, and this helped in interpreting and contextualising the survey findings.

### 4.4.1 Local Government Leveraging Land Ownership in the Urban Land Market

Similar to the assertion by Tani and Ma (2009:599) that, "public land ownership provides a strong tool for state intervention in the land market", the survey results showed that the local governments in the Western Cape Province, South Africa, leverage their land ownership to shape and control the urban land market outcomes. This is achieved by land allocation as well as through land use policies that ensure delivery of socio-economic benefits in commercial property developments. Given that demand for commercial property is a derived demand arising from the need to carry out some form of business (Kironde, 2000), the price of land ultimately affects the property price which, in turn, affects business viability. Given that the local governments own some remnants of prime land in the urban areas, they can leverage their land ownership to provide land for commercial property development at cheap prices compared with the private sector. For that reason, a deliberate, planned intervention by the local government in the land market by releasing land for commercial property development achieves certain pricing and allocation of land in the market which ensure optimum use of land and competitiveness of cities in terms of easy of doing business. The optimum use of land from the public-sector perspective entails the highest and best value in terms of financial, social, economic and political objectives.

Therefore, local government's optimise socio-economic benefits by leveraging their land ownership for commercial property development through direct supply of land and land use allocation that stimulate socio-economic development. This is made possible by the virtue of the fact that local governments own the bulk of prime land in the CBD, or business nodes which are ideal for commercial property developments.

### 4.4.2 Public Sector Responsiveness to Commercial Property Development Land Demand

The local governments in South Africa's Western Cape Province are intrinsically involved in the urban land market through targeted land use allocation and supply of land in response to demand for urban land. However, the cumbersome bureaucratic processes involved in the lengthy property transaction processes as well as the legislative requirements that govern property disposal in the public sector make local governments' response slow, often missing the target. Local governments are less responsive to the urban market demands. While they are good at proactively shaping, leading and unlocking development potential on their owned land, their efforts to react to demand for land by direct supply of land for commercial property development is impeded by legislative requirements and bureaucratic processes that characterise the municipalities. In a nutshell, while local governments are averagely effective in proactive response through future, planned, direct supply and policy-related measures, they are generally less responsive to the demands for urban land in order to maximise socio-economic outcomes in the urban land market by providing the required land for commercial property development timeously.

### 4.4.3 Public Sector Land Packaging for Commercial Property Development

In line with research by Zhu (1997) in Singapore, where it was found that the state plays a crucial role in governing the market to ensure the well-being of the property market, this research study found that local governments play a crucial role in the well-being of the urban land market in South Africa. The importance of catalytic urban developments is widely recognised as a means to improve socio-economic outcomes in the South African municipalities, where it is generally

believed that employment opportunities are created and consequently poverty is reduced through urban development. Subsequently, social challenges such as crime, drug abuse and homelessness are addressed. For that reason, one of the municipalities has the objective "To leverage the City's assets to achieve socio-economic objectives" on its Integrated Development Plan (IDP). The research found that this is achieved through a number of ways including direct provision of land for commercial property development, expediting the application for development rights, priming property development investment through infrastructure provision, and claw-back conditions in the sale of land. With regards to the disposal of land for commercial property development, local governments consider: maximum development potential; highest value; performance targets; and need to meet socio-economic objectives on disposal of their land. Furthermore, public sector property decisions are affected to a greater extent by political ideologies and wishes and are guided by the need to fulfil service delivery needs while complying with legislative and policy frameworks. In some cases, municipalities also encourage development in certain nodes by offering rates rebates and discounts on the land purchase price to attract investors and thus stimulate development. Some of the initiatives adopted by local governments to simulate commercial property developments include: Mayoral Urban Regeneration Programmes, Violence Protection through Urban Upgrade, Urban Development Zones, Transit Oriented Development Frameworks and designations of growth corridors and nodes in the Spatial Development Framework.

### 4.4.4 Local Government Challenges in Optimising its Land ownership

The results indicated that local governments in South Africa have a robust governance and supply chain management framework that reduces corrupt activities in the administration of land transactions. Even though it was reported there was a lack of skilled staff, the available staff were reported to be competent to handle to land matters. Thus, the only challenge is the slow turnaround times owing to under-staffing. In addition, local governments have inadequate information technology systems, particularly asset register systems, to ensure effective land management to give effect to better planning and programming of land.

Property decisions in the local government public sector, are difficult because public land has multiple stakeholders with different and sometimes conflicting objectives, which often leads to delays and failure to realise some good development projects. As mentioned in the literature review, there is also a general lack of understanding of the structure and processes of the commercial sector property market, which means the public sector is not in a position to respond and intervene in the property market appropriately. Lastly, the process of alienating land for commercial property development is complex and complicated because (as summarized in Table 13), property decisions have to be technically, economically, financially, socially and also politically correct and it is often difficult to get everything right.

