



**ECONOMIC DEVELOPMENT & PLANNING CLUSTER**

**ECONOMIC DEVELOPMENT INCENTIVE  
POLICY (EDIP) 2022-2023**

## Economic Development Incentive Policy 2022-2023

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## **1. Preamble**

South Africa, like other countries globally, is still reeling from the impact of Covid19. As the Covid19 virus becomes endemic, businesses are still severely crippled by the impact of the lockdown imposed during the pandemic, exacerbated by the civil unrest in July 2021 as well as the recent flood disaster in April 2022. Damage to bulk infrastructure as well as business premises has negatively impacted on business operations and the KZN economy.

In response to the economic downturn, the Municipality has reviewed its Economic Development Incentive Policy to enable the ease of doing business and to support industries by creating an economic environment that is more responsive to the current dynamics in an effort to support the much-needed resuscitation of business.

Cities are considered engines of economic growth, thereby compelling a robust response to attracting investment and proactively creating a competitive environment. Development incentives are but one way of locking down the increasingly mobile capital needed for local growth and investment. The form and nature of incentives offered by countries internationally largely reflect a series of criteria which aims to achieve competitiveness, diversification, innovativeness, resilience and sustainability.

Section 153 of the Constitution mandates the eThekweni Municipality to structure and manage its administration, budgeting and planning processes in order, inter alia, to give priority to basic needs, promote social and economic development and provide a safe and healthy environment.

The eThekweni Municipality (the Municipality) has implemented several strategies, plans and initiatives designed to promote economic development.

The Local Government: Property Rates Act, 2004 provides one of the primary enabling mechanisms for the Municipality to progressively move towards the realization of societal and economic growth by allowing the Municipality, during the preparation of its annual budget to consider the granting of exemptions, reductions and rebates to specific categories of properties or specific categories of owners in relation to the rate payable on their properties.

In the case of other Economic Incentives, these are informed by other pieces of local government legislation read with policies adopted by the Council, from time to time during the annual

budgetary process, always taking into account the fiscal position of the Municipality. Against this backdrop, the EDIP provides details of the Municipality's approach to incentivizing foreign and local investment.

A combination of criteria to meet key outcomes is intended to catalyze growth in targeted localities, grow investment and support in specific sectors of the economy, promote highly industrialized technology, stimulate urban regeneration in targeted areas, enable workforce growth, employability, transformation, and skills and enhance public revenues.

## **2. Purpose of the Policy**

The purpose of the EDIP is to:

- 1) Provide a guideline for the provision of economic incentives.
- 2) Define principles and procedures for the accessing of incentives by enterprises.
- 3) Outline the extent of the economic incentives that can be made available.
- 4) Encourage vacant land development, expansion of industrial and commercial brownfield sites and urban regeneration as envisaged in the Integrated Development Plan.
- 5) Increase labour market growth, access to job opportunities and potential skills transfer.
- 6) Ensure alignment with legislative requirements, the Municipality's IDP and, where applicable, national and provincial strategies.
- 7) Ensure the Municipality remains financially viable and sustainable while implementing Economic Incentives.
- 8) Ensure that Economic Incentives are provided and used in a manner that allows for transparency and accountability and that transversal management is properly integrated.
- 9) Enhance fiscal revenue generation.
- 10) Ensure appropriate exit criteria from the incentive programme.

## **3. Problem Statement**

- 1) Decline in economic growth due to a number of events that have impacted negatively on our local economy for example Covid19 pandemic, the civil unrest in 2021 and the devastating floods suffered by the people and more especially businesses in KZN.
- 2) Negative impact on job creation due to global, national, and local crises in the economy.
- 3) Slow growth in industrial and commercial sectors across South Africa.
- 4) Decline in industrial sectors resulting in unemployment, flaccid local economic activity.
- 5) Barriers to entry of small, medium, and large enterprises in priority sectors exacerbated by market failures.
- 6) Limited skills response to the 4<sup>th</sup> Industrial Revolution, skills transfer as well as limited technological advancement within the Municipal area.
- 7) Need for deepening investor links with local business to enhance skills transfer.
- 8) High construction costs.
- 9) Low rate of industrial innovation and efficiency.
- 10) Need for optimizing the Municipality's advantage as a port city through increased export.

- 11) Prevalent spatial, economic, and social fragmentation and need for targeted alignment to the Municipality's spatial policies for economic growth and regeneration.
- 12) Declining investor confidence and the ease of doing business.
- 13) The Inner City and its surrounding areas reflect the fractured and exclusionary structure of society. A need exists to re-connect people to the Inner City as a place to live, work and play.
- 14) Tough market conditions constrain regeneration efforts in the Inner City, driving away private sector investment.
- 15) Financial incentives that can be provided by the Municipality must be premised in legislation.
- 16) Fiscal constraints. Funding of financial incentives is not derived from the equitable share allocation or from any other funded source but from the Municipality's own revenue.

