



BREED VALLEY
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

COMPILATION OF AN URBAN VISION DOCUMENT FOR THE UITVLUGT LAND EARMARKED FOR INDUSTRIAL DEVELOPMENT

Breedevally Local Municipality

COUNCIL PRESENTATION

30 October 2018

Presented By:

Aurecon South Africa (Pty) Ltd

Contact Person:

Mrs. Magriet du Preez

e: magriet.dupreez@arecongroup.com

t: +27 21 526 9541

Presented To:

Breedevally Local Municipality

Contact Person:

Mr. Colin January

e: cjanuary2@bvm.gov.za

t: +27 23 348 2760



*Bringing ideas
to life*

CONTENTS

- Introduction
- Project Background
- Project Location
- Status Quo Assessment
- Economic Rationale and Business Case
- Vision and Objectives
- Concept Development and Detailed Design
- Matchbox Feasibility
- Roadmap
- Recommendations and Critical Success Factors

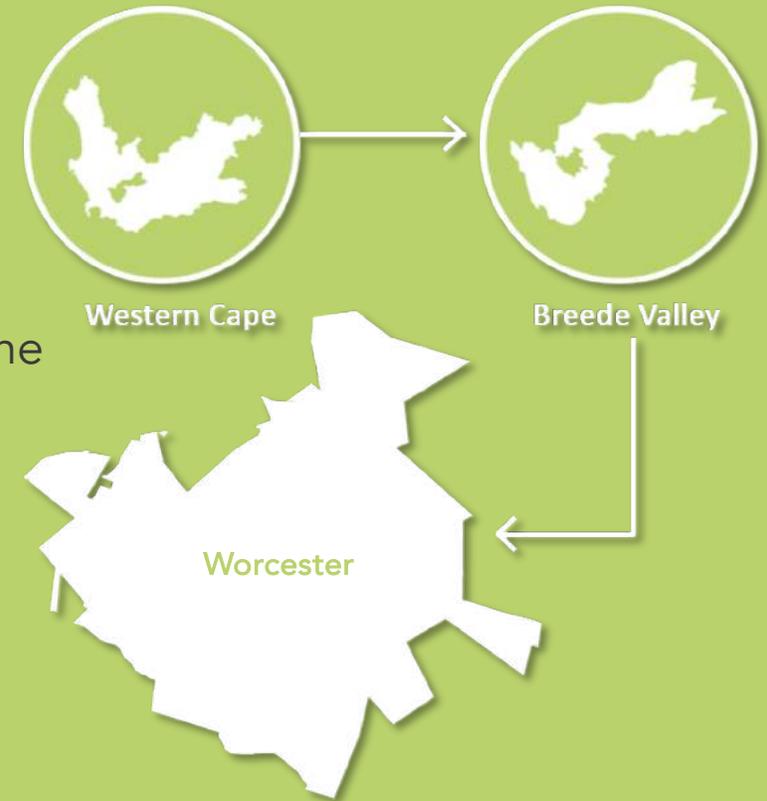
INTRODUCTION

Need:

1. Facilitation of economic growth, job creation and increased vertical integration of current value chains in the local and regional economy
2. Response to the need for serviced industrial properties in Worcester

Municipal vision:

To reduce unemployment levels by generating employment opportunities in the industrial sector in order to ensure sustainable socio-economic impact in the Breede Valley Local Municipality



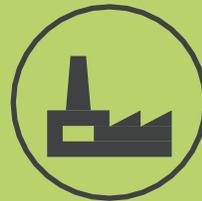
Objectives:



Economic
Growth



Employment



Value Chain
Integration



Serviced Industrial
Land

PROJECT BACKGROUND

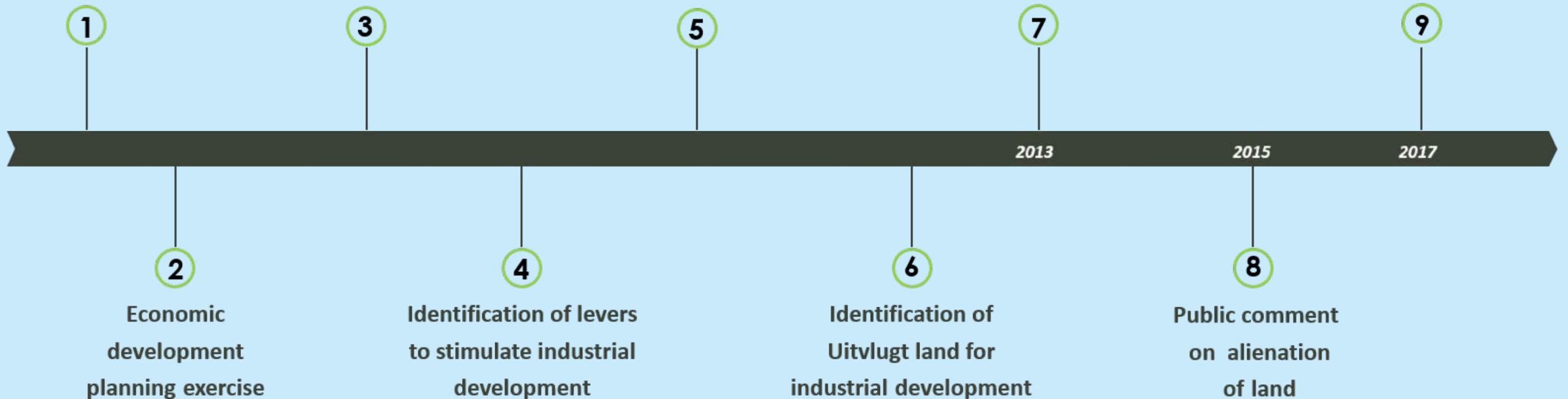
Infrastructure and socio-economic challenges

