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MANDENI MUNICIPALITY 2019

PROJECT SPONSER



IMPLEMENTING AGENT



DRAFT DEVELOPMENT CHARGES POLICY

CONTENTS

1.	ACRONYMS AND DEFINITIONS
1.1	Acronyms
1.2	Definitions
2.	INTRODUCTION
3.	PURPOSE
4.	OBJECTIVE OF THIS POLICY
5.	GOVERNANCE AND REGULATORY REQUIREMENTS
5.1	Authority to Levy Contributions
5.2	Powers and Functions of the Municipality
6.	DEFINITION OF ENGINEERING SERVICES
6.1	Internal Services
6.2	External Services
6.3	Boundary Services
7.	CONTEXT AND SCOPE
8.	FINANCING OF MUNICIPLITY:
9.	DEVELOPMENT CHARGE PRINCIPLES
10.	RELEVANT DEVELOPMENT APPLICATIONS ATTRACTING DEVELOPMENT CHARGES
11.	DEFINING DEVELOPMENT CHARGE COMPONENTS
12.	SUBSIDIES AND EXEMPTIONS
13.	METHOD AND APPROACH FOR DETERMINING UNITS COSTS
14.	ELEMENTS AND CLASSIFICATION OF SERVICES FOR CALCULATING THE DEVELOPMENT CHARGE
15.	USE OF DEVELOPMENT CHARGES
16.	TYPES OF LAND DEVELOPMENTS
17.	GUIDELINES FOR THE DETERMINATION OF INCENTIVES/REBATES IN RESPECT OF CONTRIBUTIONS TO DEVELOPMENT CHARGE/ENGINEERING SERVICES IN RESPECT OF DEVELOPMENT OBJECTIVE AREAS/PROJECTS
17.1	Identification of Development Objectives
17.2	Procedures for identifying development objective areas/projects
17.3	Prioritization of Development Objectives
17.4	Demarcation of development objective areas
17.5.	Incentives related to development objective areas/projects
18.	STAKEHOLDER, INTERESTED AND AFFECTED PARTIES
19.	TRANSITIONAL ARRANGEMENT
20.	IMPLEMENTATION, MONITORING, EVALUATION AND CONDITIONS FOR POLICY REVIEW
21.	CONFLICT OF LAW
22.	SHORT TITLE

2. ACRONYMS AND DEFINITIONS

1.1 Acronyms

AADD	Annual Average Daily Demand
BOD	Biological Oxygen Demand
CRC	Current Replacement Cost
FAR	Floor Area Ration
LM	Local Municipality
KVA	Kilo Vault
LOS	Level of Service
LUMS	Land Use Management System
MIG	Municipal Infrastructure Grant
MI	Mega liter
MSA	Municipal Systems Act
PDWF	Peak Dry Weather Flow
SPLUMA	Spatial Planning and Land Use Management Act

1.2 Definitions

In this policy, unless the context otherwise indicates –

TERM	DEFINITION
Administration Officials /	means a municipal official who is employed in terms of the Local Government: Municipal Systems Act (Act 32 of 2000), or any structure or employee of the Municipality acting in terms of delegated authority by the Council or the Municipal Manager.
Applicant	means a person who makes a land development application in terms of the Spatial Planning and Land Use Management Act (1 of 2013), as amended, and/or related bylaws.
Building Plan	means a set of plans assessed by the municipality for consideration by the Council and in respect of which various aspects may be considered by the Council in determining the amount payable by a developer in respect of development charges, such as GLA (Gross Leasable Area), Coverage and FAR (Floor Area Ratio). This will be assessed by the Council based on the proposed use of the building and may also be subject to a Traffic Impact Assessment (TIA) so as to determine traffic loads. On request, the Municipality may request from the developer or its agent any Computer Aided Design drawings to verify what has been submitted, and these should be compatible to Autodesk AutoCAD in either DWG or DXF drawings.
Bulk Service	means the capital infrastructure assets associated with that portion of an external engineering service which is intended to ensure provision of municipal infrastructure services for the benefit of multiple users or the community as indicated in the relevant Master Plan, including link engineering services.
By-law	means any by-law adopted by the Municipality in terms of Section 156(2) of the Constitution, read with Section 13 of the Local Government: Municipal Systems Act (Act 32 of 2000).
Capacity	means the extent of availability of a municipal infrastructure service, based on the capital infrastructure asset or combination of capital infrastructure assets installed for provision of such municipal infrastructure services.
Capital Infrastructure Asset	means a capital asset which is required for provision of a municipal infrastructure service, limited to immovable assets and insofar as movable assets are concerned, specialised vehicles, used for waste collection and disposal only.
Condition of Approval Establishment /	means a condition imposed by the Municipality on the approval of a land development application in terms of land use planning legislation.
Connection Fees	means the fees determined by the Council for payment by a developer in order to connect any of its internal engineering services to an external engineering service provided by the Municipality.
Constitution	means the Constitution of the Republic of South Africa, 1996, as amended.

MANDENI LOCAL MUNICIPALITY DEVELOPMENT CHARGES DRAFT POLICY

TERM	DEFINITION
Council	means the Mandeni Local Municipal Council as referred to in Section 157(1) of the Constitution; and includes any committee or official of the councils carrying out any duty or function, or exercising any power delegated to it by the Council.
CRT	means a Certificate of Registered Title.
Deeds Office	means the provincial or national office for the registration of title deeds in respect of immovable property.
Developer	means any natural or corporate person, including an organ of State, which may or may not be the registered owner of the land in respect of which an application for permission to develop or change the use of land is submitted to the Municipality.
Development	means any activity that will result in a change in the water and sanitation services that are or will be required or used on any property within the boundaries of the District Municipality, whether in terms of volume, quality, service standard or extent;
Development Charge	means a once-off charge determined by the Municipality in terms of the tariff of charges for payment by a developer as a condition of approval of a land development application. The purpose of the development charge is to cover the total cost to be incurred by the Municipality for the construction or erection of any infrastructure required for the provision of an external engineering service to the development to which the application relates.
Development Facilitation Act	To introduce extraordinary measures to facilitate and speed up the implementation of reconstruction and development programmes and projects in relation to land; and in so doing to lay down general principles governing land development throughout the Republic.
Development Review Committee	means a committee set up by the Council where all sections sit and review land development applications.
ECSA	means the Engineering Council of South Africa;
Engineer	means the Engineer, civil and structural, referred to in the By-laws and is deemed competent by way of being registered with the relevant council.
Engineering Service	means a system for the provision of water, electricity, municipal roads, storm water drainage, gas and solid waste collection and removal required for the purpose of land development referred to in Chapter 6 of the Spatial Planning and Land Use Management Act (Act 16 of 2013).
Engineering Services Contributions (ESC)	means a contribution made by the developer at the time for engineering services.
Engineering Services Installation Agreement	means an agreement concluded between the Municipality and a developer, recording their detailed and specific respective rights and obligations regarding the provision and installation of the external engineering services required for an approved land development, and regarding the associated development charge.
ESKOM	means the South African national entity established in 1923 in terms of the Electricity Act (1922) for the provision of electricity.
External Engineering Service	means a municipal engineering service situated outside the boundaries of a land area and which is necessary to serve the use and development of the land area and includes: a) Bulk engineering services- means municipal service infrastructure external to the development, including land required to provide engineering services to multiple users at a municipality-wide scale as indicated in the relevant Master Plans. b) Link engineering services- means municipal service infrastructure external to the development site boundary, including land required to connect internal engineering services within the proposed development to existing or proposed bulk engineering services.
Floor Area Ratio (FAR)	means the ratio of the total floor area of the building as defined in the applicable scheme.
Gross Leasable Area (GLA)	means the sum total of all leasable areas in a commercial development which are available to tenants for retail or other commercial purposes, irrespective of whether they are indoors or outdoors.
Home Childcare	means the use of portion of a dwelling house or outbuildings by the occupant to provide day care, after school care or instruction for a limited number of infants or children.
Impact Zone	means a zone within which the capital infrastructure assets or system of capital infrastructure assets required to provide bulk services to an approved land

MANDENI LOCAL MUNICIPALITY DEVELOPMENT CHARGES DRAFT POLICY

TERM	DEFINITION
	development are located (see Annexure A as far as civil bulk services are concerned).
Internal Engineering Service	means an engineering service within the boundaries of a land area which is necessary for the use and development of the land area and which is to be owned and operated by the Municipality or a service provider appointed by it, including any link service required to link the internal engineering service to an external engineering service.
Land Development Application	means an application for land development submitted with the Municipality or referred to the Municipal Planning Tribunal or other decision-making body for approval, in accordance with applicable national or provincial legislation, including the National Building Regulations and Building Standards Act 103 of 1977 (including any regulations promulgated thereunder), the SPLUMA and the By-Law.
Land Development Application	means any application to the Municipality for permission to develop or change the use of land in terms of applicable land use or planning law.
Land Development	means the erection of buildings or structures on land, or the change of use of land, including township establishment, the subdivision or consolidation of land or any deviation from the land use or uses permitted in terms of an applicable land use scheme.
Land Management Use Scheme	means the by-laws that are applicable to a cadastral boundary and are linked to the land development application or application site.
Land Use	means the purpose for which land is or may be used lawfully in terms of a land use scheme, existing scheme or in terms of any other authorisation, permit or consent issued by a competent authority, and includes any conditions related to such land use purposes.
Link Service	means the capital infrastructure assets associated with that portion of an external engineering service which links an internal engineering service to the applicable bulk service.
Low-Income Housing Projects	means housing development projects where residential land is as per the LUMS together with the supporting non-residential land uses, these developments are funded by means of the national housing subsidy and are not liable to developer's contributions.
MFMA	means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
Modelling Impact Zone	means a zone determined by the municipality in which all the components of the external engineering services system, network or networks that a particular development impact on. This zone will be defined differently for different external engineering services and will be based on modelling work undertaken for each of the services as part of the determination of the average unit costs to be applied in the development charge calculation.
Municipal Infrastructure Service	means any of the following municipal services: 1.20.1 potable water; 1.20.2 sewerage and wastewater treatment; 1.20.3 electricity distribution 1.20.4 municipal roads; 1.20.5 street lighting 1.20.6 storm water management; 1.20.7 solid waste disposal; 1.20.8 public transport, including non-motorised transport; 1.20.9 social infrastructure services.
Municipal Planning Tribunal (MPT)	means a Municipal Planning Tribunal referred to in Chapter 6 of SPLUMA
Municipal Service	means a service that the Municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether or not - a) such service is provided, or to be provided, by the Municipality through an internal mechanism contemplated in Section 76 of the Local Government: Municipal Systems Act (Act 32 of 2000) or by engaging an external mechanism contemplated in Section 76 of that Act; and b) fees charged or tariffs levied in respect of such a service.
Municipality	means the Mandeni Local Municipality, a category C municipality as envisaged in section 155(1) of the Constitution established in terms of Provincial Notice 489 of 22 September 2000 in terms of the Local Government: Municipal Structures Act, 117 of 1998, and includes all political structures or office bearers and municipal staff members to whom authority has been delegated to take decisions in terms of the Municipality's delegation system.

