



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Development Charges Policy for Engineering Services for the City of Cape Town

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1 Definitions

“**Act**” means the [Municipal Fiscal Powers and Functions Act 2007 (Act 12 of 2007)]

“**Affordable housing**” means housing that is earmarked for people within a specific monthly household income bracket as defined by the National Housing Code and must be certified by the City’s Human Settlements Directorate as part of the Housing Program;

“**Applicant**” means a person who makes a land development application as contemplated in section 5 of SPLUMA;

“**BEPP**” means Built Environment Performance Plan;

“**Budget**” means The City’s formal capital budget as approved by Council;

“**Bulk service**” means that portion of an external engineering service which is intended to ensure provision of the engineering services for the benefit of multiple users or the community as a whole, whether existing or provided for in a municipal spatial development framework;

“**Capacity**” means the maximum demand for an engineering service, that the associated capital infrastructure assets can satisfy;

“**City**” means the City of Cape Town, a municipality established by the City of Cape Town Establishment Notice No. 479 of 22 September 2000, issued in terms of the Local Government: Municipal Structures Act, 1998, or any structure or employee of the City acting in terms of delegated authority;

“**Condition of approval**” means a condition imposed by the City on the approval of a land development application in terms of land use planning legislation;

“**Constitution**” means the Constitution of the Republic of South Africa, 1996;

“**Council**” means the Municipal Council of the City;

“**CRT**” means a certificate of registered title;

“**Developer**” means an applicant, as defined in the SPLUMA whose land development application is approved, in whole or in part, by the person or body authorised to do so in terms of applicable legislation;

“**Development**” means the changing of land use or of cadastral boundaries in order to intensify the utilisation of land, or the simultaneous changing of both land use and cadastral boundaries in order to intensify the utilisation of the land;

“**Development Charge**” means a once-off charge imposed by the City on a developer as a condition of approval of a land development application in order to cover the cost of municipal engineering services required as a result of an intensification of land use;

“**Early Childhood Development Centre (ECD)**” means any building or premises used for the care of more than six (6) children and includes a playgroup, crèche, aftercare, pre-school, nursery school, educare or similar facility;

“**Economic infrastructure**” means infrastructure serving market driven and commercial and industrial consumers;

“**Engineering services**” means the infrastructure required to supply water, sewerage, municipal roads, stormwater drainage, municipal public transport, solid waste collection and removal required for the purpose of land development;

“Engineering Services Agreement” means an agreement between the developer and the City in terms of SPLUMA in cases where the developer constructs or installs bulk engineering services in lieu of the payment in full or in part of a Development Charge and in which the parties agree on their respective roles in the construction, installation and financing of infrastructure, including their respective responsibilities for maintenance and upkeep of infrastructure from the date of installation to the date of transfer of the land to another owner;

“Engineering service zone” means, for each engineering service, the area within a municipal boundary which is served by a discrete network of capital infrastructure assets, determined in accordance with the Act;

“External engineering services” means:

- a) municipal engineering services infrastructure external to the development site boundary and includes both:
 - i) bulk engineering services, which means municipal services infrastructure external to the development, including land, required to provide engineering services to multiple users at a municipality-wide scale as indicated in the relevant master plans; and
 - ii) link engineering services, which means municipal services infrastructure external to the development site boundary, including land, required to connect internal engineering services within the proposed development to proposed bulk engineering services; and existing or
- b) bulk and link engineering services as described above in a) but which also falls within the site boundary where the characteristics of the site so require external engineering services to be included on the site in addition to internal engineering services;

“Home childcare” means the use of portion of a dwelling house or outbuildings by the occupant to provide day care, after school care or instruction for up to 6 infants or children;

“Home occupation” means the practising of an occupation or the conducting of an enterprise from a dwelling house, second dwelling, dwelling unit or outbuilding by one or more occupants who reside on the property; provided that the dominant use of the property concerned remains for the living accommodation of the occupants, and home occupation does not include a house shop;

“House shop” means a dwelling house, second dwelling or outbuilding in which a retail trade is conducted by one or more occupants who reside on the property and where the dominant use of the property remains the living accommodation of the occupants;

“Housing programmes & subsidies” means the various housing opportunities provided and facilitated by the City as indicated in Annexure C;

“IDP” means Integrated Development Plan;

“IHSF” means Integrated Human Settlement Framework;

“Infrastructure backlog” means a lack of capacity in the existing infrastructure networks that result in a service being provided below the minimum acceptable standard;

“Internal engineering services” means infrastructure that falls within the boundary of the development to service that development and which will be transferred to the municipality;

“Land development” means the erection of buildings or structures on land, or the change of use of land, including township establishment, the subdivision or consolidation of land or any deviation from the land use or uses permitted in terms of an applicable land use scheme;

“Land development application” means any application to the City for permission to develop or change the use of land in terms of applicable land use or planning law;

“Land use” means the purpose for which land is or may be used lawfully in terms of a land use scheme, or in terms of any other authorisation, permit or consent issued by a competent authority, and includes any conditions related to such land use purposes.

“**LUPA**” means the Western Cape Land Use Planning Act, 2016 (Act 3 of 2014);

“**LUPO**” means the Land Use Planning Ordinance, 1985 (Ordinance 15 of 1985);

“**Municipal district**” means one of the eight districts used by the City for infrastructure planning;

“**MPBL**” means the City of Cape Town Municipal Planning By-law, 2015;

“**MSDF**” means the City’s Municipal Spatial Development Framework.

“**Municipality**” means a municipality as defined in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), and includes both local and district municipalities.

“**MTIIF**” means the City’s Medium Term Infrastructure Investment Framework.

“**Second dwelling**” means another dwelling unit which may, in terms of the zoning scheme, be erected on a land unit where a dwelling house is also permitted; and such second dwelling may be a separate structure or attached to an outbuilding or may be contained in the same structure as the dwelling house; provided that:

- a) the second dwelling shall remain on the same land unit as the dwelling house; and
- b) the second dwelling shall comply with the requirements specified in the Cape Town Development Management Scheme;

“**Service master plans**” means high level infrastructure plans prepared by the City to cater for future development. These include, but are not limited to: the Integrated Transport Plan, Electricity Business Plan, Bulk Water and Sanitation Master Plans, Stormwater Master Plans and Integrated Waste Management Plan;

“**Social infrastructure**” means infrastructure serving low-income and social housing households and institutions;

“**SPLUMA**” means the Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013);

“**State-funded housing**” means housing that is earmarked for people within a specific monthly household income bracket as defined by the National Housing Code and must be certified by the City’s Human Settlements Directorate as part of the Housing Program;

“**Systems Act**” means the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000);

“**TOD**” means Transit Orientated Development;

“**USDG**” means Urban Settlement Development Grant;

2 Introduction

The City is one of the fastest growing metropolitan areas in the country and is promoted as an attractive destination for economic investment. New economic development has a positive impact on the City's finances as it increases revenue from property rates and service charges by expanding the base of ratepayers.

However, development associated with this economic growth has an impact on the demand for essential engineering services (water, sewerage, stormwater, roads, transport, solid waste and electricity), as well as social services like clinics, schools and other public amenities. Therefore, infrastructure is needed to support sustainable social and economic development in Cape Town. Without infrastructure, both public and private sector investment in Cape Town will slow down. The cost to the City of providing this infrastructure, however, is high. Funding to cover these costs is obtained from three sources:

1. **Grants** are provided by national or provincial government and are generally targeted towards social infrastructure, particularly in support of low-income housing development.
2. **Loans** are converted into tariffs and are recovered by user fees paid by all consumers to the City.
3. **Capital contributions** are a more targeted and more equitable way of ensuring that the main beneficiaries of infrastructure make an appropriate and fair contribution to that cost, without unduly burdening the city's ratepayers. Development Charges are the most important form of capital contribution raised by the City to pay for infrastructure.

Local government is empowered to provide municipal services in terms of section 156(1) of the Constitution, and Section 8 of the Systems Act, 2000. This obligation is discharged through, among others, the provision and operation of infrastructure, including external infrastructure. Section 73(2)(c) of the Municipal Systems Act also requires that these services must be provided in a financially sustainable manner and Section 75A of the same Act empowers a municipality to impose, *inter alia*, charges to pay for services.

