CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

INVESTMENT INCENTIVES POLICY (POLICY NUMBER 12506)

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CITY OF CAPE TOWN

INVESTMENT INCENTIVES POLICY

(APPROVED 31ST MAY 2018)
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DEFINITIONS AND ABBREVIATIONS

For the purposes of this policy, except where clearly indicated otherwise, the words and expressions set out below have the following meanings-

"Approved budget"	means an annual budget which is approved by a municipal council and includes such an annual budget as revised by an adjustments budget in terms of section 28 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
"Barriers to entry"	means factors that hinder the entry of a new business in a location or market.
"Comparative advantage industries"	means a region can be said to have a comparative advantage in an industry if it can produce goods within that industry at a relatively lower cost than comparable regions.
"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(Act No. 117 of 1998), or any structure or employee of the City acting in terms of delegated authority;
"Council"	means the Council of the City;
"Delegation"	in relation to a duty, includes an instruction to perform the duty, and "delegate" has a corresponding meaning;
"Deadweight loss"	means a measure of welfare that is lost when the equilibrium in a market is not efficient (The Economist, 2016)
"Executive Mayor"	Means the person elected in terms of section 55 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) to be the Executive Mayor of the City;
"First mover disadvantage"	means the disadvantages of being the first entrant into a market or location, i.e. the risks attached to such a move
"Mayoral Committee" (Mayco)	Means the committee appointed by the Executive Mayor to assist the Executive Mayor in terms of Section 60 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
Tertiary sector	Means the subset of the economy that provides support to the primary (production of raw materials) and secondary (manufacturing) sectors and includes activities such as warehousing, transport services,

	insurance services, teaching, health care and advertising services.
Tertiary industry	Means the productive enterprises operating in the tertiary sector.
Transit Oriented Development (TOD)	Means a multifaceted and targeted strategic land development approach to improved urban efficiencies and sustainability by integrating and aligning land development and public transport services provision. It promotes inward growth and compact city form with an emphasis on building optimum relationships between urban form, development type, development intensity, development mix and public transport services to create a virtuous cycle of benefits over the long term as described in the City of Cape Town TOD Strategic Framework.

Abbreviations

AoD	Acknowledgement of Debt
City (CCT)	City of Cape Town
CHEC	Cape Higher Education Consortium
DC	Development Charge
DTI	National Department of Trade and Industry
ECAMP	Economic Areas Management Programme
EGS	Economic Growth Strategy
ICT	Information and Communications Technology
IDP	Integrated Development Plan
IPAP	Industrial Policy Action Plan
LUMS	Land Use Management System
PBDM	Planning and Building Development Management
SEZ	Special Economic Zone
SMME	Small, Medium, Micro Enterprises
SCM	Supply Chain Management
MSDF	Municipal Spatial Development Framework
SIC	Standard Industrial Classification
SPU1	Small Power User 1 (Tariff)
SSO	Sector Support Organisation
TIA	Traffic Impact Assessment
TOD	Transit Oriented Development
TOU	Time of Use (Tariff)
UNCTAD	United Nations Conference On Trade and Development
WTO	World Trade Organisation

1. PROBLEM STATEMENT

The Statistics South Africa Quarterly Labour Force Survey (QLFS, 2016) for the 2nd quarter of 2016 reflected an official unemployment rate of 26,6% for the country and an unemployment rate of 23,0% for Cape Town. These aggregate statistics mask a problem which is even more pronounced among the country's youth, who face an unemployment rate of 53,7% at a national level and an improved yet still unsustainably high rate of 50,2% in Cape Town. Aside from its inherently destabilising impacts for society, high youth unemployment also represents a missed opportunity of utilising the City's demographic dividend – a key advantage over developed country cities - to drive economic growth and productivity. The City recognises that employment creation must be at the centre of building an inclusive society which fully realises the potential of its human capital resources.

Unemployment is not only concentrated among the youth but also in certain spatial areas within Cape Town. Census 2011 data shows large disparities in unemployment rates for different areas within Cape Town. These disparities are largely formed along arbitrary dividing lines designated during the Apartheid era. This has been further exacerbated by a gradual decline in the prominence of the manufacturing sector in Cape Town's economy, leading to the poor performance of a number of Cape Town's industrial nodes, many of which lie close to low income residential areas. Increased job creation in the manufacturing sector is key to uplifting these areas.

While job creation is central to the City's developmental mandate, it is important to recognise that it is not the City's primary role to directly create jobs. The Cape Town Integrated Development Plan (2017:17) (IDP) reflects that "Although job creation is not a direct local government mandate, the City of Cape Town has formed partnerships with other spheres of government, the private sector as well as cities around the world to encourage job creation in Cape Town by providing a more enabling business environment that attracts investment and economic growth.". In this respect, private sector investment is crucial. The IDP (2017:17) further states that "Cape Town needs to expand its economy further to create more employment opportunities.

There are a myriad of different policies and strategies to attract job-creating investment in the City. The most important is creating an environment that is attractive to investors, through the provision of excellent service delivery, transparent governance and well targeted destination promotion. While getting these fundamentals right is a necessary condition of investment attraction, the increasingly competitive rivalry among emerging cities means that it is not always sufficient. The most successful emerging market cities, in terms of industrial development, over the past decades have, and continue to use incentives to 'kick-start economic activities and foster technological improvements' (UNCTAD, 2016). These cities recognize that when an investor is choosing between two or three similarly placed cities to invest in, investment incentives act as important deal 'sweeteners' or tipping-point factors.

Inter-city competition to attract investment and business talent is expected to intensify alongside the rapid expansion of urban economic activity, a trend that demands that Cape Town develops a consolidated position on the use of investment incentives. With foreign direct investment[1] in South Africa declining by more than 31% in 2014, it is imperative that the City has a well-informed strategy to promote confidence in the local economy (FDI Intelligence, 2013:12). An investment incentives policy is an important component of a broader strategy to attract investment in the City. This policy document focuses on the use of incentives to increase private sector job-creating investment, particularly in the manufacturing sector and in high unemployment regions within Cape Town.

[1] Measured in number of new projects

2. DESIRED OUTCOMES

The Investment Incentives Policy aims to attract job-creating investment into Cape Town's economy with a specific focus on making it a preferred business destination. In particular, the City of Cape Town desires investment that addresses the objectives and development challenges articulated in key documents such as its Integrated Development Plan, the Municipal Spatial Development Framework and the Economic Growth Strategy. At the forefront of these objectives, and in alignment with the National Development Plan and New Growth Path for South Africa, is the creation of sustainable employment opportunities.

The Investment Incentives Policy will assist and guide the City in managing incentive related activities in an efficient and effective manner so that the desired outcomes can be achieved. The purpose of the Investment Incentives Policy is not to develop a package of subsidies to support unsustainable business models but rather to encourage investment in job-creating enterprises that meets the City's vision and objectives. Furthermore, the Investment Incentives Policy will assist in the targeting of desirable investment in particular spatial locations that require intervention and that can at the same time contribute to improved urban efficiency in terms of the movement of people and goods.

3. STRATEGIC FOCUS AREAS

The Investment Incentives Policy responds to the Opportunity City principle as articulated in the City of Cape Town's IDP by providing for incentives which help foster increased opportunities for economic participation through sustainable employment creation. This policy document aims to outline and guide the provision of incentives for job creating investment, particularly within the manufacturing sector in Cape Town.