MANDENI LOCAL MUNICIPALITY DEVELOPMENT CHARGES DRAFT POLICY

TERM	DEFINITION
NERSA	means the regulation authority with regards to power and energy charges.
PDA	means the KwaZulu-Natal Planning and Development Act, 2008 (Act No. 06 of 2008) (repealed by SPLUMA);
Person	means a natural or juristic person.
Rates Clearance Certificate	means a certificate issued by the Finance Department of the Municipality confirming the payment of rates in respect of an immovable property as a prerequisite for the registration of transfer thereof.
Second Dwelling	means another dwelling unit which may, in terms of the LUMS, be erected on a parcel of land where a dwelling house is also permitted; and such second dwelling may be a separate structure or attached to an outbuilding or may be contained in the same structure as the dwelling house; provided that: 1) the second dwelling shall remain on the same land unit as the dwelling house; and 2) the second dwelling shall comply with the requirements specified in the LUMS.
Service Level Agreement	means an agreement entered into in writing between the Municipality and a developer in cases where the developer constructs or installs an external engineering service in lieu of payment in full or in part of an applicable development charge determined by the Municipality for payment by the developer concerned.
Service Master Plans	means high level infrastructure plans prepared by the Municipality to cater for current and future development. These include, but are not limited to: Electricity Master Plan, Roads and Storm Water Master Plans and Integrated Waste Management Plan.
Social Housing	means housing development projects where residential land can be zoned either Single Residential Zone SR1 or Single Residential Zone SR2 or a combination thereof and where the household income levels of recipients are between R3 500 and R15 000 per month.
Social Infrastructure	means infrastructure that serves for purposes that are non-residential in nature (supporting land uses to residential and non-residential developments). This may include both low to high income residential and non-residential developments where administration will comment on submission of a Land Development Application.
Social Infrastructure Services	means community services provided in terms of the functions which are the responsibility of the Municipality in terms of the Constitution, which includes, but is not limited to: (a) Early Childhood Development Centres; (b) Public Open Spaces, parks, sports fields; (c) Fire Fighting and Emergency Services; (d) Local Tourism; (e) Cemeteries; (f) Burial of animals; (g) Noise pollution; and (h) Municipal health services.
Spatial Development Framework	means a spatial development framework referred to in Chapter 4 of the SPLUMA.
Spatial Planning & Land Use Planning Act (SPLUMA)	means the Spatial Planning and Land Use Management Act (Act No 16 of 2013).
Spatial Projects	
Systems Act	means the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).
Tariff of Charges	means the list of charges at the rates determined by the Council from time to time for payment by an applicant for the provision of an engineering service by the Municipality.
Township	means an area of land divided into Erven and may include public places and roads indicated as such on a general plan and includes: (a) a group of pieces of land, or of sub-divisions of a piece of land, which are combined with public places and are used mainly for residential, business, commercial, industrial or other similar purposes, or are intended to be so used; (b) any combination of such groups which is suitable for registration in one register; (c) any area of land registered or recognized at the commencement of the Deeds Registries Act in a deed's registry as a township if a general plan thereof is filed in that deeds registry or in the office of the surveyor-general concerned;

TERM	DEFINITION
	(d) any township established, approved, proclaimed, or otherwise recognized as such under any law; and (e) where 3 (three) or more dwelling units are to be developed on an Agricultural Holding excluding a resort, or housing for farm workers or servant's quarters, such development shall be considered a township or a township development.
Tribunal	means the Municipal Planning Tribunal referred to in Chapter 6 (Part C) of the Spatial Planning and Land Use Management Act (Act 16 of 2013).
Zoning	means where the context indicates the zoning categories and conditions relating thereto.

2. INTRODUCTION

Mandeni Municipality is strongly committed to developing its character as an area of scenic beauty and strong developmental contrasts. As a potential and growing tourist destination, this will enhance its visual and aesthetic appeal. The municipality aims to improve physical and functional integration, by establishing a functional town centre. Mandeni Municipality aims to increase the economic efficiency of the municipal area and promote investor confidence, thereby attracting more development to the area. Mandeni Suburb and the Sundumbili Township are the only major urban centres in Mandeni Municipality. The iSithebe Industrial Estate is one of the main industrial areas / nodes within the iLembe District offering cost-effective production space, with import and export commodities outside this region. The SAPPI Tugela Mill and the iSithebe Industrial Estate (iSithebe) provide opportunities to grow and attract large-scale manufacturing and heavy industry to Mandeni Municipality. The town functions as a service centre for the whole of Mandeni Local Municipality, and beyond the eNdulinde Hills (the southeastern part of uMlalazi Municipality). There are no substantially developed service centres in the traditional council areas. Informal settlements with limited to no facilities or infrastructural services occur on the periphery of the developed areas, and within the iSithebe Industrial Area and Sundumbili Township. There is less development taking place in the periphery of the well-established Sundumbili Township, and Mathonsi Tribal Authority area eastwards of the hinterland.

Therefore, infrastructure is needed to support sustainable social and economic development in District area in which Mandeni Local Municipality falls under. Without infrastructure, both public and private sector investment in the District will slow down. The cost to the District and its associated Municipality such as Mandeni of providing this infrastructure, however, is high. Funding to cover these costs is obtained from three sources:

- ☑ **Grants** are provided by national or provincial government and are generally targeted towards social infrastructure, particularly
 - ☑ in support of low-income housing development.
- ☑ **Loans** are converted into tariffs and are recovered by user fees paid by all consumers to the Municipalities.
- ☑ **Capital contributions** are a more targeted and more equitable way of ensuring that the main beneficiaries of infrastructure make an appropriate and fair contribution to that cost, without unduly burdening the Municipalities ratepayers. Development Charges are the most important form of capital contribution raised by the Municipality to pay for infrastructure.

Local government is empowered to provide municipal services in terms of Section 156(1) of the Constitution, and Section 4 and 8 of the Systems Act, 2000. This obligation is discharged through, among others, the provision and operation of infrastructure, including external infrastructure. Section 73(2)(c) of the Municipal Systems Act also requires that these services must be provided in a financially sustainable manner and Section 75A of the same Act empowers a municipality to impose, *inter alia*, charges to pay for services and to adopt by-laws to give effect to the implementation and enforcement of a tariff policy.

And therefore, the Mandeni Local Municipality, intends to develop and adopt Bulk Services Development Charges policy

3. PURPOSE

Municipalities have the primary responsibility to provide for the availability of engineering services such as electricity, roads and stormwater, for private development. This responsibility is embodied in legislation as well as policy statements. Municipalities are however experiencing financial difficulties that are impacting on its ability to provide for new or extended services on demand. The levying of contributions for engineering services is one of the methods available to address this issue within a metropolitan governance environment.

When a new township development or the development of erven occurs, engineering services have to be available for the development in order to meet the demand generated by such a development. This could involve the installation of roads, electricity substations, etc. Normally these services would be available as they have been installed in accordance with the engineering departments' planning for future developments. Given the fact that the existing ratepayers have borne the cost of providing the existing services, the municipality will recover the cost of providing new services in the future from developers on a pro rata basis, based on the zoning. The funds recovered in this way will be used to develop and extend services or to create capacity on the capital budget to fund these and future developments.

This document sets out the formulation of a detailed policy for the levying of contributions for the provision of engineering services. The purpose of a policy on the provision of engineering services is primarily to align the growth and development of the Municipality with the long-term goals and objectives set out in the Integrated Development Plan (IDP), by ensuring that:

- 3.1 Development Charges (previously known as Bulk Service Contributions or Bulk Infrastructure Contribution Levies) provides a mechanism for municipalities to ensure that developments that result in an increase in bulk service capacity or needs will carry or contribute towards the cost of the infrastructure requirements;
- 3.2 Where new developments or additional user rights resulting from amended land use of the property or properties affected (e.g. as a result of township establishment, rezoning, subdivision/consolidation, consent use or other cause) results in an increase or probable increase in demand - and therefore an increase in bulk services and infrastructure required to meet such needs - developers and owners who benefit will contribute a fair share to the associated costs;
- 3.3 Neither the municipality nor existing customers will be responsible for funding of the additional bulk infrastructure required to fund the corresponding capacity or service, thereby preventing the need to fund such expenditure from services or other charges and burdening customers to subsidise new developments;
- 3.4 The principles and method for determining the development contribution for engineering services;
- 3.5 The Development Charges are realistic and supports sustainable service delivery and prescribe procedures for calculating the Development Charges in all instances where it should be applied.

4. OBJECTIVE OF THIS POLICY

- 4.1 The objectives of this policy are to provide a sustainable and equitable framework for the financing of infrastructure assets and to ensure that:
- 4.1.1 The Municipality is able to provide infrastructure assets in a timely and sufficient manner to support land development.
 - 4.1.2 Development charges complement other sources of infrastructure finance available to the Municipality and are not utilised as a general revenue source.
 - 4.1.3 Develop a set of principles and costing methodology for various types of infrastructure that is best suitable for Mandeni wide, that will enable municipalities to set appropriate development charges in a predictable, transparent and fair manner.
 - 4.1.4 Development charges are managed in a predictable, fair and transparent manner.
 - 4.1.5 Litigation in the administration of development charges is minimized
 - 4.1.6 Municipalities are able to:
 - 4.1.6.1 Recover the portion of the capital cost of economic infrastructure that is attributable to particular developments within the municipal area.
 - 4.1.6.2 Enable the provision of economic infrastructure in a timely and sufficient manner to support land development.
 - 4.1.6.3 Enable the payment of development charges payable by the developers of land within the Municipality's area of jurisdiction in terms of SPLUMA, as determined by the Municipality from time to time in terms of the tariff of charges, taking into account the actual cost to be incurred by the Municipality in relation thereto.
 - 4.1.7 Municipalities are financial sustainable through the definition and confirmation of development charges on any new development or land use rights application that increases the load on municipal external infrastructure.
 - 4.1.8 The policy provides the key details of the municipality's development charge. Firstly, a development charges is a once-off capital amount paid to cover the costs of additional infrastructure that the municipality is obliged to provide. Secondly, the trigger for determining whether or not a DC must be paid is a land development application. Thirdly, the basis on which the amount of a DC is calculated is the increased impact that a new or changed land use will have on the existing infrastructure.
 - 4.1.9 The policy identifies the conditions under which such a charge becomes payable, the manner in which the amount is calculated and the administrative procedures for making the payment. The development charges are calculated over and above any other obligations that a developer may incur in terms of applicable legislation.
- 4.2 The main aims of the Policy can therefore be summarised as follows:
- 4.2.1 To stimulate and enhance economic growth and development in accordance with the IDP and the vision of the Municipality, to ensure the upliftment of the living standards of all its people
 - 4.2.2 To enable the provisioning of engineering services required by new developments in an integrated and sustainable manner, without imposing an additional burden on the existing ratepayers; and
 - 4.2.3 To stimulate development in the Municipality in accordance with the vision of the IDP specifically in-predetermined areas by introducing incentives which will stimulate the local economy and attract investment in such areas.

