

# Western Cape Property Development Forum – Conference 2017

## Chairman's address

Madam of Ceremonies Viola Manuel

City of Cape Town Mayor Patricia de Lille

Minister Ivan Meyer (who will be joining us tomorrow)

Cape Winelands District Municipality Deputy Mayor Cllr Dirk Swart

Cape Town Mayoral Committee Member Brett Herron

President of the Master Builders Association – Bonke Simelane

Regional Chairman of SAPOA: Marlon Paring

The Chairman of the Cape Town Municipal Planning Tribunal: David Daniels

Representatives of various City Improvement Districts and professional Institutes and Associations that are strategic partners of the WCPDF

Provincial and Municipal officials

Our sponsors: AMDEC Group, NHBRC, EFG Engineers, Talani Quantity Surveyors & the Association of South African Quantity Surveyors

Speakers

Members of the WCPDF

And most importantly -

**DELEGATES**

Madam of Ceremonies, the theme of my address this year is *“Making sense of and surviving an ever-changing environment”*.

Before I deliver my address allow me the opportunity to acknowledge a couple of constants as regarding the WCPDF Conference. You yourself, together with our Day 2 MC, Rod MacPhail, have delivered star performances at all our conferences to date. (In fact Rod MacPhail has become so passionate about the event that he has become a familiar voice on Kieno Kamies’ show on Cape Talk.)

Mayor de Lille, you have now delivered three consecutive key note addresses at this event. Every time you speak you set a higher expectation on delivery for the City. Thank you, Madam Mayor, for again making time in your busy schedule and we appreciate your efforts in making Cape Town more development friendly.

I would like to acknowledge people who I can only describe as friends of the Development Forum, Professors Francois Viruly and Brian Kantor who step up to the plate year after year.

And then there are the people who work tirelessly throughout the year, the Forum Management Committee and on this event specifically, the Conference Work Group supported by Peter Aspinall from SBS Conferences. Thank you for your input.

And then behind the scenes I specifically would like to acknowledge Charmain Cronje, Geneveve Walker and Natalie Smit who has made sure that you are all registered for the event and hopefully signed up as members of the WCPDF!

For the first time, we are at the Century City conference Centre. To the Rabie Group, I think you have done a great job with this development.

Madam of Ceremonies, the Greek Philosopher Heraclitus, circa 500 BC, is credited with the saying *“the only thing that is constant is change”*. What would he have said about the time that we live in nearly 2,500 years later? He would probably have found an eloquent way to describe the exponential acceleration of the speed with which change happens.

In 2012, the blogger (and business executive), Torben Rick, stated that *“the rapid rate of change is killing strategy”*. He based this statement on a quote from Kevin Roberts, a director at Saachi and Saachi as saying:

*“Who really knows what is going to happen in this super volatile, uncertain, ambiguous and complex world? The more time and money you spend devising strategies the more time you are giving your rivals to start eating your lunch!”*

Kevin Roberts

To paraphrase Kevin Roberts – if you cannot think on your feet, you will become someone else’s lunch.

In a later blog in 2016 the same Torben Rick referred to the changes in bricks and mortar businesses like the retail industry and stated: *“Technology disrupts everything!”* He goes on to describe the impact of music streaming on the local music shop, the impact of Air B&B on the hotel industry and the future of private vehicle ownership in context of Uber. He does not bemoan these disruptive technology businesses. What he does do is warn against the conservative and traditional method of allowing your competitor to lead and to carry the risk and then to follow in the slipstream. Again, to paraphrase, not even the slipstream of your competitor is guaranteed anymore today. There is no longer “business as usual”.

Both Torben Rick and Kevin Roberts speak from a business perspective and both emphasise the roll of technology as change agent. I don’t think there is any better person than South African born Elon Musk to illustrate the role of a techno-visionary. Last week, at the TED Conference themed “WHAT WILL THE FUTURE LOOK LIKE?” he spoke about his project to bore tunnels under Los Angeles and of moving cars on skates

at 200 km/h and about his launching of an electric truck that would outperform its diesel engine competitors. He also spoke about going to Mars. These technologies driven projects have a similar theme, if you can dream it you can do it. But, as he points out, *“we’re mistaken when we think technology automatically improves. It only improves if a lot of people work very hard to make it better”*, if a lot of people share the same vision.

What Elon Musk did not speak about is the legislative and policy frameworks within which he works and whether he deems government to be a constraint or a facilitator of his visions, whether government can keep up with the rapid changing realities that business face.

I think we can all agree that technology does disrupt everything and that it is a challenge to keep up with change. But as Elon Musk points out, change is the result of people working to change things. It is not, as many think, a case of change being on autopilot. It does not just happen. Vision, strategy and work are required. Without vision and strategy, we will run in circles.

