



**DRAKENSTEIN**

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# INVESTMENT INCENTIVE POLICY

**Effective from 1 October 2018**

<b>Reviewed / Approved By</b>	<b>Date</b>	<b>Signature of Executive Director/ City Manager</b>
Executive Director: Planning and Development		
Council		

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## TABLE OF CONTENTS

<b>1. DEFINITIONS .....</b>	<b>3</b>
<b>2. PREAMBLE .....</b>	<b>4</b>
<b>3. REGULATORY CONTEXT .....</b>	<b>4</b>
<b>4. STRATEGIC CONTEXT .....</b>	<b>5</b>
<b>5. SPATIAL CONTEXT .....</b>	<b>5</b>
<b>6. DESIRED OUTCOMES .....</b>	<b>6</b>
<b>7. GENERAL PRINCIPLES .....</b>	<b>6</b>
<b>8. INVESTMENT ENABLING FACTORS .....</b>	<b>7</b>
<b>9. THE INVESTMENT INCENTIVE PACKAGE .....</b>	<b>8</b>
<b>10. ELIGIBILITY AND COUNTER-PERFORMANCE CRITERIA .....</b>	<b>10</b>
<b>11. APPLICATION AND ASSESSMENT PROCESS .....</b>	<b>12</b>
<b>12. APPROVAL PROCEDURE .....</b>	<b>12</b>
<b>13. ROLE-PLAYERS .....</b>	<b>13</b>
<b>14. MONITORING AND EVALUATION .....</b>	<b>13</b>

## 1. DEFINITIONS

For the purposes of this policy, unless otherwise stated, the following definitions shall apply:

Incentive	Any measurable advantage accorded to specific enterprises or categories of enterprises by or at the direction of government.
Council	Means the Municipal Council of Drakenstein Municipality established in terms of the Municipal Systems Act, Act No. 32 of 2000.
Mayoral Committee	The committee appointed by the Executive Mayor to assist the Executive Mayor in terms of Section 60 of the Municipal Structures Act, Act No. 32 of 2000
Development Charge	A Development Charge as outlined in the approved Council Development Contribution Policy, means a once-off charge imposed by the Municipality of Drakenstein on a developer as a condition of approval of a land development application in order to cover the cost of the bulk engineering services required as a result of an intensification of land use as permitted by the Land Use Planning Act, 2014 (Act 3 of 2014) (LUPA). This charge was previously known as the Bulk Infrastructure Contribution Levy (BICL).
Development and Investment Forum	An internal forum coordinated by the Office of the City Manager that is responsible for identifying and assessing major development and investment initiatives/projects within the municipal area.
Incentive package	The list of approved incentives that may be negotiated with Investors.
Policy	The policy for Investment Incentives, or any other policy adopted by the Council in relation to Investment Incentives, as in force from time to time.

## **2. PREAMBLE**

- 2.1 This Investment Incentive Policy represents Drakenstein Municipality's intent to attract, promote and secure lucrative and sustainable investments;
- 2.2 The policy is focused on targeted investment in five catalytic zones, whereby the nature and scale of the proposed investment will stimulate significant economic benefits, employment creation and value-add to the municipal economy;
- 2.3 Investment incentives are part of the toolkit to diversify the economy and are available to investors in return for specific development objectives;
- 2.4 The level of incentive applicable to a development or project will be determined by the eligibility criteria contained within this policy; and
- 2.5 Drakenstein Municipality commits to create a mutual beneficial investment friendly environment for a developer or investor through improved investment facilitation processes.

## **3. REGULATORY CONTEXT**

This policy is developed in the context of the following legislative prescripts, policies and strategies:

- 3.1 The Constitution of the Republic of South Africa Act 108 of 1996;
- 3.2 Municipal Finance Management Act (MFMA) Act No 56 of 2003 and related regulations;
- 3.3 Municipal Property Rates Act (MPRA) Act No 6 of 2004;
- 3.4 Land Use Planning Act (LUPA) Act 3 of 2014;
- 3.5 Drakenstein Municipality Property Rates Policy;
- 3.6 Drakenstein Municipality Integrated Development Plan (IDP);
- 3.7 Drakenstein Municipality Spatial Development Framework;
- 3.8 Drakenstein Municipality Developer Contributions Policy;

- 3.9 Drakenstein Municipality Tariff Policy;
- 3.10 Drakenstein Municipality Integrated Economic Growth Strategy Framework; and
- 3.11 Drakenstein Municipality Long-Term Financial Sustainability Policy.