#### **4. Legislative Framework**

##### National, Provincial and Local Policy Frameworks, Plans and Strategies

A range of national, provincial, and local policies and strategies exist that relate to investment, economic growth, and job creation. These policies and strategies provide an overarching framework for investment, and guide policy coherence and compliance for the EDIP. These include the following:

##### *National*

- 1) National Development Plan (2012)
- 2) Industrial Policy Action Plan (IPAP2) (2018-2019 – 2020-2021)
- 3) Policy on the Development of Special Economic Zones in South Africa (2012)

##### *Provincial*

- 4) KZN Provincial Growth and Development Strategy and Plan (PGDS AND PGDP) (2018)
- 5) KZN Industrial Development Strategy (IDS) (2012)
- 6) KZN Investment Strategy (2011)

##### *eThekwini Municipality*

- 7) Integrated Development Plan (2021-2022)
- 8) Spatial Development Framework (2021-2022)
- 9) District Development Model
- 10) EThekwini Economic Recovery Plan 2020
- 11) Industrial Spatial Strategy (2009)
- 12) 5 Year Investment Promotion Strategy and Implementation Plan for the eThekwini Municipality (2017)
- 13) Built Environment Performance Plan (2014).
- 14) Economic Development and Job Creation Strategy (2013)
- 15) City Densification Strategy (2013)
- 16) LTDF- Imagine Durban (2010)
- 17) Integrated Transport Plan (2010)

18) Energy Strategy (2008)

Amongst the suit of local government legislation that exists, Section 15 of the MPRA read with the Municipality's Rates Policy provides the primary enabling framework for Financial Incentives.

Clause 14 of the Rates Policy stipulates that:

- (i) Any economic development incentive rebate shall be informed by the Economic Development Incentive Policy of the Municipality, as approved by the Council;
- (ii) The amount of any particular development incentive rebate and the criteria for any specific development incentive (without derogating from clause 14) shall be determined annually by Council when approving the Municipality's annual budget.

The Financial Incentives are available to eligible enterprises contemplated in the EDIP, subject, *inter alia* to compliance with all the requirements for the development of a property, such as the town planning, environmental and other health, and safety requirements.

## 5. Definitions

- a. **Assessed Market Value:** The property value as determined in terms of the Valuation Roll of the Municipality.
- b. **Brownfields Development** refers to an expansion, refurbishment, regeneration of an existing building, in a Priority Area.
- c. **Brownfield Site:** A property with an existing top structure, in a Priority Area.
- d. **Construction Commencement Date:** Means the date that construction of the top structure begins on the ground, as verified by the Municipality's Building Inspectorate Branch.
- e. **Contractual Agreement:** Refers to the written agreement entered into between the Municipality and the registered owner of a property in terms of Clause 14 of the Rates Policy detailing the Financial Incentives granted in relation to an Investment and the rights and obligations of the respective parties.
- f. **Contracting party:** Refers to an owner of property who concludes a Contractual Agreement.
- g. **Council:** Means the eThekweni Municipal Council; a council composed and elected in terms of Section 157 of the Constitution.
- h. **Densification Zone:** As detailed in the City's Densification Framework available <https://bit.ly/2mv29o2>
- i. **Developer:** Is a natural or juristic person developing a property leading to an increase in the assessed market value of the property. The Developer may or may not be the owner of the property on which the investment is made. Also see Investor
- j. **Development Incentive Rebate:** The rates rebate that is granted by the Municipality in terms of the Rates Policy read with the criteria and conditions contained in this Policy.
- k. **Economic Activity:** Refers to the activity that triggers one or more of the categories and criteria set out in Table 1 below.

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- l. **Economic Incentives:** Are defined as any measurable financial and/or non-financial advantages that are utilized to encourage, attract, retain or expand investment within the Municipal area.
- m. **EDIP:** Means this Economic Development and Incentive Policy which provides detailed guideline as referred to in Clause 14 of the eThekweni Property Rates Policy.
- n. **Effective Date:** Refers, in relation to the Contractual Agreement, the commencement date for Financial Incentives, which date shall not be earlier than the date of conclusion of the Contractual Agreement by the Municipality and registered owner.
- o. **Financial Incentives:** In the context of the EDIP, financial incentives relate specifically to the Development Incentive rates rebates contemplated in Clause 14 of the Rates Policy.
- p. **Former Township areas:** Refers to those areas identified in the Strategic Spatial Planning Departments website <https://bit.ly/2mv29o2>.
- q. **FTE:** Refers to Full Time Equivalent employment by one employee working full-time (for the whole of a working day or week) for one year, measured in terms of accepted accounting practices and verified by a registered auditor or accountant.
- r. **Greenfields Development:** Refers to property development on vacant land.
- s. **Inner City:** Refers to the area defined in the Municipality's Inner-City Local Area Plan, as well as the extensions/surrounding precincts, available on the Strategic Spatial Planning Departments website <https://bit.ly/2mv29o2>. For the purpose of Financial Incentives, the Inner City shall be confined, exclusively to the Durban Inner City.
- t. **Investment Value:** The value of the New Investment is the worth of the New Investment i.e. the difference between the pre- and post-market value assessment upon completion of the Investment.
- u. **Investment:** In terms of the EDIP, refers to the construction of a new building, redevelopment or refurbishment, expansion of property which enhances Economic Activity.
- v. **Investor:** A person that makes a commitment towards a New Investment within the Municipal area.
- w. **Job:** Refers to permanent employment and a new FTE employment opportunity created directly due to the New Investment but excludes jobs created during the construction/expansion/refurbishment/redevelopment period of the Investment
- x. **Municipality:** Shall mean the EThekweni Municipality, a Category A Municipality., a metropolitan municipality lawfully constituted in terms of the Local Government Municipal Structures Act 117 of 1998.
- y. **Municipal area:** Refers to the jurisdictional area of the Municipality.
- z. **Municipal Financial Year** means the year starting 1 July each year;
- aa. **National Building Regulations:** Refers to the National Building Regulations and Building Standards Act, No.103 of 1977, as amended, and regulations promulgated thereunder.
- bb. **New Investment:** Refers to construction of a new top structure, redevelopment, and refurbishment of a property thereby enhancing its market value.