For any city administration, the question of how to design a comprehensive incentives strategy must be located within both a global and local context. For the City of Cape Town, the local context demands that the administration performs a careful balancing act: While incentives packages can play a role in encouraging investment that is critical for driving economic growth and job creation, the City must also be cognisant of the cost implications of these programmes and how this impacts on the administration's capacity to address its other strategic policy priorities and service delivery.

While research tends to indicate that incentives are rarely the most important factor in location decisions by business, they do influence decision making and are often a "tipping point" factor. Non-financial incentives, particularly with respect to transparent, efficient and consistent administrative procedures are often considered by investors to be more important than incentives with a direct financial benefit. It is the role of the City to identify the best mix of both non-financial and financial incentives.

Although there are a wide range of incentives offered by other spheres of government, most notably national government through the Department of Trade and Industry (DTI), the City of Cape Town desires to see these national incentives complemented by a set of incentives that relate to the mandate of local government. The context-specific investment incentive package detailed in this policy document is designed to respond to investment-limiting challenges on the ground at a local level in the City. Utilising investment incentives to create a more conducive environment for private sector investment, particularly in the manufacturing sector will position Cape Town as a preferred destination for investment both in South Africa and globally.

4. STRATEGIC ALIGNMENT

The strategic focus areas of the City are enshrined in the City's Integrated Development Plan (IDP) and are categorised into five pillars: These five pillars are namely the Opportunity City, the Well-run City, the Safe City, the Caring City and the Inclusive City.

Although incentives can have an impact on all five pillars, this policy focussed mostly on the Opportunity City and the Inclusive City.

One of the key objectives underpinning the Opportunity City focus area is 'Positioning Cape Town as a Globally Competitive City'. This was also a key objective of the City's Economic Growth Strategy (2013). Numerous cities across the globe utilise incentives to attract investment. If Cape Town is to compete with these cities, it needs to develop a suite of incentives which it can use to attract job-creating investment into its key sectors and industries.

A further two objectives included in the IDP, and identified under the Opportunity City and Inclusive City focus areas respectively, have relevance for this policy. These are 'Economic Inclusion' and 'Dense Transit Oriented Growth and Development. Both objectives seek to ensure accessibility for Cape Town's residents to employment and business opportunities. By targeting job-creating investments in socially or economically depressed areas with relatively high unemployment rates, the incentives, outlined in the policy, aim to improve the inclusiveness of Cape Town's economy for marginalised residents.

The Investment Incentives Policy will also aim to embody the five values identified in the Organisational Development and Transformation Plan. These five values are: service excellence; integrity; accountability; trust and accessibility.

5. REGULATORY CONTEXT

This policy is developed in context of and guided by the following legislation and regulations:

1. The Constitution of the Republic of South Africa, 1996
2. Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA) and Regulations
3. Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004)(MPRA)
4. National Policy Framework for Municipal Development Charges
5. Provincial and National Built Environment Legislation
6. City of Cape Town: Municipal Planning By-law, 2015

This policy is further guided by the following frameworks and strategies:

1. City of Cape Town's Integrated Development Plan
2. City of Cape Town's Built Environment Performance Plan (BEPP)
3. City of Cape Town's Economic Growth Strategy
4. City of Cape Town Municipal Spatial Development Framework
5. National Development Plan
6. Transit Oriented Development Strategic Framework

This policy also acts as a complement to the City's Business Support Policy which details the City's approach to supporting small businesses.

6. BACKGROUND

6.1 Defining an Investment 'Incentive'

An incentive is broadly understood to be a special intervention designed to change the behaviour of economic actors or to influence their decisions in order to achieve specific outcomes. Defining an 'investment incentive' as compared to incentives more generally is complex and there is no standard definition. The United Nations Conference on Trade and Development (UNCTAD), however, define an investment incentive as "any measurable advantage accorded to specific enterprises or categories of enterprises by or at the direction of government" (Barbour, 2005:2). According to this definition, an across the board reduction in taxes or an improvement in other investment related conditions for all investors, is not considered an incentive. This implies that incentives must be 'specific' i.e. they must be restricted to investors who meet given criteria such as locating in a specific area or operating in a specific economic sector.

Investment incentives are often defined according to their typology or the nature of the outcome they are trying to achieve. The following types of investment incentive are recognised: (Barbour, 2005:2)

1. Direct financial incentives: Including grants; loans at low interest
2. Indirect fiscal incentives: including tax rebates and tax holidays
3. Other non-fiscal incentives: including regulatory and administrative concessions; and subsidised or reduced service costs

6.2 Rationale for Incentives

Investment incentives are used as a tool by governments to boost investment and to stimulate economic growth and employment creation within a particular region. Incentives are most commonly and appropriately used to achieve pre-defined strategic objectives contained in strategy or policy documents (such as an IDP). These objectives are specific and aim to induce investors to "shift an investment decision towards a particular region, sector or project" (SAIIA, 2012:13). This notion is elaborated by the economist Paul Barbour (2005:3) who describes incentives as biasing "investors' decision-making positively in favour of investments in certain sectors or regions".

Local governments use incentives to achieve an outcome which the market may not achieve on its own. Market failure is regarded as the primary justification for the use of investment incentives by local government. Barbour (2005) identifies examples of market failure which may be addressed by incentives. These are listed below:

1. *Positive externalities*: This refers to business' inability to account for the broader social impact of their investment, leading them to undervalue the return on their investment and under-invest as a result. Positive externalities are often observed with regard to research and development (R&D) spending where the social return is significantly higher than the private return. Incentives would look to optimise the level of research and design (R&D) spending by narrowing the gap between the private return and social return.
2. *Infant Industry*[2]: Barriers to entry and anticipated risk for new businesses may result in under-investment in a sector or geographical locality. "Markets often fail to correct for the gains that can accrue over time from declining unit costs and learning by doing" (Barbour,

[2] Any incentive aimed at support infant industries must be in accordance with the WTO's stipulations

2005:4). Incentives can be used to address this market failure by supporting businesses in overcoming barriers to entry in the start-up phase. The assumption underpinning this thinking is that once these barriers to entry are dealt with the market will self-correct.

3. *Information Asymmetries and Uncertainty*: A lack of information regarding a particular under-developed geographic area or emergent economic sector may result in under-investment by raising the level of uncertainty and the risk of new investment for businesses. Even though the net return on investment may be positive, in the face of poor information investors remain risk-averse. In particular, companies may face 'first-mover disadvantage' whereby the first company to invest takes on all the risk of investment in the new area, while other companies benefit from improved information as a result of the first business' initial investment. Incentives may be used to overcome this first-mover disadvantage and enable the subsequent creation of 'agglomeration effects' as other companies take advantage of improved information availability.