But what about change in political and social environments?

I can only speak for myself when I say Brexit and a Donald Trump were un-expected events. The silent majority which, I might remind us all, we call democracy, spoke in the UK and the USA. Brexit and Trump are now part of reality and we need to deal with the change that this brings.

And did we really expect that South Africa would score the own goal of allowing our Minister of Finance to be fired and willingly join the junk status club? Even this unthinkable is now part of our reality.

As a certain national political spokesperson said in response to the fall-out post Gordon, *“we did not foresee the consequences”*. (We now have a new South African political term: unforeseen consequences.) But as Elon Musk reminds us, change does not just happen. Someone had a vision and strategy and worked very hard to achieve this change. It did not just happen.

Both in politics and in business, not being able to predict or pre-empt with a level of certainty is commonly referred to as risk. The higher the probability of unintended consequences, the higher level of risk. The less time spent strategizing and understanding potential outcomes, the higher the probability of unintended consequences.

So are Messrs Torben and Roberts correct to say that strategy is dead. Are they not perhaps saying that we are so run off our feet dealing with change that we no longer have the energy to strategise. But as we have seen recently in South Africa, those that do spend time strategizing are eating the ordinary citizen's lunch.

If uncertainty is the new certainty, what is the role of government and the private sector in this new paradigm?

Does Cape Town and the Western Cape offer a level of predictability that makes investment safe?



In uncertain times we must ask ourselves, do Government, business and civil society share the same vision, same strategy and the same intention to work hard?

Do we share the same vision at National and Provincial sphere?

What about Municipal sphere?

- Do we all recognise the injustices of our past and our present?
- Do we all honour those who suffered and continue to suffer for justice and freedom in our land?
- Do we respect those who have worked and continue to work to build and develop our country?
- Do we believe that South Africa really belongs to all who live in it, united in diversity?

I cannot see how we can survive the uncertainty of change if we do not share a single goal.

In 1996, South Africa agreed on a single vision. Our vision was to

- Heal the division of the past and establish a society based on democratic values, social justice and fundamental human rights;
- To Lay the foundations for a democratic and open society in which government is based on the will of the people and every citizen is equally protected by law;
- To improve the quality of life of all citizens and free the potential of each person; and
- To build a united and democratic South Africa able to take its rightful place as a sovereign state in the family of nations.

If I was to summarise the South African Constitution in a single word it would be “respect”.

If I think of South Africa today the word that jumps to mind is “power”.

- The power of elected office and the ability to make unilateral decisions irrespective of the mandate of the electorate
- The power of capital and the right to self-enrichment
- The power of fake news and the use of media in strategy
- The power of land ownership and
- The power of “not in my back yard”
- The power of “I” – the power of “me”

What has happened to the power of “respect”?

We are all on our own self-serving missions and we have forgotten how to listen to each other. This is unfortunately true for government, for business and for civil society alike. If we continue this path it will surely lead to destruction, either through our own actions or through our inability as a society to deal with change caused by factors beyond our control. Whether it be Brexit, Trump..... or Elon Musk.

---

Madam Mayor, the last year has been an interesting period for the property development industry – perhaps more of a Chinese curse than a blessing. Not only does the industry need to deal with the ripple effect of the changing international context, we are still trying to understand the impact caused by the recent cabinet changes and our new-found junk status.

At the same time, we need to deal with local changes that we still struggle to get our heads around:

- The new Organisational Development and Transformation Plan in the City
- The new Transport and Urban Development Authority
- Ongoing changes to planning legislation and zoning regulations
- New policies not least the implications of Transport Orientated Development and an anticipated policy on inclusionary housing

To make sense of these local uncertainties we need to keep our common South African vision in mind.

Having done some reading on the ODTP and looking back to the preamble of the Constitution which I quoted, I can only applaud you on your vision to transform the City and to break down physical and virtual barriers that still exist 23 years into our democracy. I cannot fault your intention.

- In combining various disciplines into a single Authority, you want to achieve delivery and reduce conflicting departmental agendas.
- In making changes to the Planning By-law you want to streamline processes and increase turnaround times.
- By focussing on Transport Orientated Development, you want to create accessibility and you want to make past capital investments of the City work harder.

- By introducing inclusionary housing in the Foreshore Freeway project, you state the obvious, that the City is becoming unaffordable to the people that need to keep the cogs of the wheel turning.