5. GOVERNANCE AND REGULATORY REQUIREMENTS

Development charges are an integral part of the broader legal framework for land development and municipal finance. This legal framework is undergoing change at national, provincial and municipal level(s). The following section sets out a summary of the applicable legislation, a summary of the likely changes to that legislation as well as an outline of new legislation that will likely be concluded in the medium term.

The National Treasury is supporting a process to develop new legislation to create a uniform standard across the country for calculating, spending and reporting on development charges. The Draft National Development Charges Policy Framework (Republic of South Africa, 2017) presented by the National Treasury reflects a broadly shared understanding of the role, purpose and legal nature of development charges across the country. This Draft National Policy Framework for Municipal Development Charges proposes that every municipality have both a development charges policy and by-law.

An amendment to the Municipal Fiscal Powers and Functions Act, 2007 (Act No 12 of 2007), to give legal force to the current draft National Development Charges Policy Framework and clarify the rules for levying development charges is anticipated. The aim is to enable municipalities to use development charges to require that developers pay the full costs of the additional infrastructure needed to supply them with municipal services (SACN, 2018).

5.1 Authority to Levy Contributions

Various legislations empower municipalities to impose conditions related to the contribution of engineering services upon approval of development applications. Development Charges in terms of this Policy shall comply with the:

- Constitution of the Republic of South Africa, 1996 as amended;
- Spatial Planning and Land Use Management Act, 2013 - Act 16 Of 2013; and
- Local Government: Municipal Systems Act
- Any other applicable legislation, regulations and policies that may govern tariffs and to the extent that they are not in contradiction with the primary legislation referred to above.

5.1.1 Constitution - Section 229:

5.1.1.1 The power of a municipality to impose rates on property, surcharges on fees from services provided by or on behalf of the municipality, or other taxes, levies or duties –

- a) May not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activities across municipal boundaries, or the national mobility of goods, services, capital or labour; and
- b) May be regulated by national legislation.

5.1.1.2 Nothing in this section precludes the sharing of revenue raised in terms of this section between municipalities that have fiscal power and functions in the same area.

5.1.1.3 National legislation envisaged in this section may be enacted only after organized local government and the Financial and Fiscal Commission have been consulted and any recommendations of the Commission have been considered, where applicable.

5.1.2 Spatial Planning and Land Use Management Act:

The legislation in terms of which Development Charges are governed is the 'SPLUMA' (Spatial Planning and Land Use Management Act, 2013 - Act 16 of 2013).

5.1.2.1 Section 40:

(7) A Municipal Planning Tribunal may:

- (b) In the approval of an application, impose any reasonable conditions, including conditions related to the provision of engineering services and the payment of Development Charges

5.1.2.2 Section 43:

43(1) An application may be approved subject to such conditions as-

- a) are determined by the Municipal Tribal Council; or
- b) may be prescribed.

5.1.2.3 Section 49:

This section of SPLUMA provides for the following:

- a) An applicant is responsible for the provision and installation of internal engineering services.
- b) A municipality is responsible for the provision of external engineering services.
- c) Where a municipality is not the provider of an engineering service, the applicant must satisfy the municipality that adequate arrangements have been made with the relevant service provider for the provision of that service.
- d) An applicant may, in agreement with the municipality or service provider, install any external engineering service instead of payment of the applicable Development Charges, and the fair and reasonable cost of such external services may be set off against Development Charges payable.
- e) If external engineering services are installed by the applicant instead of the payment of development charges, the provision of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), pertaining to procurement and the appointment of contractors on behalf of the Municipality does not apply

5.1.2.4 Schedule 1:

Provincial legislation may, in terms of Schedule 1 (y), 'regulate the provision of engineering services and the imposition of Development Charges'

5.1.3 Local Government: Municipal Systems Act

5.1.3.1. Section 4:

The Council of a municipality has the right to –

- a) finance the affairs of the municipality by—
 - i) charging fees for services; and
 - ii) imposing surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties.
- b) The Council of a municipality, within the municipality, within the municipality's financial and administrative capacity and having regard to practical considerations, has the duty to –
 - i) Strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner.

5.1.3.2 Section 11:

The Council of a municipality has the right to pass by-laws and take decisions on any of the above-mentioned matters (in section 11(3))

5.1.3.3 Section 75(1): Bylaws

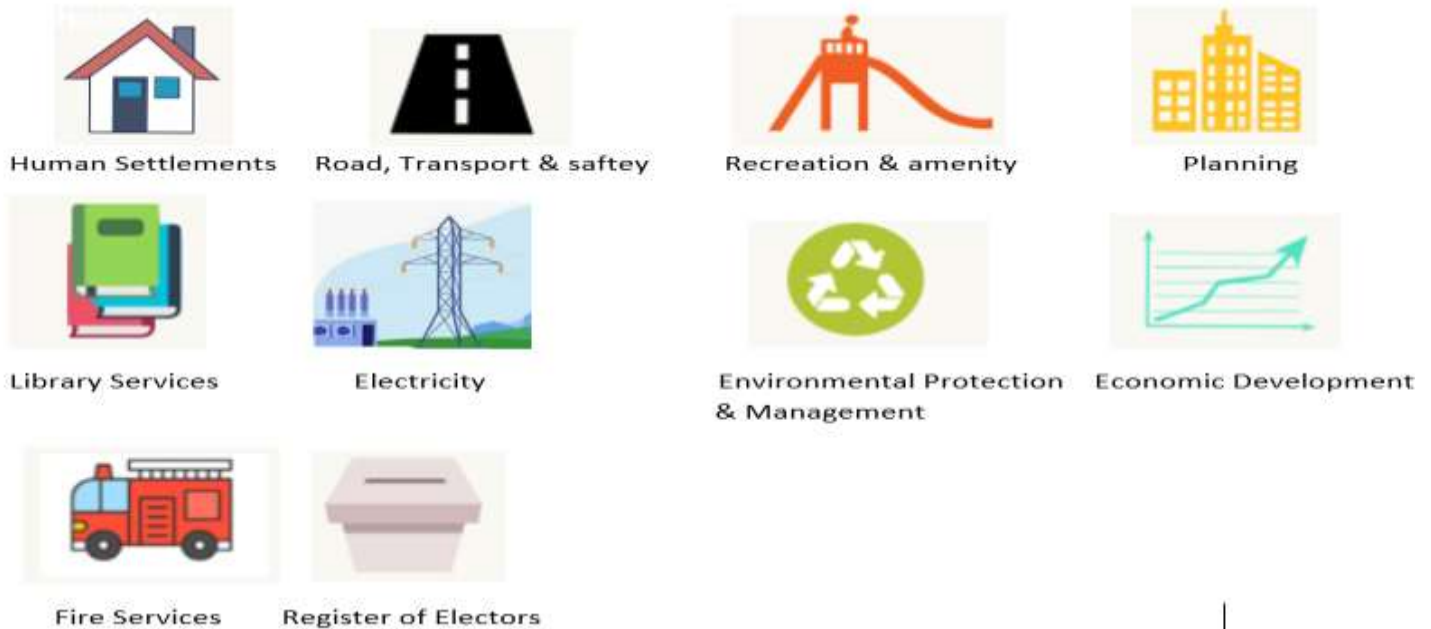
A municipal council must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

5.1.4 Other

Determination of Development Charges is an administrative action regulated by law, including the requirements of procedural fairness, lawfulness and reasonableness as provided for in the Promotion of Administrative Justice Act, 3 of 2000.

Any other applicable legislation, regulations and policies that may govern tariffs and to the extent that they are not in contradiction with the primary legislation referred to above.

5.2 Powers and Functions of the Municipality



Accredited as the Minister, in terms of section 84(3) of the Structures Act, and the MEC, in terms of section 85(1) of the Structures Act may make adjustments to the functions and powers of local and district municipalities by way of notice in the Government Gazette and Provincial Gazette respectively. National Legislation may also assign certain duties and responsibilities relating to national or provincial government powers and functions.

5.2.1 Mandeni Local Municipality

Local authorities are multi-purpose bodies responsible for delivering a broad range of services in relation to roads; traffic; planning; housing; economic and community development; environment, recreation and amenity services; fire services and maintaining the register of electors. Section 156 (1) (d) read with Schedule 5 Part B empowers the Local Municipalities as a local government to administer Municipal Road, Stormwater Management, Electricity and solid waste.

Thus, in terms of this policy the **Mandeni Local Municipality policy** covers **Roads, Stormwater, Electricity, Public transport, and Solid Waste Infrastructure.**

6. DEFINITION OF ENGINEERING SERVICES

External and/or bulk engineering services. The following general definition of external services is given in the various of the Redbook and Provincial Guidelines.

“Engineering services” means the infrastructure required to, sewerage, electricity, municipal roads, stormwater drainage and solid waste collection and removal required for the purpose of land development.

Engineering services comprise internal and external services. Engineering services include the following:

- i) Electricity
- ii) Stormwater drainage systems
- iii) Streets and roads

In accordance with the above-mentioned definition the following thresholds were used in this study:

- i) Roads: Municipal Class 4b and higher as classified in the South African Road Classification and Access Management Manual (RCAM) document;
- ii) Storm water system: outfall culverts and canals, storm water detention ponds and pipes of 600mm diameter and larger;
- iii) Solid waste: landfill sites, composting sites, transfer stations and refuse trucks;

6.1 Internal Services

6.1.1 General

Internal services comprise the design, provision, installation and commissioning of all service networks and associated installations and accessories, including street lighting systems and stormwater drainage systems within the boundaries of the township, as determined by the Local Authority, and include any connecting/link service which may be necessary, where such connecting point is situated outside the boundaries of the township, as well as a pro-rata proportion of boundary services which are necessary to provide sufficient capacity or access to each erf in the township, subject to design standards.