Other reasons for investment incentives:

1. *Equity considerations*: Investment incentives may not only be used to correct market failure but also to address the inequitable distribution of the market and to reverse historically engineered inequalities. Economically depressed areas get caught in a trap of low existing private investment levels hindering future private investment. Incentives may be used to break this circular pattern of under-investment. UNCTAD (2015) state that a key to maximising the strategic value of incentives is focusing them on underdeveloped regions and associating incentives with sustainable development impacts. Caution must apply to the use of incentives in this way, as research has regularly shown that incentives in a weak investment climate tend to be ineffective.
2. *International Competition*: In an increasingly globalised world economy, wherein capital can be shifted around relatively freely, local governments compete on a global scale for private-sector investment. They may do this by providing competitive tax rates and service charges. This has the potential danger, however, of resulting in a 'race to the bottom', as local governments undercut one another to the extent that the marginal benefit is smaller than the associated revenue loss.
3. *Signalling intent*: Investment incentives may, in some instances, be more symbolic than substantive and act as a signal to investors that an economy or local area is open for business. Investors may perceive incentives as an assurance that the Local Government is committed to improving the investment environment in a given area.
4. *Regulatory barriers to entry:* Regulatory failure as much as market failure can be an impediment to new investment. Onerous application and registration processes for new developments can act as barriers to entry for new investment in an area or sector. Regulatory failure is often exacerbated in under-developed areas as the administrative infrastructure can be similarly under-developed. While a City-wide reduction in red-tape may be desirable in the long-run, regulatory fast-tracking or compliance concessions that can be phased-in within specific priority geographic areas or sectors, can be effective incentives to attract investment in these areas in the short-run.

The above reasons for providing investment incentives resonate to varying degrees with the City of Cape Town. Generally, as outlined in the problem statement to this policy document, the City desires to improve competitiveness in a bid to attract international investment. The City must be mindful however, that incentives alone do not create competitiveness, and should be directed rather at the removal (or counterbalancing) of blockages to investment and the harnessing of existing investment potential. Certain marginalised areas within the metropolitan area have substantial economic potential but are hindered by entrenched perceptions of risk; uncertainty;

barriers to entry; and 'first mover disadvantage'. Investment incentives will be used by the City as a tool to overcome disincentives to otherwise viable investment. The proliferation of these disincentives in previously disadvantaged areas implies that an investment incentives policy, by removing barriers to job-creating investment in these areas, will help enable the City to reduce income inequality. It will also send a strong signal to business that the City is serious about fostering private sector investment and creating a healthy business climate in these areas.

6.3 A functional definition of Investment Incentives

In order to transparently guide this investment incentives policy, it is imperative to provide a functional definition of an investment incentive for the City of Cape Town.

Henceforth in this document an investment incentive will refer to:

A time-limited measurable advantage, aimed at the rectification of market or regulatory failure, afforded to a business by the municipality either through administrative/regulatory; financial or fiscal means for job-creating investment within a targeted geographic area and/or industry.

There are two crucial elements of the above definition, namely, addressing market failure, and targeting. The World Bank (2015) refer to a 90-10 investment decision making guideline whereby 90 percent of an investment decision is based on the economic and financial fundamentals and 10 percent is about the softer factors, or the 'last mile'. Investment incentives fall into the 10 percent category, which is not to underplay their importance but to stress the critical importance of getting the economic fundamentals of a location right. As such investment incentives should only be used to address instances where market or regulatory failure discourages investors from investments which could yield significant private and social returns. By addressing actual barriers to entry or disincentives to investment, this would avoid the 'free-rider' problem often associated with incentives. This can occur when investors, who had already planned to invest in an area, take advantage of the incentives on offer but do not create any additional jobs or output. Effective targeting, by focusing on areas or sectors in which disincentives exist, will ensure that the municipality does not unnecessarily lose revenue as a result of free-riding. Targeting is also essential in tying investment incentives to the City's broader spatial and sector development goals, such as spatial transformation through the development of transit-oriented development corridors.

7. POLICY PARAMETERS

The purpose of this Investment Incentives Policy is to:

1. Define the range of non-financial incentives available
2. Define the range of financial incentives available
3. Establish criteria concerning the spatial and sectoral targeting of the incentives so as to ensure the City's broader goals are achieved.
4. Provide a schedule of incentives available to eligible investors describing the scope of the financial and non-financial incentives offered by the City of Cape Town.

8. EXISTING INVESTMENT ENABLING ENVIRONMENT

Attracting job-creating investment to Cape Town necessitates the development of a comprehensive and multi-faceted investment attraction and promotion strategy. Investment incentives are only one component of such a strategy. Crucial to the success of any investment incentives policy, is the need to foster a conducive environment for investment. Incentives are never a suitable substitute for physical infrastructure provision, access to consumer or labour markets, or good governance. Indeed, a strong investment/business environment incorporating these factors is a critical enabling factor for a successful package of incentives. The creation of an enabling environment for investment is a key focus of the City of Cape Town.[3]

Cape Town as an investment destination benefits from excellent infrastructure, including: South Africa's second largest container Port; an international airport; a comprehensive road and rail network and rapidly expanding broad band infrastructure. These factors among others (i.e. the strength of the business community; skilled labour etc.) are determinants of the locational attractiveness of Cape Town for investors. In addition to these locational factors, investors in Cape Town can benefit from a number of existing national and City of Cape Town incentives which aim to further enhance the attractiveness of Cape Town and, in some instances, to correct for market or regulatory failure. These existing investment enabling factors are identified below:

8.1 Investment Enabling Factors

The Department of Trade and Industry offer a number of investment incentives in a range of sectors. The relevant incentives for investment attraction or expansion, offered by the DTI are listed below:

1. Automotive Incentive Scheme (AIS)
2. Aquaculture Development Enhancement Programme (ADEP)
3. People-carrier Automotive Incentive Scheme (P-AIS)
4. Black Business Supplier Development Programme (BBSDP)
5. Business Process Services Incentive Programme (BPS)
6. Clothing and Textile Competitiveness Improvement Programme (CTCIP)
7. Co-operative Incentive Scheme (CIS)
8. Technology and Human Resources for Industry Programme (THRIP)
9. Critical Infrastructure Programme (CIP)
10. Export Marketing and Investment Assistance (EMIA)
11. Film and Television Incentive (FTI)
12. Foreign Film and Television Production and Post-Production Incentive
13. South African Film and Television Production and co-production Incentive
14. Sector Specific Assistance Scheme
15. The South African Emerging Black Filmmakers Incentive
16. Manufacturing Competitiveness Enhancement Programme (MCEP)
17. Production Incentive (PI)
18. Capital Project Feasibility Programme (CPFP)
19. Support Programme for Industrial Innovation (SPII)
20. Tax Allowance Incentive for Greenfield and Brownfield Investments

National Treasury

1. Urban Development Zones (UDZs)

[3] Strategies for developing an attractive and competitive investment environment, together with the Investment Incentives Policy should form part of an overall Investment Strategy for the City.

Special Economic Zones Act, 2014 (Act No. 16 of 2014)

In February 2016, the Special Economic Zones (SEZ) Programme, which was mandated by the Special Economic Zones Act, 2014, was proclaimed. According to the Act a Special Economic Zone is "an economic development tool to promote national economic growth and export by using support measures in order to attract targeted foreign and domestic investments and technology" . Through the proclamation of the SEZ programme the incentives have now been finalised and include:

1. VAT and Customs relief
2. An Employment tax incentive for employees of all ages
3. Accelerated depreciation (10% per annum) allowance on capital structures
4. Reduced corporate income tax rate of 15%

Seven SEZs have been proclaimed, including all the previous IDZs, among which is the Saldanha IDZ. Further to these SEZs, a number of others have also been proposed. The City in conjunction with GreenCape and the Western Cape Provincial Government have made an application for the designation of the Atlantis Industrial Area as a green technology SEZ.

