

ADVANCED PROPERTY SYSTEM

2021.08.05



When developers and property owners are investigating a new project or embarking on a development, the purpose or 'use' of that property must align with the regulations contained in the property's rights. By modifying the property use, or zoning, a developer can unlock significant value and development potential for their investment. A change in planning rights is a relatively inexpensive way to make property improvements, and if done well can easily increase the property worth by as much as tenfold. The following steps are an essential guide to rezoning a property and also discuss how you can use various tools to find new development opportunities. An important step in this process is finding a way to unlock a property's full zoning potential (thereby increasing its value) without paying expensive upfront costs and service contributions. You can access the exercises online [here](#).

4.1 RISING BEYOND PLANNING OF THE PAST

Apartheid planning created strict divides between suburbs and isolated neighbourhoods. This limited the positive environmental, social, and economic effects that living in a functioning city makes possible. New property uses should seek to uphold the following principles.

- Spatial justice. Past spatial and other development imbalances must be redressed through improved access to and use of land.
- Sustainability. Spatial planning and land use management systems must promote the principles of socio-economic and environmental sustainability.
- Efficiency. Land development must optimise the use of existing resources and the accompanying infrastructure.
- Resilience. Spatial land use should seek to secure communities and livelihoods through flexibility in spatial plans, policies, and land use management systems.

4.2 WHAT IS THE SDF?

SDF refers to a Spatial Development Framework. In Johannesburg, as in many other metropolitan cities in the country, the council has embarked on an effort to repair the urban planning problems of the past. The repairs to such problems are captured in a framework document that is developed through public participation, approved, and gazetted. This then acts as a guide to urban planners and designers when determining the direction taken by property development over the next few years. According to the new SDF, development should be directed in a way that addresses the inequality and inefficiency in the city. The most recent SDF (approved in 2016) creates a new vision for the city and aims to achieve

this vision by the year 2040. Since 2000, the primary objective has been densification around important nodes to reduce urban sprawl.

The five core principles of the Johannesburg SDF are as follows.

1. Compact city – combining density, diversity, proximity and accessibility, reducing distances, travel times and costs, bringing jobs and social amenities to single use, marginalised residential areas, reducing energy consumption and infrastructure costs.
2. Inclusive city – ensuring balanced service provision (hard and soft) and opportunities for all by diversifying land uses, promoting social mixing and bridging social, spatial and economic barriers.
3. Connected city –enhancing public transit and ICT infrastructure at provincial and urban scales to re-connect the city, starting from ‘the Corridors of Freedom’ to street and neighbourhood-level connectivity.
4. Resilient city – building a metropolitan open space system as a protection buffer, preserving valuable green infrastructure and areas of high agricultural potential, promoting sustainable energy use, reinforcing the urban development boundary, and protecting biodiversity resources.
5. Generative city – focusing investment in transformation areas and nodes towards: achieving positive social, economic and environmental returns on investment; spurring economic growth and job creation and enhancing public space and promoting sustainability (social, environmental and economic).

4.3 SPLUMA

Different land programs are defined by a framework for land use and management known as the *Spatial Land use Management Act*, or SPLUMA. The land uses set out by this framework include business uses, industrial purposes and residential uses to name a few.

Using the SPLUMA act as a general policy guideline, the executive authorities of each municipality has derived their own set of zoning bylaws and conditions which are subject to the rezoning process. One of the most notable conditions is the Inclusionary Housing policy, which stipulates a certain category of affordable housing to be included in every new development. The aim of this policy is to provide access to households that may no otherwise be able to afford to live in those developments, and in so doing to bridge the gap between those living in informal settlements and those able to afford more upmarket private accommodation. Inclusionary housing is a mandatory policy that applies to any new development in the City of Johannesburg that includes 20 dwelling units or more. Incentives (such as additional bulk) are provided to developers, who are required to allocate a minimum of 30% of the total units to inclusionary housing.

4.4 DEVELOPMENT NODES

Development nodes are structured as a collection of hexagons that each contain critical urban functions within a 400m diameter hexagon. There are seven broadly termed nodes and zones that have been defined as follows.

1. Inner City Node
2. Metropolitan Nodes
3. Regional Nodes
4. General Urban Zone
 - a. Local Economic Development (LED) Zone
5. Suburban Zone
6. Peri-urban Zone
7. Beyond the Urban Development Boundary

Exercise

Locate your development property using the COJ node map (link below). Using the colour legend, to find out which type of development node your property is located in.

Then, open the Nodal Review Policy Document (link below, p23-35) and find the table associated to your type of development node. In point form, list the three (3) most significant Development Guidelines that will impact your development.