But even with the best intention, there have been and remain unintended consequences. Let me address some of these:

**ODTP:**

- In reading various press releases and scanning the City's new, and I must say – user friendly, web site the new political structure for the ODTP is clear.
- I am however not convinced that all the officials clearly understand the Plan, where they fit in, but more importantly, what their new performance targets are and how their performance will be measured. I think it is fair to say that there remains a high level of uncertainty amongst many officials in the City and this, I have no doubt, has already had an impact on performance.
- Speaking from a property development perspective, I am not sure where the buck stops, with a mini mayor or with the MAYCO Members for various Departments? Who is accountable? I don't think the private sector understands the plan clearly yet.
- I am uncertain on what the role-out program is and what additional impacts there may be on the development industry. I still need to get my hands on the implementation strategy of this Plan. There does not seem to be anything in the public realm. Perhaps the implementation strategy is exactly what the private sector needs to see to truly understand it. And more importantly, how will this new plan be measured and will the private sector be part of the measurement process? Should the end users not have a say in the bonuses paid to City employees?

## **Transport and Urban Development Authority (TDA)**

- The Forum supports the creation of the Authority and we look forward to work with Cllr Brett Herron and Commissioner Melissa Whitehead to optimise this structure.
- For the first time it appears that all development related silos are placed in one super structure. But as it stands, have the walls of the silos truly been broken down and will we see a new culture of “can-do” or will the unintended consequences and complexities of such a mega structure be the excuse for non-delivery and more red tape? Will we see design, environmental, heritage and transport planning departments called to book, never mind those involved in the rates clearance process? The industry is holding its breath.
- In working with the City on the Development Application Management System, which now, I assume, falls in the new structure, it became clear that a transversal management structure, or a matrix structure, can only work if there are clear levels of authority and accountability. Unless there is transversal accountability we are not sure that this system can ever function optimally. Have the levels of authority and accountability been set?
- We were proudly told that the DAMS system is the first electronic submission system ever to be created on SAP. But even with the best intentions, development applications cannot be reduced to accounting formula. The unintended consequences can be shared by many delegates present here today.

## **Ongoing changes to Zoning Scheme**

- At the commencement of the drafting of the Municipal Planning By-Law the forum volunteered to participate with the drafting process. This invitation was declined. The unintended consequence of not engaging with the industry at drafting stage has been the need for multiple changes and even some people questioning whether the By-Law has improved anything.

- On this point, I must say that the new Commissioner has already indicated her willingness to engage with the industry to address practical problems caused by the By-Law and Zoning regulations for which we are greatfull.

### **Transport Orientated Development**

The principles of TOD are sound and should be supported by all.

- For industry the roll out process remains uncertain.
- Unless the risks of development are reduced exponentially to facilitate development according to the TOD strategy, we will continue to see friction between market needs and policy aspirations. We will have to reflect on the unintended consequences when they occur. Let the City be proactive and zone land along at transit corridors and stations – remove the risk of the environmental, heritage and planning gauntlet that developer must run, and perhaps we can proactively reduce unforesee consequences of the policy.
- Something that is reported more and more is the attempt to force developers to provide less parking than the market requires in the hope of supporting TOD. By underproviding parking required by the market you going to prevent development. Rather debate the way parking can be re-used in future, once the public transport system is fully functional and once the market has accepted that it works. We are seeing some large potential investment held back because of this mismatch between market needs for parking and policy requirement. (I never thought I would be arguing to be allowed to provide more parking than required!)

Which brings me again to the concept of the facilitation of development vs the ever-growing layers of policy.

Anecdotally a Forum member recently brought to my attention to challenge of developing in the Woodstock urban renewal zone. He pointed out the incentives for

urban renewal will end in 2020 and that relatively few developers have been able to access and use these incentives as intended. Following some basic research the following became clear:

- In 2012 Council approved a proposal to review the old Road Schemes or “R” routes that fall under the auspices of Province whilst the roadway is owned by the City. (In the case of Woodstock, it specifically relates to Sir Lowry’s Road and Albert Road.) I recently learned that the City has finally appointed an official to do the review (5 years after approving the proposal).
- There is a heritage overlay zone over the specific area.

Practically the following transpires:

- A developer purchases land for redevelopment.
- He undertakes design work only to find out that if he makes structural changes to existing buildings, the Road Scheme kicks in and takes a chunk of his land.
- Then he needs to find out what is workable within an ill-defined heritage overlay zone to see what he can salvage.

At which point – he gives up.

This is a practical example of how layers and layers of policy and regulation lacks integration and often causes more harm than good.

---

In 2012, the Presidency published guidelines for the implementation of Regulatory Impact Assessments or RIA’s. The purpose of RIA’s is to test legislation in terms of conflict with other legislation and policies and to ascertain the actual cost of legislation and whether it contributes to clarity or confusion.

Madam Mayor, I believe that there is an opportunity, as part of the City’s restructuring process, to give serious consideration to a legislation and policy review process. I would suggest that we start with the City’s Spatial Development Framework, which by the way,

should have been formally reviewed and redrafted this year, five years after its first approval. I understand that this process will now roll over to next year.