Consultation with the DTI, has indicated that the incentives offered by the City within Atlantis are complementary rather than duplicative of those that may be offered in an SEZ and do not amount to 'double-dipping'. Rather the incentives, detailed in this policy, will serve to further strengthen the business case for green tech companies to base themselves in Atlantis.

8.2 Municipal Investment Enabling Factors

The City utilizes a number of area-based management tools and enabling mechanisms aimed at improving the business environment of specific areas. These include:

1. **City Improvement Districts (CIDs):** Usually takes the form of the provision of supplementary and complementary services provided by a non-profit organisation operating within a defined geographic area. CIDs are created by local business owners to provide "top-up" cleaning and security services funded by an additional rate (rates) levied on the properties in that defined area. Some CIDS also undertake other urban management functions relating to environment management and social responsibility.
2. **Mayoral Urban Renewal Programme (MURPs)** – this programme aims to uplift areas that have been identified as neglected and dysfunctional through the maintenance of public infrastructure and facilities in order to stabilise areas and provide a platform for more effective public and private investment.
3. **Urban Development Zones (UDZs)** – The UDZ is a National Treasury tax incentive administered by the municipality that aims to address urban decay in South Africa's inner cities by promoting private sector-led investment in commercial and residential developments.
4. **Provincial Strategic Objective 1: Creating opportunities for growth and jobs** – Although this is a provincial objective, the CCT strongly subscribes to the province's "red tape to a red carpet" programme aimed at enhancing the business environment that it advocates.
5. **Sector Support Organisations** – the CCT provides grant funding support to a number of sector support organisations including the City and Province's investment promotion agency, Wesgro. These organisations undertake a number

of support and advocacy activities aimed at the development of a particular sector.'

6. **Transit Oriented Development Strategy** - The City's TOD strategy was approved in March 2016 and sets out a blueprint for the mixed use development of a number of key transport nodes within the City. This is to achieve a more sustainable and efficient urban form and movement system, and it involves a number of initiatives to institutionalise this new approach to urban development.

9. ROLEPLAYERS AND STAKEHOLDERS

The successful implementation of the Investment Incentives Policy requires a collaborative effort from a range of City Departments. While the Investment Facilitation Unit will administer (and monitor) the incentives, individual departments are responsible for the provision of incentives as set out in this policy.

Role-players	Key responsibilities in respect to the Investment Incentives Policy
City of Cape Town	
Enterprise and Investment Department (Investment Facilitation Unit)	Acts as a one stop shop for investment in Cape Town, this includes administering the Investment Incentives and monitoring their uptake.
Organisational Policy and Planning Department (Research, Strategic Policy)	Responsible for the development of the Investment Incentives Policy and its ongoing evaluation.
Finance Department	Responsible for the provision of certain incentives
Transport Development Authority (Planning)	Responsible for the provision of certain incentives
Electricity Generation and Distribution Department	Responsible for the provisions of certain incentives
External	
Wesgro	Responsible for communicating the availability of investment incentives with prospective investors, and for facilitating access to relevant national incentives.

10. POLICY DIRECTIVES

In order to promote effective management of incentives in the City the following policy directive details will apply.

10.1 General Principles

The following principles have guided the development of the incentive packages described in Annexure 1 and Annexure 2.

Principle 1: Employment Creation
The investment incentives must be tied to the attainment of the City's developmental goals of which job creation is foremost. The goal of incentive provision is not to simply enhance business profit margins with little or no broader socio-economic impact. Rather, investment incentives must be

used to support and enhance sustainable job-creating private sector investment. In this respect a business' eligibility for incentives should be conditional upon the creation of a prescribed number of jobs.

Principle 2: Affordability

The incentives package must not place undue pressure on the City's finances such that the City is not able to meet its service delivery targets and the long-term sustainability of the budget is jeopardised. In this respect, the City should not sell services below cost to business. Where possible, high impact but low cost 'soft incentives' such as expedited approval times; and increased administrative efficiency in the dealing with applications, should be targeted. Financial incentives should be prudent and aim at removing a barrier to entry or counter-balancing a locational disincentive as opposed to simply subsidising businesses. The impact of financial incentives should be carefully modelled and limits on financial incentives should be implemented where, if unlimited, they could be deemed to jeopardise the sustainability of the City's budget.

Principle 3: Transparency and Uniformity

The incentives should be non-discriminatory and should be applied with uniformity and transparency. The UNCTAD (2015) identify the establishment of clearly defined and transparent criteria and conditions and the granting of incentives automatically as much as possible, as keys to ensuring the efficiency and effectiveness of incentive schemes. As such the granting of investment incentives should be done according to a set of predetermined criteria. This set of criteria will be consistently applied to all businesses applying for incentives. Information on the nature of the granted incentives should be public knowledge.

Principle 4: Sectoral Targeting

Research (SAIIA, 2012:12; World Bank 2015:11)) on investment incentives has found that incentives are most effective when targeted at efficiency-seeking (manufacturing) investment as opposed to market-seeking (retail) or resource-seeking (mining; agricultural) investment. The focus, in the main, on the manufacturing sector is in alignment with the goal of the Department of Trade and Industry's Industrial Policy Action Plan 2013-2016 of "preventing industrial decline and supporting the growth and diversification of South Africa's manufacturing sector". It is also consistent with the focus of the Special Economic Zones Programme on the manufacturing sector.

The Investment Incentives Policy should, in particular, prioritise the development of the City's comparative advantage industries in the manufacturing sector. International research (UNCTAD:2015) on investment incentives has shown that incentive packages work best when they are strategically targeted to enhance competitiveness through agglomeration and clustering.

Effective industry agglomeration can greatly enhance the attractiveness of a location for investors. As a result, the City's Investment Incentives Policy should be supportive of industries in which Sector Support Organisations (SSOs) operate (i.e. clothing and textiles) and those prioritised in the City's Integrated Development Plan (IDP) and the Economic Growth Strategy (EGS). While these sectors may receive prioritisation, (as provided for in transparent incentives criteria) investment in other industries/sectors may also be considered according to the criteria detailed below.

Key guiding criteria for incentives provision: The investment must enhance the City's value-added productive capacity – this is to say that the eligible investments should be in the manufacturing sector. While the focus of incentive provision, as prescribed in this policy, is on manufacturing investments, allowance will also be made for incentive provision for a select number of priority industries, recognised to enhance Cape Town's value-added productive capacity. These priority industries will be informed by the City's economic research and strategy documents. The process that will be followed in respect to providing incentives to non-manufacturing industries will be detailed in section 10.5.

Principle 5: Spatial Targeting
International best practice has found that investment incentives are most effective when they are spatially targeted. This is for the following reasons:

- Spatial targeting ensures that incentive provision, by having defined parameters is affordable for the City (refer to Principle 2)
- Spatial targeting maximises the socio-economic return of incentives by focusing on areas with strong potential but which are currently underperforming
- Spatial targeting can assist in removing area-specific blockages to investment or systemic market or regulatory failure
- Spatial targeting enables the City to achieve its development objectives in specific areas thereby addressing issues of spatial inequality

Guiding criteria: Investment incentives should be provided in areas where there is significant potential for job-creating investment but where impediments to investment currently exist.

