

DRAFT DEVELOPMENT INCENTIVE AND RETENTION POLICY

1.	Introduction	4
2.	Objectives	4
3.	Problem Statement.....	5
4.	Purpose	5
5.	Legislative and Policy Framework.....	6
6.	Incentive Types	6
6.1	Financial incentives.....	6
6.2	Non-financial incentives.....	6
6.3	Fiscal or tax incentives.....	6
7	Current and or pre-ceding incentives.....	7
7.1	Development & Planning:	7
7.1.1	Land use Management	7
7.1.2	Building Control.....	7
7.2	Finance Section (Appendix 1B):.....	7
7.3	Environmental Health Section: (Appendix 1C).....	7
8	Fundamentals of this incentive policy:.....	8
8.1	Qualification and performance criteria.....	8
8.2	Regulatory compliance.....	8
8.3	Affordability	8
8.4	Transparency and Uniformity.....	8
8.5	Targeted geographical areas and specific criteria.....	8
8.6	Community awareness and information sharing.....	8
8.7	Simplicity and continuity.....	9
8.8	Monitoring and Control.....	9
8.9	Economic growth and employment creation.....	9
8.10	Equality.....	9
8.11	Investment context.....	9
9	Incentive Management Principles	9
9.1	Investment Facilitation Committee.....	9
9.2	Investment fast-tracking service.....	10

9.3	Investments in Economic Development Centres and previously disadvantaged Townships	10
9.4	Incentives for Meyerton CBD	10
9.5	Construction period sliding scale.....	10
9.6	Sectorial targets	10
9.6.1	Tourism developments.....	10
9.6.2	Public Private Partnership opportunity	10
9.6.3	Existing businesses	11
10	Investment System and Processes.....	11
10.1	Establishment of an Investment Coordination Committee	11
10.2	Investment application procedure	11
10.3	Application evaluation criteria (scorecard or matrix)	11
10.4	Marketing and communication.....	11
11	Conclusion	11

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1. Introduction

Midvaal Local Municipality find itself affected by the national challenges emanating from unemployment, inequality and poverty. Given these challenges, it is clear that the economy of the country will not grow at an acceptable rate, jobs will not be created and poor community's reliance on municipality for services and support will increase. Thus the municipality's local economy can only grow if investments can be attracted that will realise an increase in municipal revenue base and creation of jobs.

The 2018/19 IDP theme is centred on economic growth and job creation. Key sectors that have been identified as game changers are: agriculture, construction, tourism, commercial and residential densification.

The municipality needs to introduce mechanism that will attract investors and retain existing business to grow the economy and create jobs.

2. Objectives

The objectives of the policy are:

- To attract development/s to the municipality by offering incentives;
- Creating an attractive and investor friendly environment;
- Encourage urban regeneration;
- Provide for inclusive investment;
- Stimulate local employment and local procurement;
- Identify and implement different types of incentives;
- Establish processes and procedures for incentives;
- Identify criteria for the spatial and sectoral targeting to ensure the City's broader economic goals are achieved;
- Ensure that Midvaal becomes Entrepreneurial in its organizational affairs

In line with the intention and purpose of this policy, low density residential development is excluded from receiving benefits in the form of the incentives (does not qualify). Residential developments that promote a gross residential density of greater than 80 dwelling units per hectare (or any such density as may be provided for) qualify to be considered in terms of this Policy.

3. Problem Statement

Midvaal Local Municipality like many other municipalities in South Africa are affected by myriad of challenges that hamper its ability to grow its economy, create jobs and improve the quality of life of its citizens. The challenges are in the main influenced by:

- Non-responsive and economic un-friendly macro-economic policies that have contributed to unemployment, inequality and poverty
- Growing informal settlements and high dependency on the municipality for provision of basic services
- Persistent and dispersed low-income housing development
- Housing developments not integrated with economic opportunities, public transportation, social amenities and recreational facilities
- Bureaucratic nature of municipal governance and administration
- Unfriendly business environment for private sector
- Limited incentives to attract investment
- Limited opportunities for private, public partnerships

4. Purpose

The Development Incentive and Retention Policy represents Midvaal Local Municipality's intent with respect to the offering and management of incentives as an additional tool for attracting and securing lucrative and sustainable capital investments in certain geographical areas and the greater Midvaal in general. Investment incentives are inducements offered to investors to encourage them to invest within a particular area.

