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Special Assessment Districts and the Financing of Infrastructure in South Africa: The Innovative Use of a Special Rating Area in Claremont, Cape Town

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Abstract

Since 2000, special rating areas (SRAs), also known as Special Assessment Districts and/or city improvement districts (CIDs), have been used to revive urban nodes across the City of Cape Town (Cape Town). Similar to CIDs elsewhere in the world, South African SRAs constitute a mechanism by which an additional property rate can be levied in a given area to finance “top up” municipal services within that area.

The Claremont SRA was one of the first SRAs established in Cape Town. Going way beyond the usual “crime and grime” approach adopted by SRAs, The Claremont Improvement District Company (CIDC), who managed the Claremont SRA, arranged to finance the construction of a bypass road that would ease traffic on the SRA’s main artery and increase the attractiveness of the area. CIDC then planned to donate the bypass road to Cape Town. The creation of RoadCo, a special purpose vehicle created by CIDC for purposes of the project, was made possible by various institutional and financial innovations. This is a unique case in South Africa of an SRA financing large infrastructure and having recourse to a long-term loan.

The project was to a great extent made possible by the presence of a champion who managed to build trust between the different stakeholders. His death unfortunately resulted in the partners moving in diverging directions. Less than a decade later, the level of mistrust is high and compounded by the perception that Cape Town is disengaging itself from areas where SRAs are operating. Cape Town’s lack of active promotion has resulted in a lack of awareness and understanding of the greater role that SRAs could play in terms of broader developmental issues, and at the same time, other municipalities have encountered legal challenges in the implementation of SRAs. Consequently, it remains challenging for the RoadCo model to be adopted elsewhere in South Africa.

Through this case study, we illustrate how although successful in regenerating an area, SRAs as they are currently implemented cannot tackle two of the main challenges facing South African cities: social justice and spatial transformation. We suggest that Cape Town administration plays a more active role to encourage SRAs to fully embrace a holistic mandate rather than a narrow “crime and grime” approach, in line with the provisions of the existing legislation. We also suggest a few initiatives that could be implemented by Cape Town administration in this regard.

Keywords: Infrastructure, Land Value, Property Taxation, Value Capture, Value-based Taxes, Urban Revitalization, Public Finance, Special Rating Areas

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1. Introduction

South Africa, as many other countries across the African continent, is undergoing significant urbanisation. In Cape Town, South Africa's second largest city in terms of population (4 million inhabitants) and GDP (11 percent of national GDP), the population is expected to reach 4.5 million by 2032. The consequence of the demographic growth is enhanced tensions for access to public infrastructure and services.

Modern-day Cape Town was created in 2000 by the amalgamation of 69 municipal bodies of the apartheid era (including "white" municipalities and "non-white" townships) (Zaaiman 2007). This legacy still defines the urban footprint of Cape Town. Poorer communities[1] mostly live on the outskirts of Cape Town, far from economic opportunities. They spend more than 40 percent of their income on transportation to get to their jobs. Although the heavy railway system still accommodates more than half of the daily journeys, the collapse of the system has resulted in passengers increasingly turning to road-based transportation, which has resulted in additional traffic in a city already plagued by congestion.

All three spheres of government in South Africa[2] are under pressure to identify and employ innovative financial models to fund much needed public infrastructure and services. The concept of land value capture (LVC) has been widely used in various forms in many different countries to address these challenges. The LVC concept has also become a standard argument for implementing and reforming taxes based on land.

The LVC concept is generally grounded on the notion that public investment in infrastructure, public decisions on land use and zoning processes, and broad changes in communities that include urbanization, result in land value windfalls to privately-owned land or property. It is this land value windfall that the public sector should recover to finance various other public related interventions. There are LVC approaches intended to recover the cost of public infrastructure investment and other broader approaches designed to capture some share of the land value windfalls to private property caused by land use regulatory processes. These two different approaches are generally considered as forms of LVC.

In South Africa, LVC is gaining momentum especially in contemporary urban development policy dialogues. At the heart of the ongoing debate on LVC is the question of how South

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[1] These are mostly communities living in Townships or urban areas often underdeveloped and built on the periphery of towns and cities. The areas were racially segregated (i.e. reserved for non-whites, namely native black Africans, Indians, and mixed race) from the late 19th century until the end of apartheid era.
[2] The three spheres of government in South Africa comprises local or municipal government, provincial government, and national government.

African local governments can best leverage LVC concepts and mechanisms to finance infrastructure projects that mitigate the urbanization pressures.

In light of the growing interest in LVC in South Africa, this paper intends to outline key lessons on how a special rating area (SRA) was used to finance the construction of a public road in Claremont, a suburb 10 km south of Cape Town's inner city.[3] The term "special rating area," often used interchangeably with Special Assessment District and City Improvement District (CID), refers to a legal mechanism designed to levy additional property rates to finance the provision of additional municipal services within a given area. For the purpose of this paper, the term special rating area (SRA) will be used.

Once an SRA has been established, the additional rate is levied on all property owners within the boundary. It is capped at 25 percent of the municipal property rate and it is collected by the municipality and then transferred to a company administering the provision of additional top up services. These companies are organs of state and are deemed to be external providers according to the Municipal Services Act. They are non-profit companies registered under the Companies Act. Usual reporting and governance requirements thus apply to SRA managing companies (annual reports and financial statements, annual general assembly meetings (AGM)) as well as additional ones imposed by Cape Town (annual budgets and implementation plans, mid-year performance scorecards, etc.).

Annual budgets for the SRA are approved by Cape Town administrative council as part of its budget process. The SRA managing institution board is comprised of representatives of the SRA's stakeholders and a councillor appointed by Cape Town to sit as an observer. In Cape Town, SRAs on average levy 17-18 percent of the "normal" rates (Scott 2018). SRAs have a lifespan of five years, after which they need to be reconfirmed by the City council, provided their members have applied for a further term.

This case study essentially explores how the SRA management company for Claremont—Claremont Improvement District Company (CIDC)—created RoadCo, a special purpose vehicle, to finance construction of a road called Claremont Boulevard. RoadCo has several features that make it unique in South Africa and these are mainly:

- It is the only known instance in South Africa where levies from an SRA was used to finance the construction of large public infrastructure.
- It is also the only known instance nation-wide where an SRA entity contracted a long-term loan (from the DBSA, a South African development bank).
- The loan itself required financial and institutional innovations to comply with the prevailing regulatory framework.

[3] Claremont suburb used to be the Municipality of Claremont in 1886, which managed neighboring Newlands. It was incorporated into the city of Cape Town in 1913. Today, Claremont is technically a Cape Town neighborhood with a mix of both commercial and residential segments that is currently experiencing significant growth and development. It does not have its own governing body.

This case study aims to draw important insights on how the project came about, how it was structured, and why, although successful, it was not replicated elsewhere. An equally important analysis in the case study is the intersection of national, regional, and local policies in enabling this particular LVC mechanism. The case study is based on a desktop study and interviews with the different stakeholders (City of Cape Town, CIDC, DBSA, academia and civil society organisations).

The questions that framed the research were:

- What was the process followed to create CIDC and RoadCo? What were the challenges? Why was this particular LVC mechanism chosen? Whose interests were taken into consideration?
- How was the financial arrangement structured? How were the risks allocated between the private sector and Cape Town administration? Is the CIDC financing model used to fund the development of the Claremont Boulevard road similar to LVC instruments or mechanisms used elsewhere, i.e. the betterment contributions as used in South America[4] or special assessment districts or business improvement districts used in the U.S.? Could it have been structured differently?
- Did the CIDC interventions contributed to land value windfalls in the area? What was the scope of the resulting land value windfalls? What mechanism was in place for the public and private sector to justly share the accruing land value windfall?
- What are the key factors underpinning the apparent success of CIDC and more generally SRAs in Cape Town (even though they are being challenged elsewhere in the country)? Is RoadCo replicable in Cape Town or elsewhere in South Africa? Why has it not been replicated? Should it be replicated?
- What are the dynamics and future trends regarding SRAs in Cape Town? Are SRAs properly designed to address Cape Town's infrastructure development issues?
- What lessons can be drawn from CIDC and RoadCo that could guide how to roll out other LVC tools?