Section 10.4 deals with spatial targeting in more detail

Principle 6: Simplicity
Ascertaining whether a business is eligible for an incentive and subsequently obtaining an incentive should not be an onerous task for investors. The criteria for incentive provision should be easy to understand. Deadweight loss as a result of administrative complexity needs to be minimised. The structure and administration of the investment incentives should not require excessive administration, thereby minimizing staff and financial impacts. This will also ensure quick turnaround times for applications (urgency and speed are essential to attract and retain investment).

Principle 7: Legality
The incentives that are provided must be subject to the relevant legislation and planning parameters. Incentives cannot be in conflict with legislation nor should they be provided to companies which are not legislatively compliant. The Investment Incentives Policy must also be in line with planning guidelines.

Principle 8: Complementarity and alignment
Both national and provincial government currently provide various programmes and packages that incentivise investment and job creation. Incentives offered by the City should align with these in order to enhance their impact. Furthermore, the City's Investment Incentives Policy should directly reflect its mandate as a separate and independent sphere of government i.e. it should relate to incentives that the City can uniquely provide and which will help to achieve the key strategic objectives of the City as identified in the IDP and other strategic documents.

Principle 9: Continuous Review
In order to stay competitive in a global economy that is constantly changing, this policy should be reviewed regularly. There are two pertinent reasons which underpin the need for continuous review. The first reason for continuous review is that the needs of investors are dynamic and respond to changes in the global economy. A shift in production techniques may result in a particular incentive no longer being an effective factor in influencing the decision of where to locate. To stay responsive to the dynamic nature of investment, it is essential that the Investment Incentives Policy be regularly reviewed. The second reason for continuous review is that the true impact of the

incentives on investment decisions will only be apparent when the Investment Incentives Policy is implemented. As such it may be necessary to make adjustments to the original policy specification in light of lessons learnt post-implementation.

Any additional investment incentives that the City will offer investors outside those proposed in this policy will be required to conform to the above principles.

10.2 Incentives Design

The previous section outlined the general principles guiding the formulation of incentives. While these general principles speak to the scope of incentives; administration of incentives; and the type of criteria which should be applied to the incentives, they are not specific to the design of the incentives.

Best Practice Design Elements

Drawing on international best practice, there are a number of design elements which are considered to characterise efficient and effective investment incentives[4]. Effective incentives should:

1. Provide a degree of predictability and certainty: While continuous review is necessary, incremental rather than wholesale adjustments should be made to the incentives schedule. A degree of continuity is important for investor confidence
2. Be upfront and target start-up impediments to investment
3. Include limits on expenditure or taxes foregone to the fiscus
4. Incorporate sunset clauses for the incentive scheme
5. Incorporate sunset clauses for the duration of the benefits
6. Incorporate claw-back clauses if pre-established targets are not met
7. Be 'on-budget': the fiscal impact of the incentives must be modelled, and accommodated for in the City's budget

10.3 The Incentives Package

Details of the incentives offered by the City to investors can be found in Annexure 2. For the purposes of brevity, the type of incentives and not the specifics of each incentive are described below. The incentives have been categorised according to whether there is a financial implication for the City or not.

Non-Financial

1. One stop investment shop
2. Fast tracking of development applications
3. Investment facilitation officers
4. Facilitation with DTI, through Wesgro, to obtain relevant incentives
5. Provision of regularly updated economic information
6. Expedited City owned land disposals agreements

Financial

1. Waived building plan application tariff

[4] Modified from Barbour, 2005, *An Assessment of South Africa's Investment Incentive Regime with a Focus on the Manufacturing Sector*

2. Waived land use management application tariff
3. Development charge deferral and partial write-off
4. Reduced broadband fibre rental fees

The costs of these waived fees and reduced charges will be recovered from the investor should the agreed employment targets not be sustained for the agreed time period.

The impact and on-going fiscal sustainability of the provision of financial incentives will be determined in a revenue impact modelling exercise. This will be an ongoing process and will directly inform the outcomes of the two-year review.

It is recognised that the types of incentives offered by the City may need to be adapted or added to over time to accommodate changing investment trends both in Cape Town and globally. As such, additional types of incentives that are in line with the principles articulated in this policy, may be added to the suite of incentives described above and in Annexure 2, subject to approval by the Executive Mayor and the Mayoral Committee and an assessment of their affordability for the City. Any types of incentives added to the suite of incentives described above will, as is the case with the proposed incentives, only be offered subject to the fulfilment of the eligibility criteria described in this policy.

10.4 Spatial Targeting

Principles for Spatial Targeting

Drawing on international and national experience of spatially targeting incentives, the following set of principles will guide the spatial targeting of the City's Investment Incentives Policy:

1. *Conceptualise spatial targeting of incentives as a component of a bigger package*: Local economies are complex and multifaceted. In places where they require support, effective interventions also need to display these characteristics. Consequently, incentives are more likely to be effective where they can support and enhance the impacts of other interventions, for instance concentrating of mixed use development in transit accessible precincts to improve urban efficiency and travel patterns.
2. *Focus, for economic reasons, on lagging areas*: Incentives are an economic intervention aimed at changing economic dynamics therefore their application needs to be based on a clear economic rationale.
3. *Striking a balance between leading and being led by the market*: Incentives have to respond to market signals in order to result in investment, however, they also provide an opportunity for the City to change the market. The impact of incentives is limited where this balance has not been struck.
4. *Ensure that incentives are applied consistently and fairly, but remain cognisant of the specific needs of certain industries*: Cities have a range of instruments which they can bring to bear in achieving their economic development mandate. Depending on the context in which they are applied some of these instruments are more appropriate and effective than others.
5. *The importance of timing and phasing*: interventions might change over the lifecycle of an area: The City's ECAMP work has demonstrated that economic areas move through cycles and that different interventions are appropriate at different stages in an areas' lifecycle. This means that an area selected for incentives may lose that

status in the future. Conversely, areas not selected initially may be targeted at a later stage as its context and performance changes.