Investment incentives can serve as a useful signalling device that sought to maintain or promote the perception of a specific location as an attractive investment destination. However, focus should not be removed from the provision of excellent services by all municipal Directorates as a means to attract investors.

It is possible that incentives decrease tax income initially but increases tax income in the long-run. However, all incentive packages must be affordable and allow the municipality to meet its service delivery targets. High impact, low cost incentives should be targeted to mitigate indirect costs of incentives.

The key feature of this policy is to provide a list of pre-approved incentives and associated administrative procedures relating to the application for and uptake of these incentives. The aim is to speed-up the investors' decision making process and as such increase Midvaal Local Municipalities competitiveness compared to other municipalities. A rules-based incentive scheme is proposed by the policy, being a transparent policy that provides set guidelines. This policy intrinsically recognises that the investment situation is subject to continuous change and hence the incentives provided through this policy will have to be reviewed annually. This policy focuses on supporting new investments on the basis of their potential future contribution to economic growth within the municipal area. This policy should not be utilised as loophole or precedent for cash poor developers to circumvent standard municipal charges such as development contributions and service charges.

5. Legislative and Policy Framework

The development of this policy is guided by the following legislation as amended and policy prescripts:

- The Constitution of Republic of South Africa (Act No. 108 of 1996).
- The Public Finance Management Act (PFMA, 1999).
- Municipal Finance Management Act (MFMA, 2003).
- Property Rates Act (Act No. 6 of 2004).
- The Municipal Systems Act (Systems Act, 2000).
- National Development Plan 2011.
- Midvaal Local Municipality Tariff Policy.
- Midvaal Local Municipality Rates Policy.
- Midvaal Local Municipality LED Strategy.
- Midvaal Local Municipality Annual Tariff List (as published).
- Midvaal Local Municipality Integrated Development Plan (IDP) 2017 – 2022.
- Midvaal Local Municipality by-laws, precinct plans and land use policies
- Midvaal Local Municipality Bulk Engineering Services Contributions Policy.

6. Incentive Types

Incentives can be defined as: “*non-market benefits used to influence the behaviour of an economic actor*”. For investors, incentives may be defined as any measurable advantages (in the form of fiscal, financial, or non-financial incentives) accorded to specific enterprises or categories of enterprises by (or at the direction of) a government, in order to encourage investors to behave in a certain manner.

6.1 Financial incentives

These may include direct grants and cost sharing schemes, lending instruments and guarantees. It may also refer to discounted prices of land development and building plans, market value of land or the direct provision of land on terms more favourable than that available on the open market.

6.1 Non-financial incentives

This refers to technical or business support incentives to support investors in setting up and running their operations. These can include preferential treatment and streamlined administrative processing, administrative consulting, direct administrative assistance, business-centric research, opportunity identification and project packaging.

6.2 Fiscal or tax incentives

Fiscal or tax incentives may refer to credits, exemptions or Income excluded from the municipal revenue base or tax base.

7 Current and or pre-ceding incentives

Midvaal does not have an existing incentive policy, but follow a fragmented pro-poor policy when incentives are granted. These include, but are not limited to:

7.1 Development & Planning:

7.1.1 Land use Management

Development & Planning (see Appendix 1A) has created an overlay zone in the Midvaal Single Land Use Scheme that benefit pre-identified areas as part of the township economic revitalization programme that allow for :

- A larger variety of primary land use rights.
- A larger variety of land uses that could be applied for by means of simplified land use application processes
- A 50 % reduction in application fees, including building plan fees.

7.1.2 Building Control

The building control section has approved several incentives to reduce costs for vulnerable communities, and to encourage legal compliance. These are all contained in Appendix 1A

7.2 Finance Section (Appendix 1B):

Owners of large Industries & commercial developments may apply for a conditional reduction in property rates to a maximum of 10%, and subject to certain conditions as identified in Appendix 1B.

7.3 Environmental Health Section: (Appendix 1C)

No fees for the following activities, both new and excising premises:

- Day to day inspections conducted at premises
- New and renewal of Health reports for businesses
- New and renewal of Certificates of Acceptability for premises
- Environmental Health Training for personal at premises
- Event applications
- New and re-inspections by environmental health during development stages at all premises in the Midvaal Region
- Investigation of new and follow up complaints
- Health information to the communities
- Milk and Water sampling at communities (as and when required)

8 Fundamentals of this incentive policy:

Guiding principles underlying the Policy is as follows:

8.1 Qualification and performance criteria

Incentives shall be subject to qualification and performance criteria that need to be met. These are clear and achievable with mechanisms and processes for monitoring and evaluation. An example will be conditional approval based on the number of jobs to be created or compliance with municipal regulations.