There has been a history of under-recovery. Financial modelling undertaken for the City Finance Directorate in 2009 showed that a small percentage of the capital cost of new economic infrastructure (to new high income households, commercial and industrial properties and institutions) is recovered through these charges (excluding the cost of infrastructure installed in lieu of paying the charges). This is an unviable situation. It threatens the financial sustainability of the City and its ability to provide economic infrastructure in the future. Moreover, the historic effect of this under-recovery has led to underinvestment in infrastructure, which hampers the City's growth and development strategies.

If the City does not have an effective and efficient system of Development Charges there will be two inevitable consequences. Firstly, there will be less capital available for the development of new infrastructure, or the expansion of existing capacity. This will result in declining investment by the private sector, lower economic efficiency of Cape Town and a consequent decline in economic growth. Secondly, the money that would have been recovered via Development Charges will have to be sourced from an increase in municipal property rates and services charges. This will have the effect firstly of further burdening households and businesses in Cape Town and of using existing ratepayers' money to subsidise new developments, which is self-evidently unfair. In addition, the obligation to pay for the marginal increase in the load placed on Cape Town's external infrastructure by a development strengthens the incentive for the developer to maximise the use of existing infrastructure and to develop land in accordance with the City's plans.

The City faces development pressure from a number of directions, including low-income housing, high-income housing as well as commercial, retail and industrial development pressure. Meeting this pressure is central to Cape Town's future economic growth and without an effective and efficient system of Development Charges it will fail in this challenge. Development Charges ensure that those people who benefit most directly from the availability of infrastructure contribute their fair share to the cost of that infrastructure. It aims to mitigate the growing transport demand and additional loading on the services essential to accommodate new economic development.

In a dynamic environment where trends and patterns changes continuously it requires a periodic review of the policy to measure alignment with stakeholder needs and the regulatory environment.

3 Objectives of the Development Charges Policy

The desired outcome of this Development Charges policy is to:

- a) recover the portion of the capital cost of economic infrastructure that is attributable to particular developments; and
- b) enable the provision of economic infrastructure in a timely and sufficient manner to support land development.
- c) provide economic infrastructure in the most cost effective manner taking into consideration scarce resources and effective urban form.

The strategic intent of this policy is to ensure the financial sustainability of the City through the definition and confirmation of a Development Charge on any new development or land use rights application that increases the load on municipal external infrastructure. This intent is aligned with the City's Strategic Focus Area of an *Opportunity City*, which aims to create the economically enabling environment in which investment can grow and jobs can be created, while still being able to provide basic services to all its citizens implied in the *Safe City* and *Caring City* focus areas. The equitable and efficient financing of the costs of infrastructure to accommodate new developments is also an important contributor to the creation of a more *Inclusive City*. There are also environmental benefits that will flow from the implementation of this policy as inadequate infrastructure creates negative impacts on ecosystems and environmental quality. The policy promotes sustainable infrastructure provision and compliments the Municipal Spatial Development Framework in shaping a cost effective urban environment.

This policy provides the key details of the City's Development Charge namely:

- That it is a once-off capital amount paid to cover the costs of the additional infrastructure that the City is obliged to provide.
- The trigger for determining whether or not a Development Charge must be paid is a land development application.
- The basis on which the amount of a Development Charge is calculated is the increased impact that a new or changed use will have on the existing infrastructure.

The policy identifies the conditions under which such a charge becomes payable, the manner in which the amount is calculated and the administrative procedures for making the payment. The Development Charge is calculated over and above any other obligations that a developer may incur in terms of applicable legislation.

This policy covers the following engineering services: roads, stormwater, water, sewerage, public transport and solid waste. The charges applicable for electricity are the subject of a separate policy and legal framework.

4 Principles guiding the Development Charge policy

The principles set out in this section guide the City in the implementation of this policy. These principles closely reflect National Treasury's National Policy Framework for Municipal Development Charges. The principles furthermore support the enabling planning legislation which guides developments and Development Charges.

4.1 Equity and fairness

Development Charges should be reasonable, balanced and practical so as to be equitable to all stakeholders. In recognition of this principle:

- a) The City should, as far as possible, recover from the developer the full and actual costs of the essential municipal services infrastructure that results from particular types of land development;

- b) The Development Charge associated with new land development –
 - i) can be related –
 - aa) to pre-installed municipal services infrastructure resulting from historical municipal investments in excess (spare) capacity; and
 - bb) to the provision of new infrastructure to meet additional capacity requirements; and
 - ii) cannot be used to compensate for inherited backlogs.
- c) Funds recovered through Development Charges should be dedicated only to the purpose for which they were raised, i.e. investment in external infrastructure.

4.2 Predictability

- a) Development Charges should be a predictable, legally certain and reliable source of revenue to the City for providing the necessary infrastructure. These revenues should thus be treated as a formal commitment by the City to provide or upgrade the associated municipal service infrastructure, and should be clearly and transparently accounted for.
- b) In order to promote predictability and coordination the costs associated with municipal infrastructure must be established before any capital grants from national or provincial government or other funding sources are applied so that there is full transparency.

4.3 Spatial and economic neutrality

A primary purpose of the Development Charge is to ensure the timely, sustainable financing of the required municipal infrastructure to support land development in line with municipal planning, therefore Development Charges should:

- a) be determined on identifiable and measurable costs in a way that avoids distortions in the economy and in patterns of spatial development;
- b) not be used for the purpose of achieving spatial planning or economic development objectives; and
- c) where appropriate, be raised on a sectoral or geographic scale to more accurately recover costs within a specific impact zone.

4.4 Administrative ease and uniformity

The determination, calculation and operation of Development Charges should be administratively simple and transparent. This will necessarily detract from the accuracy of individual charges but this is a necessary trade-off. Development Charges thus only estimate the actual costs for the provision of proportionate new bulk municipal infrastructure capacity to support the land development.

5 Role-players and Stakeholders

There are three sets of primary stakeholders. The first set consists of the various departments in the City that have a direct interest in the Development Charges system. They have been included in the development of this policy.

The second set of stakeholders includes the land development industry, which includes both the private sector as well as the public sector entities engaged in land development such as the provincial and national authorities responsible for low-cost housing.

Thirdly, there are civil society organizations, especially community, citizen and ratepayer associations as well as special interest groups that are also stakeholders affected by this policy.

6 Legislative Framework

Development Charges are an integral part of the broader legal framework for urban land development and municipal finance. The legal framework set out below outlines the legal environment regulating Development Charges.

6.1 Policy context

This policy is consistent with the *Policy Framework for Municipal Development Charges* issued by the National Treasury in 2011 and which reflects a broadly shared understanding of the role, purpose and legal nature of Development Charges across the country. This policy may require adjustment once the Guideline for the implementation of Municipal Charges in South Africa becomes final.

6.2 Applicable legislation

National Provincial and Local Government exercised their legislative powers in respect of land use planning and a new legislative framework came into force in 2015. Development contributions are dealt with in three laws.

6.2.1 SPLUMA

SPLUMA is the national law which provides a framework for spatial planning and land use management in the Republic and deals with the imposition of development charges.

Section 49 of SPLUMA, provides that:

'(1) an applicant is responsible for the provision and installation of internal engineering services.

(2) A municipality is responsible for the provision of external engineering services.

(3) Where a municipality is not the provider of an engineering service, the applicant must satisfy the municipality that adequate arrangements have been made with the relevant service provider for the provision of that service.

(4) An applicant may, in agreement with the municipality or service provider, install any external engineering service instead of payment of the applicable development charges, and the fair and reasonable cost of such external services may be set off against Development Charges payable.

(5) If external engineering services are installed by an applicant instead of payment of development charges, the provision of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), pertaining to procurement and the appointment of contractors on behalf of the municipality does not apply.'

6.2.2 LUPA

LUPA is the Western Cape Provincial law which deals with the Provincial competencies in relation to planning.

There are several sections in LUPA which deal with development charges.

Section 36(5) provides that;

“A municipality must impose appropriate conditions relating to engineering services contemplated in section 40(2) for the approval of a subdivision.

Sections 40(2) of LUPA provides that conditions imposed in respect of a land use application, may include but are not limited to-

- (a) The provision of engineering services and infrastructure;
- (b) The cession of land or the payment of money.

Section 40(3) reads as follows:

Subject to section 12, a condition contemplated in subsection 2 (b) may require a proportional contribution to municipal public expenditure according to the normal need therefore arising from the approval, as determined by the municipality in accordance with norms and standards as may be prescribed.