- cc. **Non-financial Incentive:** Refers to technical or business support and facilitation services that may be provided by the Municipality to support investors who commit to an Investment within the Municipal area.
- dd. **Outside Urban Development Line:** Means the geographical area defined in the Rates Policy comprising of properties in respect of which municipal services are mostly not available and where development is generally not promoted.
- ee. **Person:** Refers to a natural or juristic person.
- ff. **Priority areas:** Refers to targeted investment zones within the Municipal area as per the Built Environment Performance Plan (i.e. Prime Investment Corridor and the Urban Zone).
- gg. **Property:** As defined in terms paragraph (a) of the definition of ‘property’ in Section 1 of the MPRA and is inclusive, where applicable, buildings, infrastructure and other improvements that have been made and are recorded as such in the Municipality’s valuation roll.
- hh. **Rates Policy:** Refers to the Property Rates Policy adopted by the Council in terms of Section 3 of the MPRA, as reviewed annually, and amended, where necessary from to time, during the Municipality’s annual budget process.
- ii. **Registered Professional:** Is a person who is certified under their respective professional bodies. E.g. Auditor, Accountant or Development Manager amongst others.
- jj. **Secondary CBD’s:** Refers to the areas identified in Municipality’s Spatial Development Framework available on the Municipality’s Website.
- kk. **Site Refurbishment Plan:** Refers to a pictorial representation/ floor plan of the changes/ refurbishment on the rebate property site together with estimated cost.
- ll. **Targeted Sectors:** Refers to the Targeted Sectors listed in Clause **12(2)** of the EDIP which qualify for the additional targeted sector incentive set in Table 1 and Table 2 of the EDIP for the purposes of encouraging innovation, increasing the number of and expanding manufacturing industries and encouraging business to create maximum jobs thereby alleviating unemployment and poverty within the Municipal area.
- mm. **The Pre-Approval Committee:** The Economic Development Incentives Pre-approval Committee comprising of representatives from the Municipality’s Economic Development Unit, Development Planning, Environment and Management Unit, Finance Unit, Real Estate Unit and the Legal and Compliance Unit, as contemplated in **Clause 10.3** of the EDIP.
- nn. **Top structure:** Refers to a building as defined in the National Building Regulations.
- oo. **Transit Orientated Development Nodes:** Refers to the Municipality’s new spatially focused approach that encourages infrastructure investment to transform the spatial form of the Municipal area. This relates to the development of nodes and corridors that open opportunity for development of the surrounding areas with the aim of maximising the economic, residential, and public transport usage potential with a view to stimulating investment, unlocking development potential and enhancing Economic Activity.
- pp. **Urban Regeneration:** As per the Inner-City Local Area Plan, urban regeneration refers to the redevelopment or improvement of the area to create a unique and vibrant area which offers commercial, retail, residential and tourism opportunities.



## 6. Abbreviations and Acronyms

CBD	Central Business District
CIPRO	Companies and Intellectual Property Commission
DTI	National Department of Trade & Industry
EDU	Economic Development Unit
EDIP	Economic Development Incentive Policy
IDP	Integrated Development Plan
IPAP	Industrial Policy Action Plan
KZN	KwaZulu-Natal
MFMA	Municipal Finance Management Act
MPRA	Local Government: Municipal Property Rates Act, 2004 as amended
SDP	Spatial Development Plan
UNS	Urban Network Strategy

## 7. Policy Principles

The EDIP is founded upon the following core principles:

- Employment Creation
- Municipal Financial Affordability
- Transparency and Uniformity
- Simplicity
- Achievable and Relevant Performance Criteria
- Legality and Compliance
- Spatially Inclusive
- Clear Identification of Laws, Policies, Programmes and Guidelines
- Continuous Review.

## 8. Policy Rules

### 8.1 Eligibility for Financial Incentives

- 1) An applicant must be the owner of the property, or the owner's legal proxy.
- 2) An applicant must be able to satisfy at least one criterion, as enumerated in Clause 12 (2) read with Table 1 & 2 of the EDIP, per property to be developed in order to qualify for the Financial Incentives.

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- 3) The percentages of the Financial Incentives will then be aggregated to determine the final rebate value.
- 4) In the case of investment involving a new top structure, the applicant must apply to the Economic Development Unit for the Financial Incentive at least 12 months prior to Construction Commencement Date and no later than 31 January in the financial year preceding the start of the new Municipal Financial Year.
- 5) In the case of New Investments other than those involving a new Top structure, the applicant must apply to the Economic Development Unit for the Financial Incentive no later than 31 January in the financial year preceding the start of the new Municipal Financial Year.
- 6) The New investment in respect of which a Financial Incentive is applied for, must be a Greenfield Development or a Brownfields Development on a Brownfield Site.
- 7) The Investment must constitute a New Investment and must be inclusive of the building expansion, refurbishment and/or redevelopment of an existing investment within the Municipal area that leads to an increase in the Assessed Market Value of the property. The relocation of existing businesses within the Municipal area, do not qualify unless it is accompanied by the expansion of the Investment related to the new property.
- 8) The New Investment must result in an increase in the market value of the property.
- 9) An applicant may apply for Financial Incentives in respect of the following periods:
  - (i) during the construction/refurbishment/redevelopment period of an Investment for a maximum of 3 years; OR
  - (ii) post-construction/refurbishment/redevelopment of the Investment for a fixed 3-year period where the Effective Date will be guided by lawful occupancy or operation of business on the premises.
- 10) An applicant may apply for Financial Incentives in addition to national and provincial government incentives that are provided for various categories of development initiatives.
- 12) An applicant who is in receipt of other forms of rates relief from the Municipality-in terms of Clause 7 of the Rates Policy, does not qualify to receive the Financial Incentives.
- 13) Financial Incentives are not available to applicants who are the owners of residential property.
- 14) An applicant/ developer will be at an advantage if their company has a favorable score as per the company's registration aligned to the Broad Based Black Economic Empowerment Act 46 of 2013.
- 15) Financial Incentives are not available to organs of state.