Potential of industrial development to stimulate regional economy

Ownership and leveraging of municipal property as key lever

Commissioning of business case

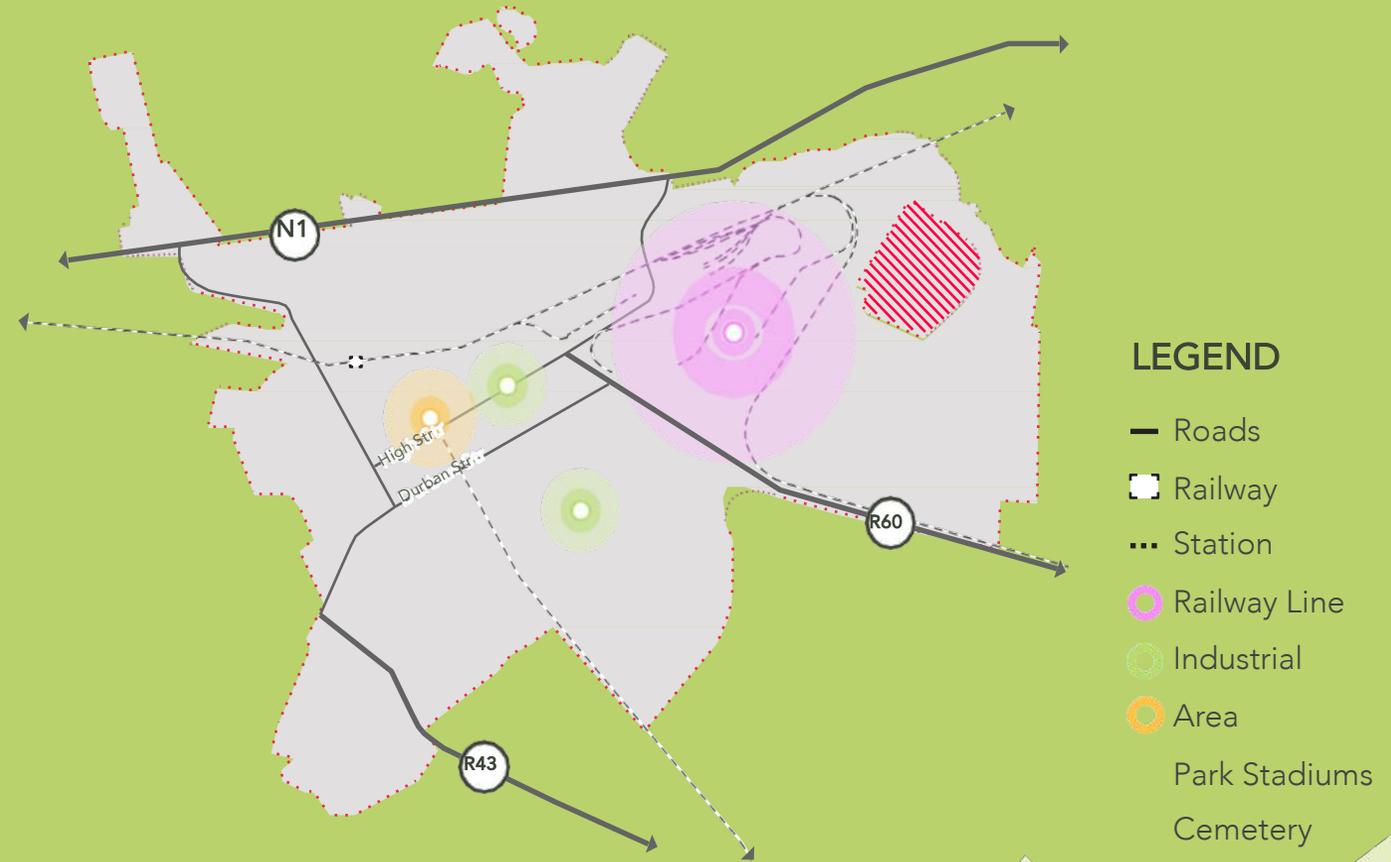
Appointment of Aurecon to prepare an Urban Vision Framework



STATUS QUO ASSESSMENT

The status quo assessment analysed the following broad categories:

- Summary Statistics
- Economy and Market Conditions
- Urban Planning
- Environmental Informants
- Engineering Informants



KEY FINDINGS

- **Economy and market conditions**

- Economy under severe pressure
 - Slow rates of growth
 - Rising unemployment rates
- Industrial manufacturing volumes remain constrained
- Standard industrial units, warehousing and light manufacturing under pressure
- Local industrial property market outlook shows signs of distress
- Decline evident in building plan completions
- Manufacturing sector continues to occupy a significant share of the South Africa economy
- Additional research necessary to ascertain and quantify private sector appetite for such an investment



KEY FINDINGS

- **Urban planning**

- Site comprises of a number of registered erven, all zoned to accommodate industrial activities
- Potential development constraints
 - Servitude along the southern and western boundaries of the site
 - River corridor flowing towards the east of the site
- Despite above, majority of the site can still be developed
- Proposed eastern by-pass identified as a strength
 - Unlock opportunity
 - Strengthen the accessibility and connectivity of the site to the surrounding and greater region



KEY FINDINGS

- **Environment**

- Site is home to ecologically sensitive (threatened) vegetation species
 - At least two endemic plant species and 10 Red Data List plant species occur in the ecosystem
- Two terrestrial CBAs traverse the site
- Sensitive freshwater systems (Hex River and wetland) in close proximity to the site
- Site has suffered extensive ecological disturbance
 - Footpaths, erosion and informal dumping
- Environmental mapping findings and associated triggers in terms of NEMA could have extensive impacts for the proposed development
- Ground-truthing necessary



KEY FINDINGS

- **Infrastructure**

- Site is located in close proximity to serviced industrial area
- While planned for in bulk infrastructure master plans, the site is not currently prioritised for provision in the medium-term
- BVM's Eskom electrical supply is fully subscribed
 - Implications for when the development could realistically be serviced
- Re-arranging of municipal service delivery priorities required in order to expedite the development