Section 40(4) deals with the type of municipal public expenditure contemplated in section 40(3) and this includes engineering services. Section 40(5) sets the minimum factors for determination of the contribution, Section 40(8) deals with an engineering services agreement and section 40(12) allows a municipality, if appropriate, to depart from contributions determined in accordance with subsections (3) and(5).

6.2.3 MPBL

The City of Cape Town Municipal Planning By-law gives effect to the municipal planning competencies conferred on Local Government in terms of Schedule 4 B of the Constitution.

Sections 64-66 of the City's MPBL set out requirements for the provision of engineering services for land development and the raising of Development Charges. Section 66 links the payment of development charges to a policy adopted by the City. This policy fulfils that requirement.

The draft *Guidelines for the implementation Municipal Development Charges in South Africa* (2017) proposes that every municipality have both a Development Charges policy and by-law. Sections 64-66 of the MPBL satisfy the national requirement for a Development Charges by-law.

National legislation, through Section 75A of the Municipal Systems Act, further empowers a municipality '*to levy and recover fees, charges or tariffs in respect of any function or service of the municipality*'.

The enabling planning legislation must, however, also be read with the relevant provisions of national legislation such as Section 11 of the Local Government: Municipal Finance Management Act (MFMA), 56 of 2003, which regulates municipal supply chain management and would be relevant in situations where the municipality agrees to permit a developer to install any engineering infrastructure instead of payment of the applicable Development Charges.

Although public transport infrastructure is not typically included as one of the engineering services covered by Development Charges the National Land Transport Act, (Act 5 of 2009), allows a municipality to raise a user charge from 'land, buildings or other developments that generate the movement of passengers, including land or buildings of which the State is the owner, in its area', provided that this money goes into the municipality's 'land transport fund'.

6.3 Anticipated changes to the legislation

An amendment to the Municipal Fiscal Powers and Functions Act, 12 of 2007 is proposed. This amendment proposes a new chapter dealing with the levying of development charges and associated matters. This amendment will set out the power of Municipalities to impose development charges and will require a municipality to adopt a development charges policy. This amendment Bill will also propose changes to SPLUMA. Once this law comes into force, both the MPBL and the policy may need to be reviewed to ensure compliance.

7 Definition of Development Charge cost components

7.1 External engineering services include both *bulk* and *link* engineering services. Both are covered by the Development Charge Policy, but different rules apply to the two categories of external engineering services. Developers are required to pay a Development Charge comprising both these two components:

- a) a pro rata share of the cost of *bulk* engineering services to the development; and
- b) the direct costs/provision of any *link* engineering services required for the specific development.

- 7.2 The developer shall be responsible for both of the above, and where bulk engineering services are provided *in lieu* of Development Charges, as described in **Section 12.4** the pro rata cost will be reduced with the equal amount.
- 7.3 A description of the components of external engineering services for each of the engineering services is provided in **Annexure A**. The amount payable excludes the capital charge for electricity connections as the provisions relating to this charge are described in the Shared-network Charge Policy for Electrical Services. The Development Charge only covers the provision of infrastructure for which the municipality is responsible. It does not therefore cover the costs of provincial and national infrastructure. These costs may well have to be met by the developer, but that has to be part of a process regulated and managed by the authority responsible for providing the service, such as the provincial government of the Western Cape for provincial roads, SANRAL for national roads.
- 7.4 The provision and installation of internal engineering services is the responsibility of the developer and is excluded from the Development Charge.
- 7.5 Where development takes place ahead of planned infrastructure provision, as allowed for in the service master plans and capital budget, or where development takes place outside the service master planning area, link external engineering services may be required to link the development's internal infrastructure to bulk infrastructure and to maintain functionality of the overall network.
- 7.6 While the City is obliged to *provide* all bulk engineering services, in terms of section 49 of the Spatial Planning and Land Use Management Act, 2013 the manner in which the City directs that each of the two categories of external engineering services is *installed*, differs. Also, the obligation on the City to provide external engineering services is not unqualified. The City is not obliged to provide infrastructure where it is not consistent with the applicable service master planning and capital budgets.
- 7.7 Where a development requires infrastructure inconsistent with the applicable master planning and capital budgets, but where the City nevertheless approves the development application, the developer may be required to install some of the required external engineering services.
- 7.8 Where the City and the developer agree that the developer will install aspects of *bulk* engineering services, the cost of that installation can be set off against the developer's overall Development Charge liability. Should the set off value described here be greater than the total Development Charge for bulk engineering services for all phases of a development, the developer shall be responsible for the additional cost.
- 7.9 However, in the case of *link* engineering services, the installation is the direct responsibility of the developer, unless otherwise agreed in writing with the City. In this case the value of the required link engineering services must be determined by the developer and the developer will be responsible for the full cost of such link engineering services.
- 7.10 Where the City identifies that the link engineering services installed by the developer must be of a greater capacity than that required by the specific land development, in order to maintain the functionality of the City's long-term plans and master planning, then the City may require that the developer install such greater capacity. The cost of the additional link engineering services can be set off against the developer's overall Development Charge liability.
- 7.11 New works or the portion of new works required to eradicate infrastructure backlogs are excluded from the Development Charge cost calculation.

8 Land development applications that give rise to Development Charges

Changes in land use normally associated with subdivisions and rezoning give rise to a Development Charge where there is intensified utilisation of the land and resultant increase in loading on the infrastructure. The current infrastructure was designed and implemented for the

first primary (as of) rights and secondary (additional) land use rights were not accommodated in the infrastructure design. Thus where any use other than the primary use results in an additional infrastructure demand this additional demand must be catered for in the future provision of infrastructure. Development Charges will be imposed on all land use intensification that will or potentially may result in an additional demand on the infrastructure that was not accommodated for in the initial provision of the services.

For the purposes of the interpretation of this section the following definitions apply:

- a) **Coverage** means the total area of a land unit that may be covered by buildings, expressed as a percentage of the area of such land unit, and shall include all roofed areas; provided that the following portions of buildings shall be disregarded in the calculation of coverage:
- (i) stoeps, entrance steps and landings;
 - (ii) open balconies and retractable awnings;
 - (iii) cornices, chimney breasts, pergolas, flower boxes, water pipes, drain pipes and minor decorative features not projecting more than 500 mm from the wall of the building;
 - (iv) eaves not projecting more than 1 m from the wall of the building; and
 - (v) a basement, provided that the finished level of the top of the basement roof slab does not project above the existing ground level.
- b) **Gross Leasable Area (GLA)** means the area of a building designed for, or capable of, occupancy and/or control by tenants, measured from the centre line of joint partitions to the inside finished surface of the outside walls, and shall exclude the following:
- (i) all exclusions from the definition of floor space;
 - (ii) toilets;
 - (iii) lift shafts, service ducts, vertical penetrations of floors;
 - (iv) lift motor rooms and rooms for other mechanical equipment required for the proper functioning of the building;
 - (v) areas reasonably used in connection with the cleaning, maintenance and care of the building, excluding dwelling units for caretakers, supervisors, cleaners or maintenance staff; and
 - (vi) interior parking and loading bays.
- c) **Floor space** in relation to any building means the area of a floor which is covered by a slab, roof or projection; provided that:
- (i) any basement or part of a basement not intended as habitable space shall be excluded;
 - (ii) any area which is reserved solely for parking or loading of vehicles shall be excluded;
 - (iii) external entrance steps and landings, any canopy, any stoep and any area required for external fire escapes shall be excluded;
 - (iv) passages, access ways and fire escapes not wider than 1,5m, provided that they connect directly from the fire escape, vertical circulation to the entrance doors or both, shall be excluded;
 - (v) a projection including a projection of eaves, and a projection which acts as a sunscreen or an architectural feature, which projection does not exceed 1 m beyond the exterior wall or similar support, shall be excluded;
 - (vi) any uncovered internal courtyard, lightwell or other uncovered shaft which has an area in excess of 10 m² shall be excluded;
 - (vii) any covered paved area outside and immediately adjoining a building at or below the ground floor level, where such paved area is part of a forecourt, yard, external courtyard, pedestrian walkway, parking area or vehicular access, and which is

permanently open to the elements on at least the front or long side, shall be excluded;

(viii) any covered balcony, veranda or terrace which, apart from protective railings, is permanently open to the elements on at least the front or long side, and which does not exceed 2,5 m in width, shall be excluded;