## **9. Financial Incentives**

### **9.1 Quantum Value of Financial Incentives**

- 1) The quantum value of the Financial Incentive in relation to a New Investment is informed by the set of qualifying criteria contained in the EDIP and the incentive values as approved

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by the Council at its annual budget meeting and published in the KZN Provincial Gazette in terms of Section 14 of the MPRA.

- 2) In the case of a multiple or mixed-use development on a Brownfield Site or Greenfield Site, incentive values will be determined by the rate randages applicable to the various uses and the qualifying percentages will then be aggregated to determine the final total rates rebate value.

The proposed property rate randage for the financial year 2022/2023, set out below and levied in respect of the following categories at:

CATEGORY OF PROPERTY	2022/23 Cents in the Rand
Agricultural	0.002959
Business & Commercial	0.029820
Outside Urban Development Line	0.019459
Industrial	0.038484
Public Service Infrastructure (PSI)	0.002959
Residential	0.011837
Unauthorised/ Abandoned/ Illegal Usage	0.236728
Vacant Land	0.117932
Sectional Title Registered Real Rights of extension	0.117932
Mining property	0.038484
Public Service Purpose (PSP)	0.029820

- 3) Any New Investment that includes some or all of the Targeted Sectors listed in Clause **12(2)** of the EDIP, will qualify for the additional incentive as set out in Table 1 and Table 2 provided the property owner transfers the benefit of the additional incentive to the tenant (pro-rated, where more than one tenant operates on the property) by means of equivalent reduced rental costs.

### **9.2 Catalytic Investments Incentives**

Any application that is deemed ‘Catalytic’ ie. where the total investment exceeds R500 million and the nature of the development falls outside the criteria of the Economic Development Incentive Policy, will be dealt with on a case-by-case basis. Any consideration thereof will only be given once the City’s affordability has been assessed and such is approved by Council.

### **9.3 No Retrospectivity**

In the interests of effective and efficient budgeting and compliance with the MFMA, no Financial Incentives shall be granted retrospectively. Financial Incentives shall only be effective from the Effective Date.

## **10. Evaluation and Approval Criteria**

- 10.1** In order to trigger an assessment of an application, the following requirements must be met:

- 1) **Submission of Prescribed Documents**

An application must be made in the prescribed format and be accompanied by the prescribed documents contemplated in the EDIP and by such other documents as the Pre-Approval Committee may determine, during assessment of the application.

Prescribed documents shall include:

- (i) Land use and rating category confirmations which the applicant must obtain from the Real Estate Unit’s Valuation Department.
- (ii) A copy of the title deed in respect of the property to be developed and where applicable, the notarial deed evidencing the tying of individual properties together for the purposes of a development.

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- (iii) Current CIPRO report, where the owner of the property is a juristic person, indicating the directors of the entity, business registration number and name, and the main business of the entity.
- (iv) Identify Document of the owner of the property, in the case of a natural person, or of all the executive directors, where the applicant is a juristic person.
- (v) Where applicable, a resolution authorizing a proxy to make application for Financial Incentives in terms of the EDIP and to sign any agreement with the Municipality.
- (vi) Building plan approval. The term 'building plan' shall have the same meaning as ascribed in Clause 14.6(a) of the Rates Policy and means, where applicable, a building plan approved in terms of Section 4 of the National Building Regulations or an authorisation granted for minor building works in terms of Section 13 of the National Building Regulations.
- (vii) Where no building plan approval is required under the National Building Regulations, as envisaged in (iii) above, written certification thereof, issued by a duly authorized official in the Plans Assessment Department of the Development, Planning, Environment and Management Unit, must be obtained by the applicant and accompany the application for minor construction. A Site Refurbishment Plan must be submitted for minor internal renovations.
- (viii) Town planning approvals, where applicable, in relation to the New Investment.
- (ix) In the case of Investment in Priority Areas, Spatial Priority applications, must verify verification of the-of the property location through geo-coded description as per an approved Local Area Plan or a geographical boundaries and geo-footprint of the identified spatial priority node, must accompany the application or be provided in the prescribed application form.
- (x) A Gantt Chart indicating development milestones.
- (xi) Quantity Surveyors Report on estimated costs of the New Investment (excluding land acquisition costs or property purchase cost) or a Report from a registered professional indicating estimated costs of the new investment (excluding land/building acquisition costs).
- (xii) Where an application signifies that a Special Qualifying Criteria, as set out in the EDIP, applies to the New Investment and this relates to Jobs Created, a letter duly signed by a registered professional (who must be an accountant or a labour professional), and on a letterhead, with the practice number of the registered

professional, must accompany the application, certifying the proposed number of Jobs to be created through the project.