Link to Node Map: www.bit.ly/cojnodemap

Link to Nodal Review Policy: [Nodal Review Policy Document](#)

4.5 CITY TRANSFORMATION

When applying for development rights, it is possible to negotiate conditions with a special department in the council focussed on urban design. The City Transformation department is tasked with reviewing rezoning applications based on individual merit according to good principles outlined in the SDF, and the SPLUMA Act. If, for instance, your development is located in a high-density development node, it may be provided special additional rights due to its close proximity to amenities based on the following factors.

- High Economic activity (the location of jobs and businesses)
- Access to public transit (train and BRT stations)
- Access to public open space
- Good social infrastructure (health and education facilities)
- It is a capital project of the city
- Shows good land use mix (mixed use development)

4.6 PLANNING AHEAD IN TIME

One challenge with rezoning a property is the time required to reach approval – in some instances, it can take as long as 18 months. Due the process requiring such long periods of time, the specific end-use that you decide must be well considered. If possible, the application should be open ended to allow for flexibility and provide enough scope for last-minute variations. The type of market research that you do makes a difference when thinking about the future demand of your property. When preparing your rezoning, it is worthwhile aiming to get rights with specific market timing in mind.

For example, when looking in detail at expected growth numbers for a specific neighbourhood, you may have noticed a significant lack of supply in affordable housing. This could be due to the recent development of a nearby commercial centre, for instance, and a delay in the provision of housing in the area. By understanding this piece of research, the town planning decisions becomes a lot easier, and your insight can be a guide form which you can build a motivation for a new development.

Can you imagine deciding that your land needs specific rights based on a general trend in the area and then only realizing two years later (once you have gone through the rezoning process) that there is no demand for your specific land use? In this case, doing the research beforehand will not only help you build a clear development model, but also prevent costly planning disasters.

4.7 PROSPECTING

In the past, developers relied on large city maps and aerial photographs that they would print out and mount on their office walls. They would use these maps to mark out potential new sites with sticky notes and pins, circling interesting buildings with sharpies and writing summarized notes from piles of rudimentary research. Today, access to free digital tools has become commonplace and in real estate, developers can leverage these programs to save time and money. Some examples of online programs used by developers include Google Maps, property sales websites such as Property24, and apps such as Zillow for

mobile devices. Which combinations of tools do you use when finding new properties to develop?

4.8 FINDING THE FRINGE

To gain expertise and a competitive advantage, you should spend time defining and crafting your process for finding new projects. This includes your method for preparing market research and negotiating deals on off-market properties.

The best sites for development are located on the fringe of urban development nodes. This refers to their position being right on the edge of an active or already developed place. Think about the property boom in Manhattan between 1960 and 1980, when apartment prices increased more than 400%. Even beyond the boom and into the nineties, demand for apartments reached an all-time high and new fringe developments expanded the city edge into previously unpopular and industrialized suburbs on the outskirts of SoHo, TriBeCa and parts of Brooklyn.

When looking at maps of cities and suburbs we can see these edges of densification by studying properties from aerial photographs. We can also notice intersections of major transport arterials, connection points, and perhaps find examples of leftover tracts of land trapped between servitudes and alongside highway offramps. It may be unwise to look for new development sites in the heart of a development node as their prices attract a premium. There are always properties that lie on the edges between the inertia caused by new developments and the stasis caused by neighbourhoods resisting change.

Look for undeveloped property in a good location that has not yet been rezoned. More specifically, properties that have been poorly maintained and can be repurposed may provide a redevelopment opportunity whilst retaining the value of the existing structures.

Properties to be considered on these peripheries of development areas such as:

- Metropolitan/Regional Nodes
- High density areas
- Properties in close proximity to Transport Nodes

Exercise

Using Google Maps, locate your property and zoom out to show the surrounding neighbourhood. Can you identify any of the major developments in the surrounding area, and their impact on the area? Name two noticeable consequences of this development?

4.9 USING MUNICIPAL MAPS

Municipal maps make projections of city growth statistics and contain valuable information such as which regions are expected to become densified. These areas are investment triggers for developers, who are constantly trying to anticipate demand hotspots.

It is not well known that these maps are commonly available to the general public – in fact, many developers don't access this free information, and rely instead on their intuition, on finding properties physically (driving around) or rely on past project experience when choosing a new site. So, when embarking on a project, municipal maps present somewhat of an untapped resource and can provide an advantage over the competition. They greatly assist with identifying overlooked development opportunities.

4.10 MARKET RESEARCH

Performing a market research study gives us insight into the market demand for our specific property location. An independent Market Research Study is usually conducted to investigate the economic viability of the proposed development in terms of measurable data pertaining to the property. This information can also assist us in determining the specific rights that we propose in our rezoning application. The principles of this study are as follows.