(ix) subject to paragraph (x) below, any stairs, stairwells and atriums that are covered by a roof shall be included;

(x) in the case of multi-level buildings, any stairwells, lift wells, light wells or other wells, and any atrium, shall only be counted once;

and provided further that floor space shall be measured from the outer face of the exterior walls or similar supports of such building, and where the building consists of more than one level, the total floor space shall be the sum of the floor space of all the levels, including that of basements;

8.1 Development Charges will apply

Development Charges typically will apply to the following land use intensifications types:

- a) Rezoning applications:
 - i. Rezonings to subdivisional area, overlay zoning or equivalent zoning that enables rezoning and simultaneous subdivision of the land and which is typically required for new development or urban infill development;
 - ii. Rezoning of land from one base zone to another in order to change the permitted land uses on the site; and
 - iii. Rezonings from one subzone to another within the same base zone in order to increase the permitted floor space.
- b) Subdivision applications where the number of dwelling units increases as a result of the subdivision, or where the subdivision application results in the increase of floor space or GLA.
- c) Permanent departure applications:
 - i. Applications to increase the permitted floor space, GLA, number of occupants or number of rooms; and
 - ii. Applications to increase permitted coverage.
- d) Consent use applications (in terms of the By-law) where the change in land use is deemed by the City to result in additional utilisation of infrastructure.
- e) Any application for the amendment of conditions or a site development plan of a previous approval where the condition or site development plan limited the land use, floor space, GLA, coverage or similar provision relating to the intensification of the land use.
- f) All additional land use rights including the consolidation of land units, where the change in land use or consolidation of the land units are deemed by the City to result in additional utilisation of infrastructure.
- g) Where a property owner is required in terms of the provisions of the Development Management Scheme to comply with conditions relating to available design capacity on the municipal services network, such as but not limited to second (additional) dwelling units exceeding 60m² floor space.
- h) Any increase in land use rights from the original zoning scheme under which the rights vested with a property.
- i) Any other application or use that will increase the demand for infrastructure capacity.

8.2 Development Charges do not apply

Development Charges will not apply to the following land development applications, which are deemed to have no significant impact on provision of external infrastructure:

- a) Rezoning applications to a less intensive zone, i.e. where one land use (primary or consent use) is replaced by a different land use with similar or lesser infrastructure utilisation impacts for all services.
- b) Subdivision applications where no additional development rights or land units are created or which do not result in additional loading onto external infrastructure.
- c) Permanent departure applications for building lines or height or other similar parameters, which do not lead to an intensification of land use.
- d) Temporary departure applications where rights are granted on a temporary basis: provided that,
 - (i) temporary departures may only be granted if the infrastructure impact of the temporary use is the same or less than the existing use; and
 - (ii) if the City does not have sufficient spare capacity available to accommodate the application for the temporary departure it will not be approved.
- e) Consolidation applications that are not accompanied by rezoning or additional rights application.
- f) Consent use applications which have a similar or lesser impact on infrastructure utilisation than original rights applicable to the property.
- g) Applications to change land use to one of the following land uses, up to the extent indicated and using the definitions set out in this policy:
 - (i) early childhood development centre up to 34 children per erf;
 - (ii) home occupation up to 50m² per erf;
 - (iii) home child care up to six children per erf;
 - (iv) house shop up to 50m² per erf;
 - (v) second dwelling up to 60m² per erf; and
 - (vi) bed and breakfast establishment up to the first three bedrooms of the B&B component and the first 3 residential rooms of the existing dwelling. (Credit for maximum 3 residential rooms and 3 accommodation rooms per property).

9 Methodology for determining unit costs for use in Development Charges calculations

9.1 A municipal Development Charge is calculated to determine as closely as practical the pro rata share of the actual, capital costs of related municipal infrastructure needed to service a particular development. The determination of costs is based on estimated unit costs for each service, which are calculated in the following manner:

- a) A 20-year land use model is developed for the City that includes planned generic land uses and densification.
- b) This land use model is used to develop optimum service models for transport, water, sewerage, stormwater and solid waste to correspond to the future land use scenario.
- c) The demand from this future development on each of the engineering services is calculated using average unit demands for each land use category, based on demand factors from the *Guidelines for Human Settlement Planning and Design (CSIR and Construction Technology, 2000)*, the *South African Road Trip Generation Manual (Department of Transport, 1995)* and professional engineering experience.

- d) The infrastructure required to service this new demand is determined, taking into account existing master planning and any existing capacity or lack thereof within the systems.
- e) Engineering standards for the infrastructure are obtained from the *Guidelines for Human Settlement Planning and Design, Minimum Standards for Civil Engineering Services Version 1 (City of Cape Town, 2013)*, various design manuals and engineering practice in the industry as well as other City-approved standards as amended from time to time.
- f) The future capital cost of this infrastructure is quantified using the current replacement cost of construction of the systems. Current replacement cost includes all land costs, professional fees, materials, labour, preliminary and general items. The capital cost to address infrastructure backlogs are excluded from the total cost.
- g) The total capital cost is reduced to a marginal unit capital cost by dividing the total cost by the total unit of demand for each service.
- h) The outstanding loan amount for each service is divided by the total capacity of the existing service infrastructure (to obtain a loan amount per unit of demand) and subtracted from the unit capital cost. This correction is made to avoid double payment for infrastructure capacity that is funded through loans and recovered through tariffs.

The above process can be summarized in the following conceptual formula:

$$W = (K/E2) - (L/E1)$$

Where:

W = unit cost applicable to the type of development

K = total current cost of future bulk engineering services

E2 = design capacity of future bulk engineering services

L = total outstanding loans for bulk engineering services

E1 = design capacity of existing bulk engineering services

- a) Unit cost estimates for each infrastructure category will be inflated annually by the Civil Engineering Index, as published by the South African Federation of Civil Engineering Contractors (SAFCEC). Total outstanding loans for each service shall be taken from the financial statements of the financial year-end preceding the annual review. The annual percentage increase to the unit costs, taken from the SAFCEC index, shall be approved and published as part of the annual budget process.
 - b) Where possible, unit costs should be re-calculated every five years using current replacement costs to accurately reflect the infrastructure cost.
 - c) In the case of a full re-calculation the annual inflation will not apply for that year.
- 9.2 The developer shall be required to pay the unit cost rate applicable on the date at which the Development Charge becomes payable.
- 9.3 Where the payments are scheduled in accordance with phased approvals of a development then the applicable unit cost payable for each phase is that applicable on the date at which the Development Charges becomes payable for that phase.
- 9.4 In the case of a phased development where the application is made prior to a full re-calculation of the unit costs but the approval is granted thereafter, the last unit cost (including annual inflation) prior to the full re-calculation shall apply.

10 Calculation of Development Charges

10.1 Standard units for the measurement of impact for each municipal service are provided, below:

Service	Factor (s)	Yardstick	Unit of impact
Electricity	Refer to Shared-network Charge Policy for Electrical Services		
Roads	Increased municipal road capacity required	Vehicle trip generation	Vehicle trips/day
Transport	Increased number of passengers using public transport and requiring additional facilities	Person trip generation	Person trips per day
Sewerage	Additional sewage effluent generated	Average Annual Dry Weather Flow	kℓ/day
Solid waste	Increase in landfill airspace required and transfer station capacity	Solid waste generation rate	kg/day
Storm water	Increase in the overall quantity and the peak flow rate of the runoff	Runoff coefficient	C factor
		Area of the development	Ha
Water	Additional consumption per distribution or reservoir zone	Average Annual Daily Demand (AADD)	kℓ/day

- 10.2 The unit cost for each of the units of impact above will be derived from the modelling exercise described in **Section 9**, which will allocate the increased demand to the appropriate modelling impact zone for calculation of the actual cost. The actual costs will be aggregated to derive an average unit cost for each unit of impact for the City as a whole.
- 10.3 The modelling impact zone used for the purposes of the calculation of Development Charges is a zone determined by the City in which all the components of a services infrastructure system, network or networks that a particular development impacts on. This zone will be defined differently for different services, and will be based on modelling work undertaken for each of the services as part of the determination of the average unit costs to be applied in the Development Charge calculation.
- 10.4 Unit costs for all services are multiplied by the impact of the development on each service, as determined by the difference between the future impact and the current impact, to determine a total amount payable as a contribution to the bulk engineering services cost.
- 10.5 Future impact is determined according to standard impacts (per service) that have been calculated for each DC Charges category of land use (see **Annexure B**), which in turn are related to the Cape Town Development Management Scheme.
- 10.6 Should an application for rezoning not specify the particular land use or extent, the highest possible development impact for that zone shall be charged for.
- 10.7 If a particular application is based on a combination of uses that correspond to a number of the Development Charges categories listed in **Annexure B**, the fee for the extent of the development in each category is calculated individually and added together.
- 10.8 New development that is structured with sufficient densities along approved transport corridors has the potential to reduce development impact on road infrastructure. Where a development falls within a designated public transport area, in terms of the City's Integrated Public Transport Network, the reduced trip generation for private vehicles will be factored into the calculation of the applicable Development Charge.