Networks must be designed and constructed that they can link up with existing or proposed supply of street systems if so required.

6.1.2 Electricity

Comprises the design, provision and commissioning of all structures and equipment which includes, inter alia, overhead power lines, poles, meter boxes, underground cables, sleeves, transformers and switchgear and all facilities necessary for providing a supply from the supply point(s) to provide for the township concerned, as well as a street lighting system within the township concerned or boundary streets to a level of illumination which shall not exceed normal design standards.

In the event of a Local Authority requiring a higher level of illumination for boundary streets, the Local Authority shall compensate the applicant fully for the additional costs involved.

6.1.3 Stormwater drainage systems

The design, provision, installation and commissioning of all pipes, junction boxes, structures, catch pits and everything necessary to convey stormwater safely for a storm of a specified frequency interval and normally not exceeding 1 in 5 years, emanating from the township concerned as well as from higher lying townships and areas to outlets on lower-lying areas in such a way as not to cause soil erosion or to inhibit development of the area.

Runoff of a greater intensity than that of a storm of the specified recurrence frequency, shall be accommodated on the surface by forming street reserves and retarding the flow in available open spaces so the peak flow can be reduced and disposed of in an orderly manner. All design work must be in accordance with District and its associated Municipalities design standards or that of the Redbook.

6.1.4 Streets

Comprises the design, provision, construction and commissioning of all earthworks, foundation courses, wearing courses, kerbing, bridges, finishing of the street reserve and everything necessary to provide a street within a street reserve of the township concerned to enable vehicle and pedestrians to move safely to and from erven in the township. All design work must be in accordance with the Municipality's design standards or that of the Redbook.

Internal streets are the following:

Class 5 : Local access streets for erven (as per the Redbook)

Class 4 : Local collector streets (as per the Redbook)

In the case of internal streets which provide access to the erven in the township, the applicant must indicate the street reserves in the township layout, provide the land to the Local Authority at no cost and construct the streets in accordance with design standards. Where wider street reserves or carriageways than those required according to design standards are required by the Local Authority, the Local Authority must compensate the applicant in full for the additional cost incurred thereby.

A street, providing access to the township concerned only, is deemed to be an internal service and in such case the applicant must acquire, possibly with the assistance of the Local Authority, that the land required for such a street is, at no cost to the Local Authority, either transferred to the Local Authority or in some other manner vested in the Local Authority as a public street. The applicant shall construct such road/street at his cost and, except where the expected traffic load requires a wider access road/street, the width thereof shall be 20 metre with a carriageway of 8 metre in the case of a bus route and 16 metre wide with a carriageway of 7,4 metre in all other cases.

Street name plates, signs and markings are deemed to be an internal service.

6.2 External Services

6.2.1 General

External services comprise the design, installation and commissioning of main services, including roads and streets, normally outside the boundaries of the development with adequate capacity in terms of the design standards to serve and provide access to the township and to which the internal services connect at points determined by the Local Authority.

External services also include inter alia the following:

- i) All traffic signs;
- ii) Main roads within the township to which the Local Authority will not permit erven in the township to have access;
- iii) Widening of street reserves/carriageways inside the development to serve the needs outside the township but only to the extent that such reserve/carriageway is widened;
- iv) Main services to which the Local Authority will not permit erf connections;
- v) Internal services which have to be enlarged to serve more than one township but to which erf connections are still permitted, but only to the extent that the service is enlarged and adapted to serve the needs outside the township.

6.2.2 Electricity

Comprises the design, provision installation and commissioning of all structures, equipment, transmission lines, sub-stations, transformers, switch gear and buildings necessary to provide bulk supply on or near the boundaries of the township from which the township's internal reticulation system may be supplied as well as the part of a street lighting system which serves an external road within the township. High tension cables and power lines within a township which are intended to serve other existing and proposed townships in addition to the township concerned, are deemed to constitute an external service but only to the extent that the service must be enlarged or adapted to provide capacity outside the township.

6.2.3 Stormwater

Comprises the design, provision, installation and commissioning of all collector pipes or canals, junctions boxes, structures and everything necessary to conduct stormwater from more than one township. Pipes having a diameter larger than 450 mm, also used to convey stormwater from other areas, are deemed to be an external service, but only to the extent that the service is enlarged or adapted to serve the needs of other areas.

6.2.4 Roads

Comprise Class 1, Class 2 and Class 3 roads as defined in the Redbook. For these roads the applicant need only make provision in his township layout and the Local Authority (or other authority) must compensate him for the land and is also responsible for the cost associated with the construction of such road. Access roads or streets which provide or will provide access to more than one township or proposed township, are an external service and must be provided by the Local Authority at its cost.

6.3 Boundary/Link Services

A boundary service is an engineering service on or in close proximity to a boundary of a township or development which serves, or will also serve, a development on the other side of the boundary. The cost whereof shall be borne pro-rata between the Local Municipality and the relevant developments, normally 50/50%.

6.3.1 For a boundary street, whether within, partially within or outside the boundary of the township or other development, constructed by the applicant and which also can provide direct access to erven/development in an adjoining area, normally 50% of the cost of constructing such street and associated stormwater drainage and street lighting systems are for the cost of the development.

6.3.2 The Local Authority may recover the pro-rata share, normally 50%, of the cost of any existing, already constructed boundary street, associated stormwater drainage, street lighting systems, electric cables, water systems and sewerage systems.

The Local Authority will as a measure for determining the cost of a boundary service, use the cost of a similar street or service system which has been constructed or installed by the developer or has recently been constructed or installed by another the developer.

7. CONTEXT AND SCOPE

7.1 In terms of previous and current legislation the municipality is responsible for the installation of external services, which constitutes bulk services (infrastructure), while developers are responsible for the installation of internal services. This does not indicate and has no bearing on the responsibility for funding the infrastructure, or regarding the ownership or maintenance and operation of the infrastructure.

7.2 Legislation provides for the municipality to recover the cost of external (bulk) infrastructure from developers, and the IDM and its associates Municipalities therefore in terms of this policy can arrange for developers to cover all of the costs for bulk infrastructure in proportion and to the extent that the development affected will benefit.

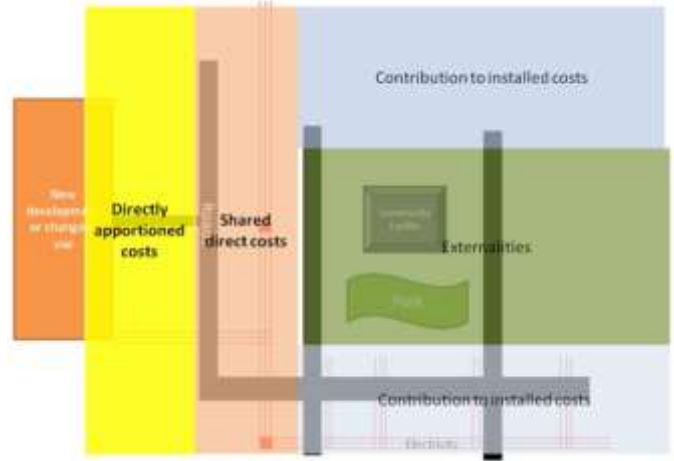
7.3 Development Charges will be applicable to every property where a township is established, or the land use rights is changed to the extent demand will increase, either directly or indirectly, immediately or potentially in the future.

7.3.1 A charge to recover all or part of the **directly apportionable costs** of connecting a development to each municipal infrastructure network. This component of the charge is often based on estimates of actual costs for additional infrastructure. It is a generally well accepted charge related to the direct additional cost of a new development or change in land use. These can be known as connection charges, capital cost recovery charges, or capital contribution fees, that any new development must pay in order to connect to electrical networks, and some cases also for roads and highways (such as a new intersection).

7.3.2 **Shared direct costs** of additional infrastructure associated with the development but that will benefit other users as well. For example, a road nearby may require upgrading for increased traffic volumes. These costs are also levied based on estimates of the actual cost of additional infrastructure, but are spread between different developers in the same area, and often only collected over time (as each development may take place at different times)

7.3.3 Contributions towards **sunk or historical costs** of previously installed infrastructure that will be partly used up by the development. This infrastructure benefits the new development

but has been paid for and maintained by existing residents and businesses. A new development might thus be required to contribute a share of the cost of this infrastructure, typically valued at the portion of the replacement cost of the infrastructure utilised by the development.



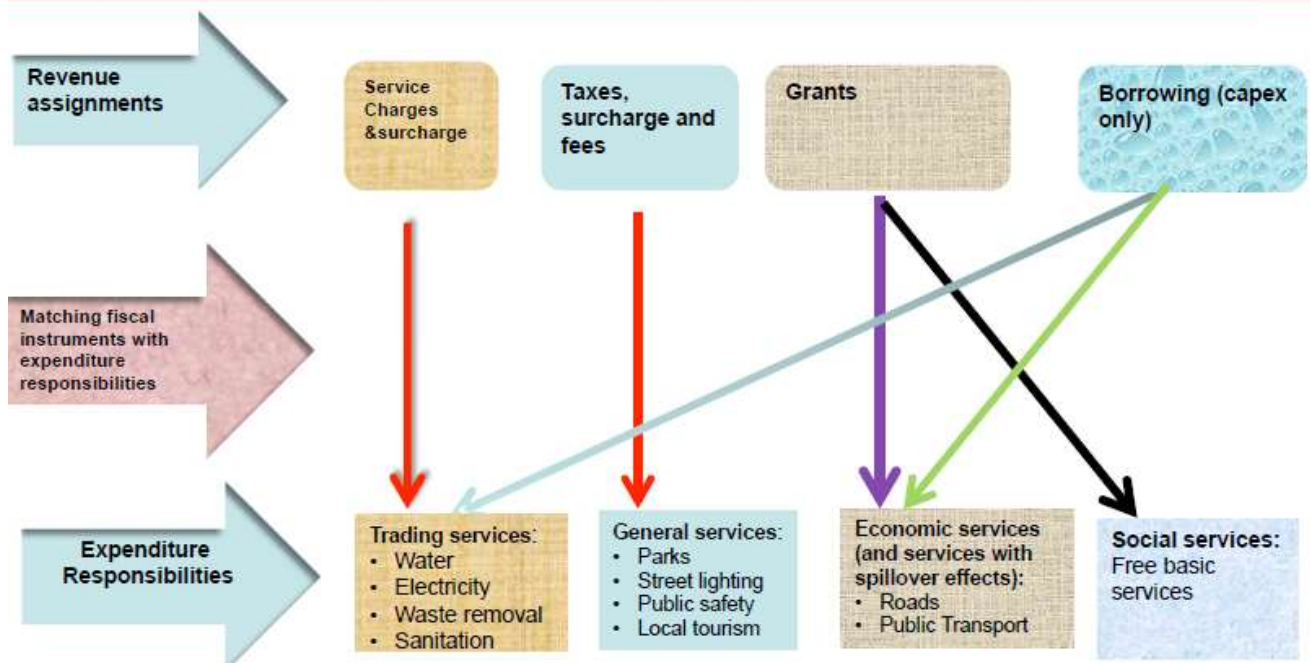
7.6.4 Cost associated with any **externalities** associated with the development, such as increased traffic volumes, the degradation of the natural environment or the long-term operating cost implications for the municipality of development in a particular location. These costs are the most difficult to quantify, although environmental economics has made considerable progress in costing the impacts of development on the environment. This cost component is also most commonly seen as a tool that can incentivize spatial restructuring, through raising the costs of peripheral urban development.