Effective market research studies should aim to evaluate the local economic drivers. By analysing the dynamic nature and growth potential of the market, it is possible to create a future projection of the following property information.

- Market capacity (size of uptake)
- Supply and demand dynamics.
- Identify the ideal target market, mix of uses and expected rental rates
- Calculate potential uptake of demand (rate of sales)
- Expected market timing (ideal timeframe)

4.11 BASIC ZONING SWOT

The development goals envisaged for the property are largely centred around a change in primary zoning use. This will alter the fundamental value of the property and increase the income potential and future valuation. It is also likely that the capitalization rate will subsequently be adjusted, and that profit will be generated.

If the results of your market research suggest altering your property rights, a rezoning would have to be undertaken to accommodate the proposed new development. Your property may or may not be located in an area that favours development, so a motivation that demonstrates the need for your proposed use may be required by the local authority. If, for instance, your site falls within the latest Nodal Review Policy put forward by the City of Johannesburg, a rezoning to high-density residential would be permissible. Bear in mind that any special facilities required for your development would have to be defined and specified in the zoning certificate.

A useful way to demonstrate the pros and cons of your rezoning is to perform a SWOT analysis on the site – this acronym stands for Strengths, Weaknesses, Opportunities and Threats. Listing each aspect of the rezoning can help you see the bigger picture and remind you of the benefits and risks of undertaking this specific project.

Before approaching a town planner, it can be helpful to prepare some preliminary research on the property. This information provides the background for your SWOT test and clarifies the process that needs to be followed. Following the process may also raise some major obstacles applicable to your zoning. Here are some points to help guide your SWOT exercise, and depending on your answers may be classified as either positive or negative aspects.

1. Which municipality? Johannesburg is divided up into different municipal zones, each with their own local authority or council that oversees town planning in that area. What will the approval process entail?
2. Town Planning Scheme? Is there a particular Spatial Development Framework (SDF) in place? What are the prevailing conditions of town planning scheme – are there noticeable rezoning limitations or opportunities?
3. Nodal review? Has the location been identified as falling within a specific development node? What type of node is it, and what is driving the evolution of this node? For example, a new public transport station like the Gautrain.

4. Market Study? Has a market research study been carried out? What specific demand has been identified and in which income group does this need exist?
5. What use? Based on the market demand study and your development vision, what is the ultimate use that you are applying for? Is it a mix of different uses, and if so what are the proportions of each use?
6. Existing services? Engineering Services Reports determine the Availability of Services and Existing Infrastructure. These include Bulk electrical supply – City Power/Eskom, Bulk Water supply – connection point and capacity Bulk Sewer, Stormwater requirements – stormwater management plan, on-site attenuation?
7. Title Deed Restrictions? Are there any title deed restrictions present? Look for building lines, servitudes and restrictive conditions referring to use, height, or access.
8. Traffic Impact Assessment? What are the current vehicular access and parking requirements? The parking is calculated as a factor of the building area of the proposed use. Do you have sufficient on-site parking, or do you need to build costly subsurface parking basements?
9. Height? Are there specific restrictions on building height (storeys) and what is the impact of your development on neighbouring properties in terms of overlooking and views?
10. Town Planning – What has been the outcome of your outline scheme report? Have the technical comments received from departments been positive?
11. Soil conditions? Geotechnical testing can be carried out on site to determine the quality of founding conditions on the site. In cases where soil conditions are poor, and the water table is high, it may be necessary to build parkade structures above ground.
12. Environmental Reports – Which environmental considerations are required for your development? Is this a green star rated project? What are the site conditions in terms of the requirements for an Environmental Impact Assessment (EIA), or flood-line study?
13. Quality of Existing Buildings? Are there existing buildings on the property? If so, can they be classified according to SAPOA classification (P/A/B)? What is the structural integrity of these buildings and does their condition pose any risks?

In the context of development, a site's zoning can be categorized according to guidelines as follows.

Strengths – What can be gained from the rezoning of the property? What is the value added by performing a rezoning, even if no further development takes place?

Weaknesses – Are there neighbouring properties with similar rights that could be competing sites? What are some of the potential risks in the market research? Are the levels in the area showing an over-supply of your product?

Opportunities – What is the potential value added to the land when unlocking a new development? What are some benefits that can improve the neighbourhood?

Threats – What are the risks of rezoning? Who is likely to object, and what are the costs of completing the rezoning? Does this involve a council tribunal?

Exercise

Find the 13 points in your notes under Zoning SWOT. Now, arrange these points under the headings of your SWOT acronym. If a point is yet to be defined, you may speculate on its outcome based on your best guess. For example, if you are unsure of site soil conditions, assume a similar result to any neighbouring sites.