ECONOMIC RATIONALE AND BUSINESS CASE

- 2013 SAMFA Business Case
 - Need for appropriately priced serviced industrial land in Worcester
 - Business case exists for an industrial park development
- 2015/2016 *Invest in Western Cape: A Perspective on Investment Opportunities in the Western Cape*
 - Agro-processing and agriculture as key sectors of the district economy
 - Accounts for 93.2% of the value of the top ten exports in the region
 - Extensive raw produce produced in the district with associated processing activities
 - More agro-processing and industrial facilities are encouraged to be developed in CWDM
- Western Cape IDC looking to strategically increase funding to non-metropolitan regions
 - Currently only benefits from 20% of the IDC's funding allocation
 - Numerous untapped agro-processing opportunities
- Understood BVM has carried out necessary market studies and related investigations which led to the formulation of the Urban Vision Framework for the Uitvlugt industrial park

VISION AND OBJECTIVES

- Creation of a shared vision
 - Reduce unemployment levels by generating employment opportunities
 - Ensure sustainable socio-economic impact in the local economy and beyond
- Involvement of a range of stakeholders required to ensure success
- Ensure success of an intervention of this nature and scale
 - Shared vision
 - Common objectives
- Shared vision crafted through an interactive design-led thinking visioning workshop
- Augmented by business surveys and face-to-face interviews



VISION AND OBJECTIVES



An accessible, safe and secure first-world industrial park with sustainable infrastructure and symbiotic relationships to foster innovation and collaboration across the value chain



OBJECTIVES AND PRIORITIES

- **Objectives set in order to give effect to vision:**

- Create a healthy and safe business and working environment
- Stimulate and promote mutual symbiosis between various businesses
- Support the creation of sustainable and innovative solutions
- Establish an environment which allows for knowledge transfer and the exchange of ideas
- Facilitate resilience by creating opportunities to grow and respond to shifting market demands
- Develop a well-integrated and connected development

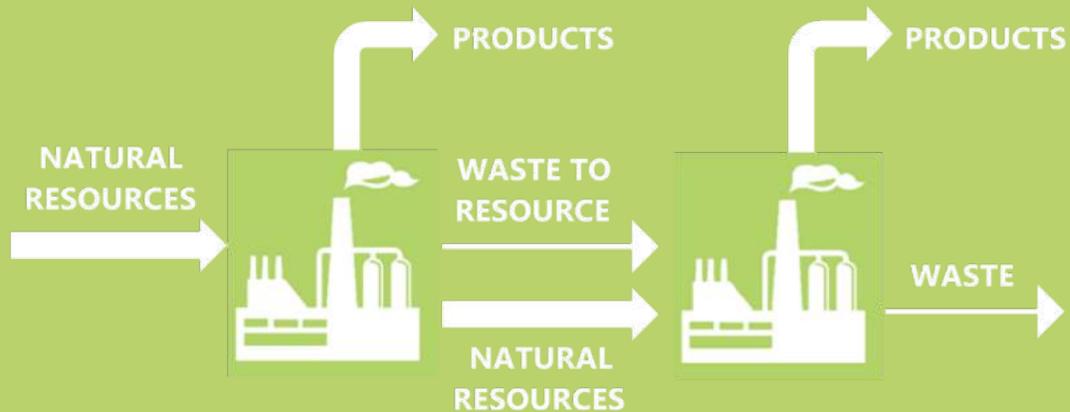
- **User priorities**

- Flexibility to react to market needs
- Security, both for businesses and staff
- Good connectivity, both for vehicular distribution and for staff
- Skills training opportunities
- Conference facilities
- Good connectivity to the established industrial area
- Public space and recreational space for staff
- Appropriate development regulations



OVERVIEW AND APPROACH

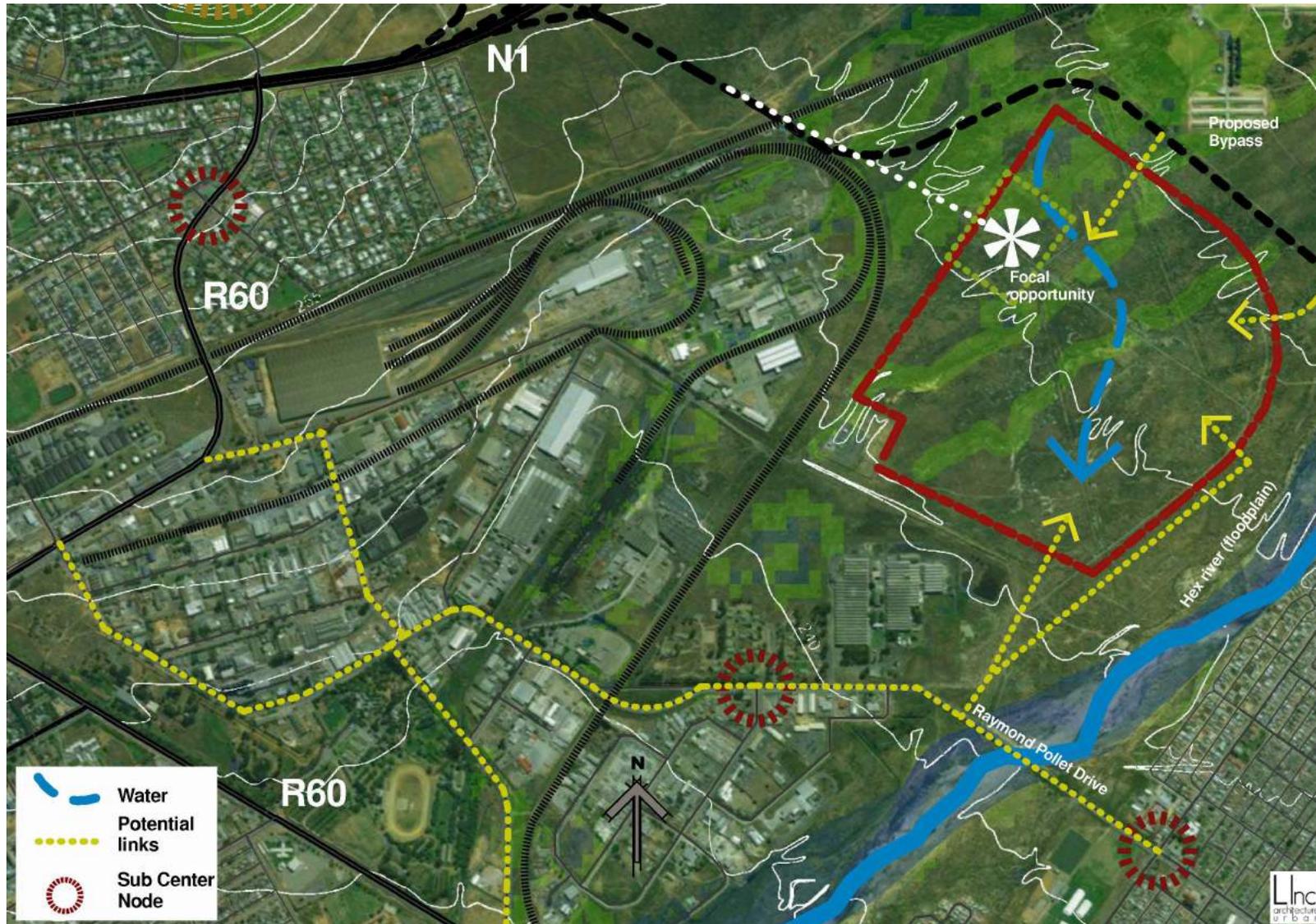
- Eco-industrial park approach (industrial symbiosis)
 - Waste or by-products of one company can be used as resources by another business