### 4.4.5 Local Government involvement in the Land Supply Chain

Local governments leverage their land ownership in the urban land market in different ways, which can be categorised broadly into land release or policy-related interventions. Considering the land disposal process used by local governments in releasing land for commercial property development, it was found that local governments can leverage their land ownership during the selection of properties to release on the market based on strategic intent, market outlook and their operational capacity. In addition, they also use their land ownership to prescribe and/or detect development guidelines aligned to socio-economic objectives and subsequently monitor fulfillment of these conditions in the development process. Local governments have roles in the development process including: development management authority; supplying land in the market; and as a partner in the development activity. Some typical examples of land releases for commercial property development with socio-economic benefits are the CTICC expansion project, Khayelitsha Business Park, Three Anchor Bay Project, and the Athlone Power Station project in Cape Town, amongst others. In addition, it was found that, in order to minimise the potential risk to the developer and simultaneously increasing the value of public land for commercial property development, local governments develop the land and/or obtain development rights before land disposal. However, due to lack of staff capacity and the need to

complete transfer process quicker to meet financial obligations, this is not always feasible and the public sector sometimes offloads their land without the development rights or subject to the purchaser finalising the development rights. Nevertheless, maximum value is obtained on the disposal of land with development rights.

## 4.5 CONCLUSION

The survey data obtained from respondents was analysed and presented in this chapter, followed by detailed discussion of the results in line with the objectives of the study. Of the 38 respondents (54%) out of the 71 targeted respondents who participated in the survey, the majority held relevant academic qualifications and had extensive experience in the field of study which ensured the reliability and validity of the research findings. The majority of the respondents were experts in the field with experience that spanned both private and public sectors which positioned them well to understand the urban land market.

The survey results showed that local governments leverage their land ownership by means of direct supply of land and land use allocation policies and strategies to achieve socio-economic benefits in the urban land market. The key drivers of land releases for commercial property development are: alignment with strategic policies and plans, supply and demand factors, as well as the operational capacity of the disposal unit and relevant stakeholder departments. While it is to the City's advantage to dispose of properties with development rights in place for fiscal objectives, provide lower risks to the developer, and ensure maximum development potential of the land, it is not always feasible for the local governments to obtain development rights. Cumbersome bureaucratic processes coupled with the need to fulfil stringent legislative and policy compliance requirements impede the local governments' timely release of land into the urban land market for commercial property development and, hence, they are non-responsive to market dynamics. Other challenges faced by local governments in optimising their land ownership to achieve socio-economic objectives include shortage of staff, inadequate information technology systems, particularly computerised asset register systems, to ensure comprehensive understanding of public land holding, planning and programming. In addition, property decisions in the public sector are complex and subject o political interference and multi-

disciplinary stakeholders who have different and often conflicting objectives. Despite these challenges, obstructions and the stringent compliance requirements that make local governments generally non-responsive to the urban land market, the majority (over 65%) of respondents indicated that the local governments use their land ownership as leverage to achieve socio-economic outcomes through commercial developments in the urban land market.

# CHAPTER 5: CONCLUSION

## 5.1 INTRODUCTION

While South Africa is maintaining good performance and ranking against comparable countries in terms of ease of doing business and competitiveness, its own performance has been declining over the years (World Bank, 2017b). Like the rest of the world, South African cities have become economic powerhouses of the nation, highlighting the need for local governments to position their cities competitively in order to reap the benefits of the urban dividend (COGTA, 2016; SACN, 2016a). Otherwise, the burgeoning urbanisation will continue to devastate the cities rather than provide impetus and opportunity for economic growth as achieved in developed countries. Hence, public property researchers including Kaganova and Nayyar-Stone (2000) called for better management of public property including land to drive economic growth and achieve socio-economic objectives. It is further argued that there is a need for a paradigm shift in government's role in the urban land market from merely supplying land to being an enabler of development. This calls for a more involved and calculated intervention by government in the urban land market to ensure that its intervention retains a healthy property market. There is a challenge to set the guiding principles for appropriate government intervention in the urban land market in order to create an enabling environment to achieve government's socio-economic objectives, taking cognisance of variances across cities which have different strengths, weaknesses, challenges and opportunities, which was the focus of this study. Specifically, the South Africa's socio-economic objectives include economic growth, employment creation, meeting basic needs of the populace and thus advancing citizens economically and socially.

As presented in Chapter 1, the problem guiding this research was to find out how the government should intervene usefully in the supply of land in the urban market for commercial property development. A qualitative survey was undertaken in South Africa's Western Cape local governments where 38 respondents (property management professionals) representing 54% of the targeted respondents participated in the online survey and 6 property development experts were interviewed for an in-depth understanding of the study phenomenon. The SPSS was used

to analyse the data obtained from the questionnaire survey quantitatively and a thematic analysis was used to analyse interview data presented in the preceding chapter, Chapter 4, where the results of the study and the research findings were discussed in detail. The ensuing pages of this thesis contain: a synopsis of the study; the key conclusions and the recommendations drawn from the study in the context of the research aim, research objectives, research questions and results of the study. In addition, the direction for future research is provided.

## 5.2 SUMMARY OF FINDINGS AND CONCLUSION

The salient conclusions drawn from the research findings were as follows:

i. **Local governments land ownership as a tool to intervene in urban land market supply**
   While it is not the constitutional mandate of local governments to promote economic development in their regions, it is to their advantage to make their cities competitive in terms of the ease of doing business, in order to attract investments that drive economic growth (COGTA, 2016; SACN, 2016a). Subsequently, the local governments benefit from increased property rates, and advancement of their citizens through increased employment opportunities that further bolster their local economies. As in many governments around the world, South African local governments in the Western Cape Province seek to optimise socio-economic outcomes in the urban land market by leveraging their land ownership for commercial property development. This is done through direct supply of land and land use allocation that stimulates socio-economic development. In harmony with findings by Zhu (1997) and Garba and Al-Mubaiyedh (1999), the South African local governments are using their land ownership as an instrument to intervene in the property market to stimulate growth and ensure effective land management. This study found that public property, particularly land, presents a good opportunity for local governments to influence the urban land market by means of improving access to land for development as well as indirectly through strategies and policies that lead, shape and control the nature of developments. A number of completed,

in-progress, and planned, commercial property development projects on City land attests to the deliberate local government intervention in the property market. Some of the projects include CTICC Expansion, Clifton mixed-use development, Athlone Power Station re-development, Khayelitsha Industrial Park and the Business Park to mention a few. Besides meeting local governments' socio-economic objectives, these projects also boost the urban economy. In addition, it was found that municipalities own not only the majority of urban land, but also prime, well-located land on which businesses can be viable and hence commercial development projects feasible.