- (xiii) Proof of good standing or acceptable standing in respect of all municipal accounts must be produced, as evidenced by the most current consolidated billing accounts. Where the applicant is a co-owner, a holding company or a subsidiary of a holding company as contemplated in the Companies Act No. 71 of 2008, then all co-owners or the group of companies collectively and individually must be in good standing or acceptable standing in respect of all municipal accounts.

## **10.2 Compliance with legislation**

The New Investment must be in compliance with all National, Provincial and Municipal legislation and by-laws. The approval of building plans is usually accepted as proof that all legislative requirements have been met, however the Pre-Approval Committee may request additional information from the Applicant or a line department to confirm that no breach has occurred or is occurring in relation to the property.

In the event of non-compliance, further consideration of the application will be suspended until such time as the breach in question has been remedied to the satisfaction of the Municipality.

## **10.3 Pre-Approval of an Application**

- 1) An application will receive pre-approval by the Pre-Approval Committee if the application satisfies all assessment criteria contained in the EDIP in particular, the relevant special qualifying criteria as set out in Table 1 of the EDIP and identified in the prescribed application form as applying to the New Investment.
- 2) In order to properly assess an Application, the Pre-Approval Committee (through its Secretariat) shall have the right to call for updated information or documentation from the applicant.
- 3) Pre-approval of an application by the Pre-Approval Committee is a prerequisite for submission of a report to Council recommending approval of the Financial Incentives.
- 4) The Pre-Approval Committee must reject an application if it is non-compliant with requirements contained in the EDIP. Where an application is non-compliant, the applicant will be notified in writing.
- 5) An ongoing interaction between the applicant and the Municipality is envisaged to enable expeditious and efficient evaluation and processing.

#### 10.4 Approval of an Application and Financial Incentives

- 1) In accordance with Clause 14 of the Rates Policy, final approval of Financial Incentives must be granted by the Council.
- 2) A draft Contractual Agreement must be submitted to the Council for approval when it is requested to grant final approval for Financial Incentives.

#### 10.5 Contractual Agreement

- 1) In order to receive the benefit of Financial Incentives, a Contractual Agreement must be concluded.
- 2) The level and nature of the Financial Incentives that the Contracting Party qualifies for in terms of the EDIP, must be recorded in the Contractual Agreement, the terms and conditions of which must be approved by the Council, as stipulated in the Rates Policy.
- 3) The maximum duration of a Contractual Agreement shall be three years.
- 4) Certain standards must be incorporated in all Contractual Agreements. These are:
  - (i) An obligation to submit quarterly reports to the Municipality on the Investment/progress with the development.
  - (ii) An obligation to refund the Municipality all rates that would have been payable to the Municipality had the Financial Incentives not been granted, together with interest thereon, at the rate prescribed in the eThekweni Municipality's: Credit Control and Debt Collection Policy, where:
    - (a) Approval of an application is found to have been tainted by false information or where it comes to the Municipality's attention that information provided in the quarterly reports, contains false information.
    - (b) Development is halted, stalled or abandoned. Whilst the Contracting Party is in receipt of Financial Incentives, the New Investment must proceed in a purposeful and progressive way (subject to the usual annual builder's break and statutory public holidays). In the event of work being interrupted for a period that exceeds 3 (three) months or for a period or periods, which cumulatively amount to 3 (three) months during any quarterly period, the Municipality shall have the right to stop further Financial Incentives, after written notice to the Contracting Party. The right to stop Financial Incentives shall also apply where the Contracting Party is placed under Business Rescue, or under provisional or final liquidation/sequestration. The fact that a work stoppage may be attributable to labour unrest, strike action, intimidation by third parties, or force majeure shall not derogate from the Municipality's right to withdraw the Financial Incentives.
    - (c) Where a development is complete and there is subsequent occupation but transfer of ownership has not taken place, the Contracting Party shall be liable for the relevant taxes payable in respect of the property and any other municipal debt arising out of such occupation including interest charges at the rate

prescribed in the eThekweni Municipality: Credit Control and Debt Collection Policy.

- (d) If the Contracting Party receives the Financial Incentives in error, the Municipality reserves the right to reverse such Financial Incentives in the manner it deems fit.
  - (e) A Contractual Agreement may, with the prior consent of the Municipality in writing, be ceded to a successor in title of the Contracting Party.
- 5) Where a Contracting Party benefits from the additional incentive, referred to in Clause 9.1(3) of the EDIP, the Contractual Agreement must impose an obligation on the Contracting Party to make disclosure of the benefits passed onto any tenant/tenants on the property. The quarterly reports must likewise make reference to the transfer of such benefits.