This policy is applicable for Mandeni Local Municipality, which provides Roads, Stormwater, Electricity, Public transport, and Solid Waste Infrastructure.

8. FINANCING OF MUNICIPLITY:

The cost to Municipality of providing this infrastructure, however, is high. Funding to cover these costs is obtained from three sources:

- i) **Grants** are provided by national or provincial government and are generally targeted towards social infrastructure, particularly in support of low-income housing development.
- ii) **Loans** are converted into tariffs and are recovered by user fees paid by all consumers to the Municipality.
- iii) **Capital contributions** are a more targeted and more equitable way of ensuring that the main beneficiaries of infrastructure make an appropriate and fair contribution to that cost, without unduly burdening the respective Municipalities' ratepayers. Development Charges are the most important form of capital contribution raised by the Municipality to pay for infrastructure.
- iv) **Development Charge which is** a once-off charge enforced by the Municipality on a developer as a condition of approval of a land development application in order to cover the cost of municipal engineering services required as a result of an increase of land use;



9. DEVELOPMENT CHARGE PRINCIPLES

The principles on which this Policy is based are presented in this section. Each principle is, where necessary, expanded on by providing some explanatory notes, defining certain terms or expressions and / or providing guidelines in applying the specific principle.

9.1 The draft National Policy Framework for Municipal Development Charges outlines 4 (four) key principles that ought to underlie the system of development charges. This policy will be reviewed by the municipality once the National Policy Framework for development charges has been finalised in order to ensure that the principles espoused by the Municipality herein are aligned with the principles contained in the final national policy framework. These are:

9.1.1 Equity and Fairness

9.1.1.1 Development charges should be reasonable, balanced and practical so as to be equitable to all stakeholder

9.1.1.2 The municipality should as far as possible, recover from the developer the full and actual costs of the essential municipal services infrastructure that results from particular types of land development(s).

9.1.1.3 The development charge associated with new land developments can relate to pre-installed municipal services infrastructure resulting from historical municipal investments in excess (spare) capacity and to the provision of new infrastructure to meet additional capacity requirement.

9.1.1.4 Development charges shall not be used to compensate for inherited backlog(s) in bulk infrastructure.



EQUITY AND FAIRNESS

In practice, this means that providing engineering services or strengthening (upgrading) existing services as a result of a specific development should not impose an additional financial burden on existing ratepayers and conversely the developer should not be expected to subsidise the existing ratepayers by paying excessive contributions and/or strengthening the engineering services network unfairly.



PREDICTABILITY

9.1.2 Predictability

9.1.2.1 Development charges should be a predictable, legally certain and reliable source of revenue to the municipality for providing the necessary infrastructure

9.1.2.2 These revenues should thus be treated as a formal commitment by the Municipalities to provide or upgrade the associated municipal service infrastructure and should be clearly and transparently accounted for.

9.1.2.3 The costs associated with municipal infrastructure must be established before any capital grants from national or provincial government or other funding sources are applied so that there is full transparency



SPATIAL AND ECONOMIC NEUTRALITY

- 9.1.3 Spatial and economic neutrality
- 9.1.3.1 A primary role of a system of development charges is to ensure the timely, sustainable financing of required infrastructure.
- 9.1.3.2 Development charges should
- i. be determined on identifiable and measurable costs to avoid distortions in the economy and patterns of spatial development.
 - ii. be used for the purpose of achieving spatial planning or economic development objectives of the municipality through the application of charging apportionment based on defined Spatial Charging Zones.
- 9.1.4 Administrative ease and uniformity
- 9.1.4.1 The determination, calculation and operation of development charges should be administratively simple and transparent.
- 9.1.4.2 Development charges shall only estimate the actual cost for the provision of proportionate new municipal infrastructure capacity to support the particular land development.
- 9.2 The Developer of a Specific Development must contribute towards the provision of Engineering Services required for that Development, except as may be provided for elsewhere in this document
- 9.2.1 The contributions of developers towards the provision of engineering services are an important way to fund the provision of such services in a sustainable and equitable manner. Contributions will be payable without exception in respect of developments outside of the jurisdiction area of the District and its associates Municipalities, but inside its supply area. This is, however, subject to the special arrangements in respect of cross-boundary services for neighbouring municipalities.
- 9.3 The Method of Calculation must be fair, available in advance to assist Developers in determining the Financial implications and must be revised on a regular basis.
- 9.3.1 The levying of contributions for the provision of engineering services excludes the cost of maintenance and other operational costs.
- 9.3.2 The guidelines for determining the method of calculation should comply with the following:
- a) Units of measurement shall be standardized
 - b) Standards shall be set for determining the impact of a development on the existing capacity of the engineering service
 - c) Fair and equitable to both parties
 - d) Must be justifiable
 - e) Easy to apply
 - f) Must be consistent for all similar areas
- 9.4 Incentives in respect of Contributions to Engineering Services shall be available for the achievement of specific Development Objectives
- 9.4.1 A development objective area/project means an area/project approved by the Municipality as a priority for purposes of development
- 9.4.2 The principle of incentives in respect of contributions to engineering services is important to stimulate and encourage growth and development of specific types, and/or in specific areas, of the municipality.
- 9.4.3 Although incentives will result in the loss of income, the importance and benefits of achieving specific development objectives should outweigh this loss in the longer term. Development objective areas/projects should be identified, prioritised and demarcated as part of the integrated planning process and must be funded from special developmental/social funding provided for in this Policy by Municipal Departments of the Municipality or by external developer(s).
- 9.4.4 The guidelines for identifying, prioritising and demarcating development objective areas/projects as well as incentives, are set out in Section 15 of this Policy. These guidelines are being prepared and will be submitted to The Municipality at a later stage.
- 9.5 The Developer of a specific Development is responsible for the Cost of installation of Internal Engineering Services for each Development. However, in a case where a Development takes place where certain existing Services have already been built by others, with sufficient additional



ADMINISTRATIVE EASE
AND UNIFORMITY

- capacity for the new Development, then the Developer will be required to contribute towards that specific Service element.
- 9.5.1 The developer is responsible for the installation of all internal engineering services required for the particular development, provided that the Municipality may require the developer to install internal services with larger capacities than those required for the development in question.
- 9.5.2 Normally the Municipality will endeavour to repay the full balance of the cost of the enlargement to the developer during the Municipality's financial year following the financial year in which the enlargement was completed to the satisfaction of the Municipality, provided the development has been proclaimed and that the necessary funds therefore are provided by the Municipality in the financial year concerned.
- 9.5.3 The cost of the enlargement can also be calculated to the initial developer's credit when determining the contributions of the initial developer.
- 9.5.4 A contribution will be made by a developer to the Municipality in respect of an existing internal engineering service in his development which has been provided by the Municipality or by a previous other developer.
- 9.6 Contributions towards the provision of Engineering Services should be utilized for the provision and/or upgrading of the service for which such contribution has been made
- 9.6.1 It is of utmost importance that the income of Municipality out of contributions by developers for engineering services, be utilized to provide/upgrade the specific services.
- 9.6.2 In an effort to ensure the availability of funds for the provision and upgrading of infrastructure in a sustainable manner, the cost and upgrading of engineering services will be categorised as contractually bound capital work (Contractually bound projects) and should be taken into account in the IDP process when projects, to develop and extend the specific services, are evaluated on the Capital Budget of the District and its associates Municipalities. The evaluation criteria in the IDP process should bear higher priority for engineering services where the Department Service Delivery can motivate the necessity of the engineering service, which originates from the Municipality's contractual obligation.
- 9.7 The manner and time by which a developer must contribute towards the provision of Services must be incorporated in the Services Level Agreement for that Development where applicable.
- 9.7.1 The payment method and all associated costs should be incorporated in the Services Agreement for each development other than those minor ones such as subdivisions etc. The payment should in all cases be made before:
- i) Proclamation/promulgation of land use rights approved; or
 - ii) Approval of building plans in terms of the National Building Regulations and Building Standards Act; or
 - iii) Application for a Clearance Certificate in terms of Section 118 of the Municipal Systems Act (Act 32/2000) is approved;
 - iv) Registration of subdivisions/consolidations
- Whichever is first.
- 9.7.2 The manner in which payments are made for each service must be flexible but should be agreed upon at the time of the signature of the Services Level Agreement. Acceptable alternatives are:
- i) The provision of a bank guarantee provided that it makes provision for escalation to the planned date of construction and is otherwise acceptable to the Chief Financial Officer.
 - ii) A 50% upfront payment and the balance to be paid within 12 months paid in four equal installments, however construction may only commence once payment is received in full.
 - iii) Cash payment before proclamation of the development
 - iv) The physical provision of infrastructure to the value not less than the calculated contribution required for that service
 - v) Other methods as approved from time to time by the Municipality
- 9.7.3 Where a developer has not conformed with his Development Charge liability, the Municipality may deny any approval in terms of planning or building control legislation.
- 9.7.4 Where the development involves subdivision of land, no transfer of a certificate of registered title may be concluded of any portion of land until the Development Charge has been paid.
- 9.7.5 The Municipality must withhold both building plan approval and the certificate of occupation until the Development Charge has been paid where there is no transfer.