**ii. The responsiveness of the local government land supply to the demand for land of the commercial property development market.**

Municipal councils make decisions in local authorities while the executive and its officials have operational responsibility and make recommendations for the decisions made by the council. Property decisions from acquisition, development, and disposal are informed by, and have to be in line with, the overall strategic development plans such as the Integrated Development Plans (IDP), Economic Strategy, and other broad strategies for the city. The study found that the regulatory framework in the land disposal process is excessive and thus inefficient. It results in long and complicated official processes to dispose of land from municipalities for commercial property development. Besides the inefficient legislative requirements, delays are also a result of inadequate operational capacities including inadequate staff and expertise to execute the land transactions on time. Consequently, developers are often disappointed over the delays, which cost them in terms of missing opportunity time for launching their envisaged developments, making their goals miscalculated. On the other hand, miscalculated public sector intervention in the urban land market causes over-supply of land which distorts the urban land market, causing more harm than good to the urban land market.

**iii. Ideal packaging of local government land for commercial property development.**

It was noted from the study that there is a clear distinction between objectives for disposing of land between the private sector and the public sector, where the former seeks to achieve the highest profits and the latter seeks sustainable development primarily. Nevertheless, there are some occasional instances where local governments are forced to dispose of their land to raise funds to meet their budget requirements. It is this kind of land disposal that can lead to indiscriminate intervention in the urban land market and has detrimental effects on the urban land market system. However, it has been argued throughout this study that deliberate and calculated government intervention through supply of land for commercial property development yields positive outcomes in optimising socio-economic benefits.

**iv. Challenges faced by local government in packaging land for commercial property development in South Africa.**

In concurrence with Napier (2007), who indicated that there is a robust legislative and governance framework in the management of public property in South African local governments, the study found that corruption was an insignificant challenge in the management of public property. This is consistent with the historical, clean audit findings from local governments in the Western Cape. However, this regulatory framework is also rather excessive, leading to some inefficiency in the disposal of land for development from the local governments a result of the long time required for disposal of land. In addition, it was found that there is a general lack of resources in terms of skills and information technology systems, particularly asset register systems, to ensure effective records and management of land holdings, a problem noted by other public property management scholars around the world (Kaganova & Nayyar-Stone, 2000; Dent, 1998; and French, 1994). A comprehensive asset register is key to effective public property management (Dent, 1998) and the absence of it in the local governments renders the planning and programming of land difficult. Doebele (1987) argued that there is a need for comprehensive details about the public land to ensure correct and optimum allocation

otherwise it is not possible to leverage land ownership efficiently. In addition, the majority of respondents indicated that the multiple stakeholders with different and sometimes conflicting objectives for the management of public land make property decisions difficult. Besides, like other governments around the world, local government officials have inadequate understanding of the commercial property development structure and processes, giving rise to mistrust between the role players. Furthermore, officials lack skill and expertise which impedes prompt execution of transfer of land. Collectively, these challenges result in difficulty of doing business in the Cities, which affirms the finding of the World Bank (2017) where South Africa's performance in terms of ease of doing business is rated as 65.2 indicating great room for improvement.

v. **Appropriate level of local governments' involvement in land supply chain for commercial property development purposes**.

South Africa's local governments intervene in the urban land market land supply chain directly and indirectly, including: direct supply of land, expediting applications for development rights, priming property development investment through infrastructure provision, and some policy-related measures. This study found that there are three leverage points in the land supply chain that can be used by the local governments to ensure achievement of socio-economic objectives on disposal of their land for commercial property development. Firstly, local governments can leverage their land ownership during selection of properties to release into the market based on strategic intent, market outlook, and their operational capacity. Secondly, they can prescribe development guidelines to achieve socio-economic objectives in commercial property developments of their land and subsequently monitor fulfillment of these conditions in the development process. Lastly, they obtain development rights or expedite the processing of the development application. Together, this helps to unlock development.

Some of the key considerations in the disposal of public land are: maximum development potential; highest value; performance targets; and need to meet socio-economic

objectives on disposal of land. Furthermore, public sector property decisions are largely political and guided by the need to fulfill service delivery needs while complying with the legislative and policy frameworks. In order to give full effect to leading, shaping and unlocking development on public land, local governments should make consciously calculated interventions in the land supply chain for commercial property development to ensure that their efforts do not distort the urban market system.

Local governments dispose of their land with or without development rights in place, otherwise known as developed land or undeveloped land respectively. According to the model of the stages of real estate development by Kohlepp (2012), this would be either during the land banking stage as land with development potential or during the land packaging stage where land is sold with plans, approvals and relevant studies otherwise known as development rights. In some cases, land is sold subject to the purchaser obtaining development rights for the envisaged development on the site. The disposal of land as developed land was found to be ideal compared with undeveloped land because developed land offers:

- The maximum value for the land as its development potential is ascertained;
- The minimum potential risk to the developer in terms of what is physically and legally possible on the site; and
- time saving in finalise development rights.