This case study does not aim to comprehensively address these questions through an empirical analysis. Its objective is to shed light on the salient factors defining this unique initiative and to highlight the key areas that require further investigation.

In terms of structure, the case study comprises four additional sections to this introduction. The next section focuses on the history of SRAs in South Africa. This is followed by the second section that analyses the process and circumstances underpinning the establishment of the SRAs in Claremont (CIDC and RoadCo in the Claremont precinct/suburb within the Cape Town Metropolitan area are used as a case study).[5] The third section is an analysis of the impact of

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[4] See for example Smolka, M. (2013) *Implementing Value Capture in Latin America, Policies and Tools for Urban Development*; Lincoln Institute of Land Policy.

[5] Technically, there have been two SRAs based on the definition of highlighted in section 22 of the Municipal Property Rates Act (2004), i.e. they were both established to collect additional property taxes. However, the differences between the two are that (i) RoadCo is managed by CIDC and was established as a special purpose vehicle for financing the Claremont Boulevard Road, and (ii) instead of having a lifespan of 5 years (based on local

both CIDC and RoadCo on the redevelopment of Claremont Central Business District (CBD). This is followed by the final section which discusses the key success factors and potential reasons why RoadCo has not been replicated elsewhere in South Africa. The paper concludes by summarising the key points and lessons discussed.

2. An Overview of Special Rating Areas in Cape Town and South Africa

In the 1990s, many CBDs[6] throughout South Africa were going through intense phases of decay. In Cape Town's CBD, the property value dropped by nearly 60 percent between 1995 and 2003. The revision of Cape Town's property valuation roll[7] resulted in a 50 percent decrease in collected property taxes in the inner city (Didier et al. 2017). This had a significant impact of Cape Town's finances as property rates account for approximatively 20 percent of its revenues. In this context, local business, largely influenced by similar experiences in the U.S. and the U.K., started promoting SRAs as urban planning and management mechanisms that would revitalise inner cities. At the time, South Africa embraced "urban entrepreneurialism" and its neoliberal urban policies and practices that reinforced the role of the private sector in urban management issues (Didier et al. 2017). The first SRA was established in Johannesburg CBD in 1993.

In Cape Town, two business lobbies, the South African Property Owners' Association (SAPOA) and the Cape Chamber of Commerce and Industry (CCCI), were the driving forces behind the creation of the Cape Town Partnership (CTP), a public-private partnership[8] whose objective was to revive the Cape Town CBD. CTP was instrumental in the drafting of the first SRA municipal by-law, adopted in 1999. This paved the way for the creation of Cape Town's first two SRAs the following year: the Claremont Improvement District Company (CIDC) and the Central City Improvement District in the CBD.

The model has since thrived in Cape Town where 41 SRAs are currently operating. Another 35 communities have approached Cape Town with plans to establish their own SRAs; Cape Town expects to have 10 more established over the medium term (Scott 2018). SRAs in Cape Town have a collective budget of 217 MZAR (equivalent to US$15,172,531.50 [9]) for 2018/19[10]—

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municipal by-law provision) RoadCo had a lifespan that was equal to the tenor of the DBSA loan (i.e. 15 years). This aspect raises questions on whether RoadCo is a lawful SRA that meets the terms of the local municipal by-law or it is merely a special purpose vehicle.

[6] In South African context, the term central business district (CBD) refers to the commercial and business center of a municipal area or district. Prior to the year 2000, when the City of Cape Town became a metropolitan area, Cape Town was divided into six municipalities (i.e. Cape Town/Central, Tygerberg, South Peninsula, Blaauwberg, Oostenberg and Helderberg) that had fully established CBDs

[7] The reevaluation of the 2011 valuation roll was primarily to be in line with the market changes, a key provision of the Municipal Property Rates Act. The Municipal Property Rates Act is a national legislation that empowers municipalities to charge and collect rates from property owners and sets provisions requiring municipalities revalue all properties at least once every four years.

[8] CTP was co-funded by the City of Cape Town until 2017.

[9] The 215 Million Rands is equivalent to US$15,172,531.50 based on the 30/04/2019 exchange rate.

[10] In South Africa, the financial year for municipalities ends on 30th June. 2018/19 is the financial year that ends on 30th June 2019.

representing 2 percent of total property taxes raised by the municipality. The Central City Improvement District is by far the largest with a budget totalling about one third of this amount.

In South African legislation, CIDC and the Central City Improvement District in the CBD are designated as "special rating areas" (SRA). Their establishment and functions are regulated by Section 22(1)(b) of the Municipal Property Rates Act (MPRA) of 2004 which states that: "the purpose of the special rating area is to allow an additional rate to be levied on property in the defined area to raise funds for improving or upgrading the area." Similar to special assessment districts elsewhere in the world, South African SRAs thus constitute a mechanism by which an additional property rate can be levied in a given area to finance "top up" municipal services in that area.

Since 1999, Cape Town has fine-tuned its SRA legal framework which now mainly consists in a policy (last reviewed in 2017, by the time this research was conducted) and a by-law (promulgated in 2012 and amended in 2016). The policy states that SRAs are "based on international best practice. [They are] aimed at preventing the degeneration of cities and towns and the consequential urban decay, and facilitating their upliftment, economic growth and sustainable development" (City of Cape Town 2017).

The policy defines two types of SRAs: residential and non-residential – the former applies to areas where at least 40 percent of rates are levied on residential properties. Only six of the existing SRAs in Cape Town are residential.

The SRA can only be established if a majority of property owners within the considered area approve it. The definition of majority differs between the two categories: 60 percent of the property owners for residential SRAs and 50 percent + 1 for non-residential. All other rules apply to both categories alike.

The establishment of an SRA[11] is an onerous process which requires numerous steps: urban management survey of the properties in the considered area, public participation, production of a business plan (including a motivation report), an implementation plan and a budget to be approved by City council, signing of a finance agreement with Cape Town, etc. It takes about two years to go through the process.

3. Innovative Use of SRAs in Claremont (Cape Town)

3.1. Claremont

Claremont is a wealthy suburb located about 10 km South of Cape Town CBD (see Figure 1 below). It had its own municipality until 1913, when it was incorporated into Cape Town metropolitan area (SAHO 2013). It was home to a diverse and mostly working-class community

[11] The establishment of an SRA is spearheaded by a group of residents out of their own initiative and public officials provide guidance on process requirements. Cape Town does not see its role as advocating or initiating the establishment of SRAs.

prior to the passing of the Group Areas Act of 1950. This legislation enabled the apartheid government to assign racial groups to different neighbourhoods in urban areas, resulting in the forced removal of non-whites from areas designated for white-only citizens. In 1969, the application of the Group Areas Act in Claremont led to the displacement of its non-white residents to other parts of Cape Town.

As a former independent municipality, Claremont had developed its own CBD. It thrived in the 1970s and early 1980s, following the opening of Cavendish Square, which remains one of Cape Town's major shopping malls.

Figure 1: Claremont location within Cape Town Metropolitan Area

Source: Authors (2019); modified and collated different images/maps obtained from openstreetmap.org and the State of Claremont Report 2016 referenced in this paper.

Three factors then contributed to its decline: the economic recession experienced in the country in the second half of the 1980s, the growing competition from other shopping centres (Waterfront, Tyger Valley, and Somerset West), and the revival of Cape Town's CBD. The major problems that characterised Claremont during this era were the surge in crime and traffic congestion along the main road. As a result, the local businesses established the Claremont Business Forum (CBF) in the early 1990s, which evolved into the Claremont Crime and Grime Initiative (CCGI), to counter the area's decay. Their action at first focused on the regulation of informal trading (Davies 2018).

Following the adoption of the municipal SRA by-law, the SRA for Claremont was established in 2000 and administered by a managing institution called the Claremont Improvement District Company (CIDC). Two businessmen were instrumental in its advent: Chris Drummond, a local property owner and founder of NPV, a property development group, who became the first chairperson of CIDC; and Anthony Davies, the owner of a small laundry business, who was instrumental in the creation of CBF and CCGI, and who was appointed the first executive manager for the CIDC (Kerbelker 2018, Davies 2018).