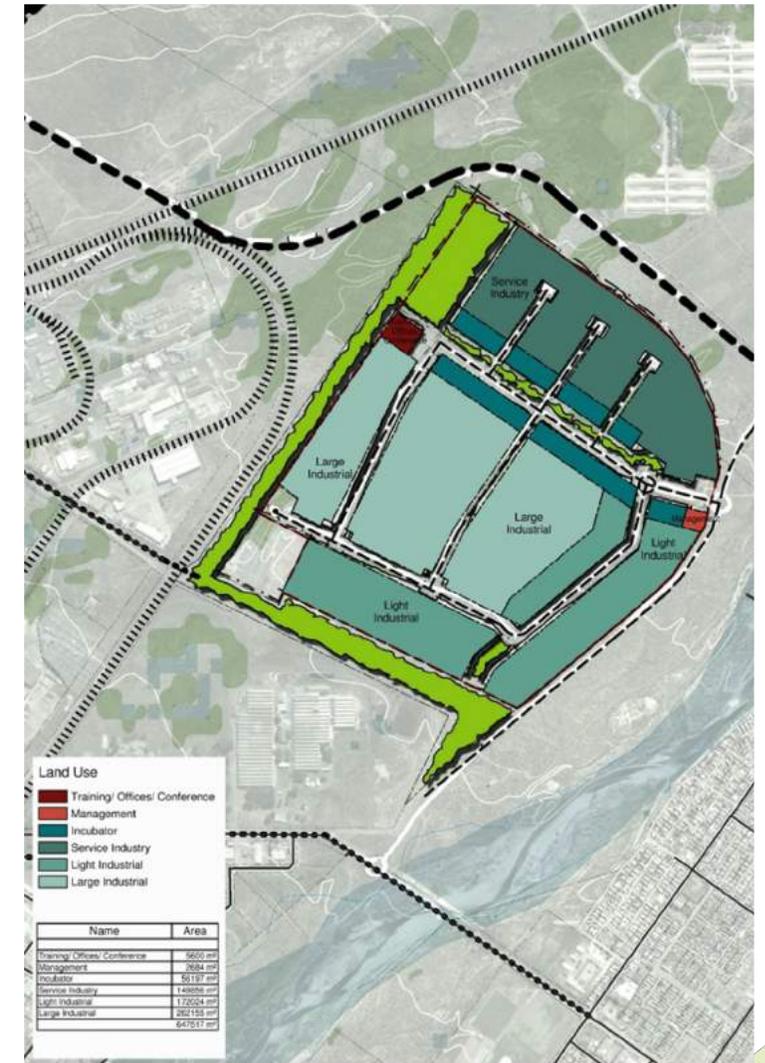
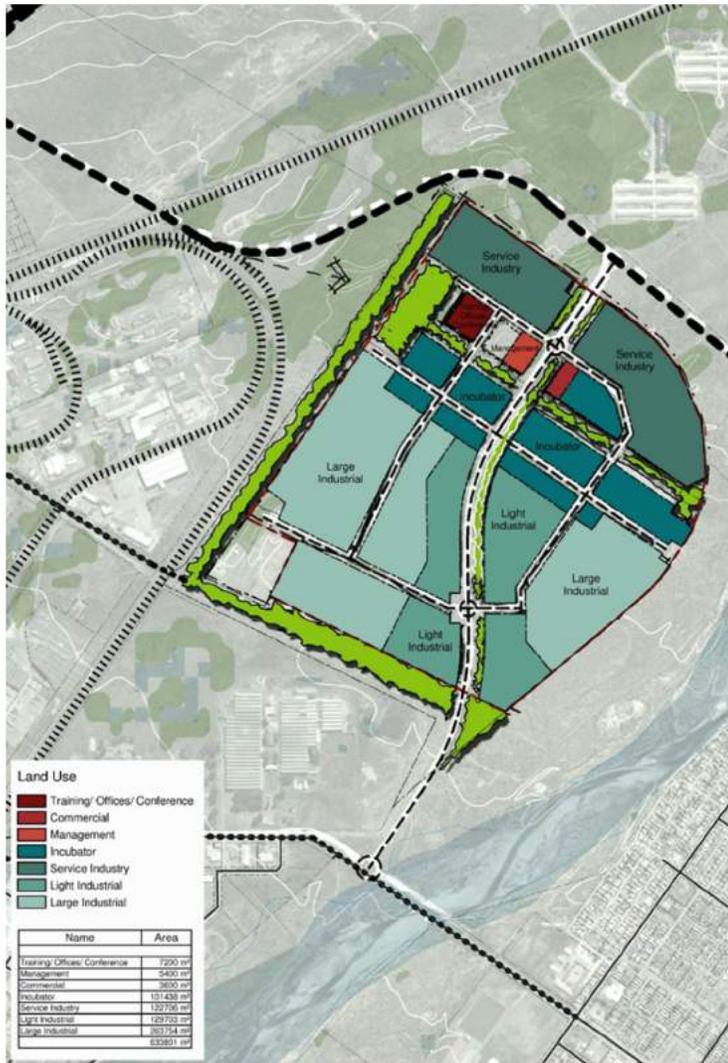
- Advances sustainability by promoting circular systems
 - Promotion of resource efficiency
 - Adoption of clean technologies
 - Exchange of under-utilised resources
- Clustering and co-location