However, owing to constraints like staff shortages and the need for quick transactions to raise funds to meet financial obligations, the public sector is forced sometimes to dispose of undeveloped land or on condition that the purchaser finalises the development rights. Nevertheless, maximum value is obtained on disposal of land with development rights. Accordingly, it is to the local governments' advantage to dispose of land with development rights although it is not always feasible. However, this study found that, in some cases, exceptions have to be made when there is no capacity to package the land

and the expected returns do not justify the need for municipalities to obtain development rights for land earmarked for disposal.

## 5.3 RECOMMENDATIONS

Based on the research findings and conclusions of this study, the following recommendations are suggested as well as solutions cited by other studies world wide.

- As highlighted in the previous chapter, government intervention is required in the urban land market to lead, shape and control development directly through supply of land for commercial property development as well as indirectly through facilitating, expediting and encouraging development. It is recommended that local governments make conscious, calculated interventions in the land market for commercial property development to ensure a healthy urban land market and optimise utilisation of public land. The public sector should not release land for commercial development indiscriminately without having first gauged the market demand to avoid over-supply of land in the market, which would eventually upset the market. Thus, a consideration of the key drivers of public sector property decisions, which include; supply, demand, strategic intent and operational capacity, ought to be taken.
- Besides their role as development control management and supplier of land in the urban land market, local governments should increasingly become enablers of commercial property development projects to optimise socio-economic outcomes in the urban land market. As partners and enablers in the development market, the local governments will be able to lead, facilitate and stimulate development. This will achieve efficiency in the management of the public sector property portfolio as argued by Kaganova and Nayyar-Stone (2000).
- This research found that local governments are less responsive to the urban land market owing to inefficient bureaucratic processes involved in public-sector property management including disposals. Consequently, the long and complicated official

processes increase the turnaround time from the point when a decision is made and when it is actually implemented, resulting in mistimed decision making and eventually missing the opportune time according to the real estate clock. This has serious consequences in the market as pointed out above. It is, therefore, recommended that the regulatory framework that governs land disposal from local governments is reviewed to make it efficient to ensure timely disposal of land for commercial property development and, specifically, to shorten disposal processes by giving public property managers special delegation powers to make final decisions on certain property transactions to increase efficiency and effectiveness.

- Contemporary researchers of public asset management including McGough and Bessis (2015), argue that the public sector should lead, shape and unlock development by leveraging their land ownership. In order to achieve this there is a need for engagement and trust between the role players. It is, therefore, recommended that local governments create development coalitions between the public and private role players in the property development process to build trust as well as understanding of each other's objectives. Once there is good rapport between the stakeholders, the local government will be able to:

    - Lead development – local governments use their land assets to stimulate growth and economic activity. A typical example can be drawn from the City of Cape Town where a number of initiatives are meant to lead and stimulate development such as the Mayoral Urban Regeneration Programme (MURP), Violence Protection through Urban Upgrading (VPUU), and the newly adopted Transport Oriented Development framework (TOD) which leverages public assets to underpin property development.
    - Shaping development – through prescribing the nature and form of development on land acquired from the public sector, community priorities and needs are met.
    - Unlocking development – this involves co-ordinated efforts to unlock difficult sites through reducing development constraints on a piece of land. For instance, the

local governments should actively facilitate and expedite applications for development rights so that land will be released unburdened into the market, which enhances its viability. This minimises the risk to the developer thereby unlocking the development potential of the land.

- All things being equal, local governments should aim to obtain development rights before disposal of their land for commercial property development in order to unbundle the development potential of their land as well as to achieve the best prices for their land. However, a cost-benefit analysis or due-diligence has to be done to ensure there are some economies of scale and net positive benefit from doing so, otherwise the exercise will not have any merit.

## 5.4 AREAS FOR FURTHER RESEARCH

Further research in the following areas is recommended:

- As the research was limited to the local governments in South Africa's Western Cape Province, the other local governments in other provinces should be surveyed and their results compared to the findings of this study.
- Given that the scope of his research was limited to land disposal from local governments to the private sector for commercial property development, further studies should be done to see the effect of the management of application processes for land use on ease of doing business in South African cities, and to investigate how local governments can leverage their role in the process to improve ease of doing business and thus improve their cities' competitiveness.
- A study should be undertaken to understand municipal land supply, and particularly how South African municipalities make decisions to release land for competing needs, particularly between commercial property development and social and community uses. Also, the study should investigate how municipalities determine that an asset is not

required for the provision of minimum basic services as well as the evaluation criteria for proposed alternative use bids from open, public, competitive tenders.

- It has been argued throughout this research that local governments can leverage their land ownership to achieve socio-economic outcomes in the urban land market. Further studies are required to establish how the local governments can make the most of their land ownership in the South African context and also establish the role of public land in achieving socio-economic objectives in the urban land market.

## 5.5 THE ACHIEVEMENT OF RESEARCH AIM AND OBJECTIVES

This section contains reports on the achievement of the research aim and objectives of this study, also providing concise answers to the research questions.

### 5.5.1 Research Aim

This study investigated how local government should intervene usefully in the supply of land for the urban market for commercial property development to optimise socio-economic outcomes in the urban land market. The research established that local governments should make well-calculated interventions such as improving access to land and land-use allocations in the urban land market to achieve socio-economic outcomes from commercial property developments.