Today, Claremont's fate has changed drastically, and it is now a much sought-after neighbourhood. Its CBD has become a vibrant commercial district with popular entertainment and recreational facilities and over "200 retail stores comprising fashion boutiques, accessory, interior, lifestyle and décor shops, jewellers, hair salons, restaurants, cafes and suchlike" (Property 24 2018). According to the latest national census (2011), the suburb houses just over 17,000 inhabitants, mostly white (64 percent), whose level of education and employment far outperforms the national and city averages, and who live in formal dwellings with access to all amenities (water, electricity, etc.).[12]

Figure 2: Claremont in the early 1940s and nowadays (2019)

Source: Independent Newspapers.

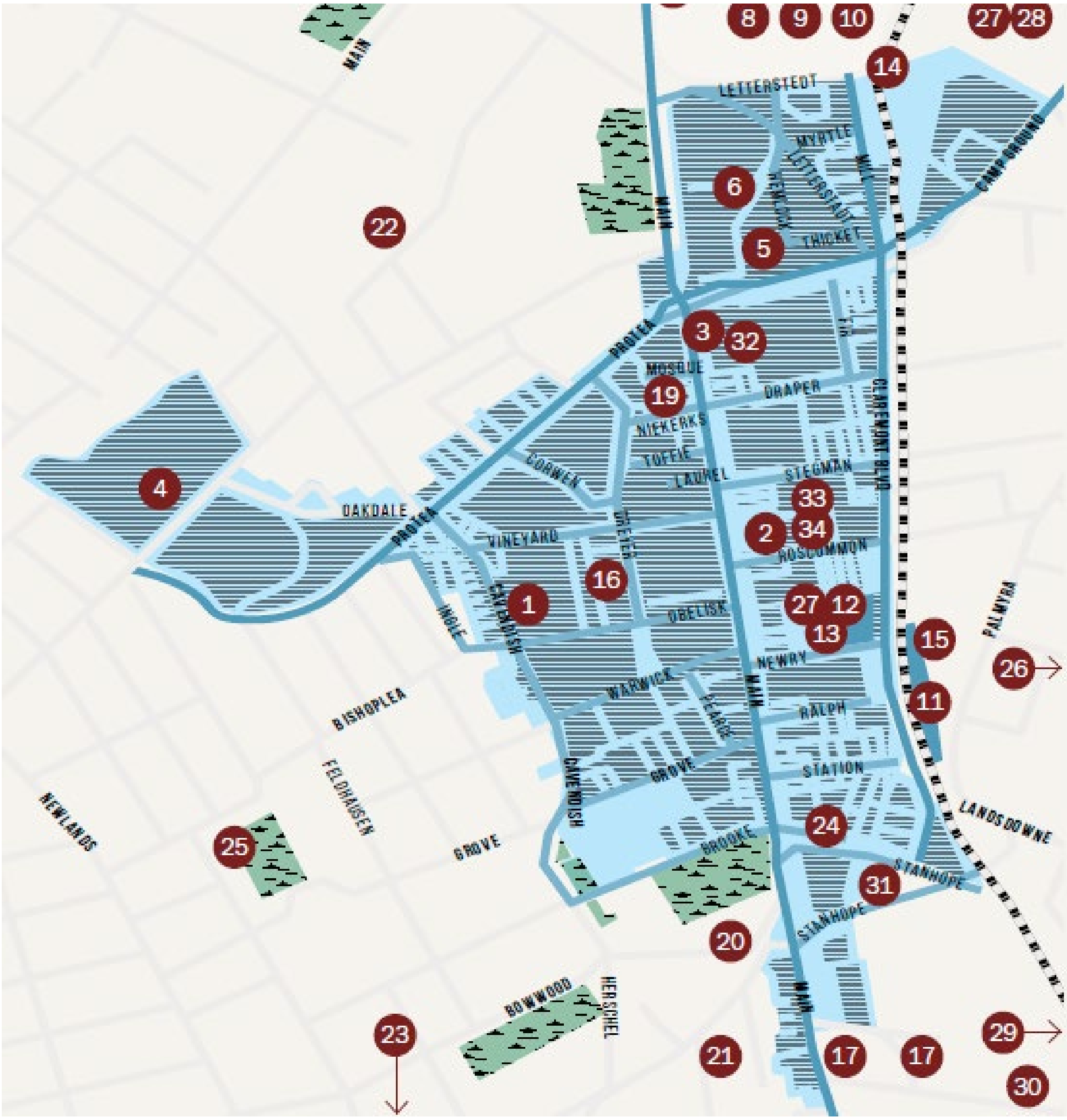
The CIDC and or RoadCo initiatives in Claremont CBD coupled with various other external factors such as the overall performance of the economy and the changing land use regulations are believed to be the stimulating force for the sudden urban change in the suburb that is characterized by a growing increase in land values across the precinct.[13] It is these initiatives and their role in turning around the area that we now focus on in the next section.

[12] It should be noted that the boundaries of the census do not exactly overlap with those of CIDC.
[13] This paper did not aim to conduct an empirical analysis on CIDC/RoadCo implications on land values within Claremont SRA. However, an empirical analysis of that nature remains an important area of further research that we recommend. Reviewing the municipal valuation role for Claremont could be a good source of average property values that can be assessed against the key events of the CIDC initiative.

3.2. Claremont Improvement District Company (CIDC)

CIDC was established in 2000 as a non-residential SRA management company. The Claremont SRA spans on both sides of Main Road for about 1.3 km with a maximum width of 1km (for a total area of 45 ha). Its current physical boundaries are shown on the map in Figure 3.

Figure 3: Claremont Special Rating Area map



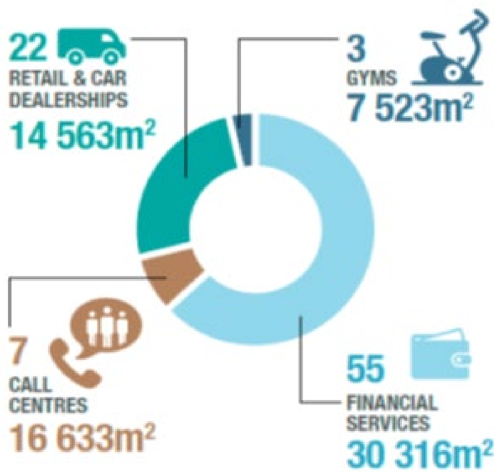
Source: State of Claremont Report 2016.

CIDC was renewed in 2015 for a 5-year period. Its 2015-2020 business plan adopts the following vision and mission:

- Vision: “A place for all”
- Mission: “To ensure that the Claremont Business District is the premiere 24-hour activity node in the metropole,”

Since its creation, CIDC has invested 64 MZAR (CIDC 2018). Its proposed budget for 2018/19 amounts to 8.9 MZAR making it the 4th biggest SRA in Cape Town.[14] Business owners contribute to 92 percent of the budget (residential property owners provide the rest) reflecting the strong commercial nature of the Claremont CBD (CIDC 2016). Types of businesses are represented in Figure 4.

Figure 4: Four largest sectors within prime office space in Claremont CBD & their area (SQM)



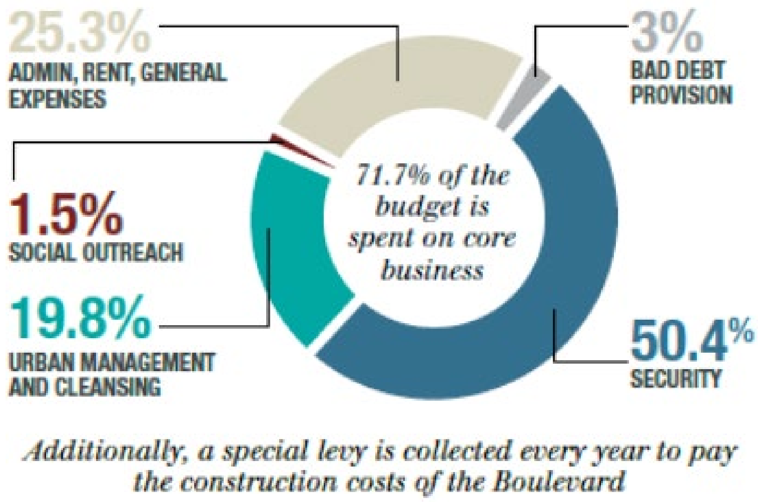
Source: State of Claremont Report 2016.