- 10.9 In order to promote development along approved transport corridors at sufficient density, the density and location of the development in relation to public transport corridors will be factored into the determination of the development impact and may reduce the calculated Development Charge.
- 10.10 The Development Charge calculation is undertaken by means of a spreadsheet calculator populated with unit impact and cost data, and completed with the specific development details per application. A copy of the calculation results sheet will be provided to the developer with the conditions of approval.
- 10.11 Developers may, where there are exceptional circumstances or where it can be demonstrated that the City will not need to provide municipal infrastructure, request the City to calculate liability based on actual cost where –
- a) all expenses associated with the application are borne by the developer;
 - b) the developer appoints a qualified third party, acceptable to the City, to calculate the actual costs under the guidance of the City; and
 - c) actual costs evaluated to form part of the Development Charge are calculated for all infrastructure components listed in Annexure A, including:
 - i) the cost of the land;
 - ii) professional fees;
 - iii) materials;
 - iv) labour;
 - v) preliminary and general items; and
 - vi) tax liabilities,provided that such costs would otherwise have been borne by the City.
- 10.12 Should the City accept the request to calculate the liability on the basis of actual cost in the manner described above, then the total Development Charge (including the link engineering services) will be based on this calculation.
- 10.13 Exceptional circumstances for the purposes of calculating actual cost occur when it can be shown that the proposed development is of an unprecedented scale or will give rise to an exceptional dependence on or independence from one or more municipal engineering services. Although measures to reduce consumption of water and lessen impacts on all infrastructure capacity are encouraged and supported by the City, the implementation of these measures cannot be sufficiently guaranteed at the time of a development application to be considered in the calculation of the Development Charge, hence the provision of the option to calculate actual costs.

11 Exemptions

- 11.1 The Development Charges Policy is based on an equitable and sustainable model for providing infrastructure to promote economic growth. The total cost of infrastructure for new development is apportioned to the new users in accordance with the land use model and relies on each user paying for their share of the infrastructure.
- 11.2 Exemptions from Development Charges will negatively affect the ability of the City to provide infrastructure in a sustainable manner if no alternative funding is provided to compensate for the shortfall created by exemptions. The City should therefore seek to minimise the number and value of exemptions and apply any exemption of Development Charges in an equitable, transparent and administratively feasible manner.
- 11.3 Current land uses permitted as a primary right in terms of the Cape Town Development Management Scheme are not liable for DCs and do not require exemptions as there is no need for a land development application in order for the developer to exercise his or her right.
- 11.4 Exemptions from Development Charges may only be granted by the City if it:
- a) does so in accordance with a Council approved policy or Council resolution that complies with the requirements of national legislation and policy dealing with Development Charges, and which:
 - (i) may exempt specified categories of land use or specified geographical areas or a combination of both; and
 - (ii) may not specify individual developers or properties.
 - b) a Council approved policy or Council resolution allowing for exemption from Development Charges liability must:
 - (i) calculate the full liability for Development Charges that would otherwise have been received by the municipality were it not for the exemption;
 - (ii) make projections regarding revenue to be foregone for a period of at least three years; and
 - (iii) make budgetary provision for the realisation of the associated revenue forgone from another realistically available source either through a specific capital transfer or an alternative capital budget vote.
- 11.5 Applications that qualify in terms of the Council approved policy or Council resolution allowing for exemption from Development Charges liability are not liable for Development Charges to the extent permitted in the policy or resolution, provided that:
- a) the amount of the Development Charges liability for that application must be sourced from alternative funding identified in terms of the policy or resolution and transferred to the relevant asset-financing fund; and
 - b) the application for exemption must be approved by the Council.
- 11.6 The City must disclose the value of exemptions provided for each budget year in its annual report.
- 11.7 No relief may be granted in respect of the payment of Development Charges to a category of properties or a geographical area other than by way of an exemption provided for in this policy.
- 11.8 No relief may be granted in respect of the payment of Development Charges to an owner of property or properties on an individual basis unless it is in compliance with a Council approved policy or resolution.

12 Administrative process

To give effect to the DC Policy it is important that all the relevant administrative procedures and compliance in terms of the MFMA and other relevant legislation is adhered to. In order to implement this policy the following implementation procedures will apply.

12.1 Information required from the developer to calculate Development Charges

In terms of the applicable legislation, the City may require from the developer any information necessary for it to evaluate an application. This includes information that will enable it to calculate the required Development Charge. These details, however, will vary according to the type of land use change or land use intensification.

12.2 Application procedure

12.2.1 Land development applications must be submitted to the Development Management Department. The applicant will be informed at this stage that Development Charges may have to be paid and will be assisted by the City in understanding what would constitute bulk and link external engineering services in the context of the particular development.

12.2.2 The full application must be circulated to internal departments with a direct interest for comment. In general any land use application that will result in a land use intensification and will have an additional demand in the infrastructure must be circulated to at least the following departments:

- a) Electricity Generation and Distribution;
- b) Solid Waste Management;
- c) Road Infrastructure Management;
- d) Transport Planning;
- e) Water and Sanitation.

12.2.3 An internal department may put forward reasonable conditions relating to the development and, in particular, conditions relating to Development Charges which must include conditions relating to the time periods within which payment or payments must be made.

12.2.4 The limitations to the scale of permitted development, which were used to calculate the Development Charge, must be clearly set out. Where the development is approved in phases, development charges may be imposed in corresponding phases provided that the infrastructure for the full phase is available and functional.

12.2.5 Should a developer in future wish to acquire additional development rights over and above those already approved, a new application will be required in terms of the applicable planning legislation and the Development Charges liability must be recalculated.

12.2.6 The final Development Charges must be reflected in the calculation and form part of the conditions to be approved.

12.2.7 The conditions of the relevant department must be included in the final conditions of approval that are approved in terms of the applicable land use or planning legislation. Where conflicting conditions between departments occur it must be resolved internally prior to the final conditions being formulated.

12.2.8 The final conditions of approval will be applicable to the property. Where an applicant disputes the conditions the relevant appeals process must be followed.

12.3 Payment of Development Charge

- 12.3.1 The conditions of approval appended to a land development application must set out the payment requirements and specifically must prescribe:
- a) the amount to be paid, including provisions for escalation over time; and
 - b) the date when the Development Charge payment is due, which may include more than one payment date for more than one payment in the case of phased developments.
- 12.3.2 The Development Charge will be payable by the developer in full by cheque or electronic funds transfer. Max amount payable by cheque will be limited to R 500 000.00.
- 12.3.3 Subject to 12.3.1 above, the developer will make one payment in response to a detailed invoice, provided by the City to the developer and no payments by instalments will be permitted.
- 12.3.4 The City will allocate the funds into the correct Asset-Financing Funds of each of the relevant services and impact zones.
- 12.3.5 Payment shall be made as follows:
- a) in the case of subdivision of land, prior to the issuing of a subdivision clearance certificate which would allow transfer of first unit, or registration of a CRT, unless the conditions of approval indicate otherwise;
 - b) in the case of an application where no subdivision is required and where the intended development requires approval of a building plan, prior to approval of building plans unless the conditions of approval indicate otherwise;
 - c) in the case of any application where no subdivision clearance or subsequent building plan approval is required, prior to commencement of any activity on site pursuant to the application.
- 12.3.6 The City may withhold any approval or clearance in terms of planning or building control legislation where a developer has not complied with his or her imposed Development Charge liability.
- 12.3.7 Where the development entails subdivision of land, no transfer or registration of a CRT may be concluded of any portion of land until the Development Charge has been paid.
- 12.3.8 Where there is no transfer, the City must withhold building plan approval until the Development Charge has been paid. No occupation may take place until the development is fully serviced and all conditions were met by the developer. Where additional dwellings (excluding first 60m² floor space) are applied for the Development Charges must be paid prior to building plan approval.
- 12.3.9 In the event that a developer proceeds with exercising his or her rights on land already registered without paying the Development Charge in accordance with the applicable conditions of approval, a note must be inserted on the electronic system that outstanding fees are payable and no subsequent transfer of that erf, or registration of a CRT, may be processed or approved until the applicable Development Charge has been paid.
- 12.3.10 In the event that a Development Charges condition is not complied with the enforcement conditions of the Municipal Planning By-law shall apply.
- 12.3.11 In large and/or complex projects the City may approve a development in phases thereby allowing Development Charges to be paid on commencement of each approved phase.
- 12.3.12 Where external engineering services are provided *in lieu* of Development Charges by the developer, the City may agree to delayed payment of a Development Charge, provided that a Services Agreement between the City and the developer is signed (refer to **Section 12.4**) and a written guarantee from a registered financial services provider is provided by the developer to cover any risk to the City that this arrangement may entail.
- 12.3.13 The detailed roles and responsibilities for the provision of infrastructure in lieu of Development Charges must be set out in a separate Services Agreement, but the key