### 5.5.2 Research Objectives and Thesis

A qualitative approach, combining primary and secondary data collection methods, including a literature review, interviews and online surveys with local government property management officials directly involved in land transactions in local governments in the Western Cape Province, in South Africa, was used to gather data for this research.

With regard to the research proposition that local governments in South Africa do not optimise their land ownership to optimise socio-economic outcomes in the South African property sector, it was found that local governments are using their land ownership to influence the urban land market to achieve socio-economic objectives. However, there are challenges that impede their efforts to intervene in the urban land market effectively and efficiently. Subsequently the

research called for a review of the regulatory framework to make official processes of land disposal by local governments short and easy, as well as for the development of coalitions of commercial property development role players to build trust and better understanding of the market and, specifically, different objectives of role players. It was also found that it is to the local governments' advantage to obtain development rights before disposal of their land in order to obtain full valuation potential and minimise developer's risk through overcoming any development constraints encumbering the land, although this is not always feasible and reasonable.

## 5.6 CHAPTER CONCLUSION

This chapter contains this dissertation's conclusion, recommendations, directions for future research and the achievement of the research aim and objectives, and a summary of the major findings of the research. This study concludes that the South African local governments in the Western Cape Province are optimising their land ownership for commercial property development to achieve socio-economic objectives in the urban land market. Consequently, the proposition that local governments in South Africa do not optimise their land ownership in order to optimise socio-economic outcomes in the South African property sector was rejected as the majority (over 65%) of respondents indicated that their municipalities use their land ownership to influence the urban land market to achieve socio-economic objectives. However, there is a need to ensure effective, efficient and appropriate intervention that is well-calculated by the local authorities in the urban land market to ensure a healthy market that realises the attainment of sustainable socio-economic benefits through commercial developments.

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# ANNEXURE A: QUESTIONNAIRE SCHEDULE

# A Survey on Urban Land Markets: Land Supply for Commercial Property Development in South Africa

INTRODUCTION:
I, Shelton Nhiwatiwa (Student No. NHWSHE001) am a student at the University of Cape Town conducting a research in partial fulfillment of the requirements of my Degree in Property Studies.

The purpose of this research survey is to establish how the public sector involve itself (intervene) in urban land market, particularly on land supply for commercial property development in South Africa to achieve socio-economic objectives. I have some questions that I wish to ask you about your experience and expertise in your field. Your assistance and commitment in completing this survey is kindly requested in order to make this research a success.

To participate in this survey you are requested to complete an electronic questionnaire. It should take approximately 20-30 minutes to complete the questionnaire. Please be advised that your participation in this survey is voluntary, and you are not forced to complete it.

ALL INFORMATION THAT YOU PROVIDE WILL BE CONFIDENTIAL AND ANONYMOUS, please feel free to respond and provide extra information you feel might be useful and relevant for this research. The information collected through this survey will be reported only as a collective combined total. Thank you in advance for your time and participation in this survey. If you have any questions or concerns relating to the survey, please contact me on Email: sheltonnhiwatiwa@gmail.com or Cell: 0780861384.

* Required

*Skip to question 1.*

## Interview Data: Respondent's Background Information

This section obtains background information of the respondents in order to have an understanding of the respondents profile for the survey.

1.

**1. Which type of organization do you work for?**

*Mark only one oval.*

- ◯ Local government (City of Cape Town)
- ◯ Provincial/ National government
- ◯ The private (commercial) sector
- ◯ Local goverment (not City of Cape Town)

2.

**2. Work experience (in years) in the property development, management or building services?**

*Mark only one oval.*

- ◯ Less than 2 years
- ◯ 2-5 years
- ◯ 5-8 years
- ◯ more than 8 years

3.

**3. How long have you been employed in your current organisation?**

*Mark only one oval.*

- ◯ Less than 2 years
- ◯ 2-5 years
- ◯ 5-8 years
- ◯ 8 years or more

4.

**4. Educational qualifications obtained?**

*Check all that apply.*

- ☐ Certificate (s)
- ☐ Diploma
- ☐ Bachelors/ Btech
- ☐ Honors/ Postgraduate Diploma
- ☐ Masters
- ☐ PhD

5.

**5. What is your job role/ function?**

*Check all that apply.*

- ☐ Property development and facilitation
- ☐ Property management
- ☐ Facilities management
- ☐ Town planning and/ or Surveyor
- ☐ Property asset management
- ☐ Facilities Management
- ☐ Valuation
- ☐ Project Manager
- ☐ Management
- ☐ Other: _____

6.

**6. What is your professional background**

*Check all that apply.*

- [ ] Property development
- [ ] Property leasing and contracts management
- [ ] Project management
- [ ] Town planning and/ or Surveyor
- [ ] Facilities Management
- [ ] Valuation
- [ ] Legal
- [ ] Public adminstration
- [ ] Other: _____

7.

**7. Membership of a professional institution (please indicate)**

_____

*Skip to question 8.*

## Public Sector landownership as a tool to intervene in urban land market

Through its majority landownership, the public sector land supply for commercial property development influence the urban land market.

8.

**8. The public sector use its landownership to influence the urban land market by releasing (supplying) land onto the market or keeping it out of the market** *

*Mark only one oval.*

- ◯ Strongly Disagree
- ◯ Disagree
- ◯ Undecided/ Neutral
- ◯ Agree
- ◯ Strongly Agree

9.