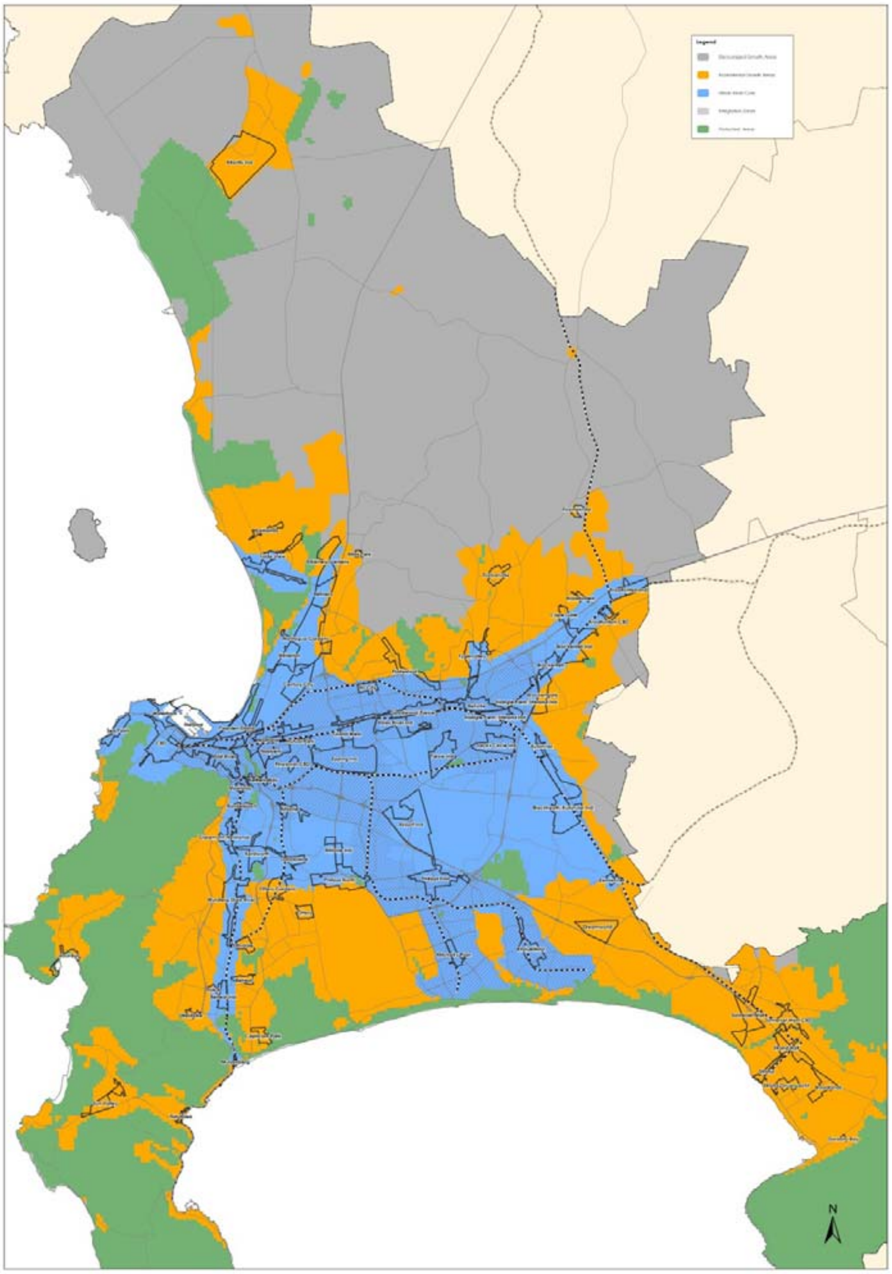
Application of Principles to Cape Town

In applying the aforementioned principles to Cape Town, a review of the City's spatial planning activities was undertaken in order to identify and understand the areas which the City views as a priority.

The City's 2018 Municipal Spatial Development Framework (MSDF) identifies an "urban inner core", as an area where the City will prioritise public sector investment and incentivize private sector investment in pursuit of spatially transforming Cape Town. The urban inner core is informed by "transit-orientated areas as defined in the City's Transit Oriented Development Strategic Framework, need, economic potential and public sector investment and includes the three integration zones (Blue Downs/ Symphony Way; Metro South East and Voortrekker Road Corridor)".

In order to align with the MSDF and complement existing spatial initiatives, the areas identified for incentives must be within or abutting the urban inner core (identified by the blue area of Map 1). Considering that the Investment Incentives Policy aims to attract efficiency seeking investment, with a particular focus on investment in manufacturing industries, areas identified for incentives must, in addition to being in the urban inner core, also be zoned for industrial use. An exception to this, which is unpacked in further detail in section 10.5, is for investments in priority tertiary (services) industries, which are unlikely to be located in industrial areas.

Map 1: Visualisation of the Draft Municipal Spatial Development Framework



In addition to the spatial criteria descried above, the principle of focusing on lagging areas, where market or regulatory failure may be impeding investment will then be applied to identify in which areas incentives will be made available. In this respect the performance of the property market will be used as a proxy indicator to determine which of these areas require support in the form of an investment incentive. The market performance index[5] developed as part of the ECAMP project will form the basis for this assessment, and provides a solid baseline for the monitoring of the impact of the incentives. .

[5] A composite indicator built up thirteen sub-indicators relating to Rentals and Vacancies, nine sub-indicators relating to Buildings and four sub-indicators Sales.

In summary the three criteria which will be used to guide the selection of areas where incentives will be made available are as follows:

1. Zoned for industrial use (if investment is in the manufacturing sector, exceptions for other sectors detailed in section 10.5)
2. Located in the urban inner core as identified by the City's Draft MSDF
3. Must be located in an area with clear potential for economic growth but which is currently underperforming/lagging. This will be determined by the market potential and performance scores as revealed in the City's Economic Areas Management Programme (ECAMP).

Based on the aforementioned criteria, a report recommending areas for the provision of investment incentives will be prepared for approval by Council.

10.5 Process for dealing with incentives for investments in the tertiary sector

This policy is purposefully aimed at supporting job creation in industrial areas within Cape Town and, thus, focuses on the manufacturing sector. However, the City recognises that long-term economic growth and social mobility require a balanced and responsive regulatory system.

Whilst the City intends to develop incentives which stimulate investment in the manufacturing sector and in lagging industrial areas within Cape Town, it does not want to exclude investment growth within other priority industries, which may occur outside of industrial areas. Therefore, the policy will support the submission of incentives requests for investments that fall outside of the manufacturing sector but are nevertheless in one of the City's priority tertiary sector industries as defined by the City's economic research and strategic documents including the Integrated Development Plan, the Economic Growth Strategy and the Social Development Strategy.

Submissions for incentives for investments in the City's priority tertiary sector industries, which by their nature will not be located in industrial areas, will be for approval by Council and the implementation of that decision will be guided by a standard operating procedure (SOP). The employment criteria of a minimum of 20 full time equivalent jobs will remain in place but submissions will also be informed by the following considerations, to be established within the SOP and led by the City's IDP:

- The rand value of investment into Cape Town over a ten-year time horizon;
- The strategic or catalytic importance of the investment to Cape Town's economy
- The investment support for entrepreneurs and SMME's within the sector aligned with the Enterprise and Supplier Development element as described in DTI's Amended Codes of Good Practice.

11. MONITORING EVALUATION AND REVIEW

This policy provides the broad framework for the management of investment incentives offered by the City. To this end the following are important:

1. The areas in which incentives will be provided will be determined by a separate report to Council and will be reflective of the principles and criteria laid out in this policy.

2. The individual incentive will be implemented by the appropriate line department as indicated in Annexure 2 and co-ordinated by the City 's Investment Facilitation Unit situated in the Enterprise and Development Department.
3. Some incentives will be automatically applied to a new development, but others will have to be the result of an application process. The required process will be outlined in a standard operating procedure. Prospective investors will be advised by the Enterprise and Investment Department's Investment Facilitation Unit with respect to necessary administrative procedures.
4. Monitoring and evaluation of the policy and performance of applicants will be performed by the Enterprise and Investment Department's Investment Facilitation Unit.
5. Directorates are to advise the Enterprise and Investment Department's Investment Facilitation Unit of challenges with respect to implementation of the policy
6. A standard operating procedure (SOP) for the administration of the policy will be developed for approval by the City Manager that will address inter alia:
    a. The administrative process and system (including forms)
    b. Roles and responsibilities of decision makers
    c. The recording system
    d. The progress tracking and follow-up system
    e. The auditing system
    f. The monitoring and evaluation framework
7. This policy will be supplemented by an implementation framework which will provide details of the administrative process, the overall administration of the investment incentives package; as well as the monitoring and evaluation of the individual applicant progress and the overall programme.
8. This policy should be reviewed and updated every two years.