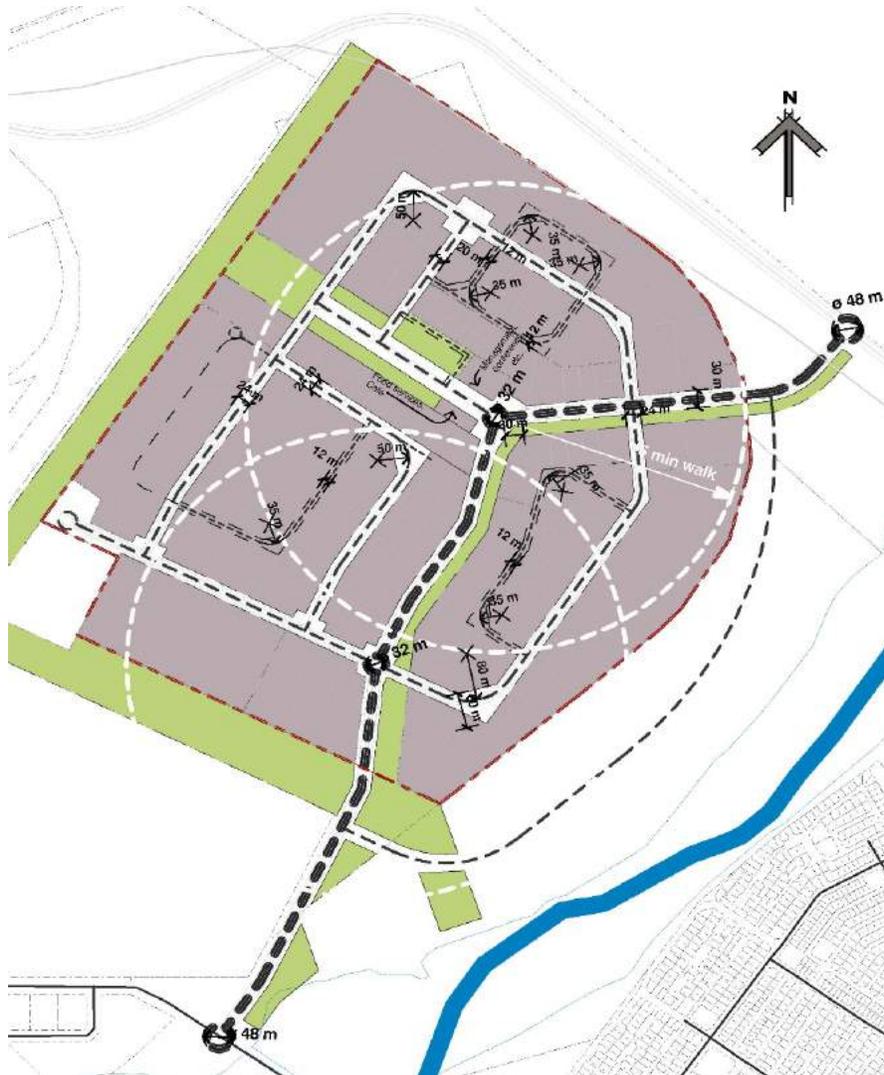
CONCEPT DEVELOPMENT



CONCEPTUAL LAYOUTS



PREFERRED LAYOUT



- Fits into the EIA for the bypass without compromising any of the other opportunities
- Main boulevard forms strong spinal cord through the development
- Node as heart of the park (high-rise flagship building with training facility/conference/management office and food service hub)
- Green belt creates recreational green space and visual connection from the bypass
- Strategically-placed public transport drop off points
- Preferred layout underwent a process of refinement
 - Detailed subdivision plan
 - Mobility framework and was formulated