Three companies (the “big three”) own around half of the property stock in Claremont: two of the largest national property owners (GrowthPoint Properties, 20 percent and Old Mutual, 20 percent) and Chris Drummond’s company (NPV, 10 percent) (Stoll 2018). The composition of CIDC’s board reflects the dominance of the commercial property owners: out of the seven board members, six represent the sector, including the “big three”; the seventh represents smaller property owners. Since 2010, the chairperson has been the regional director of GrowthPoint Properties, who also sits on the board of Cape Town’s CBD SRA managing institution.

Just over half of the budget (51 percent) is dedicated to safety with 32 security officers employed (CIDC 2016) while 20 percent goes to cleaning. In 2016/17, on a monthly basis CIDC on average removed 40 tons of litter, fixed 10 potholes, removed 13 instances of graffiti, and made eight arrests (Ibid).

[14] Behind Cape Town Central, Voortrekker Road Corridor and Epping respectively (see Annexure 3 of CoCT budget for 2018/19).

Figure 5: Proposed operational budget for 2016/2017



Source: State of Claremont Report 2016.

3.3. RoadCo: A Special Purpose Vehicle for Financing the Claremont Boulevard Road

Congestion on Claremont's main artery (Main Road) had long been identified as a major hindrance for the development of the area. By the 2000s, Main Road had become a major divider that "people were not very keen to cross" (Davies 2018). Development in the CBD was stifled "because of the problems of the taxis and informal traders and the mess on Main Road" (Ibid). To solve these issues and unlock the potential of the eastern side of Main Road, CIDC unearthed a plan drawn by Cape Town officials in 1968: the Claremont By-Pass Scheme which proposed the construction of a bypass road to decongest Main Road.

This plan had still not been implemented by the time the "Unicity" of Cape Town was established in 2000 through the amalgamation of former "white" municipalities and "non-white" townships. The newly constituted local government had to focus its budget towards the poorer communities to ensure an equitable access to basic services across Cape Town. In this context, Cape Town council would not commit funding towards the construction of the bypass road as it was located in a previously "white" area. As a result, CIDC proposed to finance the road on the basis of a partnership approach. A proposal was formalised in its "Claremont Vision" (2002): CIDC would fund and build the bypass road, while Cape Town would take responsibility for the required land acquisitions, the construction of a new bus and taxi interchange, and the relocation of a health clinic.

In 2004, the proposal was formally approved by Cape Town council.[15] The total cost of the project ($46 MZAR) would be more or less equally shared between Cape Town ($24 MZAR)[16]

[15] Council resolution C10/02/04, dated 25th February 2004.
[16] The $24 million was used to finance the land acquisition, development of the interchange and the relocation costs of the clinic.

and CIDC ($22 MZAR).[17] According to the report, the Claremont Boulevard would be built as per "municipal standards and specifications" and thereafter be given to Cape Town "free of compensation." [18] The proposed scheme was approved by 98 percent of CIDC's members (Davies 2018).

CIDC approached the DBSA, South Africa's largest municipal lender, for a loan to fund the project. Two major legal obstacles emerged:

- As an SRA, CIDC's existence could not be guaranteed for more than five years, and
- Since SRAs are funded through additional rates, their funding is only guaranteed on a year-to-year basis, depending on Cape Town's budget decisions.

To overcome these challenges, the Claremont Road Bypass Company (RoadCo) was established in 2006 both as a non-residential SRA collecting additional property rates from business owners within CIDC boundaries and as a special purpose vehicle managed by CIDC (with whom it shares its board and staff) and whose sole mandate was to fund and build the Claremont Boulevard. Cape Town administrative council agreed to allow RoadCo's lifespan to be equal to the tenor of the contemplated loan (i.e. 15 years).

A cooperation agreement between representatives of Cape Town local government, CIDC, and RoadCo was signed in 2006 in terms of which:

- Cape Town undertook to pay to CIDC the rates collected from ratepayers within its area; and in turn, CIDC agreed to pay to RoadCo the portion of the rates allocated to the payment of the infrastructure. In effect, it means that the role of CIDC for the bypass road is limited to that of a financial intermediary between Cape Town and RoadCo (See Figure 6).
- Cape Town undertook to transfer to RoadCo the levies collected for the reimbursement of the loan if CIDC was dissolved;[19] this ensured that RoadCo would remain in a position to pay back the loan even if CIDC ceased to exist.[20]

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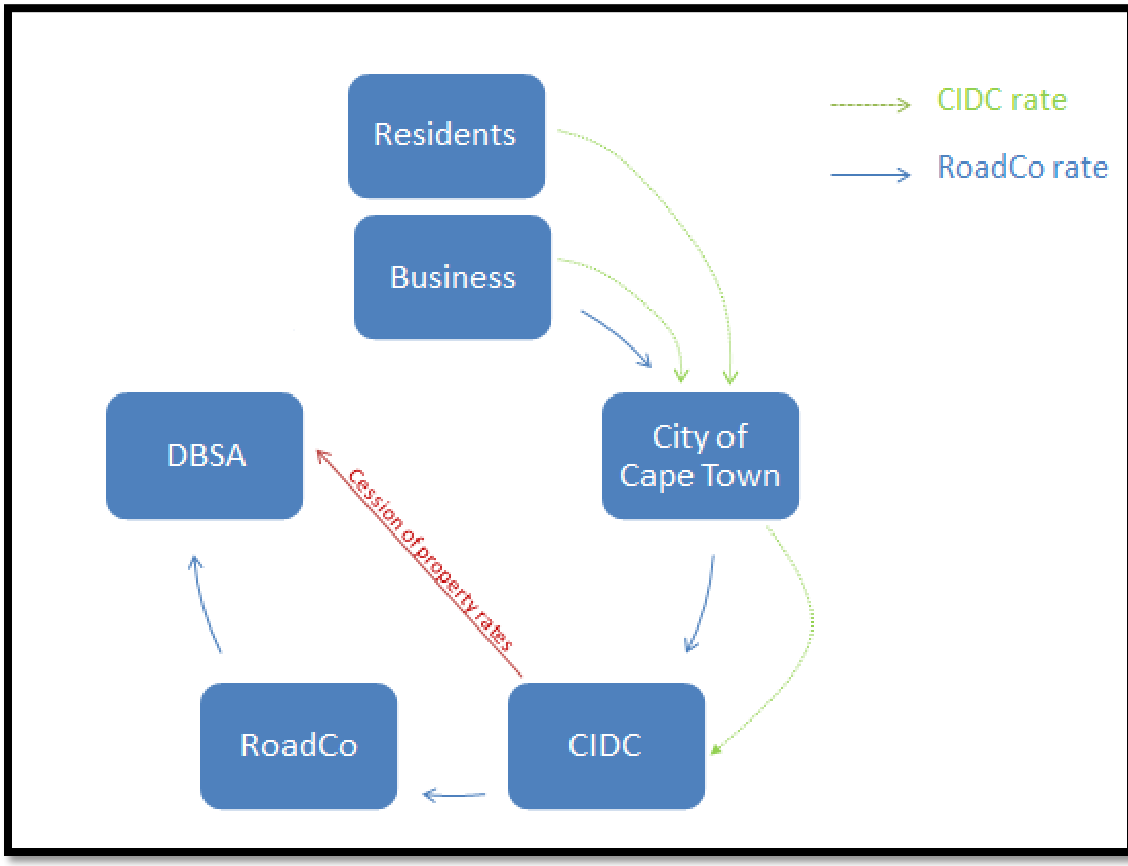
[17] The $22 million was used for the construction of the by-pass road.
[18] Council resolution C10/02/04, dated 25th February 2004.
[19] In the event that CIDC was dissolved, the cessation agreement on infrastructure levy put in place by CIDC enabled Cape Town to continue collecting and transferring revenue from levies to RoadCo on a year-by-year basis until the loan is paid in full.
[20] CoCT financial statements.

Figure 6: Institutional arrangements & financial flow chart



Source: Authors (2019).

With all this in place, nothing stood in the way of the finalisation of the transaction, which was approved by the DBSA's board in 2007; the loan was signed in 2008. The engineering firm (HHO) and the contractor (Civils 2000) were appointed following a procurement process adjudicated by RoadCo after approval by Cape Town administrative council. The road was commissioned in 2009.