Madam Mayor, there are several aspects of the SDF and the District Plans that require serious re-thinking not least the definition of urban edge and several vague undefined concepts and terms that are often used by overzealous officials to actively prevent market driven development.

Lastly Madam Mayor, there is the issue of bulk infrastructure planning.

- In recent memory, we have survived the energy black outs and we support your efforts to take on NERSA.
- Now, we are struggling with water supply.
- I predict in the next two years we will hit the wall on sewage treatment capacity. I am concerned that we are playing catch up and not spending enough time and energy in forward planning and strategy. As it stands we already have a crisis at the Macassar and Faure sewage works. And I appreciate that there is money to create capacity by 2021. But where we stand now, there is no fall-back position. We do not have a package plant policy or strategy. The City currently has no strategy and guidelines on how to deal with package treatment plans. We cannot afford to stop development until there is new capacity which in the Helderberg will only be in 2021.

☺ Please note I have deliberately not said anything about traffic congestion or the relationship with SANRAL and PROVINCE!

---

Madam Mayor, I have spoken about some of the unintended consequences that flow from organisational change and new policy and legislation. I think it is important to highlight some further new realities that, irrespective of the changing environment that we work in, need to be called by their name and be given serious air time by the property industry:

- The first is the concept of affordable accommodation vs low cost housing. Members of the Forum recently had a very constructive discussion with representatives of I Ndifuna Ukwazi. What I personally realised in this discussion is that we as industry have not moved much in our thinking on housing and still feel threatened by the concept of small boxes in the middle of small erven, or as Prof Veruli always says, 40 sqm / 40 km from work / costing 40% of your income. I think the recent Tafelberg School debacle has been a wakeup call. Can we really afford not to use strategically located state owned land for affordable accommodation, for the creation of accommodation for people who are active in the economy but cannot pay market prices?

I would like to congratulate you for including the concept of affordable accommodation in the Foreshore Freeway Project. You are setting the tone by illustrating how serious this matter is to the City and the private sector should take note.

The challenge to the development industry is to start to engage with the concept of affordable accommodation, to join in the discussion with organisations such as I Ndifuna Ukwazi and to break through the fear factor. There are developers in Johannesburg and Pretoria who have already found the business opportunity in affordable accommodation. Western Cape Developers stand to lose out if we do not educate ourselves on this opportunity. Affordable accommodation is not charity, it's a business opportunity just like student housing became an opportunity when Universities could not provide sufficient accommodation. And yes, there will be teething problems but is our industry not about risk and reward?

- The second aspect that I would like to highlight is the need to introduce youth into the property development industry, and specifically the black youth. In recent discussions with academic staff at UCT they expressed their concern about how few black students enter the development world. Not only is the industry

relatively foreign, those young students that do pass through the academic gates have challenges in getting practical experience and a whole industry view.

Through one of our committee members, Dacre Hatting from ERIS, the Forum was introduced to, and we were able to make a small contribution to the establishment of Youth in Property Association. I think Monedi Lefekane, the Chairman of YiPA is in the audience. The launch of YiPA was one of the best organised and spectacular events that I have attended recently. Please take note of this association. I believe these young people are going to be a driving force in the industry in future.

Monedi, the Forum looks forward to a close working relationship with YiPA. I encourage developers in the audience to step up and assist in mentoring these young and energetic minds. They are the next generation and they are going to see opportunities that we are all missing or too scared to even think about.

---

Madam MC, I started my presentation by reflecting on the impact of technological change. Every time I visit the City's website and its planning portal, I realise that the City is not scared of technology. The same goes for the Provincial Department of Agriculture with its Western Cape's farm web site and the Surveyor General's office. We have technology that many other countries can only dream of. I am not sure how many developers know that there are answer to your questions one mouse click away. Technology change can only benefit the creative entrepreneur.

I also quoted Torben Rick arguing that the rapid change in technology is killing strategy. But more importantly I quoted Elon Musk that said nothing happens without vision, strategy and hard work.

We are living in a strange time, a time of rapid change but also a time of uncertainty, uncertainty caused by external factors but also uncertainty caused by ourselves. Yet we

need to remind ourselves that 1996, as a country, we agreed on a common vision, a vision which is strong enough to carry us all through uncertain times.

Madam Mayor, as the executive leader of the City, the Development Forum appreciates that there is a lot of pressure on your shoulders. Not only do you need to deal with our historic legacies, we depend on you to set the tone on whether Cape Town and the surrounding municipalities are open for business or not and whether local government can assist in creating a stable environment for business.

If ever there was a time to give certainty on whether the Cape is open for business it is now.

MC, thank you for the opportunity to address the Conference. I look forward to robust debate over the next two days.

DEON VAN ZYL

CHAIRMAN