aspects related to timing of payments as well as the amount(s) to be paid must be reflected clearly in the conditions of approval.

12.4 Infrastructure *in lieu* of Development Charge

It is often required that the infrastructure impact of the new land use be mitigated prior to utilisation of the development. It is impossible for the City to predict the variable private market demand and take up patterns in advance. Where developers then react to market demands and the City's infrastructure is not aligned to this market initiative it makes sense that developers provide the infrastructure themselves in lieu of the DC liability. It is however imperative that the City supports the proposal and that the initiative aligns with the City's strategies and master planning.

Where circumstances then warrant that the developer provide the required bulk services and the City supports the initiative the City and the Developer may enter into a services agreement to provide the necessary infrastructure in lieu of the DC liability. As part of the administrative process the City must ensure that the agreement reflects sound public administration and the services are delivered at a market related price that is in the best interest of the public. The City may require from the developer any information necessary for it to evaluate such an application

Development Charges are governed by the frameworks set out in SPLUMA/LUPA and this policy. In terms of this the City may provide infrastructure related to the development demand through a services agreement funded by the DC's as well as specific budget provision made on the City's capital budget. Where infrastructure forms part of a separate demand and scope, a services agreement may not be used to provide infrastructure and City's Supply Chain Management process must be followed.

12.4.1 A developer may by agreement with the City:

- a. install bulk engineering services *in lieu* of Development Charges; and
- b. transfer land of a value not exceeding the value of the payable Development Charge for a particular bulk engineering service and only where the land is required for the installation of that service in the municipal district concerned.
- c. amend infrastructure on provincial and national roads to mitigate the impact of the development on the said development.

12.4.2 Where a developer installs bulk engineering services or transfers land in accordance with 12.4.1 he or she may deduct the cost of the infrastructure installed, taking into account the components of actual costs as set out in section 10.11(c) of this policy, from the Development Charges for that particular development, provided that:

- a) the infrastructure to be installed is to the standard required by the City, in accordance with section 9.1(e) of this policy;
- b) the infrastructure to be installed is located within the same municipal district in which the development is situated;
- c) a written Engineering Services Agreement is entered into, which specifies the infrastructure to be provided *in lieu* of Development Charges, the standards to which the infrastructure is to be built, the cost of the infrastructure and the assets to be transferred to the City;
- d) the Engineering Services Agreement is signed by the developer and the City prior to the commencement of any works to be provided *in lieu* of Development Charges;
- e) the actual implementation programme and anticipated transfer date is recorded;
- f) The Developer provides guarantee from a recognised financial institution to cover the cost of the services until all obligations by him/her is met in full;
- g) the City may not issue any clearance in terms of local government legislation otherwise due to the developer prior to the fulfilment of the commitment or provision of a guarantee in terms of **section 12.3**;
- h) the City may not approve a building plan in relation to the development concerned prior to the fulfilment of the commitment or provision of a guarantee in terms of **Section 12.3**;

- i) in relation to the procurement by a developer of a service provider, or service providers to build and install the infrastructure specified in the Engineering Services Agreement, the following requirements apply:
 - i. It must be in public interest to do so and clear benefit must be illustrated,
 - ii. the developer must follow a fair, equitable, transparent and competitive process of calling for bids from at least five appropriate infrastructure providers and appoint the bidder offering the most cost effective bid;
 - iii. a record of the procurement process and award must be appended to the Engineering Services Agreement;
 - iv. the City reserves the right to participate as an observer in the deliberations on bids received by the developer in order to check that the decision-making process is fair and a rational selection is made;
 - v. the City may require the developer to engage with authorised officials prior to it making a decision on appointment of a particular contractor, so that the City has an opportunity to make representations regarding the reasonableness of the costs and any other relevant consideration;
 - vi. the City may appoint an appropriately qualified independent third party to assess the bid process conducted by the developer, including whether the costs claimed are fair and reasonable, which assessment could form the basis either for further negotiation between the City and the developer, or could be binding on both of them, at the City's discretion;
 - vii. the City may appoint an independent, registered Consulting Engineer to assess whether the standards of the infrastructure installed meet the City's requirements as set out in section 9.1(e) of this policy.
 - viii. the City may prohibit the developer from appointing as a contractor any person which has been black-listed by the City or National Treasury or which has failed to perform under a municipal contract within a three-year period prior to the proposed appointment;
 - ix. the value of the infrastructure to be installed *in lieu* of Development Charges must be certified reasonable by an independent, registered Consulting Engineer appointed by the developer;
 - x. the City may appoint an independent, registered Consulting Engineer to verify the report provided to the developer in terms of paragraph ix above;
 - xi. The City reserves the right to reject any offer made by a service provider;
 - xii. accurate records of payment are to be kept by the developer to verify interim and final payment certificates and prior to payment the City must verify the certificate payment to the service provider with the accountable Consulting Engineer appointed by the developer;
 - xiii. the City may have access to all relevant records relating to the construction process, including not only records relating to the procurement process, but also the contractual documentation, notices, invoices, progress reports and other records; and
 - xiv. the City may impose other appropriate safeguards on a case-by-case basis depending on the circumstances.
- j) The infrastructure installed and the land on which it is situated are either formally transferred to-, and received by the City or the required agreements are made to ensure that the City has access to the infrastructure if it does not fall on municipal land, which may include the registration of a servitude in favour of the City.
- k) A valid guarantee by an approved financial institution be provided to the City to cover the cost of the outstanding infrastructure until all infrastructure and land is transferred to the City,

12.4.3 The final value of the assets transferred, as reflected in payment certificates, must be reconciled with the original Development Charges liability and any balance due by the developer must be paid in full. Where the total DC liability for all services were offset against a particular service, the funding utilised must be replaced to the particular service department through an appropriate journal entry.

- 12.4.4 Where the developer installs external infrastructure of a higher value than the Development Charge liability, as provided for above in **section 7**, the developer may offset the additional amount against his or her liability for Development Charges incurred under subsequent phases of the same development. The City must verify that the additional infrastructure is necessary for the integrated and efficient development of the infrastructure network.
- 12.4.5 On completion of the services the as built details and complete list with all the components of the infrastructure provided in lieu of must be provided to the City and the new assets provided must be taken up in the asset register of the relevant department to comply with the City's Asset Management Policy and Procedures;

12.5 Use of Development Charges Funds

- 12.5.1 Development Charges may only be used for capital works, i.e. the full and actual costs of construction of new municipal infrastructure or the upgrading of the capacity of existing municipal infrastructure, taking into account the components of actual cost as set out in section 10.11(c) of this policy. Development Charges may not be used to reduce or eliminate existing infrastructure backlogs, for operations or maintenance costs, or as a general revenue source for the City.
- 12.5.2 All funds collected are to be retained in dedicated Asset-financing Funds, per service and per municipal district, to be applied in the districts concerned, and toward the services against which payment was made, provided that:
- In the case of cross-boundary services where the infrastructure network serving the proposed development are not confined to any one municipal district it will be permissible to pool Development Charges for use across areas and to implement inter-district transfers.
- 12.5.3 Funds must be spent according to the project priorities of the City for that municipal district and service, as illustrated in the infrastructure master plans and detailed in the capital budget or integrated development plan.
- 12.5.4 Once a Development Charge has been paid in full for a specific piece of infrastructure, the City must include that infrastructure development project on the capital budget in the subsequent budget cycle.
- 12.5.5 Development Charges may be used to mitigate the development impact on the direct bulk infrastructure it links to, provided that the bulk infrastructure is owned by an organ of state and where on private land, it is secured through a servitude right in favour of the City.
- 12.5.6 The financial management of the funds will be performed by the Finance Directorate in line with the relevant legislation and procedures and interest accrued on the balance must be allocated to the relevant service/fund. Utilisation of the funds for specific projects must follow Council's normal budget and SCM process.

