



NEWSLETTER

4th Quarter Edition



mandela bay
DEVELOPMENT AGENCY
THE SPIRIT OF GROWTH

SRANews

A working group is to be set up by the Mandela Bay Development Agency (MBDA) to look at concerns expressed at a public meeting around the establishment of a pilot Special Rating Area (SRA) in Port Elizabeth.

MBDA CEO Pierre Voges said at the meeting he believed an SRA could be established in Nelson Mandela Bay by the middle of next year describing the mood at the public meeting as "cautiously optimistic" but acknowledging that there were a number of areas of concern that would need to be addressed.

The working group will assess issues such as the area that should be included in the pilot SRA – it was argued at the meeting that the current area bounded by Rink Street, Russell Road, Belmont Terrace and Bird Street should be expanded so that more business would be included and the type of model that would be accepted.

Special Rating Areas are designated areas of the city where property owners agree to pay additional rates on top of those levied by the municipality with the funds used to improve security and cleanliness in the area as well as for maintenance. The funds are collected by the municipality and paid to a Section 21 Company established and administered by the property owners.

The property owners will manage the Section 21 Company and decide what additional rates will be levied and for what purpose they will be used.

Addressing the meeting, manager of Inter-Services and External Liaison Finance in the City of Cape Town Eddie Scott said that 22 SRAs had already been set up in the city with a further 43 "knocking on the door" and eight ready to be established.

He said there were national, provincial and local priorities that dictate spending at municipal level and "if you want something extra you must be willing to put your hand in your pocket" stressing that the local authority would continue to provide basic services with the additional rates being used to improve the levels of security and cleanliness on which 80 per cent of SRA budgets in Cape Town were generally spent.

Scott said the goal of the SRA was to:

- Enhance and supplement municipal services
- Facilitate investment
- Facilitate a cooperative approach between the city and private sector
- Halt degeneration and facilitate the upliftment of distressed business and mixed-use areas, and
- Promote economic growth and sustainable development

He said that the results of establishing SRAs in Cape Town had been that the areas were well-managed, had low vacancy rates, attracted capital investment and created environmental awareness, adding that since 2000 when the first SRA had been set up their cumulative budgets totaled R600 million while the payment rate for the additional rates stood at 97 per cent and total arrears were under R15 million or about 2.5 per cent.

Tax implications for lessees of Municipal Land

The Taxation Laws Amendment Bill that has been sent to President Jacob Zuma for assent introduces a change with regard to the leasing of municipal and other government land that could have a significant impact on the process of urban renewal, making the leasing of such land in order to effect improvements more attractive for developers.

Currently, where land is leased from a municipality and there is an obligation for the lessee to incur expenditure on the property in terms of the lease, the lessee can claim for the improvements made over the period of the lease or 25 years.

The Explanatory Memorandum to the Taxation Laws Amendment Bill 2010 notes that this write off "is sometimes less favourable than write-offs in the case of improvements made to directly-owned land" citing the example of land owned in an Urban Development Zone (UDZ) where improvements can be written off over five years and 17 years in the case of new buildings.

Section 12N of the Amendment Bill "effectively deems the lessee to be the owner of the improvements" and allows for the lessee to benefit from accelerated allowances.

For Section 12N to apply the lessee must:

- Hold the right of use or occupation of the land or building
- Have an obligation to improve the land or building in terms of an agreement with a public-private partnership; national government; provincial government or local municipality
- Incur the expenditure
- Complete the improvement and use or occupy the land or building for the production of income or to derive income from the land or building.

There are a number of areas where Section 12N does not apply such as where the lessee carried on banking, financial services or insurance business.

Full details of the changes can be obtained from the MBDA.

New Projects

STADIUM PRECINCT

A Request for Proposals (RFP) has been issued for a detailed market assessment of the potential for a combined retail, leisure and entertainment development around the 2010 stadium in order to test "the appetite of the private sector to engage in the development of the available land".

The goal is to get the stadium to "sweat" more.

A stakeholder forum has also been established to discuss the way forward.

The aim is to have the market assessment completed and the first parcel of land under development by the end of March next year.

The development of the precinct has been supported in principle by the Economic Development, Tourism and Agriculture Committee which noted that one of the priorities should be "to ensure that the quality of the water in the North End lake was improved in order to be able to host water sport recreation and events there".



KING'S BEACH

A Request for Proposals (RFP) has been issued for the upgrading of the King's Beach Triangle, an area the MBDA believes can be used to create an attractive open space on the beachfront that is clean and safe and can be used for events and for family gatherings such as picnics. Attractions such as a skateboarding arena are also envisaged.

Rough drawings have been done for what is envisaged and detailed plans will now be drafted for the upgrading of the area that it is hoped could start in the last quarter of the current financial year. The total cost is put at R20 million.

The MBDA is also looking at a proposal to provide more parking in the vicinity by narrowing the road to a single lane in either direction between S-Bend and the Reg Matlock Bridge over Happy Valley and creating angled parking where the second lane currently exists on the sea side of the road.

The aim would be to direct more traffic along Strandfontein Road but to still allow through traffic along the beachfront.

Any decision on this would be subject to a public participation process and approval by the municipality.



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Existing Projects

CENTRAL BUSINESS DISTRICT AND CENTURY WALK

The pieces of the urban renewal jigsaw puzzle in the Mandela Bay Development Agency (MBDA) mandate area are slowly coming together.

The completion of the upgrade of Govan Mbeki Avenue links through Jetty Street to Strand Street and the Campanile that is the start of the Century Walk to the Donkin Reserve built around the number 67 – the number of years that Nelson Mandela devoted to public life.

Govan Mbeki Avenue took two-and-a-half years to complete at a cost of R95 million and Jetty Street will be finished by the end of November after which Phase 2 to Fleming Street will get underway. That will link Jetty Street with the Campanile and also involve the upgrading of the bus terminus and traffic management measures in Strand Street towards the Baakens Street intersection. That also forms part of the future upgrading of Vuyisile Mini (Market) Square that will get underway next year.

Some 80 per cent of commuters, it needs to be noted, use public transport to get to the city centre.

Phases 1 and 2 of the environmental upgrade of the Donkin Reserve has been completed and Phase 3 which involves the creation of the "election queue" will be completed by the end of May next year. Six of the 67 artworks that will line the Century Walk are already in place as is the Great Flag that with the Campanile stand out as the two major landmarks that mark the start and finish of the Century Walk.

The Art Journey has been funded by money from the Lotto and a partnership has