DETAILED SUBDIVISION



DETAILED SUBDIVISION



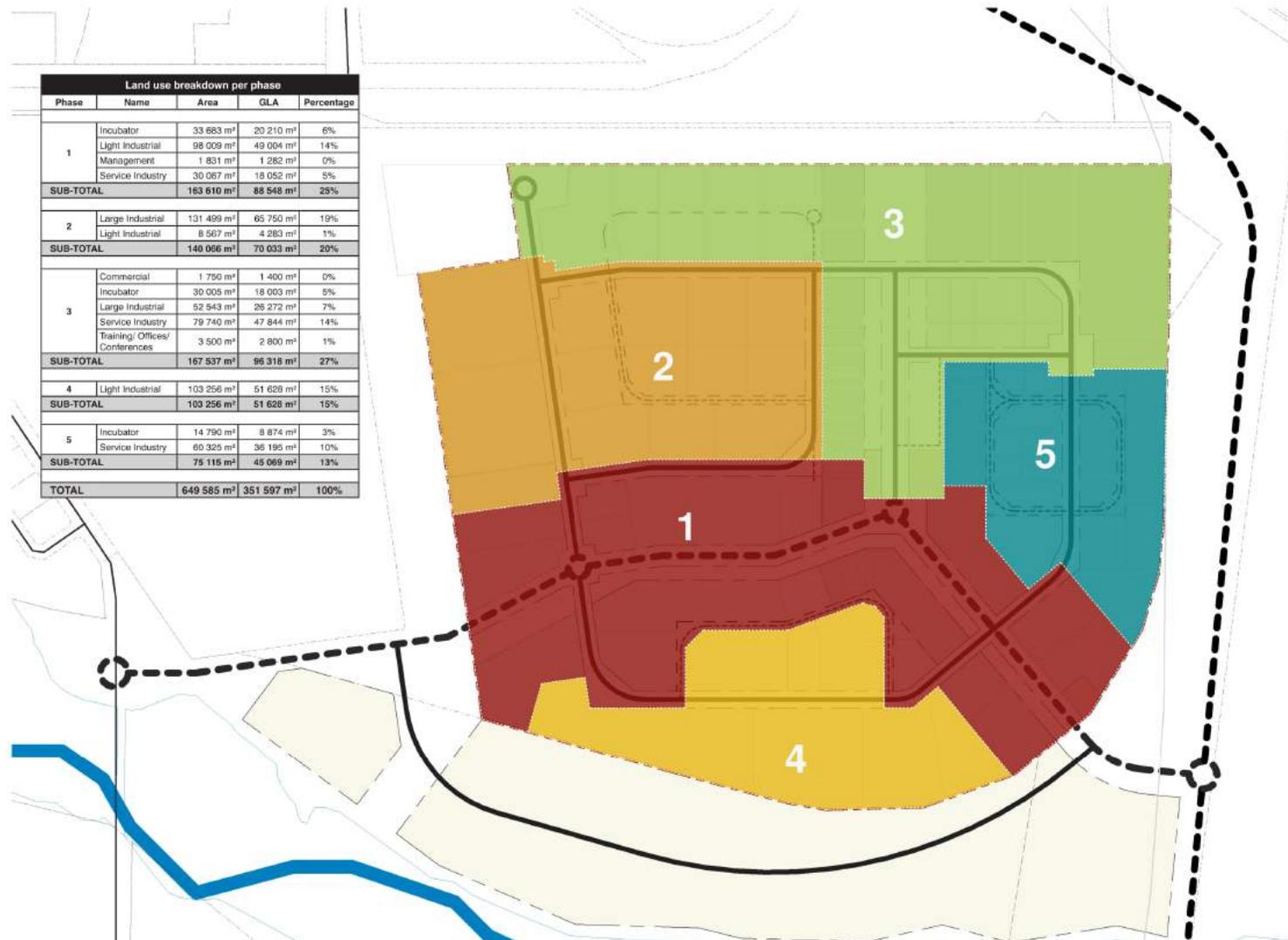
DETAILED SUBDIVISION

NAME	AREA	PROPOSED FAR	PROPOSED COVERAGE (%)	GLA
Training/ offices/ conference	3 500 m ²	0.8	50	2 800 m ²
Commercial	1 750 m ²	0.8	50	1 400 m ²
Management	1 831 m ²	0.7	50	1 282 m ²
Incubator	78 478 m ²	0.6	60	47 087 m ²
Service industry	170 152 m ²	0.6	60	102 091 m ²
Light industrial	209 832 m ²	0.5	50	104 916 m ²
Large industrial	184 042 m ²	0.5	50	92 021 m ²
TOTAL	649 585 m²			351 597 m²