#### **11. Monitoring of Contractual Obligations and Reporting Requirements**

- 1) The Municipality must monitor the contractual obligations of the Contracting Party.
- 2) The primary responsibility for monitoring shall lie with the Economic Development Unit in liaison, where necessary, with line departments, in particular, the Finance Unit, in relation to the Contracting Party's payment obligations to the Municipality and the Real Estate Unit in the case of valuation matters informed by the MPRA.
- 3) The Economic Development Unit must stipulate the form which the quarterly reporting, as referred to in Clause 10.5, must take, and the minimum content. In the event of a report being deemed by the Economic Development Unit to:
  - (i) contain insufficient factual information,
  - (ii) lack supporting documents to substantiate information in the report,the Economic Development Unit shall be entitled to call for such additional information or documentation as it considers reasonable.
- 4) In the event of a breach of the Contractual Agreement by the Contracting Party which is not remedied, the Contractual Agreement must be cancelled and the Municipality shall be entitled to invoke the remedies available to it as set out in the Rates Policy or as may exist in law.
- 5) Cancellation of any Contractual Agreement must be reported in the Section 71 MFMA report.



**12.1 Special Qualifying Criteria for Financial Incentives**

- 1) In addition to the general criteria required for the approval of an application for Financial Incentives, as contained in the EDIP, a New Investment must satisfy at least one or more of the Special Qualifying Criteria set out in 12 (2) below, in relation to the specific property in respect of which Financial Incentives are applied for.
- 2) The Special Qualifying Criteria are:
  - Investment Value
  - Jobs Created
  - Targeted Sector
  - Spatial Location

For the purposes of the EDIP (and unless otherwise indicated by the context of a particular clause in the EDIP), such terms have the meanings determined below:

**12.2 Table 1: Special Qualifying Criteria:**

<b>Value of Investment</b>	The value of investment, as verified by a registered professional in the built environment/development sector. The verified value will be deemed to be the final value upon which an assessment by the Pre-Approval Committee, will be based. In the case of a Greenfield Site, Value of Investment refers to the cost of the New Investment excluding the cost of the land. In the case of a Brownfield Site, the cost of acquisition of any building must be excluded from the final verified value.
<b>Jobs Created</b>	The number of FTE Jobs Created catalyzed by the New Investment and based on evidential information provided by the applicant. Jobs Created must be certified by a registered professional, as contemplated in <b>Clause 10.1 (1)(xii)</b> of the EDIP. This Jobs Created criteria applies only to: <ol style="list-style-type: none"> <li>(i) new industrial and commercial developments in Greenfield Developments and Brownfield Developments.</li> <li>(ii) Targeted Sectors                         <ul style="list-style-type: none"> <li>• a direct work opportunity created sustainably by the new investment.</li> <li>• The new job had not been in existence previously, nor was it available prior to the investment in the eThekweni Municipal Area.</li> </ul> </li> </ol>
<b>Targeted Sector</b>	New Investment in the Targeted Sectors, as defined in the DTIC Standard Industrial Code. These are: <ol style="list-style-type: none"> <li>(i) Chemicals</li> </ol>

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	<ul style="list-style-type: none"> <li>(ii) Automotive Supply Chain</li> <li>(iii) Business Process Outsources</li> <li>(iv) Information, Communication, Telecommunications</li> <li>(v) Manufacturing: Clothing, Leather, Textiles and Footwear</li> <li>(vi) Maritime Engineering</li> <li>(vii) Light Engineering</li> <li>(viii) Life Sciences</li> <li>(ix) Tourism</li> <li>(x) Metals</li> <li>(xi) Green Economy</li> <li>(xii) Wood Products</li> </ul>
<b>Spatial Priority</b>	<p>The priority nodes for economic growth, identified and demarcated in the Municipality’s Spatial Development Framework also available on the Strategic Spatial Planning Departments website <a href="https://bit.ly/2mv29o2">https://bit.ly/2mv29o2</a>. These Spatial Priority areas/nodes are areas already serviced with bulk infrastructure. They are described as the Prime Investment Corridor and Urban Zones; Inner City and Surrounding Areas; Transit Orientated Development Nodes; Secondary CBD’s; and Former Township Areas.</p>

**12.3 Table 3: Sector Descriptions**

<b>PRIORITY SECTORS</b>	<b>DESCRIPTION/DEFINITION</b>	<b>REFERENCE</b>
MANUFACTURING: FOOD AND AGRO-PROCESSING	MANUFACTURE OF FOOD PRODUCTS AND BEVERAGES PRODUCTS SIC 30 (EXCLUDING THE MANUFACTURE OF TOBACCO PRODUCTS SIC 30600)	SIC 30
MANUFACTURING: CHEMICALS	MANUFACTURE OF COKE, REFINED PETROLEUM PRODUCTS AND NUCLEAR FUEL; MANUFACTURE OF CHEMICALS AND CHEMICAL PRODUCTS; MANUFACTURE OF RUBBER AND PLASTIC PRODUCTS	SIC 33
MANUFACTURING: AUTOMOTIVE SUPPLY CHAIN	MANUFACTURE OF TRANSPORT EQUIPMENT MANUFACTURE OF MOTOR VEHICLES, TRAILERS AND SEMI-TRAILERS (381, 382 AND 383) ALSO ANY PRODUCT MANUFACTURED THAT FORMS PART OF THE MANUFACTURE OF TRANSPORT EQUIPMENT	SIC 38 AND RELATED
CALL CENTRES OR BUSINESS PROCESS OUTSOURCING (BPO)	THE ESTABLISHMENT OF NEW CALL CENTRES NOT PREVIOUSLY WITHIN ETHEKWINI	