12. REFERENCES

- Barbour. P, 2005, *An Assessment of South Africa's Investment Incentive Regime with a Focus on the Manufacturing Sector* in <u>ESAU Working Paper 14</u>
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- Minister of Trade and Industry, 2013, *Special Economic Zones Bill* in *in* <u>Government Gazette No. 36203</u> of 1 March 2013
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- Wentworth. L, 2012, *South Africa's Investment Landscape: Mapping Economic Incentives* in <u>SAIIA Occasional Paper No.105</u>
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ANNEXURES

Annexure 1 – Eligibility and Counter-Performance Criteria
Annexure 2 – Schedule of Investment Incentives

ANNEXURE 1 – Eligibility and Counter-Performance Criteria

There are four qualifying criteria determining the investor's eligibility for incentives that are progressively applied. These criteria are detailed in the table below.

Eligibility Criteria	
1. General Criteria	The investment must constitute a new 'external'[6] investment or the expansion of an existing investment in the area, and cannot simply be a relocation of businesses already based within the municipal boundaries of Cape Town.[7] .
2. Sectoral Criteria	The investment must be in a sector which enhances the value-added production[8] capacity of Cape Town. More specifically, the proposed investment should be located in the manufacturing sector. All investments in the manufacturing sector, subject to meeting the relevant criteria, are eligible for incentives. However, a number of specific manufacturing sub-sectors are prioritised by the City in alignment with the City's strategic economic development objectives. These priority sub-sectors are derived from the City's IDP and Economic Growth Strategy (EGS) and are in alignment with the Industrial Policy Action Plan 2013-2016. The incentives will be structured accordingly around this prioritisation. The following sectors will be eligible for investment incentives: *1. Broad Manufacturing Sector* 2. *Priority Manufacturing Sectors:* a) Agro-processing b) Green technology c) Electronics and electrical engineering

[6] I.e. Constitutes a new investment in the City
[7] Unless, by relocating, that business creates the stipulated employment targets in additional to any existing employees within the City
[8] Value-added production: the processing of raw or transformed input materials such that the value of that input is enhanced – typically manufacturing

	d) Clothing and textiles
3. Spatial criteria	Incentives for manufacturing sector investments will only be available in predetermined industrial nodes within the City. The targeting of specific areas for the provision of revenue-implication incentives is essential to ensure that the City's development objectives are met, while affordability is maintained. Industrial nodes will be selected based on a process currently being undertaken in which business and industrial nodes across Cape Town are tracked by systematically assessing their current performance, long-term growth potential and suitability for incentives. They will also need to fall within the City's identified integration zones. The designation of new spatial areas for application of the incentives will be approved by Council. The number of investment incentives approved and the extent of the time period for which applications will be taken will vary according to the specific spatial characteristics of the identified industrial nodes. Location-specific limits on the number of businesses which can obtain financial incentives in particular will ensure that the City can manage the fiscal cost of incentive provision while responding to the different development objectives the City has for different areas.

<table>
<tr>
<td>4. Employment Creation Criteria</td>
<td>
To be eligible for the larger financial incentives such as possible property rates rebates, development charge write-offs and reduced broadband line rental) the investor must prove that the stipulated level (see table below) of full time employment will be created within two years of the application for incentives.

In line with the City's prioritisation of certain manufacturing sectors the employment criteria are lowered for these sectors:

<table>
<tr><th>SECTOR</th><th>QUALIFYING CRITERIA</th></tr>
<tr><td>Broad Manufacturing Sector</td><td>Large investments resulting in more than 50 people being permanently employed within 24 months.</td></tr>
<tr><td>Priority Sectors:
1. Agro-processing
2. Green technology
3. Electronics and electrical engineering
4. Clothing and Textiles</td><td>Large investments resulting in more than 20 people being permanently employed within 24 months.</td></tr>
</table>
The job targets are in line with the DTI's classification of SMMEs, with the job target in the priority sectors being in line with the upper employment threshold of very small businesses, and the job target in the broad manufacturing sector in line with the upper employment threshold of small businesses.

75% of the jobs created in each of the categories must be occupied by South African citizens already living in the Cape Town Municipal Area as at the date of application. The onus is on the investor to provide auditable and verifiable evidence of job creation.
</td>
</tr>
<tr>
<td>Process for dealing with tertiary sector investments</td>
<td>
Incentives for investments in tertiary sector industries will be subject to the following criteria:

1. The investment must constitute a new 'external'[9] investment or the expansion of an existing investment in Cape Town
2. The investment must be shown to create a minimum of 20 new jobs in Cape Town
3. The investment must be in one of the City's priority tertiary sector industries
</td>
</tr>
</table>

[9] I.e. Constitutes a new investment in the City

	Submissions for incentives for investments in the City's priority tertiary sector industries, will be guided by a standard operating procedure (SOP) and will be for approval by Council. The following factors will also be considered: 1. The rand value of investment into Cape Town over a ten-year time horizon; 2. The strategic or catalytic importance of the investment to Cape Town's economy 3. The investment support for entrepreneurs and SMME's within the sector aligned with the Enterprise and Supplier Development element as described in the Amended Codes of Good Practice.
General Conditions	1. The applicant must have a valid Tax Clearance Certificate and must keep this valid for the duration of any time periods mentioned in the investment facilitation agreement. 2. Similarly, the municipal accounts linked to the property, and municipal accounts issued by the City to the owner and operator must be fully paid when entering into the facilitation agreement and thereafter to prevent the institution of credit control and debt collections actions as well as recovering the rebates and reductions as per this agreement
Counter performance criteria and proviso's	1. No development within 12 months, or incompletion of the development within 24 months will result in approved investment incentives lapsing. 2. The stipulated job targets should be reached within 24 months of the date of application, failure to do so will result in all approved incentives lapsing and deferred payments becoming payable 3. The investment must be consistent with the provisions of the Spatial Development Framework as approved by Council, and subject to relevant zoning and building approval 4. The applicant and all business associated with it, must be in good standing with Council and SARS 5. The premises out of which the business will be (is) operating must be in compliance with the National Building Regulations and Building Standards Act, 1977 (Act No. 103 of 1977) 6. The investment must comply with the applicable environmental, labour and heritage legislation. 7. In the case of delays in reaching the stipulated criteria, all the benefits (rebates and reductions) will become payable unless the applicant can provide the City with acceptable reasons for the delay and show progress with the development despite the constraints that prevented it from achieving the milestones. **All financial incentives are subject to the council budgeting processes as prescribed by National Treasury.**

ANNEXURE 2 - SCHEDULE OF INVESTMENT INCENTIVES

<table>
<tr><th>Category</th><th>Description</th><th>Actions and responsibilities</th></tr>
<tr><td colspan="3" align="center">EXISTING (NON-MUNICIPAL) INVESTMENT INCENTIVES</td></tr>
<tr><td>National Investment Incentives (not subject to foregoing qualifying criteria)</td><td>The Department of Trade and Industry offer a range of incentives for new investors and businesses looking to expand.