12.6 Joint Infrastructure Provision

The City's responsibility to provide bulk infrastructure for new economic developments will be guided by the IDP, different strategies, master planning and budget allocation of the different departments. As it is impossible to predict the development patterns initiated by private developers in varying markets, infrastructure required to mitigate the overall development demand may often exceed the available DC liability of one developer. Where the development proposal then aligns with the City's initiatives it may warrant facilitation of infrastructure through joint partnerships between the City and developers. Where the initiative meets all the warrants of the City, and at the sole discretion of the City, the City may then opt to enter into a services agreement with a particular developer by contributing to the relevant infrastructure project in lieu of DC's.

Where such initiative is then warranted and it can be shown that exceptional circumstances exists as it is impractical or impossible to provide the infrastructure

following official procurement processes the services agreement may be extended to include the portion of infrastructure to be funded by the City.

Where such initiative is considered it will be subject to the following:

- 12.6.1 The proposed initiative must align with the City's overall infrastructure master planning;
- 12.6.2 The proposed initiative must align with the City's IDP, budget, strategies and priorities;
- 12.6.3 Sufficient budget provision must be available on the City's approved capital budget;
- 12.6.4 It must be illustrated that the initiative is financially beneficial for the City and is in the public interest and no alternative measures for providing the required infrastructure is available;
- 12.6.5 All conditions as set out in 12.4.2- 12.4.5 must be adhered to;
- 12.6.6 Where a specific project initiative then aligns with the above and the conditions set out in 12.4 and 12.6 has been met as a whole the services agreement with the developer may be extended to include the portion of infrastructure funded by the City
- 12.6.7 For the purposes of a joint infrastructure provision that forms part of a land use approval only, the delegated authority for approval of such procurement from developers shall be as follow: (These delegations may be amended from time to time by the City Manager to meet varying operational demands)

<u>Value</u>	<u>Authority</u>
R1 up to R15 000 000	Director SCM
R15 000 000 up to R50 000 000	Executive Director: Finance
Above R50 000 000	City Manager

12.7 Transitional Arrangements

- 12.7.1 This policy will come into effect on the date of approval by the Council.
- 12.7.2 Development applications approved prior to the approval of the new Development Charges Policy will be subject to the current Policy and all new developments approved after the date of approval of the new Development Charges Policy will be subject to the new policy.

13 Monitoring, Evaluation and Review

13.1 Monitoring

The Finance Directorate: Treasury Department will be responsible for monitoring the collection and use of the Development Charges. The use of Development Charges shall be reported on in the City's Annual Report, and be subject to the City's standard auditing procedures.

13.2 Evaluation and review

The following information, broken down by service and by applicable region, must be published annually by the City and used for evaluation and review of the policy:

- a) Value of Development Charges levied;
- b) Value of Development Charges received;
- c) Value of the external infrastructure provided by developers as payment in kind;
- d) Expenditure from all Development Charges funds; and
- e) Value of rebates/exemptions awarded and sources of alternative funding.

13.3 Review

13.3.1 This policy should be reviewed when the need to do so arises. Triggers for the review of this policy include situations where:

- a) the growth trajectory of the City deviates significantly from the projected land use model;
- b) the engineering service provision responsibilities of the City are amended;
- c) new technologies arise that affect the capital costs of installing engineering services;
- d) the indicators outlined at 13.2 above reflect an under- or over-recovery of bulk infrastructure costs.
- e) significant changes to the City's bulk resource provision networks.

13.3.2 The determination of liability for a Development Charge is an administrative action regulated by law (including the requirements of procedural fairness, lawfulness and reasonableness as provided for in the Promotion of Administrative Justice Act, 3 of 2000) and, in addition, is procedurally subject to the municipal budget process. This provides scope for annual public consultation. Thus the review of the policy will be incorporated into the annual budget process, in which it will be possible to engage stakeholders with the policy review.

Annexure A: Infrastructure to be funded by Development Charges

Sector	Extent of costs
Water	<p>The proportionate share of capacity and/or increase in capacity of the municipal water reticulation infrastructure to accommodate the needs of the new development, including:</p> <ul style="list-style-type: none"> • Additional link infrastructure outside the development site required to connect the new development to the existing municipal water network. • The proportionate cost of the existing distribution pipelines, reservoirs, water towers, pump stations and control valves required for the new development, and/or the proportionate cost of creating additional capacity for the mentioned respective infrastructure components, downstream of the bulk water meter. • The costs that are excluded are the proportionate cost of dams (where owned by the City), water treatment works, bulk distribution pipelines and bulk reservoirs, upstream of the bulk water meter.
Sewerage	<p>The proportionate share of capacity and/or increase in capacity of the municipal sanitation infrastructure to accommodate the needs of the new development, including:</p> <ul style="list-style-type: none"> • Additional link infrastructure outside the development site required to connect the new development to the existing municipal sewer network. • The proportionate cost of the existing collector and outfall sewer pipelines, pump stations and diversion structures required for the new development, and/or the proportionate cost of creating additional capacity for the mentioned respective infrastructure components, downstream of the new development. • The proportionate cost of a share in the capacity of the existing wastewater treatment works or sea outfalls, and/or the proportionate cost of creating additional capacity at such a facility, where these are owned by the City.
Electricity (where the City is the electricity service provider)	Refer to Shared-network Charge Policy for Electrical Services
Roads (to the extent provided by the City)	<p>Contributions to 'basic road infrastructure' are based on providing for the required road space and infrastructure which is needed on external municipal roads (normally class 2&3) for trips on external roads by customers in the new development (or visitors) in order to maintain the existing minimum standard of service, including:</p> <ul style="list-style-type: none"> • Additional link infrastructure outside the development site required to connect the new development to the existing municipal sewer network. • The proportionate share of existing external road capacity or increase in length or capacity of external roads due to the generalised (non-local) impact of the development.

Sector	Extent of costs
	<ul style="list-style-type: none"> • Road structures, minor stormwater facilities, sidewalks, furniture, controls and signage associated with the above roads. • The proportionate share of existing capacity at, or new junctions and interchanges.
Transport (to the extent provided by the City)	<p>The proportionate share of capacity or increase in size of the municipal public transport infrastructure not associated with road infrastructure, to accommodate the needs of the new development and maintain acceptable minimum levels of service, including:</p> <ul style="list-style-type: none"> • Public transport interchanges • Non-scheduled service facilities • Street-to-street pedestrian access • Class 1 cycle lanes <p>But excluding any portion of this infrastructure funded from national government grants, including the costs of integrated rapid transit systems and facilities for scheduled services.</p>
Stormwater	<p>The proportionate share of existing capacity or increase in size of the external stormwater infrastructure associated with communal conveyance, to accommodate the needs of the new development, including:</p> <ul style="list-style-type: none"> • Additional link infrastructure outside the development site required to connect the new development to the existing municipal stormwater network. • Piped networks (excluding provision for minor drainage system associated with road provision) • Culverts • Open channels, lined and unlined • Detention and retention facilities • Energy dissipation structures • Water quality management facilities • Outfalls to watercourses or the sea
Solid waste (to the extent provided by the City)	<p>The proportionate share of existing capacity or new facilities, to accommodate the needs of the new development, including:</p> <ul style="list-style-type: none"> • Disposal facilities (landfill, transfer stations, alternative treatment technologies) • Specialised vehicles used for landfill operations • Drop-off facilities • Specialised collection vehicles • Material recovery facilities
All services (to the extent provided by the City)	<p>The proportionate cost of land or servitudes of existing infrastructure or the cost thereof to establish new infrastructure as a result of the development.</p>