<u>RoadCo's loan main characteristics:</u>

- $22 MZAR
- 15-year maturity, including a 1-year grace period on interest
- Fixed interest rate of around 12 percent[21]
- Half-yearly repayments

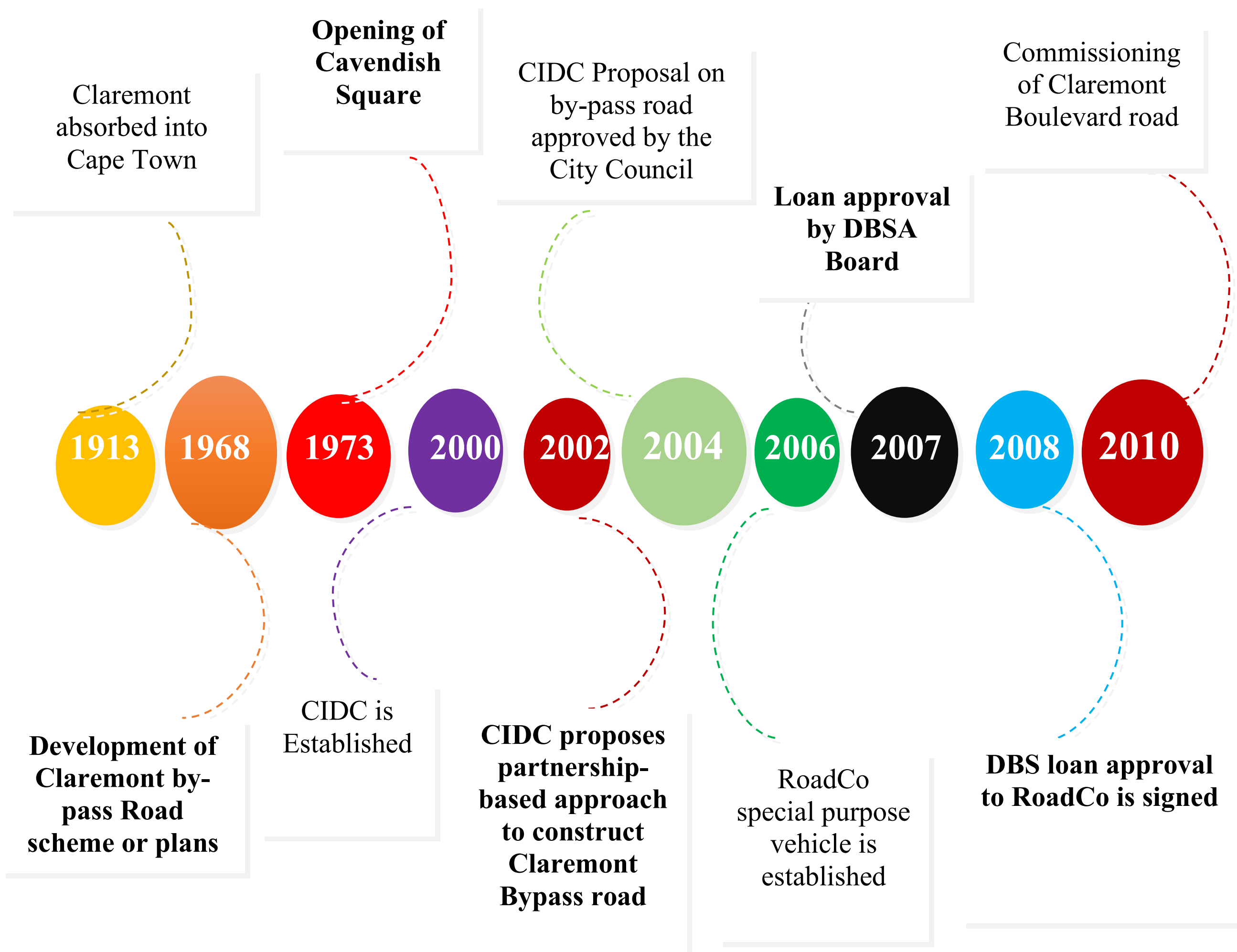
It should be noted that although Cape Town local government is not a party to the loan agreement, under South African accounting rules, SRA managing companies are deemed-

[21] i.e. the conversion of a 154-basis point margin over the reference government bond (R186) at the time of signing of the loan.

controlled entities for purposes of the consolidated financial statements; RoadCo's loan thus appears in Cape Town's balance sheet (Robbins 2018; Scott 2018).

RoadCo's proposed budget for 2018/19 stands at 3.5 MZAR, i.e. 40 percent of CIDC's budget.[22] Overall, the additional levies charged by SRAs within the boundary of CIDC currently amount to 16 percent of the municipal rates (11 percent for CIDC and 5 percent for RoadCo) (Kerbelker 2018).

Figure 7: Claremont Boulevard development timeline



Source: Authors (2019).

[22] The combination of the two budgets amounts to 12.4 MZAR, making it the 3rd biggest CID.

3.4. A Unique Case in South Africa

RoadCo has several features that make it a unique public infrastructure financing mechanism in South Africa:

- While SRAs historically focus on crime and grime issues, CIDC agreed to finance the construction of a road. This is the only known instance in South Africa where top up levies from SRA were used to finance large public infrastructure. Our calculation shows that the private sector invested around $42 MZAR[23] (including interest paid over the lifetime of the loan).[24] The Cape Town legal department confirmed that such an extensive definition of "top up services" was legally compliant.[25] This is a telling illustration of the extent to which the Municipal Property Rates Act empowers SRAs. As previously mentioned, section 22 does not give a definition of the "improving or upgrading" that SRAs are allowed to undertake, thus giving them a very broad mandate.
- RoadCo is also the only known instance nation-wide where an SRA entity contracted a long-term loan. In Cape Town, other SRA entities have had recourse to this financing vehicle, but these loans were much smaller (less than $1 MZAR) and limited to three years.
- The loan itself required innovation:
    - DBSA's interventions usually focused on funding public entities. RoadCo seems to have been one of its first forays into private sector funding – at the time, the bank did not have a dedicated risk rating tool for the private sector (Wiswe 2018). For DBSA, this project was complementary to its support to municipalities. It was seen as a pilot that could be replicated to increase the provision of infrastructure in urban areas.
    - The whole "deal" was structured as project finance. A special purpose vehicle was created (RoadCo) and a number of safeguards and securities were put in place. In particular, DBSA required that a cessation agreement be put in place with CIDC, in terms of which the latter agreed to relinquish all its rights and title to the infrastructure levy (Ibid). Cape Town also required bank guarantees from RoadCo to ensure that it would bear all construction risks.[26]
- In turn, the loan created constraints that had to be accommodated through several institutional innovations:
    - The City council had to grant RoadCo a 15-year lifespan, equal to that of the DBSA loan.
    - RoadCo benefited from all the processes undertaken for the creation of CIDC (its parent SRA), which enabled it to by-pass most of the administrative requirements (e.g. the urban management survey of the properties in the area, public

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[23] The 42 MZAR is estimated on the following basis: the 22 MZAR loan plus the fixed interest rate of 12 percent over a 15-year repayment period.
[24] In general, the businesses and residential property owners within an SRA have the powers to raise their SRA rate, which is exercised through voting at the special general meeting. In the case of RoadCo, it was the business property owners rather than the residential property owners that had to vote on the rate increase to pay for the road.
[25] This is also highlighted in the council resolution C10/02/04.
[26] The whole description of the transaction stems from a presentation given by CoCT.

participation, production of a business plan, an implementation plan etc.) and be established in a much shorter timeframe (Scott 2018).

4. The Implications of CIDC and RoadCo on Redevelopment of Claremont Precinct

4.1. SRAs as a Successful Commercial Regeneration Tool

In its municipal SRA policy, three out of the five objectives assigned by the Cape Town administrative council to SRAs relate to economic and private sector development: "facilitate investment; halt the degeneration and facilitate the upliftment of distressed business and mixed-use areas; and promote economic growth and sustainable development" (City of Cape Town 2017). SRAs can therefore be viewed as commercial regeneration tools. In Cape Town, they have been very successful in that regard.