PHASING

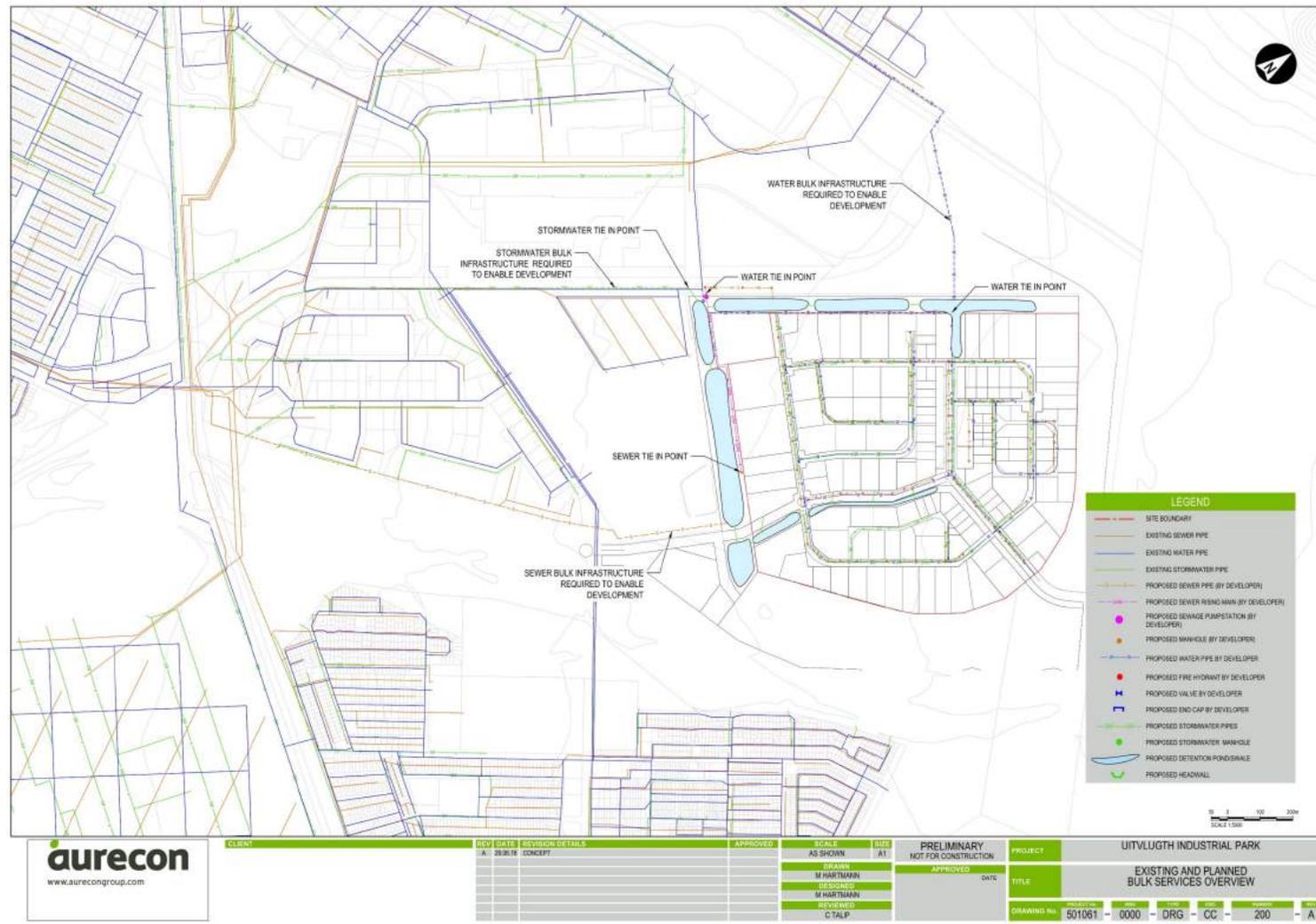
Land use breakdown per phase				
Phase	Name	Area	GLA	Percentage
1	Incubator	33 663 m ²	20 210 m ²	6%
	Light Industrial	98 009 m ²	49 004 m ²	14%
	Management	1 831 m ²	1 282 m ²	0%
	Service Industry	30 067 m ²	18 052 m ²	5%
SUB-TOTAL		163 610 m²	88 548 m²	25%
2	Large Industrial	131 499 m ²	65 750 m ²	19%
	Light Industrial	8 567 m ²	4 283 m ²	1%
SUB-TOTAL		140 066 m²	70 033 m²	20%
3	Commercial	1 790 m ²	1 400 m ²	0%
	Incubator	30 005 m ²	18 003 m ²	5%
	Large Industrial	52 543 m ²	26 272 m ²	7%
	Service Industry	79 740 m ²	47 844 m ²	14%
	Training/ Offices/ Conferences	3 500 m ²	2 800 m ²	1%
SUB-TOTAL		167 537 m²	96 318 m²	27%
4	Light Industrial	103 256 m ²	51 628 m ²	15%
SUB-TOTAL		103 256 m²	51 628 m²	15%
5	Incubator	14 790 m ²	8 874 m ²	3%
	Service Industry	60 325 m ²	36 195 m ²	10%
SUB-TOTAL		75 115 m²	45 069 m²	13%
TOTAL		649 585 m²	351 507 m²	100%



INFRASTRUCTURE RESPONSES

- Rationale, conceptual design and high-level cost estimates for the enabling infrastructure for the Uitvlugt industrial park development
 - Roads and transport network
 - Potable water demand estimates
 - Sewer yield estimates
 - Electricity supply and distribution estimates
 - Solid waste generation estimates
 - Stormwater management plan
- Balance needs to be found between the up-front infrastructure investment and the anticipated development returns stemming from the sale or long-term lease of industrial land in the park

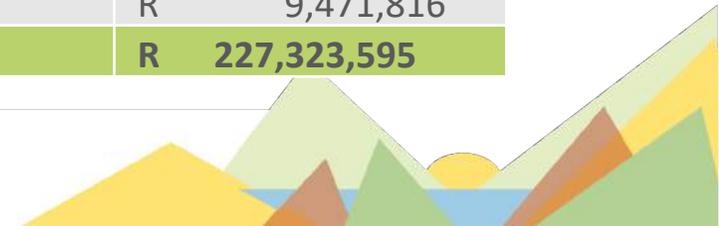
INFRASTRUCTURE RESPONSES



CONSTRUCTION COST ESTIMATES

ITEM	DESCRIPTION	AMOUNT (R)
1	BULK EARTHWORKS	R 36,788,121
1.1	Site Clearing	R 8,813,596
1.2	Earthworks	R 18,469,667
1.3	Imported material	R 9,504,858
2	ROADS	R 48,762,479
2.1	Internal Roads and Sidewalks	R 43,762,479
2.2	Tie-ins	R 5,000,000
3	STORMWATER DRAINAGE	R 17,745,592
3.1	Internal Stormwater Network	R 6,175,632
3.2	Detention Ponds	R 3,027,981
3.3	Manholes / Catchpits / Inlet & Outlet Structures	R 2,695,040
3.4	Subsurface Drains	R 5,846,939
4	SEWER	R 8,796,964
4.1	Internal Sewer network	R 3,162,706
4.2	Sewer Pump Station	R 5,000,000
4.3	Internal Rising Main	R 634,258

ITEM	DESCRIPTION	AMOUNT (R)
5	POTABLE WATER	R 8,309,913
5.1	Internal Water Reticulation	R 8,309,913
6	ELECTRICITY	R 48,499,481
6.1	Upgrade at main intake substation 11 kV Switchboard	R 1,812,500
6.2	11 kV switching station A	R 5,137,500
6.3	11 kV switching station B	R 5,137,500
6.4	Internal Reticulation	R 36,411,981
6	DUCTS	R 3,312,295
6.1	Internal Dta & Telecommunication Sleeves	R 2,993,391
6.2	Service Sleeves (Irrigation & Electrical)	R 318,904
7	SUBTOTAL	R 172,214,845
7.1	Preliminaries and General (10%)	R 17,221,484
8	SUBTOTAL	R 189,436,329
8.1	Contingencies (15%)	R 28,415,449
8.2	Escalation (5%)	R 9,471,816
ESTIMATED COST (EXCL. VAT)		R 227,323,595