- 9.7.6 If a developer continues with exercising his or her rights without the paying of Development Charges in agreement with the conditions of approval, no transfer of that erf, or registration of a certificate of registered title, may be processed or approved until the Development Charge has been paid.
- 9.7.7 The Municipality must impose a condition that confirms that the land use becomes unlawful in the case of non-payment of the required Development Charge, enabling the Municipality to invoke its enforcement measures with regards to unlawful land use.
- 9.7.8 The Municipality may approve a development in phases in more complex projects which will allow the developer to pay Development Charges at the beginning of each approved phase.
- 9.7.9 The Municipality may agree to a postponed payment of a Development Charge where external engineering services are provided in lieu of Development Charges by the developer. A Services Agreement between the Municipality and the developer should be signed and a written guarantee from a registered financial services provider should be provided by the developer to cover any risk to the Municipality.
- 9.8 The Municipality should co-ordinate the Budget allocation for each service in accordance with the Integrated Development Plan.
- 9.8.1 The planning of Development Areas should take the existence and capacity of engineering services into account. Should a new area be designated as a Development Area it may only be done simultaneous with the Municipality commitment that funding for infrastructure will be provided to serve the area for each service.
- 9.8.2 Should any developer insist on developing outside a service/s priority area, he/she will be liable for all costs associated with outstanding infrastructure, until such time as other developers can contribute towards the services.
- 9.9 In the case of a leapfrog Development outside of a Service/s Priority area, the Developer is, in addition to its normal contribution, also responsible for the actual cost of providing all the outstanding services and the connecting services to the existing Engineering Service Networks
- 9.9.1 Leapfrog developments are developments that are isolated from the existing available engineering services (outside the specific Service's Priority area of the Municipality) and beyond any short-term expansions of the services.
- 9.9.2 In addition to the normal engineering service contributions, the developer must in such a case also pay for all the necessary outstanding services and the connecting services to the existing infrastructure.
- 9.9.3 The developer is responsible to provide the connecting services according to the full standard as required by the Municipality.
- 9.9.4 If it is required by the Municipality that the developer must also enlarge services to provide for future developments, the cost of the enlargement must:
- i) be calculated to the initial developer's credit when determining the contributions of the initial developer.
 - ii) the balance of the cost of the enlargement, if any, will be repaid by the Municipality over a period as per agreement between the Municipality and the initial developer but within a maximum period of 5 years.
- 9.9.5 Normally the Municipality will endeavour to pay the full balance of the cost of the enlargement during the Municipality's financial year following the financial year in which the enlargement was completed to the satisfaction of the Municipality, provided the township has been proclaimed and that the necessary funds therefore are provided by the Municipality in the financial year concerned.
- 9.9.6 If another property in the vicinity develops at some future date and makes use of such a service, the Municipality shall be entitled to recover a pro rata share of the above costs, over and above the standard contributions, of such a developer. This pro rata cost received within a maximum period of 5 years from date of takeover, will be refunded to the initial developer by the Municipality if he has not been refunded previously subject to application by the original developer and the availability of funds on the Municipality's Capital budget.
- 9.10 The planning for and provision of Engineering Services by the District and its associates Municipalities must be done in accordance with the Integrated Development Plans (IDPs) and all the relevant environmental Requirements.
- 9.10.1 The involvement of all applicable disciplines into master plans is a requirement.

- 9.10.2 There is a specific need for an integrated approach to the planning of all engineering services on a National, Provincial, Metropolitan/District/Local level. If for instance an area is demarcated as a Development Objective Area in the District and its associates Municipalities (E.g. Ballito), it will be necessary that all the engineering services must be provided for this area to “open” it up for development. However, when deciding on such a Development Objective Area, it must be ascertained if engineering services capacity is available nearby and can be provided economically by the District and its associates Municipalities.

A key subject for further discussion in the context of the above principles is that although the dominant view is that development charges should not be used as an economic development and spatial planning policy instrument, there are implicit subsidy for urban sprawl that arises from the under recovery of development charges that lead to sprawl. Thus, implementing the policy should proactively seek to reserve and deter sprawl

10. RELEVANT DEVELOPMENT APPLICATIONS ATTRACTING DEVELOPMENT CHARGES

- 10.1 A development charge is required where there is intensification in the use of the land and a resultant increase on loading on the engineering services. A development charge will be imposed on all applications where the municipality is requested to approve a land development application in terms of the applicable land use and/or planning legislation.
- 10.2 For the District Municipality, development charges apply to land applications that affect bulk sewerage capacity.
- 10.2.1 All developments/land use applications that result in the increased demand for water/sewer infrastructure based on design/red book standards.
- 10.2.2 Subdivision application(s) where the number of dwelling units increases as a result of the subdivision, or where the subdivision application results in the increase of FAR or GLA and subsequently increased demand for engineering services based on design/red book standards.
- 10.2.3 All developments with a fire risk above low risk are liable for extra ordinary contributions. Developers may also be liable to provide their own on-site storage when their fire risk is above low risk.
- 10.3 For the local municipality, development charges apply to the following application types:
- 10.3.1 Rezoning application(s) or subdivision(s) that enable the subdivision of land and which is typically required for new developments or infill developments.
- 10.3.2 Rezoning of land from one zone to another in order to change the permitted land uses on the site.
- 10.3.3 A rezoning from one (use) zone to another in order to increase the permitted FAR or GLA which may result in increased demand for engineering services based on design/red book standards.
- 10.3.4 Subdivision application(s) where the number of dwelling units increases as a result of the subdivision, or where the subdivision application results in the increase of FAR or GLA and subsequently increased demand for engineering services based on design/red book standards.
- 10.3.5 Applications to increase the permitted Coverage, FAR, GLA, number of occupants or number of rooms where there is an increase in demand for engineering services.
- 10.3.6 Consent use applications where the change in land use is deemed by the municipality to result in additional utilisation of infrastructure
- 10.3.7 Any application for the amendment of conditions of a previous approval where the condition limited the land use, FAR, GLA, coverage, parking or any other condition that may affect the latter.
- 10.3.8 Building plans submitted which result in an increase in the current FAR, coverage, height, etc. and where such an increase necessitates the provision of additional external engineering services by the municipality
- 10.4 When the municipality approves a land development application which will or may result in intensified land use with an increased demand for such municipal infrastructure services, the municipality must levy a development charge proportional to the municipal public expenditure according to the normal need arising from such approval.

11. DEFINING DEVELOPMENT CHARGE COMPONENT

- 11.1 External engineering services includes both bulk and link engineering services. Both are covered by the development charge imposed, and the municipality may choose to apply distinct criteria to the 2 (two) categories. Developers are required to pay a development charge comprising these 2 (two) components where:
- 11.1.1 a pro-rata share of the cost of bulk engineering services is applied to the development, and
- 11.1.2 the direct cost of any link engineering service(s) is required for the specific development.
- 11.2 The developer shall be responsible for paying contributions for both the bulk and link engineering services, unless bulk-engineering services are provided in lieu of the development charge as contemplated in SPLUMA.
- 11.3 The development charge only covers the provision of infrastructure for which the municipality is responsible. The cost of provincial and national infrastructure is therefore not covered by the development charge. These costs associated with national and provincial infrastructure may have to be paid by the developer, but the process shall be managed by the responsible authority.
- 11.4 The provision and installation of internal engineering services is the sole responsibility of the developer and is excluded from the development charge.
- 11.5 Where development takes place ahead of planned infrastructure provision, as allowed for in the service master plans and capital budget, or where development takes place outside the service master planning area, link external engineering services are vital to link a proposed development's internal engineering services to external engineering services to ensure and maintain the functionality of the overall network.
- 11.6 While the municipality is obliged to provide bulk engineering services, notwithstanding the provisions of Section 49 of SPLUMA, the municipality shall not be obliged to provide external engineering services infrastructure where it is not consistent with the applicable service master planning, capital budgets and any other framework plan adopted by the council that would influence the decision in approving a land development application.
- 11.7 Where a land development requires infrastructure inconsistent with the applicable master planning, capital budgets and/or framework plan, and the Municipalities nevertheless approves a development application, but does not have the expertise and/or capacity to install the required external engineering service, the developer may be required to install the required external engineering services. In this regard,
- 11.7.1 the municipality may enter into an agreement with the developer, where the developer is required to install at its own cost the necessary external engineering services required for the proposed development provided that the installed engineering services will be transferred to municipality at a specified timeframe set and agreed to in writing by both parties in a service level agreement.
- 11.7.2 the cost of the installation of the infrastructure can be set off against the developer's overall development charge liability.
- 11.7.3 should the set off value described in 7.6.3 be greater than the total development charge for bulk engineering services for all phases of a development, the developer shall be responsible for the additional cost.
- 11.7.4 in the case of link engineering services, the installation is the direct responsibility of the developer, unless otherwise agreed in writing with the respective Municipalities. In this case the value of the required link engineering services must be determined by the developer and the developer will be responsible for the full cost of such link engineering services.
- 11.7.5 to maintain the functionality of the municipality's engineering service network according to master planning, the municipality may require that the developer install services with greater capacity than required for a specific development. The cost of this additional link engineering service capacity can then be set off against the developer's overall development charge.
- 11.8 Where there is a dispute as to whether a condition amounts to an historic infrastructure backlog for the purposes of this policy, the municipality will make this determination, considering all relevant factors, and the municipality's decision shall be final.

11.9 The Points above sets out the different components to be taken into account when calculating Development Charges in the District and its associated Municipalities. The most important rule is that Development Charges are used to pay for external services: i.e. services that have to be increased by the District and its associated Municipalities to accommodate the impact of the new land use. Internal services, which are the services constructed on the developer's land and which serve that development only, are for the developer's own account. The external services, for which the Development Charges are used, are divided into bulk and link services. The bulk services are provided by the District and its associated Municipalities but paid for by the developer's payment of Development Charges. The link services must be installed by the developer directly. The Table below illustrates the approach to bulk and link services in the Development Charges policy. And the example below that illustrates how that approach is expressed in practice.