This is certainly true of Claremont which has experienced a great revival since 2000. It is now the second best performing economic node in Cape Town.[27] Vacancy rates are lower than other business centres in Cape Town; they now stand below 2 percent (Stoll 2018, Kerbelker 2018). Claremont attracts a lot of private investment and many land parcels are currently being redeveloped (see Figure 8). Although the extent to which this can be attributed to CIDC and RoadCo would have to be the subject of a dedicated study, but it seems beyond reasonable doubt that they have contributed to the revival of the area. This view is corroborated by Cattell et al. (2008) who produced the only study to have investigated this correlation.

The impact of CIDC and RoadCo on the regeneration of Claremont can be characterised in three phases. Following the creation of CIDC, redevelopments initially mostly happened around Cavendish Square and on the Western side of Main Road. Later, the construction of the Claremont Boulevard increased the attractiveness of Main Road by alleviating its traffic issues. Revitalisation spread to the eastern part of Main Road. Redevelopment is now spreading to the areas surrounding Claremont Boulevard. This is evidenced by on-going construction around the transport interchange and recent development applications submitted to the Cape Town development management unit.

The initiatives undertaken by CIDC and RoadCo are believed to have contributed towards substantial land value increments.[28] The total valuation of properties in Claremont multiplied by four in 10 years (CIDC 2016). Additionally, between 2012 and 2015,[29] the municipality's valuation roll in Claremont grew almost twice as fast as the valuation roll for the whole city.[30]

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[27] Behind the Waterfront (see ECAMP model developed by CoCT).

[28] There was no analysis on whether there was development after the announcement that the road would be built. However, the stakeholders interviewed confirmed that soon after the completion of the road construction the private sector businesses and/or redevelopment projects started to trickle into the precinct and this assertion is evidenced by the growing decrease of that real estate vacancy rate as noted.

[29] Date of the last property valuation roll update for Cape Town; the next one will be finalized in early 2019.

[30] Authors' calculation based on data available on Cape Town's Open Data portal.

Figure 8: Current redevelopment projects in Claremont CBD

Source: Authors (2019).

Property owners have thus significantly benefitted from Claremont's regeneration – especially the "big three" which owns 50 percent of the stock. The value of the CIDC to property owners is evidenced by the growing calls from neighbouring property owners to extend the boundaries of the existing SRA. These requests have so far been turned down by CIDC, which does not want to embark on the complex administrative process (Kerbelker 2018).

The Cape Town administration has also benefited from land value increments as higher property valuations translate into higher property taxes. In 2017, we estimate that the City of Cape Town raised $68 MZAR[31] in property taxes within CIDC boundaries (not including the SRA levies).[32]

In the case of Claremont, subsuming the SRA as a commercial regeneration tool would be too limiting. The nature of the precinct is evolving. Since 2006 and the construction of the first mixed-use development in the area, the share of residential units has increased, as evidenced by the rising proportion of residential rates in CIDC's budget over time (8.5 percent in proposed budget for 2018 vs 7.1 percent in 2014). This is a sure indication that SRAs can be a powerful tool to increase the attractiveness of an area for non-business owners too.

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[31] The estimated figure is based on the authors' calculations using data from the municipal valuation role.

[32] When property tax revenue goes up, so does the SRA levies. It is difficult to predict the CIDC's plans for these increased revenues mainly because the SRA by-Law sets requirement for the SRA to submit to the City council an annual budget in line with the business plan approved by the SRA members at an annual general meeting. The amount of any additional rate levied in any SRA is then determined by the council.

4.2. Impact of CIDC and RoadCo on Socio-Economic Equity in Claremont

4.2.1. CIDC/RoadCo and Spatial Patterns

SRAs are by nature tools to serve property owners' interests. In the words of the CIDC chairperson, SRAs aim at "taking control (… and) protecting the value of your assets" (Stoll 2018). There is, therefore, an inherent tension in the Municipal Property Rate Act, which explicitly states that SRAs "will not be used to reinforce existing inequities in the development of Cape Town."[33] It is indeed hard to grasp how this risk could be avoided. SRAs require a capacity to pay for additional rates that can only be afforded by the more affluent property owners.[34] As evidenced by the case of CIDC, the provision of top up services enhances the attractiveness of the area. This results in higher property prices and, in the absence of proper mitigating measures, SRAs can thus become the catalysts for market-led displacement of the poorer communities within suburbs falling under SRA jurisdiction.[35]

The only study interrogating the implication of CIDC on gentrification was undertaken in 2010 (Cattell et al. 2010). Although its findings were inconclusive, the study did detect early warnings of gentrification. Between 2012 and 2016, residential property prices in Claremont CBD increased by 15 percent per year on average (CIDC 2016) – which represents a doubling in five years. Additionally, no measures have been put in place to ensure that housing remains affordable – or programmes to deliver affordable housing units – within the Claremont suburb. It is therefore possible that since the study was undertaken, the displacement of the less resilient communities could have materialised. Further research on the trends and extent of gentrification and/or market-led exclusions in Claremont would be a useful analysis in the near future.

There is also little or no doubt that the historical social, economic, and spatial inequity that is visibly noticeable in the Claremont precinct was partly reinforced by the SRA and the local government failure to adopt appropriate mitigating measures and/or programmes. SRAs have been critiqued for: "contradict[ing] the 'One city one tax base' anti-apartheid motto, (i.e. the general principle of balancing out between rich and poor, formerly Black and White areas, when it comes to fiscal responsibility") (Didier et al. 2017); and for reinforcing the apartheid spatial patterns or inequalities (Miraftab 2007). In order to effectively counter the nature of exclusion, especially of low income households that wish to live in and around Claremont precinct, Ndifuna Ukwazi (NU), with support from various stakeholders across Cape Town, has argued that Cape Town should implement LVC mechanisms that promote provision of inclusionary housing in the area and various other well-located suburbs.

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[33] Section 22 (4).

[34] The idea of recommending the SRA managing institution or the local government to create abatement policies for property owners that cannot afford the full rate – if they can prove they cannot afford the full rate – is currently not supported by the existing legal framework.

[35] The idea of recommending that more successful SRAs transfer some of their surpluses to surrounding poorer areas may not be feasible under the existing legal framework because by its very nature, SRA top up revenues are ring-fenced so that they are spent within the SRA boundaries. However, it is important for the local government and the SRA managing institution to develop and implement social inclusion policies that would mitigate market-led displacement of poorer communities within the SRA precinct.

NU as an organisation has proposed for the creation of "density overlay zones" that allocate further development rights conditioned to the provision of inclusionary housing (either onsite, offsite, or through in lieu contributions). An overlay zone is a regulatory tool that enables Cape Town to alter the base zoning of an area to stipulate the purposes for which land may be used. Applied in Claremont, such an instrument would mean for every new development within the targeted area, the developer makes contributions towards inclusionary housing, thus ensuring that affordable housing units are built in the area.

4.2.2. CIDC/RoadCo and Informality

SRA management companies in Cape Town have also been lambasted for their hard-line approach to informality (street hawkers, parking attendants, homeless people, street children, etc.) (Didier et al. 2017). Not being property owners, these stakeholders have a limited say in the governance or programmes of the of SRA as they cannot vote at the AGM.

The relationship between formal business and informal traders has long been contentious in Claremont. Today, informal trading in Claremont is mostly found in three areas (see Figure 9):

- at a market located at the transport interchange, theoretically managed by Cape Town, but with strong support from CIDC given the lack of municipal capacity;
- a covered market outside of Cavendish Square, financed by Old Mutual and leased to a Traders' Association; CIDC is not involved in the supervision of this market; and
- a few informal stalls along Main Road.

Informal traders, many of which were businesspeople forcibly removed after the area was declared a white suburb, were mostly unhappy with their relocation to markets (Cattell et al. 2008). The study by Cattell did not try to address how those feelings have evolved over time. Giving an informed opinion on whether CIDC takes a hard-line approach to informality would also require dedicated research. According to CIDC, it strictly enforces the municipal by-laws but rarely issues fines (Kerbelker 2018).