#### **4. STRATEGIC CONTEXT**

The Investment Incentive Policy responds to the municipality’s strategic objective, namely, *“Creating an enabling environment for economic growth, job creation and the alleviation of poverty”*. Taking cognizance of the most critical development and transformation needs for accelerated economic growth, the municipality will use investment incentives as a tool to create a more conducive environment for private sector investment, to stimulate economic growth, and to assist with employment creation and development of the catalytic zones as set out in Section 5 of this policy.

#### **5. SPATIAL CONTEXT**

Investment incentives aim to encourage investors to shift an investment decision towards a particular strategically identified region, sector and/or project. In Drakenstein, incentives will be used to influence investors to invest in five key catalytic zones that are intra-municipal zones of spatial and economic activity. They cut across wards and administrative boundaries of the five towns in Drakenstein and are aligned to the Integrated Development Plan, Vision 2032 and the Spatial Development Framework. The five zones are:

- 5.1 The N1 Corridor from the Klapmuts node in the west to the Huguenot Toll Plaza;
- 5.2 The South City Corridor bound by the N1, R301/ R201, south of the Drakenstein Prison and the R45;
- 5.3 The Paarl East – West Integration Corridor which includes the Paarl CBD, the Berg River corridor and the Klein Drakenstein Road development axis;
- 5.4 The North City Integration Corridor which focuses on the integration of Paarl, Mbekweni and Wellington; and
- 5.5 The Hinterland, comprising the rural villages of Hermon, Saron and Gouda as well as the outlying rural areas.

Annexure A attached hereto gives a summary of the “Big Moves” which are key

projects and initiatives designed to attract investment. Incentives are available for the major projects and initiatives within the catalytic zones.

## **6. DESIRED OUTCOMES**

This Investment Incentive Policy aims to:

- 6.1 Enhance the creation of a favorable economic climate to attract and retain investment in the local economy;
- 6.2 Create suitable conditions for investors to participate in the implementation of key catalytic projects and initiatives;
- 6.3 Define the investment incentive package available to investors; and
- 6.4 Provide the necessary principles, processes and approval procedures that will enable a transparent incentive management dispensation.

## **7. GENERAL PRINCIPLES**

### **7.1 Affordability of full financial costs**

The introduction of investment incentives should not jeopardise the municipality's ability to provide the desired levels of services to residents now and into the future, within the confines of their respective financial capacities. Where possible, the investment incentive package must be subjected to an economic/ financial modelling exercise to gauge the potential current and future impact on the municipality's ability to meet its service delivery targets.

### **7.2 Employment Creation**

The policy must respond to the municipality's strategic objective, namely, "Creating an enabling environment for economic growth, job creation and the alleviation of poverty". The investment incentive package must lead to creation of sustainable job opportunities in the private sector.

### **7.3 Targeted Catalytic Zones**

The investment incentive will only be applicable in specific areas as set out in Annexure A. Incentives will be mainly geared towards priority sectors as outlined in the eligibility criteria. The aim is to attract and/or push specific investment into

specific areas in line with the municipal Spatial Development Framework.

#### 7.4 Legal

The investment incentive package must comply with all relevant policies and applicable legislation. Incentives should not be provided to companies which are not in compliance with the law.

#### 7.5 Transparent

The availability of investment incentives should be public knowledge. As such, granting of investment incentives will be done in accordance with the eligibility criteria and principles contained within this policy.

#### 7.6 Simplicity and Continuity

The policy is customized to fit the Drakenstein environment and create an enabling investor-friendly environment that provides a supportive platform for new businesses to develop and existing businesses to grow and expand. The structure of the policy is easy to understand and does not require complex administration and thus ensures a quick turnaround time of applications and approvals.

#### 7.7 Continuous Review

The policy will be reviewed annually to ensure that it complies with the municipality strategic objectives, current legislations, and changing economic environment.