MATCHBOX FEASIBILITY

- Provide potential investors with guidance in order to develop the site
 - High-level costs
 - Likely return on investment
- Analysis has been undertaken from the perspective of the project developer and not that of an industrial estate operator
 - Acquire the land
 - Undertake infrastructure development
 - On-sell bulk development rights or release parcels on a lease basis to prospective developers / tenants
- Inputs into the model
 - Initial bulk estimate, land-use allocation and coverage per site
 - Technical engineering assessment of the required infrastructure investment and its related cost per site
 - Estimates based on current market rental rates
 - Estimates of top-structure construction cost per land use per site
 - Key parameters with respect to operating cost, margin, interest rates etc. as noted

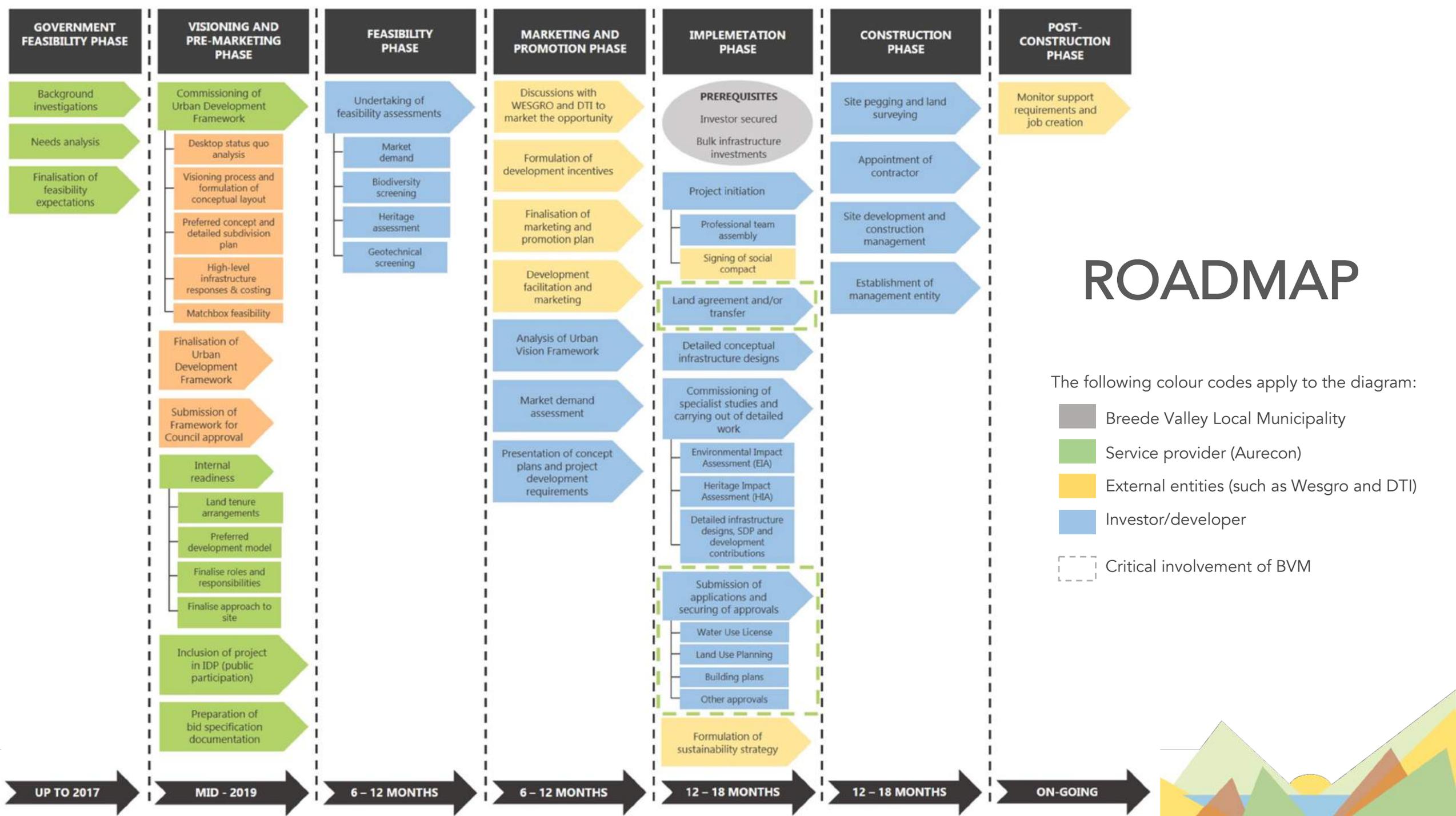


MATCHBOX FEASIBILITY

Provides guidance on 3 factors

1. Compare the cost per bulk square meter with the market value cost for serviced industrial land
 2. ROI for the entire development taking into consideration infrastructure costs only
 3. ROI for the entire development taking into consideration infrastructure and top structure costs
- Findings and implications
 - Selling price per bulk square meter is significantly higher than current market price
 - Positive ROI is achieved when the serviced land is leased to potential tenants
 - BVM can sell the land whilst the Uitvlugt industrial park would be an investment option for potential developers
 - Disposal of serviced land at the 2014 valuation – Positive ROI of 220%
 - Donation of land – Positive ROI of 231%.
 - Low market appetite for an industrial development of this magnitude
 - Notable anchor tenant should be secured to attract other tenants and spur new development





RECOMMENDATIONS AND CRITICAL SUCCESS FACTORS

- Carry out more investigations to ascertain and quantify private sector appetite for such an investment
- Use the Urban Vision Framework for the as a tool
 - Approach potential developers and investors to assess their appetite
 - Enable Council and relevant technical units to anticipate and plan for the development in an integrated manner
- Carry out the necessary detailed specialist studies
- Re-arranging of BVM's water, sewer and electrical provision priorities required
- Construction of the eastern bypass critical to the successful development of the Uitvlugt industrial park
- Put governance mechanisms in place to maintain the vision and objectives of the Uitvlugt industrial park, and in so doing preserving the integrity of the proposed development
- Importance of a robust branding and marketing strategy



THANK YOU