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MANUFACTURING OF INFORMATION, COMMUNICATION, TELECOMMUNICATION AND ELECTRONICS AS WELL AS SOFTWARE DEVELOPMENT	MANUFACTURE OF RADIO, TELEVISION AND COMMUNICATION EQUIPMENT AND APPARATUS AND OF MEDICAL, PRECISION AND OPTICAL INSTRUMENTS, WATCHES AND CLOCKS. MANUFACTURE OF ELECTRICAL MACHINERY AND APPARATUS N.E.C. SOFTWARE DEVELOPMENT ONLY.	SIC 37 SIC 36
MANUFACTURING: LEATHER, CLOTHING, TEXTILES AND FOOTWEAR	MANUFACTURE OF TEXTILES, CLOTHING, FOOTWEAR AND LEATHER GOODS	SIC 31
MARITIME ENGINEERING	SHIP AND BOAT BUILDING AND REPAIR, MANUFACTURING AND FABRICATION RELATED TO THE MARITIME INDUSTRY	SIC 38
RESEARCH AND DEVELOPMENT AND MANUFACTURING IN LIFE SCIENCES	MANUFACTURE OF PHARMACUETICALS BIOTECHNOLOGY AND MANUFACTURE OF MEDICAL DEVICES AND RELATED PRODUCTS. RESEARCH AND DEVELOPMENT: RESEARCH AND EXPERIMENTAL DEVELOPMENT ON NATURAL SCIENCES AND ENGINEERING SIC 871	SIC 871 SIC 3353
MANUFACTURING: METALS AND FABRICATION	MANUFACTURE OF OTHER NON-METALLIC MINERAL PRODUCTS. MANUFACTURE OF BASIC METALS, FABRICATED METAL PRODUCTS, MACHINERY AND EQUIPMENT AND OF OFFICE, ACCOUNTING AND COMPUTING MACHINERY.	SIC 34 SIC 35
MANUFACTURING: GREEN ECONOMY	MANUFACTURE OF PRODUCTS RELATED TO RENEWABLE ENERGY AND CIRCULAR ECONOMY. THESE ARE COVERED UNDER OTHER SECTORS LISTED BUT IS SPECIFICALLY HIGHLIGHTED.	
MANUFACTURING: WOOD PRODUCTS	MANUFACTURE OF WOOD AND OF PRODUCTS OF WOOD AND CORK, EXCEPT FURNITURE; MANUFACTURE OF ARTICLES OF STRAW AND PLAITING MATERIALS; MANUFACTURE OF PAPER AND PAPER PRODUCTS; PUBLISHING, PRINTING AND REPRODUCTION OF RECORDED MEDIA MANUFACTURE OF FURNITURE; MANUFACTURING N.E.C.; RECYCLING SIC 39	SIC 32 SIC 39
TOURISM: ACCOMMODATION	HOTELS AND SHORT-STAY ACCOMMODATION	SIC CODE 64101 ONLY
FILM AND TELEVISION	MOTION PICTURE, RADIO, TELEVISION AND OTHER ENTERTAINMENT ACTIVITIES	SIC 961 ONLY

- 3) An applicant shall not be allowed to aggregate criteria applying to other properties in its ownership in order to derive the benefit of Financial Incentives in respect of a New Investment on a property. All Special Qualifying Criteria must be unique to the site in question. Except for properties in the Inner City and adjacent areas.

### **13. Spatial Priority Area: Inner City: Bespoke Financial Incentives**

#### **13.1 Rationale for Bespoke Financial Incentives**

The Spatial Development Framework identifies the Inner City as one of the four core assets of the Municipality which requires dedicated attention in terms of urban management and regeneration. Despite the high level of investment in the built environment that has historically happened in the Inner City, relatively little private sector investment has been noted over the last 10 years. The Municipality has invested significantly in the redevelopment of the promenade and in the Point Area and is further addressing the problems that contributed to the flight of commercial business operation within the Inner City.

The Municipality, working in partnership with stakeholders are planning on fundamentally improving the space we call the Inner City, through making it the first choice as a place to live, while strengthening its role as a business and tourism destination. The Municipality has therefore crafted bespoke Financial Incentives to attract investment and regenerate the Inner City, thereby creating a vibrant space for commercial activity and multiple use developments to enhance densification.

#### **13.2 Bespoke Financial Incentives**

- 1) A separate application must be submitted for each property that has a unique Property Rates Number, together with a comprehensive Site Refurbishment Plan, a Minor Works Certificate or an Approved Building Plan.
- 2) The incentive period applicable to the Inner City, shall consist of a maximum of three years, except in the case of 9.3, where such incentive may be extended by a maximum of two years as approved following the Section 33 process as stated in the Local Government Municipal Finance Management Act (MFMA) No. 56 of 2003.
- 3) Investment intended for high density residential use (density ratio equivalent >80duph) and multiple use development in the Inner City and in precincts identified as a densification zone will qualify:
  - (i) Developments seeking to qualify in terms of the ‘Value of Investment’ criteria, shall be allowed to aggregate all the new investment values being made within the defined area of the Inner City (as set out in Condition a. above), be they on a single or multiple properties even if such properties are not spatially contiguous (or adjoining).
  - (ii) Investments that qualify in terms of highest ‘Value of Investment’ discount (i.e. investments over R300 million) shall be eligible to apply for an extension of the incentive period to a maximum of two years, beyond the initial maximum of three years (i.e. a maximum incentive period of five years), subject to Council approval and compliance with the MFMA as amended.
  - (iii) The definition of ‘Investment Value’, with regards to the Inner City, shall include the total monetary value spent on the improvement of land, buildings as well as place-making in terms of public spaces, but shall exclude the purchase price of land and buildings.