### **8. INVESTMENT ENABLING FACTORS**

The municipality utilizes a number of tools aimed at fast tracking, unblocking and reducing red tape in doing business in Drakenstein. These include:

8.1 The Development and Investment Desk;

8.2 The Online Building Plan Module;

8.3 Infrastructure Master Planning; and

8.4 Investment in the five catalytic zones.

## 9. THE INVESTMENT INCENTIVE PACKAGE

The following incentives are offered to qualifying investors in terms of the eligibility criteria:

**Table 1: Non-Financial Incentives**

Serial No	Category	Description
1.	Dedicated Investment Facilitation Officer	A dedicated Development and Investment Support Officer will act as a single point of contact for prospective investors, providing continuity of advice and assistance in helping to meet individual business requirements.
2.	Fast Tracked Development Application Process	<ul style="list-style-type: none"> <li>a) Guaranteed development application timeframes, including provision of pre-lodgement meetings, dedicated assistance and guidance.</li> <li>b) Time-frame commitments for compliant applications are as follows:</li> <li>c) Land-use application: Three months;</li> <li>d) Building plan decision: Ten working days; and</li> <li>e) Occupancy certificate: Fifteen working days.</li> </ul>
3.	Business Case Assistance	Assistance to obtain economic and business data needed to prepare project analysis and viability studies.
4.	Property Location Assistance	Assistance to prospective investors searching for ideal development sites or building premises within Drakenstein municipal area.

**Table 2: Financial Incentives**

Serial No	Category	Description
1.	Development Application Fees	a) Applies to all land use and building plan fees. Reduced building plan application fees and land use management application fees apply to non-residential development as follows: <ul style="list-style-type: none"> <li>i. Building plan application fee:</li> <li>ii. If the building plan is less than 1000 m<sup>2</sup>: 30% rebate on scrutiny fees.</li> <li>iii. If the building plan is more than 1000 m<sup>2</sup>: 50% rebate on scrutiny fees.</li> <li>iv. Land use management application fee: 20% rebate on land use applications.</li> </ul>
2.	Rebates on Development Charges	A rebate offered to qualifying developments as per Council's Development Contribution Policy that specifies the appropriate methodology to determine the contributions payable by developers towards the cost of bulk municipal engineering services.
3.	Availability of investment ready land	Investments in the priority sectors in terms of this policy will obtain access to Council land that has required development rights and permits in place.
4.	Electricity services	a) Provision of free quotations with regards to development approvals, upgrades, downgrades, extensions on existing infrastructure and new installations. b) Provision of free consumer consultation with regards to saving on consumption or demand, tariff calculations, downgrading and upgrading of existing supplies, relocation and consolidation of consumer transformers, overheads or installation of new infrastructure. c) Approval of reduction in developer's

		<p>contribution after diversity maximum demand to a minimum of 3KVA per erf depending on the installation, erf size and developer's consultant's calculations.</p> <p>d) Access charges on notified maximum demand will be phased in over four years from the date of connection applicable to commercial and industrial usage only. A rebate on the notified demand access charge will be 75% in year one, 50% in year two, 25% in year three and 0% in year four.</p>
5.	Property rates rebates	<p>a) Phasing in of property rates charges over four financial years from the first property evaluation through a supplementary valuation roll after the issue of an occupation certificate, provided that approval be obtained from the national Minister of Co-operative Governance and Traditional Affairs.</p> <p>b) A rebate of 75% in year one, 50% in year two, 25% in year three and 0% in year four.</p>

## 10. ELIGIBILITY AND COUNTER-PERFORMANCE CRITERIA

The following criteria will be applied to determine investor eligibility for incentives:

1. General Criteria	The investment must constitute a new development or expansion of an existing investment within the catalytic zones.
2. Sectoral Criteria	<p>a) The investment incentive package is specifically targeted to businesses operating in the following manufacturing sectors:-</p> <ul style="list-style-type: none"> <li>i. Manufacturing related logistics;</li> <li>ii. Agro-processing;</li> <li>iii. Clothing, textiles, leather and footwear; and</li> <li>iv. Pulp, paper and furniture.</li> </ul> <p>b) In line with Council priority projects, incentives will be available for the following initiatives:-</p> <ul style="list-style-type: none"> <li>i. CBD regeneration projects (mixed use residential and retail facilities); and</li> <li>ii. Tourism (Hotel and conference center).</li> </ul>