Definition of Infrastructure components				
Components			Definition	Paid for by
External engineering service	Bulk	External bulk	Services external to the development site boundary serving multiple users at a municipality-wide scale as indicated in the relevant master plans	Developers through DC – calculated by formula
		Internal bulk	As above, but passing through the site Boundary	
	Link		Services external to the development site boundary required to connect internal engineering services within the proposed development to existing or proposed bulk engineering services	Developers through DC – paid directly through installation of the services Developer as pa
Internal engineering service			Services within the development site boundary to service that development and which will be transferred to the municipality	Developer as part of development cost

12. SUBSIDIES AND EXEMPTIONS

The Policy for the Development Charges seeks to:

- i) Minimise the number and value of any subsidies or exemption it provides for the payment of Development Charges liabilities and;
- ii) Apply any subsidies, exemption, or surcharges in an equitable, transparent and administratively feasible manner

The policy is applicable to the majority of cases. However, it is expected that as for most policies, there may be some exceptions. In such instances, finalization will be through Council approval (submission of a formal report to Council). Therefore

- 12.1 Development charges are based on an equitable and sustainable model for providing infrastructure to promote economic growth. The total cost of infrastructure for new development(s) is apportioned to the new users and relies on each user paying for their share of the infrastructure. Exemptions negatively impact on the municipality's ability to provide infrastructure in the long term.
- 12.2 The municipality must approve a development charges exemptions policy and/or council resolution in line with relevant policy and legislation.
- 12.3 Exemptions may not specify individual developers and/or properties but categories of land use and/or geographic areas. In this regard, the municipality must still calculate and disclose the full value of the exemption provided for each year in its reporting.
- 12.4 In the absence of the a Policy, the Development charges shall not be payable in respect of the following instance or applicable to land development applications, which are deemed to have no significant impact on provision or existence of external infrastructure:

- 12.4.1 Development charges shall not apply nor be payable with respect to land development applications which are deemed to have no significant impact on provision and/or existence of external infrastructure. These include
- 12.4.2 Rezoning applications of a less intensive nature, i.e., where one land use (primary or consent use) is replaced by a different land use with similar or lesser infrastructure utilisation impact for all services.
- 12.4.3 Subdivision applications where no additional development rights are created, and/or which do not result in additional loading onto external infrastructure.
 - 12.4.3.1 The submission of building plans will be evaluated to establish if the result in the increase in the need for additional bulk infrastructure as per the plans. where a building plan application necessitates the provision of additional external engineering services.
- 12.4.4 building line(s) and/or height and/or coverage relaxation application and/or other similar parameters, which do not lead to an intensification of land use.
- 12.4.5 Consolidation applications that are not accompanied by rezoning or additional rights application
- 12.4.6 Land use applications which have a similar or lesser impact on infrastructure utilisation than previous rights applicable to the property.
- 12.4.7 Land use applications to change land use(s) to one of the following land uses, up to the extent indicated and using the definitions set out in this policy
 - 12.4.7.1 early childhood development centres up to 34 children per erf.
 - 12.4.7.2 home occupation up to 50m per erf.
 - 12.4.7.3 home childcare up to six children per erf.
 - 12.4.7.4 house shop up to 50m² per erf.
 - 12.4.7.5 second dwelling up to 60m² per erf.
 - 12.4.7.6 bed and breakfast establishment up to the first three bedrooms of an existing dwelling.
- 12.4.8 New engineering services or the additional engineering services required to eradicate infrastructure backlogs shall be excluded from the development charge cost calculation. Developers will be allowed to apply for and motivate partial exemption through the property for rates, for approval from the Municipality for the following:
 - i) Low cost housing or Breaking New Ground
 - ii) Gap Housing and
 - iii) Special Social upliftment projects
 - iv) Job Creation

JOB CREATION (Permanent jobs post construction)	
Non skilled to semi-skilled (# of people)	% reduction on Development Charges
1 – 10	3%
11 - 50	5%
51 - 100	7%
101 and more	10%
Skilled (# of people)	% reduction on Development Charges
1 – 5	3%
6 - 20	5%
21 - 50	7%
51 and more	10%

- 12.4.9 Development that are outside the urban edge and Provincial Roads are also liable to pay a Development Charge. Paying of these Development Charge may be postponed at the time of the application, if there are no Municipal Infrastructure;
- 12.4.10 All development outside the will be liable to pay increased/reduced tariff of the contribution towards the Road and Stormwater components
 - i) The distance is measured as the shortest straight line from the Urban Edge to the closest urban edge boundary.

Development Charge Payable for Road and Stormwater	
Distance outside the Urban Edge	% of Development Charge Payable
<3Km	80%
3-5Km	60%
5-7Km	40%
>7Km	20%

12.4.11 The Municipality will only provide subsidy or exemption to the payment of development charges in case of the following:

- i) The developer using privately owned property for GAP Housing purposes, they may apply to the Municipality or GAP Housing exemption;
- ii) A registered non-profit organization developing social development projects that are beneficial to the community;
- iii) If the Municipality calculate the full development charge liability prior to authorizing or providing the subsidy or exemption
- iv) Has made projects regarding revenue to be forgone for a financial year in relation to all exemptions, rebates and reductions and reflected these in the budget;
- v) Has made budgetary provision for the realization of the associated revenue forgone from another realistically available source of revenue;
- vi) Ensure that the value of such subsidy or exemption together with any other payment by the developer or other parties is at least equal to the calculated development charges liability
- vii) Discloses the value of subsidies r exemption provided in its annual report

12 METHOD AND APPROACH FOR DETERMINING UNITS COSTS

- 13.1 The full cost associated with the bulk services infrastructure needs will be used as basis of the Development Charge. The amount of this Development Charge must cover all of the associated costs for the bulk and link services infrastructure required, regardless of existing capacity (shortfall or surplus), excluding any contribution to bulk services that may be incorporated in water or sanitation tariff charges to be paid in respect of such property or development in the future.
- 13.2 Exceptions may only be made in terms of a policy, or amendment to this policy, to make provision for development incentives, where the municipality carries part of the cost to achieve specific strategic benefits. This would require that the municipality invest in bulk service infrastructure in such instances and require the availability of funding for such instances.
- 13.3 Development Charges for bulk services, including link services for a new development, or where a higher usage of services can be expected as a result of land use rights acquired, require that the owner or developer contributes an appropriate amount to enable the municipality to provide the bulk services required.
- 13.4 Construction of infrastructure required, or part there-of in lieu of a corresponding proportion of the development charge may be allowed by IDM on request by a developer, subject to conditions as determined in section 17

Typical national guidelines

$$W = (K/E2) - (L/E1)$$

W = unit cost applicable to the type of development
 K = total current cost of future bulk engineering services
 E2 = design capacity of future bulk engineering services
 L = total outstanding loans for bulk engineering services
 E1 = design capacity of existing bulk engineering services

- 13.5 As outlined in point 9.3.2, above, one of the key guidelines for determining the method of calculation should comply with the following:
 - a) Units of measurement shall be standardised
 - b) Standards shall be set for determining the impact of a development on the existing capacity of the engineering service
 - c) Fair and equitable to both parties
 - d) Must be justifiable

- e) Easy to apply
- f) Must be consistent for all similar areas

13.6 **In achieving the above, the following Methodology for determining unit costs for use in Development as adopted instead of the National Guidelines**

13.6.1 Charges calculations

A developer's overall Development Charge liability is calculated based on the impact on municipal services infrastructure that a development will have, multiplied by a predetermined unit cost. This can be illustrated as:

$$DC = \text{additional units of impact} \times \text{unit cost}$$

The Policy explains how the unit costs for each service are determined. This was done through a modelling and costing of the infrastructure required servicing a fully developed 20-year land use projection. The unit costs are average figures for the whole of the Municipalities and will be applied uniformly across. Unit cost estimates for each infrastructure category are re-calculated annually in line with inflation in terms of the Civil Engineering Index.

13.6.2 Calculation of Development Charges

Once the unit costs have been determined, as set out in Section 10 of the Policy, they have to be multiplied by the additional units of impact. Section 14 of the Policy explains how this is done, starting with the identification of units of impact for each service. The total DC for any land development application then is the sum of the DCs calculated for each of the six services: including roads, transport, stormwater and solid waste.

In order to ensure uniformity across the Municipalities as well as administrative ease there is a spreadsheet calculator, which is introduced below. Examples of two DC calculations are annexed below).

13.6.3 How to use the DC Calculator

The DC calculator will be made available to the public on the Municipalities Intranet through an interface in order for developers to estimate the bulk component of their DC liability. The final quantification of the DC liability however can only be calculated by Municipal officials and may not agree with estimates made by a developer, depending on the inputs used. The following information is required when using the DC calculator:

- Erf size
- Existing land use rights
- Total new land use right being applied for
- Location in relation to Nodes, Public Transport Zones (inside/outside), Urban Edge

Should an application for rezoning not specify the particular land use (or the extent of that use in terms of square metres), the highest possible development impact for that zone as defined in the Zoning Scheme will be charged. To simplify the application of the Policy the numerous land use categories in the Local Municipal Town Planning Schemes were aggregated into broad groups. The land use categories listed in each group are the same land use categories as defined in the Land Use Schemes.

If a particular application is based on a combination of land use categories listed in Calculation Model of the policy, the impact of each category of land use that makes up the development is calculated individually and added together.

13.6.4 Format of the DC calculator

The DC calculator is an MS Excel spreadsheet. It requires version 2007 or newer. Entries are only allowed in the respective Old Land Uses and proposed New land Uses cells. The calculator has embedded macros to clear the sheet and to input demand for land uses not listed in the calculator but will work for simple applications without this functionality. To benefit from all the functionality in the model, macros have to be enabled on your version of MS Excel.

MANDENI LOCAL MUNICIPALITY DEVELOPMENT CHARGES DRAFT POLICY

Project : Erf No File No : 12345		New Land Use		veh trips peak hour	100 m ² runoff area	kl daily	kl daily	kw daily
Vacant / Open Space	01 PDS / A.H. / Road Reserves		erf size = m ²					
Residential	10a Res 1 (>= 4 001m ²)	# dwellings =	erf size = m ²					
	10b Res 1 (4 000 - 2 001m ²)	# dwellings =	erf size = m ²					
	10c Res 1 (2 000 - 1751m ²)	# dwellings =	erf size = m ²					
	10d Res 1 (1 750 - 1501m ²)	# dwellings =	erf size = m ²					
	10e Res 1 (1500 - 1001m ²)	# dwellings =	erf size = m ²					
	10f Res 1 (1000 - 751m ²)	# dwellings =	erf size = m ²					
	10g Res 1 (750 - 551m ²)	# dwellings =	erf size = m ²					
	10h Res 1 (550 - 450m ²)	# dwellings =	erf size = m ²					
	10i Res 1 Give Away/RDP (<450m ²)	# dwellings =	erf size = m ²					
	10j Res 1 (2 nd dwelling / granny flat)	# dwellings =	erf size = m ²					
	11 Res 2 Duplexes & Simplexes	# dwellings =	erf size = m ²					
	12 Res 3 Flats	# dwellings =	erf size = 800.0 m ²	5.0	6.4	6.0	5.0	5
	13 Retirement Village	# dwellings =	erf size = m ²					
	14 Holiday home	# dwellings =	erf size = m ²					
	15 Mobile home or park	# dwellings =	erf size = m ²					
Accommodation	21 Hostel	# rooms =	erf size = m ²					
	22 Guest house	# rooms =	erf size = m ²					
	23 Boarding house	# rooms =	erf size = m ²					
	24 Economy hotel	# rooms =	erf size = m ²					
	25 Hotel or Lodge	# rooms =	erf size = m ²					
	26 Motel	# rooms =	erf size = m ²					
Community Facilities	31 Public Library	GLA =	erf size = m ²					
Educational	41 Crèche or Nursery School	GLA =	erf size = m ²					
	42 Preparatory School	# pupils =	erf size = m ²					
	43 Primary school	# pupils =	erf size = m ²					
	44 Secondary school	# pupils =	erf size = m ²					
	45 Day-care / After-school centre	GLA =	erf size = m ²					
	46 Private school	# pupils =	erf size = m ²					
	47 Technical College	# students =	erf size = m ²					
	48 University	# students =	erf size = m ²					
Places of Public Worsh	51 Church	GLA =	erf size = m ²					
	52 Synagogue	GLA =	erf size = m ²					