8.2 Regulatory compliance

Incentives should be offered subject to full compliance with municipal, national or provincial policies, by-laws and regulations.

8.3 Affordability

The introduction of an incentive should not create a cost to the municipality and the income forgone should not have a severe effect on the revenue stream of the municipality, resulting in the reduction of the municipalities ability to render the required service to its residents.

8.4 Transparency and Uniformity

The granting of an investment incentive will be done according to a set of predetermined criteria and information on the extent of incentive will be open for public knowledge.

8.5 Targeted geographical areas and specific criteria

The investment incentive will specifically target certain areas but will also be open if certain criteria are met to all businesses. The aim is to attract and/or push specific investment into areas where it fits with the long term spatial planning for the municipal area.

These areas will be identified by implementing various policies such as the Township Economic Revitalization Programme, the promotion of the R 59 Development Corridor, the promotion of the Economic Development Centre's initiative, etc.

8.6 Community awareness and information sharing

Communities should be informed about municipal incentives on a regular basis preferably bi-annually. All available incentives should then be published in a newspaper, municipal website, notice boards, website and social media platforms. The same notice should reflect investments offered and the name of companies that have benefited.

8.7 Simplicity and continuity

The structure and administration of the investment incentive has to be easily understandable and should not require a complex administration so as to minimize staff and financial impacts. This will ensure quick turnaround times for applications.

8.8 Monitoring and Control

Development on which the incentives have been granted should be regular monitored. Tax incentives should only be used with the objective to lower the cost of doing business and not to avoid tax or municipal rates payments.

8.9 Economic growth and employment creation

The incentives opportunities should result in opportunities for economic growth, SMME development, job creation and skills developments.

8.10 Equality

The incentives should be offered equally across the municipal boundaries (including townships, marginalised and previously disadvantaged areas). All members of the community irrespective of gender, ethnicity, religion or sex shall benefit from the incentive subject to compliance with the regulatory framework.

8.11 Investment context

At present no single Department or Section within the municipality can negotiate or facilitate incentive packages that could entice or influence the decision to the benefit of the municipality and its community.

In order to attract and streamline investor support, it has become imperative to have a municipal policy to ensure that this pre-application incentive process can be managed in a professional and constructive manner expeditiously within a multi-departmental incentive approval procedure and policy.

It is important to also consider newly identified growth nodes and corridors with the view to marketing these nodes through a variety of incentives and thus speed up the move towards a transformed, inclusive spatial economy.

9 Incentive Management Principles

The following principles are the main drivers for the relevant procedures:

9.1 Investment Facilitation Committee

The incentive scheme is dependent on a service-orientated marketing approach. The first impression that new investors should get from Midvaal Local Municipality should largely be based on the service they receive when requesting information.

The Investment Facilitation Committee that will coordinate and facilitate developments, should be established with a clear terms of reference on its responsibilities and criteria for evaluating and granting of incentives. The committee shall provide investors with a **One-Stop Shop experience** and provide investors with information about all available incentives and allow investors to apply for incentives.

9.2 Investment fast-tracking service

The fast tracking services will be an option that the investors (with lower environmental risk and no objection from community) can apply for. The municipality will have to guarantee shorter land developments application evaluation and approval timeframes.

9.3 Investments in Economic Development Centres and previously disadvantaged Townships

The developments within the Economic Development Centres will be prioritised for incentives which may include both non-financial and financial incentives. The previously disadvantaged townships will benefit from short application processes and reduced application costs.

9.4 Incentives for Meyerton CBD

In order to revitalise the CBD, property rates in the CBD will be kept unchanged for 3 years and thereafter the property will be re-evaluated and new property rates charged.

9.5 Construction period sliding scale

Developments that are constructed within a year after building plan approval will receive a 40% rates reduction. After completion, the development will obtain a further 10% rate rebate for a year.

9.6 Sectorial targets

Developments within the following economic sectors, construction, agriculture, manufacturing, commercial and residential will benefit from a 20% rate rebate in year 1 after construction, 10% year 2, and 0% year 3.