**9. The local government plays a number of key roles in the urban land market for commercial property development. The local government is involved as** *

*Mark only one oval per row.*

| | Strongly disagree | Disagree | Neutral/ Indifferent | Agree | Strongly Agree |
|---|---|---|---|---|---|
| Partner in development of urban land | | | | | |
| Inhibit commercial property development | | | | | |
| Developer in the commercial property market | | | | | |
| Direct supplier of land for commercial property development | | | | | |
| Policy and law maker | | | | | |
| Land-use manager/ development control | | | | | |
| Administrator | | | | | |
| Major land holder of urban land | | | | | |

10.

**10. The local government use its land ownership to influence the urban land market by purposefully and decisively releasing (supplying) land onto the market -or keeping it out of the market?** *

*Mark only one oval.*

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

11.

**11. The local government uses its land ownership to influence the urban land market in a number of ways including the following** *

*Mark only one oval per row.*

| | Never use | Almost never | Occasionally/ sometimes | Almost every time | Frequently use |
|---|---|---|---|---|---|
| Direct provision of land for commercial property development | | | | | |
| Commercial property development facilitation on government owned land | | | | | |
| Development partnership (Public-Private Partnership) for catalytic projects | | | | | |
| Proceeds from land supply (that is disposal of government land) contributes to local government revenue which can be channeled for infrastructure provision | | | | | |
| Prescribe inclusion of public oriented elements on commercial property developments | | | | | |
| Shape, control and detect the physical form and nature of property development in the City | | | | | |
| Ensure effective land management and allocation that improves social and economic conditions | | | | | |
| Ensure orderly growth and development of urban areas | | | | | |

12.

**12. How effective and efficient is the local government in using its land ownership to influence the urban land market in terms of the following possible interventions** *

*Mark only one oval per row.*

| | Very Ineffective and inefficient | Ineffective and inefficient | Average | Effective and efficient | Very effective and efficient |
|---|---|---|---|---|---|
| Direct provision of land for commercial property development | | | | | |
| Commercial property development facilitation on previously government owned land | | | | | |
| Development partnership (Public-Private Partnership) for catalytic projects | | | | | |
| Proceeds from land supply (that is disposal of government land) contributes to local government revenue which can be channeled for infrastructure provision | | | | | |
| Prescribe inclusion of public oriented elements on commercial property developments | | | | | |
| Shape, control and detect the physical form and nature of property development in the City | | | | | |
| Allocation of land to achieve social and economic objectives | | | | | |
| Effective land management in general | | | | | |

13.

**13. Property decisions including allocation of land for commercial property development is based on the following.** *

*Mark only one oval per row.*

| | Strongly Disagree | Disagee | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| Politically motivated | | | | | |
| Socially driven (such community needs, employment creation etc.) | | | | | |
| Highest and Best use | | | | | |
| Conformance to Spatial Development Frameworks | | | | | |
| Sustainable Development | | | | | |
| Need to create revenue generating assets | | | | | |
| In response to property market dynamics | | | | | |
| To stimulate economic growth and achieve social outcomes | | | | | |

14.

**14. Public sector decisively and proactively intervene in the urban land market through direct provision of land for commercial property development** *

*Mark only one oval.*

- Never
- Rarely
- Sometimes
- A number of times
- Often/ Always

15.

**15. How often/ frequently does the following approaches to land disposal are used by your organisation** *

*Mark only one oval per row.*

| | Never | Rarely | Sometimes | A number of times | Often/ Always |
|---|---|---|---|---|---|
| Direct sale of land (transfer freehold) | | | | | |
| Sale and leaseback | | | | | |
| Clawback provisions (sale with condition if non-performance land return to owner) | | | | | |
| Profit sharing through overage provisions | | | | | |
| Delaying transfer via licencing | | | | | |
| Joint-venture arrangement | | | | | |
| Use rights | | | | | |

16.

**16. Disposal of land from public sector to the private sector for commercial property development is driven by** *

*Mark only one oval per row.*

| | Strongly Disagree | Disagree | Undecided/ Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| The need to raise money (revenue generation) | | | | | |
| Maximize the development potential of the land | | | | | |
| Sustainable development | | | | | |
| Alignment with the Spatial Development Framework | | | | | |
| Potential multiplier effects (catalytic) of the development | | | | | |
| Getting rid of surplus property not required for provision of municipal basic services | | | | | |
| Need to meet performance targets | | | | | |
| Unsolicitated bids from prospective buyers | | | | | |

17.

**17. Public sector provision of land for commercial property development has significant consequences and impact on the socio-economic conditions of its citizens** *

*Mark only one oval.*

- Not at all
- Somewhat
- Very little
- Moderate extent
- To a great extent

## Public Sector involvement in the Land Supply Chain

18.

**18. Government or local government provide land for commercial property development in different forms/ states. How does your organization dispose land for commercial development?** *

*Mark only one oval per row.*

| | Never | Almost never | Occasionally/ Sometimes | Almost every time | Every time |
|---|---|---|---|---|---|
| Undeveloped (raw) land without development rights | | | | | |
| Undeveloped (raw) land subject to the buyer obtaining development rights | | | | | |
| Land packaged for development with rights in place | | | | | |

19.

**19. What are the key considerations in disposing land at different stages?**

*Mark only one oval per row.*

| | Size of land | Value of land | Location | Present Encumberances (e.g Statutory requirements such as EIA and HIA) | Disposal method/ option to be used |
|---|---|---|---|---|---|
| Undeveloped (raw) land without development rights | | | | | |
| Undeveloped (raw) land subject to the buyer obtaining development rights | | | | | |
| Land packaged for development with rights in place | | | | | |

20.