1. Automotive Incentive Scheme (AIS)
2. Aquaculture Development Enhancement Programme (ADEP)
3. People-carrier Automotive Incentive Scheme (P-AIS)
4. Black Business Supplier Development Programme (BBSDP)
5. Business Process Services Incentive Programme (BPS)
6. Clothing and Textile Competitiveness Improvement Programme (CTCIP)
7. Co-operative Incentive Scheme (CIS)
8. Technology and Human Resources for Industry Programme (THRIP)
9. Critical Infrastructure Programme (CIP)
10. Export Marketing and Investment Assistance (EMIA)
11. Film and Television Incentive (FTI)
12. Foreign Film and Television Production and Post-Production Incentive
13. South African Film and Television Production and Co-production Incentive
14. Sector Specific Assistance Scheme</td><td>• Agency service to facilitate the access to relevant national incentives for eligible investments (WESGRO)
• Development of a comprehensive investment incentives guidebook for the City of Cape Town (Economic Research, Investment Facilitation Unit)</td></tr>
</table>

	15. The South African Emerging Black Filmmakers Incentive 16. Manufacturing Competitiveness Enhancement Programme (MCEP) 17. Production Incentive (PI) 18. Capital Project Feasibility Programme (CPFP) 19. Support Programme for Industrial Innovation (SPII) 20. Tax Allowance Incentive for Greenfield and Brownfield Investments 1. The proposed designation of Atlantis as a *Special Economic Zone* (in terms of the SEZ Act produced by the DTI). National Treasury also offer the Urban Development Zones (UDZ) incentive	
Sector-Targeted Financial Grants	The City funds Sector Support Organisations that provide support in the following areas: **1.** Trade and investment **2.** Marketing and promotion **3.** Renewable energy and green economy **4.** Business process outsourcing **5.** Information technology **6.** Craft and design **7.** Clothing and textiles **8.** Fashion design	**1.** Align SSO functions with new investment incentives policy ***(Investment Facilitation Unit)*** **2.** Facilitate access for new investors to programmes run by the SSOs ***(Investment Facilitation Unit and/or Catalytic Sectors Unit)***

MUNICIPAL INCENTIVE SCHEME

(The following incentives are only offered to investment in terms of the qualifying criteria described above)		
Non-financial measures		
Single-point investment facilitation	**1.** Facilitation with DTI to assist in obtaining relevant incentive packages **2.** Investment One Stop Shop for development applications that will co-ordinate the various City approval processes for development and act as the interface between the investor and the City. **3.** Access to a dedicated investment facilitation officer to walk the investor through the various administrative processes **4.** Provide, through consultation, pre-indications of the likelihood of approval of proposed developments and advise on the requirements of the application process **5.** Provide guidance to investors considering investing in Cape Town. This may include recommending locations based on industry requirements.	**1.** Provide single point of entry to potential investors ***(Investment Facilitation Unit)*** **2.** Facilitate the access to relevant national incentives for eligible investments ***(Wesgro)*** **3.** Facilitation of access to the various incentives offered by the CCT ***(Investment Facilitation Unit)***
Atlantis Investment Facilitation Office (Atlantis only)	**1.** Investor, business and developer support which includes economic and business advice. **2.** Location selection advice and Business Establishment Assistance **3.** Business aftercare services **4.** Provision of bio-diversity offsets for developments requiring biodiversity conservation **5.** Fast tracked disposal of City-owned land	**1.** Provide single point of entry business services to investors and business in the Atlantis area ***(AIFO)***
Development Application Fast-tracking	Applies to all land use and building plan applications by qualifying investments conditional on submission of suitably completed and compliant applications) Timeframe commitment as follows:	**1.** Review and adjustment of relevant processes to reflect timeframe commitments ***(TDA)*** **2.** LUMS timeframes are only achievable where delegated applications are processed (i.e. where no objections are received or where no

	1. Land use application - 3 months **2.** Building plan decisions - 5 working days **3.** Occupancy certificate – 10 working days	TIAs are required).
Regularly updated spatial economic information	**1.** Eligible investors will be provided with updated information on the performance of the relevant industrial nodes they are located in. **2.** Eligible investors will be provided with quarterly reports on the macroeconomic performance of the City's economy.	**1.** Annual fact sheets outlining socio-economic conditions and state of the business environment in pre-determined spatial localities ***(Economic Research Unit)***

Financial measures		
Category	**Description**	**Actions and responsibilities**
Category A *(applies to all manufacturing investments in the identified spatial nodes as well as tertiary sector investments approved by Council)*		
Development Application Fees	Full exemption for both land use and building plan application fees, only in areas designated by Council .	**1.** Report to council to approve revised (exempted) tariffs for specific areas ***(Planning)*** **2.** This will become payable should the employment criteria not be met in the stipulated time period
Category B *(in addition to the criteria in Category A, applicants must have met the relevant job creation targets (50 jobs for a general manufacturing investment and 20 jobs for a priority sector manufacturing investment or a tertiary sector investment (the latter subject to approval by Council))*		
Development Charges	Applies in respect of both civil and electrical DCs where enhanced development rights are granted **1.** The DC debt will still be calculated and Acknowledgment of Debt (AoD) signed and payable as per normal; **2.** A maximum of R1 million of the DC owed by the applicant will be deferred for 24 months and written off on verification that employment targets are met for two years after the start of the production process. **3.** This incentive does not apply in respect to water-related DC's **4.** Incentive only valid for 24 months from date of approval of application for investment incentives. **5.** The incentive will only be available for a specified number of applicants on a 'first come first serve'	**1.** The DC liability must be provided from alternative funds and the relevant infrastructure fund be credited with the amount ***(Utilities/TDA)*** **2.** Model revenue impact & make budgetary provision ***(Utilities/TDA)*** **3.** Create budgetary mechanism for realisation of revenue foregone (i.e. debt write-off) ***(Finance)*** **4.** Establish application procedure, recording system & audit mechanism ***(Enterprise and Investment)***

	and a 'use it or lose' it basis. **6.** Subject to National Treasury guidelines as outlined in the Policy Framework for Municipal Development Charges	
Broadband connection fee waiver	A 1-year line rental holiday on the City's broadband fibre network **1.** Investors who are not currently connected to the City's broadband fibre network will be responsible for the upfront connection charges **2.** Failure to meet the specified employment target within 24 months will result in the investor being liable for the full year's rental fee.	**1.** Incentive provision must be aligned to the Metro Area Telecoms Network maps (detailing existing and future broadband availability) ***(Information Systems)***
Electricity tariff reduction	This incentive is available to investments that meet the qualifying criteria and are located in the City supply area: **1.** A reduction of 10% in monthly electricity tariffs for the period of 2 years for users on the Large User TOU and SPU1 tariffs. **2.** The incentive tariff will only apply to the energy component of the tariff and not on the fixed and demand components in order to ensure proper load management.	**1.** Apply reduced tariffs to eligible businesses applying for incentives ***(Electricity)***