Figure 9: Claremont public transport interchange precinct

Source: Authors (2019)

It is also worth mentioning that although CIDC clearly states that its focus is on “crime and grime issues,” it prides itself on its social programmes (Kerbelker 2018). CIDC employs two field workers to liaise with the homeless residents (around 90) and refer them to NGOs. A shelter for homeless people is located within its boundary but only accommodates 16 persons and CIDC therefore often has to refer them to institutions outside of Claremont. CIDC spends $5,000-6,000 ZAR per month on a job creation programme for homeless people with Straatwerk, a non-profit organisation (Ibid).

5. Success Factors and Reasons Why Roadco Financial Arrangements Have Not Been Replicated Elsewhere in South Africa

5.1. Success Factors

As with any complex initiative, it took a champion to ensure that RoadCo saw the light. Chris Drummond, property owner and instigator of CIDC, managed to bridge the gaps between the different stakeholders (property owners, City and DBSA). According to the different stakeholders, he was instrumental in fostering a continuous dialogue and trusting environment that enabled the birth of this singular project. The “alignment of stars” was made possible thanks to his “very persuasive, charismatic and determined” personality (Scott 2018). He created a conducive environment that made innovation possible (Davies 2018).

In this context, a prerequisite to any land-based financing (LBF) initiative was enabled: the creation of a healthy relationship between government and the private sector. Cape Town officials’ views SRAs as tools to “facilitate a co-operative approach between Cape Town and the private sector in the provision of municipal services” (City of Cape Town 2017). As evidenced in the description of the governance and processes of SRAs in Cape Town, several measures have been implemented to achieve this goal (city councillors sitting on SRA managing institution Boards as observers, approval of budgets, implementation plans by Cape Town council, etc.) The “deal” struck by Cape Town and CIDC around the construction of the Claremont Boulevard was a step further in the building of a robust relationship between two spheres that quite often struggle to find a common language in South Africa. Although it does not fall under the South African PPP legislation and is thus better described as a “cooperation agreement” (Scott 2018), it is undoubtedly a unique case of a sophisticated common approach by public and private partners.

Finally, Cape Town played an important role in providing strategic and policy guidance. As mentioned earlier, Cape Town had developed the initial plan for the construction of the bypass road. Moreover, in the early days of CIDC, Cape Town drafted a series of plans for Claremont. For instance, between 2003 and 2006 Cape Town conducted two planning studies for Claremont that became useful resources to CIDC. In 2006, it commissioned the “Integration Implementation Framework for Priority Non-Motorised Transport and Urban Upgrade Projects in the Claremont CBD,” which identified the following core issue: “private sector capital has been concentrated on developing internalised spaces and malls while the resources of the public sector have been absorbed by […] traffic congestion […] and managing blighted leftover spaces.” The study proposed a 3-year investment programme to address these issues whose cost was to be shared between Cape Town and CIDC.

5.2. Factors Explaining the Lack of Replication

There are four critical factors explaining why RoadCo has not been replicated. The first one is the lack of highly motivated leaders with the personality and leadership qualities demonstrated by Chris Drummond. As argued previously, the first chairperson of CIDC was instrumental in striking a compromise that suited the different stakeholders’ interests.

The second factor is the loosening of the ties and a growing mistrust between the different parties. Although the relationship between CIDC and Cape Town remains constructive on "nuts and bolts issues," numerous frustrations were voiced during the interviews with CIDC representatives. The new status quo is exemplified by the fact that the plan developed in 2006 (see previous sub-section), which was deemed an "excellent product" by CIDC,[36] was never implemented. CIDC argues that it was willing to finance some of the proposed upgrades on Main Road, but it has now "taken the back seat" and put the initiative on hold (Stoll 2018). The negotiations appear to have failed because of CIDC's requirement that Cape Town should match its proposed funding ($1 MZAR),[37] while Cape Town is not in a position to prioritise funding towards a non-priority neighbourhood (Ibid).

Moreover, the gap between CIDC and Cape Town has been further exacerbated by the restructuring of the municipality, the creation of the Transport and Urban Development Authority, and the splitting up of the economic department (historically interlocutor of SRAs) into several units. All these elements are perceived by CIDC as major disrupting factors that have diluted accountability, complicated access to decision-makers, and lowered the understanding of local conditions (Kerbelker 2018).

The loosening of the ties is also exacerbated by the gradual disengagement of Cape Town as the primary municipal service provider. According to Cape Town officials, in a context where its resources are spread ever thinner to cater to increasingly competing needs, Cape Town is more and more tempted to abdicate its role as the primary services provider and to reinforce the roles of SRAs (Scott 2018). This trend is further being fuelled by a deliberate policy by Cape Town to promote the diversification of activities undertaken by SRAs. Through the signing of management contracts, Cape Town intends to delegate activities such as the management of parking bays or shelters for homeless people. These will generate additional revenues for SRA managing companies. Cape Town is experimenting with pilot projects and expects that the model will be rolled out in the medium term (Ibid).

The third factor lies in Cape Town not fully embracing its role as policymaker. Cape Town is not in a position to give strategic guidance to SRA managing companies. Cape Town's unit responsible for SRAs acknowledges that it does not have that capacity and rather focuses on compliance and accountability issues (Scott 2018). The CIDC officials regret that the City of Cape Town no longer has a vision for Claremont (Kerbelker 2018). Cape Town also refuses to adopt a proactive stance on SRAs. As stated in its SRA policy: "Cape Town does not see its role as advocating or initiating the establishment of SRAs."[38] Cape Town officials we met with during our research confirmed this statement. This has led to a situation where the RoadCo model had never been proactively promoted as a possible tool to be used by SRA managing

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[36] See comments in annexure to "Integration Implementation Framework for Priority Non-Motorised Transport and Urban Upgrade Projects in the Claremont CBD."
[37] The question might be raised about why CIDC wouldn't pay for the road maintenance despite the increased revenue due to the increased property values. A short answer to such question is that SRA is established to make provision for top up services and the nature and scope of the priority top up services is largely determined and endorsed by the property owners.
[38] Section 4.4

companies[39]. Consequently, there is very little or a lack of awareness and understanding of what SRAs could achieve:

- Internally, less than 10 years down the road, very few officials in Cape Town seem to be aware that such an innovative land-based financing tool was ever applied in Cape Town.
- SRA key stakeholders, including managing companies, do not seem to be aware of the wide developmental mandate conferred to them by the South African legislation. As previously mentioned, section 22 of the MPRA empowers SRAs with a very broad mandate. According to the City of Cape Town, most SRAs are ignorant of these possibilities and still largely focus on "crime and grime" issues (Scott 2018). This applies to a large extent to CIDC, which now adopts a much narrower approach to its mandate than it did in its early years. The CIDC representative argued that it would be challenging now to convince property owners in Claremont to buy into a scheme similar to RoadCo as their members want to focus on more usual crime and grime activities.
- There seems to be discrepancies between how CIDC and Cape Town officials envisage the role of SRAs. Cape Town officials defend a holistic approach to SRAs. In their view, the SRA mandate relies on four pillars: safety, cleanliness, environment, and social (Scott 2018). For example, SRAs are used by Cape Town as vehicles to promote environmental awareness (e.g. SRA AGMs held at the end of 2017 were used by Cape Town as forums to communicate on the severity of the water crisis and disseminate best practices). The holistic approach to SRAs is only partially shared by CIDC. Although it highlights its social achievements, this is not reflected in its budget, which only allocates 2 percent to social activities and 0 percent to environmental matters.

In this context of growing mistrust, the time-consuming processes to navigate the combined constraints of the different stakeholders could be perceived as too onerous. It took seven years to come up with a workable institutional and financial solution for RoadCo. In the current context, how many more years would be required?