**20. In your opinion what are key considerations when disposing land for commercial property development?** *

*Mark only one oval per row.*

| | Not Important | Slightly Important | Moderately Important | Important | Very Important |
|---|---|---|---|---|---|
| Time (shortest possible time) | | | | | |
| Land value (highest possible) | | | | | |
| Maximum development potential | | | | | |
| Social and economic objectives in ultimate development of the land | | | | | |
| Meeting financial objectives of the developer | | | | | |
| Surplus land irrespective of state of urban land market | | | | | |
| Surplus land in accordance with disposal plan | | | | | |
| Surplus land to proactively shape development and stimulate economic growth | | | | | |

21.

**21. Looking at the disposal of public land for commercial property development. What is the ideal/ desirable stage to dispose of the land?** *

*Mark only one oval per row.*

| | Very undesirable | Undesirable | Neutral | Desirable | Very desirable |
|---|---|---|---|---|---|
| Undeveloped (raw) land without development rights | | | | | |
| Undeveloped (raw) land subject to the buyer obtaining development rights | | | | | |
| Land packaged for development with rights in place | | | | | |

22.

**22. What is your view on the reason for the public sector to obtain development rights (package) land before releasing it for development** *

*Mark only one oval per row.*

| | Strongly Disagree | Disagree | Undecided/ Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| To enable valuation of the property at full potential | | | | | |
| Transactional -less time to obtain development due to cooperation from line departments as compared when done by external parties | | | | | |
| No holding costs of land | | | | | |
| Ensure maximum development potential and value of land is achieved | | | | | |

## The Responsiveness of the Public Sector in the Urban Land Market

The responsiveness of the public sector as land supplier for commercial property development in the urban land market

23.

**23. Is the local government land supply responsive to the land demand for commercial property development?** *

*Mark only one oval per row.*

| | Unacceptable | Slightly unacceptable | Neutral | Slightly acceptable | Acceptable |
|---|---|---|---|---|---|
| Land supply meet the demand for land for commercial property development | | | | | |
| Public sector respond readily (within reasonable time) to the demand for land | | | | | |
| The turnaround time for disposal of public land is acceptable for potential business | | | | | |

## Public Sector Land Supply Challenges

The challenges faced by the public sector in packaging land and supplying land for commercial property development.

24.

**24. What are the key challenges faced by the public sector in packaging and disposing land for commercial property development**

*Mark only one oval per row.*

| | Extreme challenge | Moderate challenge | Somewhat of a challenge | Slightly a challenge | Not a challenge |
|---|---|---|---|---|---|
| Inadequate IT Systems to assist management of the process | | | | | |
| Lack of capacity and inadequate staff to do the work | | | | | |
| Lack of comprehensive information about land holdings | | | | | |
| Lack of skill and expertise to expedite/ execute the work | | | | | |
| Lack of planning and programming capability | | | | | |
| The need to satisfy compliance requirements | | | | | |
| Rigid and cumbersome development control systems | | | | | |
| Incompetence and corruption | | | | | |
| Political interference | | | | | |
| Misconception that public land is cheap resulting in failed bids | | | | | |
| Significant amount of land not developable or not available | | | | | |
| Lack of understanding of the structure and process of the commercial sector property market | | | | | |
| Multiple stakeholders with different/ conflicting interests on public land | | | | | |
| Multi disciplines and professions involved in packaging of land | | | | | |

25.

**25. Procedures for accessing government land are cumbersome and lengthy and are an obstacle to business opportunity**

*Mark only one oval.*

- ◯ Strongly disagree
- ◯ Disagree
- ◯ Neutral
- ◯ Agree
- ◯ Strongly Agree

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# ANNEXURE B: ETHICS CLEARANCE FORM

# EBE Faculty: Assessment of Ethics in Research Projects (Rev2)

Any person planning to undertake research in the Faculty of Engineering and the Built Environment at the University of Cape Town is required to complete this form before collecting or analysing data. When completed it should be submitted to the supervisor (where applicable) and from there to the Head of Department. If any of the questions below have been answered YES, and the applicant is NOT a fourth year student, the Head should forward this form for approval by the Faculty EIR committee: submit to Ms Zulpha Geyer (Zulpha.Geyer@uct.ac.za: Chem Eng Building, Ph 021 650 4791). NB: A copy of this signed form must be included with the thesis/dissertation/report when it is submitted for examination

***This form must only be completed once the most recent revision EBE EIR Handbook has been read.***

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Name of Principal Researcher/Student: SHELTON NHIWATIWA Department:

Preferred email address of the applicant: sheltonnhiwatiwa@gmail.com

If a Student: Degree: MSc Degree Property Studies Supervisor: Prof. Francois Viruly

If a Research Contract indicate source of funding/sponsorship:

Research Project Title: URBAN LAND MARKETS: LAND SUPPLY FOR COMMERCIAL PROPERTY DEVELOPMENT IN SOUTH AFRICA.