9.6.1 Tourism developments

Tourism developments that can prove to the municipality that they have brought a maximum of 1000 visitors who spent a minimum of a day in the municipality will receive 30% credit of their property rates the same month they submit the proof.

9.6.2 Public Private Partnership opportunity

The municipality should package investment opportunities primarily in Economic Development Centres and in the CBD to the market in order to attract Foreign

Direct Investments in the form of Public Private Partnerships. Land may be made available together with other non-financial and financial incentive offerings.

9.6.3 Existing businesses

Existing businesses will be presented with an opportunity to apply for incentives whenever they apply to extend their businesses. The committee will decide given the current existing incentives on which ones will be suitable for existing developments.

10 Investment System and Processes

The proposed incentives can only be realised if they are properly implemented in a systematic manner with necessary processes

10.1 Establishment of an Investment Coordination Committee

Investment Coordination Committee will have to be established to evaluate, investigate and consider catalytic developments as submitted. The Terms of Reference of the committee should be approved by Mayoral Committee.

10.2 Investment application procedure

The application procedure for the applications should form part of the Terms of Reference. Once concluded, the procedure should comprise of a proper application to be completed and submission of required information.

10.3 Application evaluation criteria (scorecard or matrix)

The submitted application will be evaluated and will obtain scoring as per the matrix or scorecard to be developed and also approved by Mayoral Committee. The committee will assess the development and based on the score, decide whether to approve the application and the qualifying incentive/s.

10.4 Marketing and communication

The policy should be participated with local communities in order to create awareness and share information. The incentives offered should be packaged where possible per sector and marketed to investors.

11 Conclusion

The policy will result in attraction of business opportunities for the municipality and local communities which will not just grow the economy but will create much needed jobs.

Appendix 1A: Existing Incentive provided by the Development & Planning Department.

Incentive	Description	Objective	Who qualify	Geographical Area	Extent of Incentive
Land Use Rights	Increased range of land Use Rights included in Zoning Categories of MSLUS	To reduce “Red Tape” by reducing the need for land use applications by increasing the range of permitted land uses per zoning category, and by reducing the number of zoning categories.	Every property owner and every prospective property owner in Midvaal.	Entire Midvaal Area of jurisdiction	As per Scheme
Land Use Rights	Increased range of Land Uses permitted in Zoning Categories	The purpose of is to promote and revitalise economic development on Residential 1 zoned properties within townships like Savannah City, Lakeside and Ohenimuri and on Transitional Residential zoned properties in Sicelo and Mamello townships.	Any property owner and or occupant of land within areas defined by the Economic Revitalisation Overlay Zone as contained in the MSLUS	Savannah City, Lakeside and Ohenimuri and on Transitional Residential zoned properties in Sicelo and Mamello townships.	As per Scheme
Land Use Rights	Simplified Land Use Applications	To reduce “Red Tape” by introducing a new application type called “written Consent”, These applications is identifiable through there reduced requirements.	Any property owner and or occupant of land within MLM	Entire Midvaal	As per Scheme
Transitional Residential Zone	Incremental Housing	To provide adequate land for residential development of the informal human settlements, which might include low-cost housing (RDP) while providing ample economic opportunities and necessary social amenities within the zone without creating any inconvenience to the residents and disturbing the residential fabric of the zone? To promote sustainable development and create spatial resilience. To facilitate gradual formalisation of human settlements.	Anybody or person staying in an informal settlement on Council or State owned land under control of the MLM	The use zone will only be permitted on Council owned land, State owned land managed by the municipality with the agreement from the relevant sphere of Government and by a service agreement between the municipality and the land owner on privately owned land	As per Scheme
Lower fees	Reduced application fees for land use	To reduce the cost of doing business with the MLM	Any property owner and or occupant of land	Savannah City, Lakeside and Ohenimuri and on	%0 % rebate on promulgated fees for any land use