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- (iv) All investments made by a single investor or entity seeking to qualify in terms of the ‘Jobs’ criteria, shall be allowed to aggregate all jobs being created in the rebate period within the Inner City, be they on a single or multiple property even if such properties are not spatially contiguous. In addition, all employed persons that are anticipated to occupy the area after a new investment is made, shall be eligible to be counted as a new job in terms of the Jobs criteria, exclusively with regard to the Inner City.
- (v) New or renovated office space that is intended for use by a targeted sector described in Section 12, shall be eligible to apply in terms of the ‘Targeted Sector’ category. A property shall be granted the targeted sector incentive only if 100% of the defined targeted sector occupies 100% of the floor space of the said property.
- (vi) In line with rest of the eThekweni Rates Policy, EDIP and MFMA, incentives may not be applied for retrospectively. This means that applicants may only apply for incentives on new investment (expenditure) that is prospective.

**14. Economic Investment Incentives Applicable 2022-2023:**

That subject to compliance with criteria contained in the Economic Development Incentive Policy read together, where applicable, with the Rates Policy, a rebate may be allowed for the following identified investment categories (i.e Investment Value, Jobs Created, Targeted Sector, Spatial Priority). The rebate will be per property for greenfield and brownfield developments in commercial, industrial or multiple use developments.

The maximum rebate available will be the aggregate of the percentage rebates assigned to the qualifying criteria as set out in the table below:

**Table 4: Qualifying Criteria**

<b>CATEGORY</b>	<b>CRITERIA</b>	<b>INVESTMENT VALUE</b>	<b>MAXIMUM %AGE REBATE</b>
<b>Investment Value</b>	New investment in any Industrial or Commercial or Mix Use Property Development.	R<1million – R299 million; or	10%
		>R300 million	20%

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<b>Jobs Created</b>	FTE Jobs Created calculated post construction in new investment in any Sector for a fixed 3-year period.	All-inclusive values	
	<ul style="list-style-type: none"> <li>• 50-250 jobs</li> </ul>		10%
	<ul style="list-style-type: none"> <li>• 251 jobs and above.</li> </ul>		20%
<b>Targeted Sectors</b>	Investment in Targeted Sectors as defined in the Draft eThekweni Inclusive Growth Strategy 2021-2022 to 2026-2027.	All-inclusive values	40%
<b>Spatial Priority:</b>	Investment in Spatial Priority Area.	All-inclusive values.	20%
<b>Secondary Economic Nodes, Former Township Areas; Transit Oriented Development Nodes, Prime Investment Corridor, Urban Zones, Bespoke Inner City &amp; Surrounding Areas and Densification Zones.</b>	As defined in the City's Spatial Development Plan & the Draft eThekweni Inclusive Growth Strategy 2021-2022 to 2026-2027		

- (i) The incentive policy will not be implemented retrospectively but rebates as stated herein will be implemented for a fixed 3-year period from date of approval or as approved from the date post construction. It is suggested that applicants submit an application early in the development cycle, allowing the Municipality to budget accordingly in anticipation of approval.
  - (ii) The incentive is not available to high rise residential property which has not been identified within the Densification Strategy and the Inner-City LAP of the City.
- 14.2 The incentive policy will not be implemented retrospectively but rebates as stated herein will be implemented for a fixed 3-year period from date of approval or as approved, from the date post construction. Valid for implementation from the date of final signatures on the MOA.
- 14.3 The Incentive is not available to residential property which has not been identified within the Densification Strategy of the City or the Inner City.

## **15. EDIP Approvals Committee**

Once all the conditions have been met, the EDIP Secretariat recommends the application to the Pre-Approval Committee and onward to Council for final approval. If the applicant is applying for the job incentives, then a signed letter from a registered professional is required, verifying the proposed number of jobs to be created during the rebate period.

## **16. Communication and Branding of the EDIP**

- 1) The EDIP will be posted on the eThekweni municipal website [www.durban.gov.za](http://www.durban.gov.za) and in due course, a dedicated EDIP webpage will be created, linked to the eThekweni municipal website.
- 2) Prescribed application forms will be available at Economic Development Unit Offices and on the municipal website.
- 3) The Council's annual Rates resolutions passed in terms of Section 14 of the MPRA during the annual budgetary process, and determining, inter alia, Financial Incentives to investors and percentages can be accessed on the eThekweni municipal website.

## **17. Policy Evaluation and Review**

- 1) The EDIP must be reviewed annually to ensure that it aligns with the Rates Policy, with a major review taking place every three years.
- 2) During each review, each principle, procedure and requirement in the EDIP must be interrogated, discussed and re-evaluated, for its relevance and appropriateness.

- 3) At the time of review and re-writing of the EDIP, the relevant internal and external stakeholders must be consulted through a series of in-depth discussions that result in the progression of the EDIP. Relevant internal stakeholders must include inter alia, the Finance Unit, the Development Planning, Management and Environment Unit, the Real Estate Unit, the Legal & Compliance Unit and Invest Durban.
- 4) The EDIP design must improve investment attraction, retention and expansion. These objectives must be set with realistic timeframes and measurables, to be able to review, refine and improve the design of the EDIP, whilst always taking into account the fiscal position of the Municipality.
- 5) The EDIP, as reviewed and amended annually, must be adopted by the Council for implementation in the new Municipal Financial Year.