**Overview of ethics issues in your research project:**

| | | |
|---|---|---|
| **Question 1: Is there a possibility that your research could cause harm to a third party (i.e. a person not involved in your project)?** | YES | NO ✓ |
| **Question 2: Is your research making use of human subjects as sources of data?** If your answer is YES, please complete Addendum 2. | YES ✓ | NO |
| **Question 3: Does your research involve the participation of or provision of services to communities?** If your answer is YES, please complete Addendum 3. | YES | NO ✓ |
| **Question 4: If your research is sponsored, is there any potential for conflicts of interest?** If your answer is YES, please complete Addendum 4. | YES | NO ✓ |

Questionnaire

If you have answered YES to any of the above questions, please append a copy of your research proposal, as well as any interview schedules or questionnaires (Addendum 1) and please complete further addenda as appropriate. Ensure that you refer to the EIR Handbook to assist you in completing the documentation requirements for this form.

**I hereby undertake to carry out my research in such a way that**

- there is no apparent legal objection to the nature or the method of research; and
- the research will not compromise staff or students or the other responsibilities of the University;
- the stated objective will be achieved, and the findings will have a high degree of validity;
- limitations and alternative interpretations will be considered;
- the findings could be subject to peer review and publicly available; and
- I will comply with the conventions of copyright and avoid any practice that would constitute plagiarism.

**Signed by:**

| | Full name and signature | Date |
|---|---|---|
| Principal Researcher/Student: | Shelton. N Nhiwatiwa | 2016-11-16 |
| **This application is approved by:** | | |
| Supervisor (if applicable): | | 24.01.17 |
| HOD (or delegated nominee): *Final authority for all assessments with NO to all questions and for all undergraduate research.* | Abim Windapo | |
| Chair: Faculty EIR Committee For applicants other than undergraduate students who have answered YES to any of the above questions. | | |

# ANNEXURE C: SURVEY EMAIL

- **Annexure C1: Survey Email**
- **Annexure C2: Reminder Survey Email**

# Annexure C1: Survey Email

**Shelton Nhiwatiwa**

**From:** Shelton Nhiwatiwa
**Sent:** Monday, 13 February 2017 8:15 AM
**To:** sheltonnhiwatiwa@gmail.com
**Subject:** RE: A Survey on Urban Land Markets: Land Supply for Commercial Property . Development in South Africa.

Dear Sir/ Madam

**RE: A Survey on Urban Land Markets: Land Supply for Commercial Property Development in South Africa.**

I, Shelton Nhiwatiwa (Student No. NHWSHE001) am a student at the University of Cape Town conducting a research in partial fulfilment of the requirements of my Degree in Property Studies.

I am researching on how the public sector involve itself (intervene) in urban land market, particularly on land supply for commercial property development in South Africa to achieve socio-economic objectives and would like you to participate in the project. I have some questions that I wish to ask you about your experience and expertise in your field. Your assistance and commitment in completing this survey is kindly requested in order to make this research a success. Please take note that, your participation is voluntary and your choice.

To participate in this survey, you are requested to complete an electronic questionnaire in the following
link; https://docs.google.com/forms/d/1XTNa7Qr9YXzKs2I5b_l6bfiXDEHV61qNyaYnFl9AvWM/edit?usp=drive_web. It should take approximately 20-30 minutes to complete the questionnaire. Due to the tight deadlines, may I kindly ask you to ensure that you will have submitted a fully completed questionnaire by 12 April 2017.

ALL INFORMATION THAT YOU PROVIDE WILL BE CONFIDENTIAL AND ANONYMOUS, please feel free to respond and provide extra information you feel might be useful and relevant for this research. The information collected through this survey will be reported only as a collective combined total. Thank you in advance for your time and participation in this survey. If you have any questions or concerns relating to the survey, please contact me on Email: sheltonnhiwatiwa@gmail.com or Cell: 0780861384.

Yours Faithfully,

Shelton Nhiwatiwa

# Annexure C2: Reminder Survey Email

**Shelton Nhiwatiwa**

**From:** Shelton Nhiwatiwa
**Sent:** Monday, 20 February 2017 8:33 AM
**To:** sheltonnhiwatiwa@gmail.com
**Subject:** RE: A Survey on Urban Land Markets: Land Supply for Commercial Property . Development in South Africa.

Dear Sir/ Madam

**RE: A Survey on Urban Land Markets: Land Supply for Commercial Property Development in South Africa.**

Good morning to you!

About a week ago, I sent you a questionnaire about my research on how the public sector involve itself (intervene) in urban land market, particularly on land supply for commercial property development in South Africa to achieve socio-economic objectives and would like you to participate in the project. If you have already filled it out and submitted it, please accept my thanks. If you have not gotten to it yet, I kindly ask you –please take some time to fill out the questionnaire. Your assistance and commitment in completing this survey is kindly requested in order to make this research a success. Please take note that, your participation is voluntary and your choice.

To participate in this survey, you are requested to complete an electronic questionnaire in the following
link; https://docs.google.com/forms/d/1XTNa7Qr9YXzKs2I5b_l6bfiXDEHV61qNyaYnFl9AvWM/edit?usp=drive_web. It should take approximately 20-30 minutes to complete the questionnaire. Due to the tight deadlines, may I kindly ask you to ensure that you will have submitted a fully completed in a weeks' time.

ALL INFORMATION THAT YOU PROVIDE WILL BE CONFIDENTIAL AND ANONYMOUS, please feel free to respond and provide extra information you feel might be useful and relevant for this research. The information collected through this survey will be reported only as a collective combined total. Thank you in advance for your time and participation in this survey. If you have any questions or concerns relating to the survey, please contact me on Email: sheltonnhiwatiwa@gmail.com or Cell: 0780861384.

Yours Faithfully,

Shelton Nhiwatiwa