Incentive	Description	Objective	Who qualify	Geographical Area	Extent of Incentive
	applications		within areas defined by the Economic Revitalisation Overlay Zone as contained in the MSLUS	Transitional Residential zoned properties in Sicelo and Mamello townships.	application as defined by the Midvaal SPLUM Bylaws
Lower fees	Reduced fees for building plans	To reduce departmental expenses by receiving building plans electronically and passing the saving on to the public	Any person that submit a building plan application through the Midvaal Web-module	Entire Midvaal area of jurisdiction	Charges for the evaluation of applications in terms of Item 2 and Item 4 - 8 received electronically via the Web Module shall be valued at 20% less than the fees charged for Counter submissions
Lower fees	Reduced fees for building plans	To reduce indirect cost of state funded housing projects	Any person or body that submit building plans for a state funded housing project	Entire Midvaal area of jurisdiction	Tariffs for state funded housing is offered in batches at a lower rate
Lower fees	Reduced fees for building plans	To encourage compliance to regulations when constructing minor building works	Any person or body that submit building plans for minor building works	Entire Midvaal area of jurisdiction	Tariffs for Minor Building works have been reduced to a minimal fee
Lower fees	Reduced fees for building plans	To encourage construction of approved building plans	Any person or body that submit building plans for minor building works	Entire Midvaal area of jurisdiction	For the renewal of applications after 12 months expiry, only 35% fee + inspection fee is charged
Lower fees	Reduced fee for Certificates of Occupancy (COO)	To encourage owners to complete building works	Any person or body that have completed building works	Entire Midvaal area of jurisdiction	Application for a certificate of occupancy, at no cost
Lower fees	Rebates on building plan application fees	To encourage owners to apply for COO	Any person or body that have completed building works within 24 months of building plan approval	Entire Midvaal area of jurisdiction	When an applicant applies for a COO within 24 Months from date of application approval and the works is found to be compliant and the COO is issued within the same 24 months, the applicant is entitled to 10% refund of such application fee as an incentive
Lower fees	Rebates on building plan application fees	To encourage owners to apply for COO	Any person or body that have completed building works within 12 months of building plan approval	Entire Midvaal area of jurisdiction	When an applicant applies for a COO within 12 Months from date of application approval and the works is found to be compliant and

Incentive	Description	Objective	Who qualify	Geographical Area	Extent of Incentive
					the COO is issued within the same 12 months, the applicant is entitled to 20% refund of such application fee as an incentive

Appendix 1B: Reduction in Property Rates (Finance Section)

Incentive	Description	Objective	Who qualify	Geographical Area	Extent of Incentive
Property Rates Rebate	Rebate on property rates	To reduce outstanding rates and taxes and to promote new investment	Every owner of a large business or industrial business, to the discretion of MLM and subject to conditions.	Entire Midvaal Area of jurisdiction	Maximum 10 %

Appendix 1C: Fee waiver: Environmental Health Sections

Incentive	Description	Objective	Who qualify	Geographical Area	Extent of Incentive
Waiver of fees	Day to day inspections conducted at premises	To reduce the cost of doing business with the MLM	Every owner of a large business or industrial business, to the discretion of MLM and subject to conditions.	Entire Midvaal Area of jurisdiction	All requests
	New and renewal of Health reports for businesses	To reduce the cost of doing business with the MLM	Any property owner and or occupant of land within MLM	Entire Midvaal Area of jurisdiction	All requests
	New and renewal of Certificates of Acceptability for premises	To reduce the cost of doing business with the MLM	Any property owner and or occupant of land within MLM	Entire Midvaal Area of jurisdiction	All requests
	Environmental Health Training for personal at premises	To reduce the cost of doing business with the MLM	Any property owner and or occupant of land within MLM	Entire Midvaal Area of jurisdiction	All requests
	Commenting on and inspection at Event applications	To reduce the cost of doing business with the MLM	Any property owner and or occupant of land within MLM	Entire Midvaal Area of jurisdiction	All requests
	New and re-inspections by environmental health during development stages at all premises in the Midvaal Region	To reduce the cost of doing business with the MLM	Any property owner and or occupant of land within MLM	Entire Midvaal Area of jurisdiction	All requests
	Investigation of new and follow up complaints	To reduce the cost of doing business with the MLM	Any property owner and or occupant of land within MLM	Entire Midvaal Area of jurisdiction	All requests
	Health information to the communities	To reduce the cost of doing business with the MLM	Any property owner and or occupant of land within MLM	Entire Midvaal Area of jurisdiction	All requests
	Milk and Water sampling at communities (as and when required)	To reduce the cost of doing business with the MLM	Any property owner and or occupant of land within MLM	Entire Midvaal Area of jurisdiction	All requests
	Day to day inspections conducted at premises	To reduce the cost of doing business with the MLM	Any property owner and or occupant of land within MLM	Entire Midvaal Area of jurisdiction	All requests