Annexure B: Development Charges Categories

No	DC Charges Categories	Unit	Land uses included in the DC Charge Category (all terms used in this column are as defined in the new Cape Town Planning By-law unless otherwise indicated)
A	Residential		
A1	Single Residential >1000m2 erf	Dwelling Unit	Dwelling house(3 rooms), including one 'Additional Use' (i.e. B&B (3 rooms) or Home Child Care (6 Children) or Home Occupation (50m2))
A2	Single Residential >650m2 erf	Dwelling Unit	Dwelling house(3 rooms), including one 'Additional Use' (i.e. B&B (3 rooms) or Home Child Care (6 Children) or Home Occupation (50m2))
A3	Single Residential >350m2 erf	Dwelling Unit	Dwelling house(3 rooms), including one 'Additional Use' (i.e. B&B (3 rooms) or Home Child Care (6 Children) or Home Occupation (50m2))
A4	Single Residential <350m2 erf	Dwelling Unit	Dwelling house(3 rooms), including one 'Additional Use' (i.e. B&B (3 rooms) or Home Child Care (6 Children) or Home Occupation (50m2))
A5	State Funded Housing	Dwelling Unit	Housing which is fully or partially funded through one of the National Housing Programmes and for which the City of Cape Town Human Settlements Department has issued a certificate confirming its status as a State Funded Housing Project. This includes: Housing funded by the individual capital subsidy (BNG housing); Community Residential Units; Social Housing projects developed by an approved Social Housing Partner; Institutional Housing; Dwelling house (3 rooms); Group House; or Flat. Each dwelling unit's use includes one 'Additional Use' (i.e. B&B (3 rooms) or Home Child Care (6 Children) or Home Occupation (50m2)).
A6	Affordable Housing	Dwelling Unit	Housing developments which are partially State Funded and partially bonded and for which the City of Cape Town Human Settlement Department has issued a certificate confirming its status as an Affordable Housing Project. Each Dwelling house (3 rooms), Group House, or Flat's permitted uses include one 'Additional Use' (i.e. B&B (3 rooms) or Home Child Care (6 Children) or Home Occupation (50m2)).
A7	Group Housing >650m2 erf	Dwelling Unit	Group house
A8	Group Housing >200m2 erf	Dwelling Unit	Group house
A9	Group Housing <200m2 erf	Dwelling Unit	Group house
A10	Flats >100m2	Dwelling Unit	Flats
A11	Flats <100m2	Dwelling Unit	Flats
A12	Second/Additional Dwelling	Dwelling Unit	Second Dwelling (where by consent) or Additional Dwelling (consent in AG), including one 'Additional use' as defined in the Scheme (i.e. B&B (3 rooms) or Home Child Care (6 Children) or Home Occupation (50m2))

B	Accommodation Establishments		
B1	Hotel	Rooms + Other GLA	Hotel; Tourist accommodation
B2	Other Accommodation Establishments	Rooms + Other GLA	B&B >3 rooms; Boarding house; Guest house; Halfway House;

C	Business		
C1	General Business	GLA [m ²]	Adult entertainment business; Adult shop; Animal care centre; Business premises; Conference facility; Expo centre; Funeral Parlour; Multiple parking garage; Place of entertainment; Plant nursery; Restaurant; Sale of alcoholic beverages; Service trade; Tourist facilities; Home occupation other than office >50m2
C2	Office	GLA [m ²]	Office; Medical consulting rooms; Home occupation-office >50m2
C3	Retail/Shop	GLA [m ²]	Shop; Supermarket; Factory shop; Farm shop; House shop >40m2
D	Industrial		
D1	Warehouse	GLA [m ²]	Warehouse
D2	Industrial	GLA [m ²]	Abattoir; Agricultural industry; Crematorium; Industry; Noxious trade; Risk activity; Scrap yard; Container site
E	Community facilities		
E1	Instruction -Early Childhood Development (ECD)	per learner	Home Child Care > 34 children; Place of Instruction (ECD) >34 Children
E2	Instruction -All other schools, university	per learner	Place of instruction (schools, tertiary and business)
E3	Community-Care/accommodation	per bed	Hospital; Institution (orphanage & Old age home); Clinic (beds)
E4	Community -office/consulting rooms	GLA [m2]	Institution (welfare office) ;Clinic (Consulting rooms); Hospital (Consulting rooms) Environmental facilities (offices)
E5	Community -Meeting Places	GLA [m2]	Place of assembly; Place of worship;
E6	Community -Open spaces/sport	[m2]	Open space (Outdoor sport, parks, private open space); Public open space (outdoor sport, park)
F	Other		
F1	Mining		To be determined on application
F2	Airport		To be determined on application
F3	Port Use		To be determined on application
F4	Service Station		To be determined on application
F5	Transport Use		To be determined on application

General notes on categories and calculations:

1. The 'DC Charges Categories' above are not zoning scheme zones or land uses. These categories have been created to simplify the DC calculation process. These categories however relate back to the planning by-law and a comprehensive table has been created to link zoning scheme land uses back to these categories.
2. The Total DC charges are to be calculated based on the land uses or combination of land uses as set out DC Charges Category (Column B) applied for.
3. If a particular application is based on a combination of a number of the above Categories, the fee is determined by calculating the fee for the specific DC category and adding it to the calculation for the other similar categories.
4. Corresponding conditions are to be imposed in terms of the by-law upon approval to limit future land uses to land use mix according to the calculation.
5. Should an application for rezoning not specify the particular land use or extent, the highest possible development potential for that particular zone (as per the Cape Town Planning By-law) shall be calculated and charged for.

Annexure C: Housing Opportunities facilitated by the City of Cape Town

Note : Subsidy amounts may be adjusted from time to time by Government Gazette

Level of Service	Outline of Service Level	Typical Housing Opportunities	Development Charge Category
Rudimentary Services	Rudimentary service level – Owner has some access to shared service points, but no individual service points.	Agricultural smallholdings, subsistence farming, rural settlements, where general services are not available.	A5 – 0%
Shared Services	Shared Service level Water connections are normally shared at 1:25 ratio and sewer connections at a 1:5 ratios	Informal settlements sharing services as part of a service provision or re-blocking exercise. Informal dwelling by owners. Where individual sites are created and full services are provided to each site it is not seen as shared services any more.	A5 – 50 %
Individual Services State Funded Housing	Each site, unit or property has full access to individual services. Dwellings/Units typically are maximum 40 ² in size Opportunities qualify as State Funded Housing Generally developed by the state and 100% subsidised for qualifying beneficiaries Targeted income group -R0 to R3500 p/m	<p>BNG house or a serviced site in a new housing development or informal settlement upgrade project.</p> <p>BNG house in a People's Housing Process (PHP) Project</p> <p>Private house to the value of the individual (Subsidy to purchase a private house to value of subsidy)</p> <p>Serviced site as part of an incremental process</p> <p>Community Residential Units (CRUs) (Council managed rental opportunity)</p> <p>Old Ages Rental Cottages</p> <p>Institutional housing (Rent to buy opportunity developed by Council)</p>	<p>A5</p> <p>A5</p> <p>A5</p> <p>A5</p> <p>A5</p> <p>A5</p> <p>A5</p>

Annexure C: Housing Opportunities facilitated by the City of Cape Town

Note : Subsidy amounts may be adjusted from time to time by Government Gazette

Level of Service	Outline of Service Level	Typical Housing Opportunities	Development Charge Category
Individual Services Affordable Housing (Subsidised Housing)	Each site, unit or property has full access to individual services. Dwellings/Units typically vary between 40m ² and 60m ² in size Opportunities qualify as Affordable Housing Generally developed by Housing Partners/Private and partially subsidised for qualifying beneficiaries Targeted income group - R1500 - R3500p/m R3501-R7500 p/m R7501-R15000 p/m	Social housing (Housing opportunity for household in R1500 – R3500 income bracket - 30% of allocation)	A5
		Social housing (Housing opportunity for household in R3501 – R7500 income bracket - 70% of allocation)	A5
		Serviced Site (Serviced site for households in R3501 – R7500 income bracket that qualify in terms of FLISP policy to purchase serviced Site)	A5
		Financed linked opportunity for site or dwelling for households in R 7501 – R15000 income bracket (Subsidy is based on Finance Linked Individual Finance Programme – FLISP) I	A6