4.12 LAND OPPORTUNITY COST

The position of your property, and its unique access to infrastructure services represents a high value. Typically, developable land in a good location is in short supply, and will always attract investment. It is therefore possible to calculate the value of your property according to the development potential, in terms of a rate per square meter or per residential unit opportunity. This is also known as the 'bulk price' for the land.

Calculating Residential Opportunity Cost per Unit

Property Location	Opportunity Cost /Unit
Low Demand	R5,000-R8,000 /Unit
Medium Demand	R8,000-R15,000 /Unit
High Demand	R15,000-R30,000 /Unit

Calculating Commercial Opportunity Cost:

Property Location	Opportunity Cost /m²
Low Demand	R500-R1,000 /m ²
Medium Demand	R1,000-R2500 /m ²
High Demand	R2,500-R3,500 /m ²

The indicative rates shown above depend largely on the extents to which the property has been unlocked for development. The higher end of the rates typically apply to properties with services already installed and bulk contributions that have been settled or partially paid for.

4.13 THE REZONING PROCESS

Once you have determined the ideal rights and conditions that suit your development property, it is time to proceed with a rezoning application. The following steps describe a typical zoning process that would be undertaken with the professional assistance of a registered town planner.

1. **Rezoning Vision**
The first step in the process is to schedule a consultation with a professional town planner who will provide clarity on the type of application required to suit your development vision.
2. **Scope**
Next, the town planner will be able to assist you with a description of their scope of services and a budget outlining the procedures and types of applications to be lodged. This may include the removal of restrictive conditions from the title deeds.
3. **Permission**
The property owner provides the town planner or principal agent with consent to submit a zoning application on their behalf by means of permission granted in a special power of attorney.
4. **Submission**
The town planner schedules a preliminary meeting with the local authority for input on the proposed rezoning conditions, and the application is then submitted to council for assessment.

5. Circulation.
Once submitted, the application is circulated between council departments for technical comments and feedback.
6. Advertising.
Once technical comments have been accepted by the departments, the town planner may proceed with the advertisement period. Depending on the Municipality and applicable By-Laws, the rezoning application may have to be advertised in the Provincial Gazette, Newspapers, and on-site. The neighbours to the property may also need to be notified by registered post.
7. Approval.
A typical rezoning application usually takes 6 – 7 months for approval if no objections are lodged against the proposal.

4.14 ROLE OF A TOWNPLANNER

It is useful to understand the roles and scope of the town planner, and their activities during such time as the rezoning application is underway. Their work includes but is not limited to the following functions.

- Obtain town planning documents, building plans, documents and investigations
- Carry out discussions with council representatives
- Perform a site-inspection, and compile documents for the rezoning application
- Write memorandums and correspondence to motivate the approval of the application.

4.15 DEALING WITH OBJECTIONS

If objections are lodged against the application, a town planning hearing (known as a tribunal) is scheduled by the council planning department. At this hearing, the town planner will motivate the application further in terms of the applicable town planning framework or policy relating to the property. The objection period may delay the application process by a further 6 months and may be subject to appeal by the objector(s) if unresolved in the hearing.

4.16 APPROVAL OF RIGHTS

Once granted approval, the developer must adhere to the conditions put forward in the final letter of approval from the council. Once these conditions have been met, the council will promulgate the rezoning, and register the proclaimed rights.

4.17 CONTRIBUTIONS

The council charges bulk contributions for the use of additional services to the property based on the additional rights that the rezoning makes available. Following the approval, the council's Legal Administration department calculate the rates and extents of these charges and issue the contribution statements to the developer in writing.

Contributions are often calculated according to specified tariffs based on site location and the specific land uses in the rezoning application. The information communicated by the council departments based on engineering services reports are used internally, and it is typically not possible to negotiate a reduction of contributions. One option to reduce the amount of payable contributions is to offset any establishment work done prior to the improvements against the cost of these contributions. It is worthwhile mentioning that if a residential development is being undertaken, a Parks contribution is payable. This is calculated according to a parks land price allocation per unit developed and is estimated at

25m² of land per unit. The rate per square meter of this land cost is calculated based on the average price land price in the area and can be extremely costly.

4.18 A CONTROLLED START

It is possible to obtain approved rights and delay the promulgation of your zoning application to plan for the best possible timing for the start of your development. This can be done by carrying out a rezoning, and once the approval letter has been issued, to apply for a further small, (essentially immaterial) correction to the zoning conditions. At this point, the application will be returned to the council planner for amendment, and this delay will buy you time to organise your development start date. When you are ready to resume, one can simply cancel the instruction for an adjustment and proceed with proclamation of rights and move on to the calculation of contributions. It is prudent to complete all the necessary rezoning steps to reach approval, and manoeuvre within the limits of the final stages of the proclamation process if required.