3. Spatial Criteria	<p>Applicants will have to fall within the following catalytic zones in order to qualify for incentives:</p> <ul style="list-style-type: none"> <li>i. N1 Corridor;</li> <li>ii. South City Corridor;</li> <li>iii. Paarl East – West Integration Corridor;</li> <li>iv. North City Integration Corridor; and</li> <li>v. Rural Hinterland.</li> </ul>
4. Employment Creation	<p>Applies to both sectoral and spatial criteria. The proposed investment must create new and sustainable full time employment to be eligible for the investment incentives package. South Africans must occupy 80% of new jobs with at least 50% being residents of Drakenstein.</p>
5. General conditions	<ul style="list-style-type: none"> <li>a) The applicant must have a valid Tax Clearance Certificate and must keep this valid for the duration of the investment contract.</li> <li>b) The municipality accounts linked to the property owner or investor must be fully paid before entering into an investment contract.</li> </ul>
6. Counter-performance criteria and proviso's	<ul style="list-style-type: none"> <li>a) Failure to develop within 12 months, or incompleteness of the development within three years, will result in the approved Investment incentive package lapsing and deferred payments becoming payable;</li> <li>b) Job targets should be reached within 24 months of the commencement date of operations. Failure to do so will result in all approved incentives contracts lapsing and deferred payments becoming payable;</li> <li>c) The investment must be consistent with the provisions of the Integrated Development Plan and Spatial Development Framework as approved by Council, and subject to relevant land-use and building control approval;</li> <li>d) The applicant and all businesses associated with it must be in good standing with Council and SARS.</li> <li>e) The premises out of which the business will be (is) operating must comply with the National Building Regulations and Standards Act;</li> <li>f) The investment must comply with the applicable environmental, labour and heritage legislation, and/or any other applicable legislation or policy; and</li> </ul>

	g) All financial incentives are subject to the council budgeting processes as prescribed by National Treasury.
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**11. APPLICATION AND ASSESSMENT PROCESS**

11.1 Applications for the Investment Incentive Package are to be made formally through an application process. The Development and Investment Desk in the Office of the City Manager serves as the single-point of contact;

11.2 Applications will be evaluated as per the eligibility criteria. Other factors to be considered include but are not limited to:

- (a) Expected economic impact of the project/business;
- (b) Income generation for residents;
- (c) Level to which the project contributes to economic diversity;
- (d) Growth potential of the business and access to market;
- (e) Ability to leverage additional economic growth in the future;
- (f) Corporate Social Investment spend; and
- (g) Anticipated environmental impacts of the project.

11.3 The Senior Manager: Economic Growth and Tourism shall complete an evaluation report of the incentive application together with a draft incentive contract, which shall be approved by the City Manager; and

11.4 If the criteria are not met, applicants will be informed and discussions may be entered into around adjustments to scope, which could allow for further consideration.

**12. APPROVAL PROCEDURE**

12.1 The City Manager is mandated to approve the investment incentive package; and

12.2 The signed incentive contract shall become the legal binding agreement between Drakenstein Municipality and the investor.

12.3 The following require incentive approval from Mayoral Committee:

- (a) Large-scale projects, outside the policy framework and criteria, which will require special assistance or is of special importance to the development of the economy; and
- (b) Any recommendations or contracting outside the policy criteria on geographical location.

### 13. ROLE-PLAYERS

To ensure effective implementation of this Investment Incentive Policy, the following Departments/ Divisions are responsible for the management of certain incentives as set out in section 9 of this policy.

<b>Role-players</b>	<b>Key Responsibility</b>
Office of the City Manager	Act as a one-stop shop for Investments in the Drakenstein area.
Economic Growth and Tourism Division	Responsible for the development, administering and monitoring of the Investment Incentive Policy.
Spatial Planning Division	Responsible for conceptualizing spatial targeting of incentives in identified catalytic zones.
Engineering, Finance, Building Control and Land-use Management Divisions	Responsible for the provision of certain incentives and services.

### 14. MONITORING AND EVALUATION

- 14.1 The Economic Growth and Tourism Division is responsible to monitor the implementation of this policy;
- 14.2 A comprehensive assessment of the Investment Incentive Policy will be conducted after three years from the date of Council approval;
- 14.3 The Investment Incentive Policy must be reviewed annually to ensure that it complies with the municipality strategic objectives and current legislation; and
- 14.4 Council reserves the right to review, replace or abolish any incentive contract.