Lastly, the legal contestation of SRAs in South Africa is also a key factor for the general lack of replication, especially beyond Cape Town. In 2015, the Supreme Court of Appeal issued a seminal judgement in the Randburg Management District v. West Dunes Properties case. It determined that SRAs in the Gauteng Province, home to three of the country's main cities including its administrative (Pretoria) and economic (Johannesburg) capitals, were unlawful. The Supreme Court of Appeal held in that matter that the levies raised by CID's offend Sections 229 and 160 of the Constitution, in that a local authority may not delegate its right to raise rates and taxes. These contestations highlight the lack of a clear understanding of the legal framework around SRAs elsewhere in the country.[40] In early 2018, the Nelspruit Magistrate's court nullified the Nelspruit SRA and forced it to reimburse the rates levied. The Magistrate's court decision

[39] It could also be argued that the fact that the financial liability appears on its balance sheet makes it less palatable for CoCT to promote such a mechanism. This assumption would need to be further tested.
[40] According to a legal opinion obtained by CoCT, its SRA policy and by-law pass legal muster. It is nevertheless reviewing its own policy and by-law in the light of these judgments. The revised documents will also address the weaknesses identified in the current functioning of SRAs, such as procurement and the role of SRA board members.

was based on the Supreme Court of Appeal in the matter of Randburg Management Districts v. West Dunes Properties.[41]

6. Conclusion

The South African municipal finance framework has long been hailed for its robustness and sophistication. In a context of growing financial constraints, many studies on alternative sources of funding have emerged, with LVC receiving growing attention. In "Towards an Alternative Financing Model for Metropolitan Cities in South Africa," the South African Cities Network (SACN) advocates for a fiscal framework that is not only guided by fiduciary concerns but is also development centred. SACN posits that how municipalities are financed impacts how they are built.

CIDC and RoadCo achieved their goals in terms of urban regeneration. Claremont has experienced a great amount of urban regeneration since 2000. Although the extent to which this can be attributed to CIDC can be debated, it seems beyond reasonable doubt that the intervention by CIDC was instrumental to the revival of the suburb. The ensuing land value increments have greatly benefitted property owners – in particular the "big three." Land value windfalls that have subsequently emerged seem greater than what was expected and CIDC is now "sitting on a pile of cash," to such an extent that RoadCo has approached the DBSA for an early repayment of the loan (Stoll 2018). The initiative presented in this case study should thus be hailed as proof that creative land-based financing is possible in South Africa and deserves to be more widely promoted.

We have identified four factors that could explain the lack of replication of the initiative:

- Key to the success of the initiative was the presence of a champion who managed to align all the stakeholders' interests and create an environment in which all parties were willing to innovate. His death unfortunately created a vacuum and the key stakeholders ended up moving in diverging directions.
- Less than a decade later, the level of mistrust between the stakeholders is high and compounded by the perception that Cape Town is disengaging itself from areas where SRAs are operating. The disengagement and/or poor relationship between Cape Town and CIDC is largely attributed to the restructuring that resulted in the creation of the Transport and Urban Development Authority and the splitting up of the economic department (historically the interlocutor of SRAs) into several units. At the time of writing this case study, Cape Town went through a second restructuring in less than 3 years. CIDC believes the restructuring has been a key disrupting factor that diluted accountability. Since all land-based financing mechanisms require a healthy relationship

[41] Randburg Management Districts v. West Dunes Properties: 2016 (2) SA 293 (SCA). This code refers to the specific South African law report, i.e. 2016 is the year that the law report was published, (2) represents the volume number of the publication, SA 293 refers to the page number of the case within the South African law report, and SCA refers to the supreme court of appeal.

between local government and the private sector, the failure to establish such a strong bond over the long term constitutes a major concern for future land-based public infrastructure finance initiatives.

- The City of Cape Town's lack of active promotion of the model has resulted in a lack of awareness and understanding of the greater role that SRAs could play in terms of broader developmental issues.
- Other SRA managing companies like the Nelspruit CID have encountered legal challenges. In March 2018, the Magistrate's Court of Nelspruit granted summary judgment against the Nelspruit CID for the refund of all levies raised against an owner (Smith 2018). This is an important factor that explains why it remains practically difficult to adopt the RoadCo model elsewhere in South Africa.

As they are currently implemented, SRAs do not address two of the main challenges facing South African cities: social justice and spatial transformation. The way they were conceived should be revisited to ensure that they foster greater social inclusivity. CoCT should play a more active role to encourage SRA managing companies to fully embrace a holistic mandate rather than a narrow "crime and grime" approach, in line with the provisions of the MPRA. The considered revisions to the municipal SRA policy and by-law in this regard would be a first step in this direction (Scott 2018). Internally, CoCT needs to pursue its endeavours so that SRAs are not only perceived as "cash cows" (Kerbelker 2018). CoCT should use its relationships with SRAs, notably through the councillors sitting as observers on their boards, to promote this broader developmental agenda. It should nudge SRA managing companies into looking at enhancing their investment in social infrastructure. In Claremont, the private sector is asking for more strategic guidance from Cape Town (Ibid). CoCT should embrace this opportunity and propose ways to ensure that Claremont really is a "place for all." There is clear room for an improved vision of Claremont as a mixed-used and socially diverse neighbourhood.

In existing and future SRAs, the City of Cape Town could promote approaches similar to that of eKhaya in Hillbrow (HDA 2012) and of the eco-district models. Both put a strong emphasis on social cohesion. For example, eKhaya has structured numerous actions to reinforce social capital ("Know your neighbour" campaign, clean-up campaigns, monthly walkabouts, etc.) and the SRA managing institution endeavours to accommodate informality (Ibid). We have also discussed how a tool such as a density overlay zone could be used in Claremont to counter the further entrenching of spatial segregation.

To conclude this working paper, we would like to acknowledge the limitations of our research. The short timeline, as well as the difficulty to access consistent data, have hindered our capacity to address all the questions listed in the introduction. In our view, the following issues should be further investigated:

- Are gentrification and/or market-led exclusions of population happening in Claremont? Are CIDC and RoadCo contributing to the entrenchment of inequalities in Cape Town?
- Has CIDC successfully dealt with informality? Has it done so in a way that respects all people's right to the city?
- While there is consensus around the fact that CIDC initiatives and various other external factors possibly generated substantial land value windfalls, we have not been able to

precisely assess the real amount of this windfall and how it was shared between private property owners and the government. This should be further investigated as it could have bearings on the design of other land-based public infrastructure finance mechanisms and/or LVC tools aimed at sharing the subsequent land value windfalls.

- The fact that the Claremont Boulevard was part financed by the private sector poses serious questions on Cape Town's ability to claim a full share of the subsequent land value windfalls linked to that particular infrastructure. Can such arrangements dampen the public sector bargaining power to increase municipal property rates of private properties within the CIDC? More generally, could SRAs lead to a situation where CoCT is less able to guide the development path of the precincts falling under their jurisdictions?

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Appendix A: Abbreviations

AGM: Annual General Assembly
CBD: Central Business District
CIDC: Claremont Improvement District Company
CoCT: City of Cape Town
DBSA: Development Bank of Southern Africa
LBF: Land-Based Financing
LVC: Land Value Capture
MPRA: Municipal Property Rates Act
SRA: Special Rating Area
ZAR: South African Rand

Appendix B: List of People Interviewed

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Hilton	Robbins	Manager: Treasury	Hilton.Robbins@capetown.gov.za
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Cathy	Stones	Independent Consultant	catherinejoystone@gmail.com

Appendix C: Questions Used During Interviews

Questions specific to CIDC and RoadCo:

- What was the process followed to create CIDC and RoadCo? What were the challenges? Why was this particular public infrastructure finance mechanism chosen? Whose interests were taken into consideration?
- How was the financial arrangement structured? How were the risks allocated between the private sector and CoCT?
- Research on similar experiences elsewhere tend to show that there is substantial land value windfall often associated with investment on public infrastructure project initiated by CIDC and RoadCo. Is this kind of correlation evident in Claremont? What was the scope of the resulting land value windfalls? What mechanism was in place for the public and private sector to justly share the accruing land value windfall?
- What is RoadCo's legal status? In particular: is it an SRA? Is it regulated by the CID by-law? If it is a CID (which seems to be the case since it is listed as such in the City's budget), how could it finance a road, as this seems a rather extensive understanding of "top up" services?
- Is Roadco replicable in Cape Town or elsewhere in South Africa? Why has it not been replicated? Should it be replicated?

General questions on SRA:

- What are the reasons explaining the apparent success of CIDC and more generally CIDs in Cape Town (while they are being challenged elsewhere in the country)?
- What are the dynamics and future trends regarding CIDs in CoCT? Are SRAs properly designed to address local government's public infrastructure development issues?
- What lessons can be drawn from CIDC and Roadco that could guide how to roll out other Land based public infrastructure finance mechanism or tools?
- What are the key factors underpinning the apparent success of CIDC and more generally SRAs in Cape Town (even though they are being challenged elsewhere in the country)?