Contributions calculated to provide extra services capacity

	Roads	Stormwater	Water	Sewer	Electricity
Total before VAT	10,445	2,862	12,720	30,104	30,952
Add VAT	1,567	429	1,908	4,516	4,643
Total after VAT	12,012	3,291	14,628	34,620	35,595

Total (all services) calculated Capital Contribution payable 100,146

Incentive Schemes	Corridors & Major Mobility Spines	1.5%	1,502
	All Nodes & PDAs	3.5%	3,505
	Disadvantaged Areas	5.0%	5,007

Incentive/Discount Amount apportioned to Social Contribution (Ring Fenced) 2,504

Total (all services) calculated Capital Contribution payable 90,131

14 ELEMENTS AND CLASSIFICATION OF SERVICES FOR CALCULATING THE DEVELOPMENT CHARGE

- 14.1 The overall development charge is calculated and is the sum of the 2 (two) parts described in section 8.1 above.
- 14.2 The standard units for the measurement of impact for each municipal engineering service are provided, below:

SERVICE	FACTOR(S)	YARDSTICK	UNIT OF IMPACT
Electricity			
Roads	Increased municipal road capacity required	Vehicle trip generation	Vehicle trips / day
Solid waste	Increase in landfill airspace required & transfer station capacity	Solid waste generation rate	Kl/day
Stormwater	Increase in the overall quantity & the peak flow rate of the runoff	Runoff coefficient & area of the Development	C Factor & area in Hectares

MANDENI LOCAL MUNICIPALITY DEVELOPMENT CHARGES DRAFT POLICY

Transport	Increased number of passengers using public transport & requiring additional facilities	Person trip generation	Person trips / day
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15 USE OF DEVELOPMENT CHARGES

- 15.1 A development charge means a charge levied as a condition of approval of a land development application, to contribute towards the cost of municipal infrastructure needed to meet increased demand for bulk external engineering services.
- 15.2 The development charge may only be used for capital works, i.e. the full and actual costs of construction of new municipal infrastructure or the upgrading of the capacity of existing municipal infrastructure, taking into account the components of actual cost
- 15.3 A municipality that has passed a development charge by-law/policy shall, in terms of the provisions of Sections 7 and 12 of the MFMA, establish a separate reserve fund for each service to which the development charge relates.
- 15.4 The municipality shall pay each development charge it collects into the reserve fund or funds to which the charge relates.
- 15.5 All funds collected are to be retained in the dedicated fund(s), per service and per area, to be applied in the areas concerned, and toward the services against which payment was made, provided that:
- 15.5.1 in the case of cross-boundary services where the infrastructure network serving the proposed development are not confined to any one municipal district, it will be permissible to pool development charges for use across areas and to implement inter-municipal transfers, and
- 15.5.2 contributions towards public transport infrastructure will need to be retained in the municipality's land transport fund, as required by Section 28 of the National Land Transport Act, 5 of 2009.
- 15.6 Funds must be spent according to the project priorities for that municipality and service, as described in the infrastructure master plan(s) and detailed in the capital budget or integrated development plan.
- 15.7 Once a Development Charge has been paid in full for a specific piece of infrastructure, the municipality must include that infrastructure development project on the capital budget in the subsequent budget cycle.
- 15.8 The money in a reserve fund established for a service may be spent only for engineering services related purposes and the expenditure concern shall not detract from the provisions of Section 12 of the MFMA. The municipality may not transfer money from the established funds to another fund or budget not purported for funding engineering services related function.
- 15.9 Where a municipality agrees to allow a person to perform work that relates to a service to which a development charge policy relates, the municipality shall give the person a credit towards the development charge in accordance with a signed service level agreement. The amount of the credit is the reasonable cost of doing the work as agreed by the municipality and the person who is to be given the credit.
- 15.10 No credit may be given for any part of the cost of work that relates to an increase in the level of service that exceeds the average level of service described. A credit, or any part of it, may be given before the work for which the credit is given is completed.
- 15.11 The transfer of a credit is not effective until the municipality transfers it in the form of a notice. A credit may not be transferred unless,
- 15.11.1 the holder and person to whom the credit is to be transferred have agreed in writing to the transfer, and
- 15.11.2 the municipality has agreed to the transfer, either in the agreement under which the holder of the credit was given the credit or subsequently.

16 TYPES OF LAND DEVELOPMENTS

- 16.1 In terms of the engineering services provided, a property may be fully developed, partially developed or undeveloped. A propose development requires an unambiguous infrastructure master plan(s), spatial policy in line with SPLUMA and a similarly unambiguous definition of the status quo of the level of development.
- 16.2 A greenfield development (on undeveloped land) typically has no bulk services, and a developer will be required to finance the internal and external engineering services to the development.

- 16.3 For brownfield developments, the municipality would have typically installed infrastructure and do not require upgrading. Here, the municipality is seeking to recover its cost(s) and will charge the developer a development charge, in line with this policy, to realize this recovery.
- 16.4 In most cases, brownfield developments have bulk engineering services installed but with insufficient capacity to service proposed land development. Here, 2 (two) situations will prevail
- 16.4.1 Where the installation of bulk infrastructure is in line with infrastructure master plans, budget and related frameworks, the municipality will carry the cost of installing external infrastructure and impose a development charge in line with this policy.
- 16.4.2 The timing of the development must be considered as the infrastructure installation might only happen in the longer term. In this instance, the developer will be required to carry the cost of installing services in order to proceed with the development.
- 16.4.3 Where the installation of bulk infrastructure is not in line with infrastructure master plans, budget and related frameworks, and the municipality decides to approve the development, a developer who still wishes to proceed with the development will carry the cost of installing the external and internal infrastructure to enable the development.
- 16.5 For developments that are outside SDF priority development areas and/or areas where development is not encouraged, the engineering services will not be taken over and operated by the municipality and the developer will carry the capital cost as well as the operational and maintenance cost of their internal services, unless otherwise agreed in a special case SLA, However the design of the infrastructure should be pre-approved by the municipality.

17 GUIDELINES FOR THE DETERMINATION OF INCENTIVES/REBATES IN RESPECT OF CONTRIBUTIONS TO DEVELOPMENT CHARGE/ENGINEERING SERVICES IN RESPECT OF DEVELOPMENT OBJECTIVE AREAS/PROJECTS

In accordance with Policy Principle as outlined in point 7 above, "incentives/rebates in respect of development charges contributions to engineering services should be available for the achievement of specific development objectives" aligned to policy

It is therefore necessary to first determine what the development objectives for the Municipality is, before incentives/rebates can be determined.

17.1 Identification of Development Objectives

17.1.1 Criteria for identifying development objective areas/projects

- a) The area/project must have been identified through the consultative Integrated Development Planning (IDP) process.
- b) The area/project must be re-evaluated annually in accordance with the IDP process
- c) The availability of capacity in terms of existing engineering services

17.2 Procedures for identifying development objective areas/projects

- 17.2.1 The area/project must be listed in the statutory IDP of the Municipality
- 17.2.2 Development objective areas/projects must be communicated to all stakeholders
- 17.2.3 Funds must be provided on the Capital Budget for outstanding engineering services.
- 17.2.4 The Municipal Manager or the IDP Co-ordinator by delegation, shall be responsible for the identification of development objective areas/projects

17.3 Prioritization of Development Objectives

17.3.1. Criteria for prioritising development objective areas/projects

- a) The importance of the area/project relative to other areas/projects
- b) The available capacity in terms of each required engineering service
- c) The demand for development
- d) The estimated increase in demand for development as a result of the incentives
- e) The possible benefits to be derived from the development.
- f) There should be consensus on the areas/projects between the service departments

17.3.2 Procedures for prioritising development objective areas/projects

- a) The prioritisation must be done by a skilled internal or/and external multi-disciplinary team according to the abovementioned criteria.
- b) The prioritised list must be included in the IDP
- c) The prioritised list must be re-evaluated annually in accordance with the IDP process
- d) The prioritised list must be communicated to all stakeholders
- e) Funds must be provided on the Capital Budget for the prioritised engineering services.
- f) The Municipal Manager or the IDP Co-ordinator by delegation, shall be responsible for the prioritisation of development objective areas/projects

17.4 Demarcation of development objective areas

17.4.1 Criteria for the demarcation of development objective areas

- a) The strategic map included in the IDP together with the prioritisation list, serves as the only basis to identify the areas to be demarcated
- b) Criteria for drawing the cadastral boundary of the development objective area must be developed by the aforementioned multi-disciplinary team

17.4.2 Procedures for demarcation of development objective areas

- a) The identified areas must be demarcated by a skilled internal or/and external multi-disciplinary team, including the Municipal manager, Services and Planning Departments, according to the abovementioned criteria.
- b) A map to an appropriate scale, must be compiled for each area which will be subject to incentives
- c) A database comprising a property description of each property within the area must be compiled
- d) The maps and database must be revised annually in accordance with the IDP process
- e) The maps and data base must be made available to all stakeholders
- f) The Municipal Manager or the IDP Co-ordinator as delegated, shall be responsible for the demarcation of development objective areas

17.5. Incentives related to development objective areas/projects

Incentives must be determined and listed for each development objective area/project. Based on unique circumstances within the different demarcated areas, the extent of the incentive may vary between the different areas, services, locations and land-use activities

17.5.1 Criteria for determining incentives

The following principles must be considered before determining the extent of the incentive for a development objective area/project:

- a) The availability of services
- b) The type of development/ (infill developments and densification of existing areas should receive priority)
- c) The type of projects (labour intensive projects and projects aimed at economic development should receive priority)
- d) The initial cost of installing the service
- e) The extent to which the rates base will be broadened
- f) To what extent does the development or project promote the functional integration of historically disadvantaged areas
- g) To what extent does the development or project strengthen and develop existing nodes to encourage mixed land use and functional diversity
- h) To what extent is the development or project aimed at industrial development zones and employment creation industries
- i) To what extent does the development or project promote or contribute towards social upliftment, vocational training and education
- j) To what value is the development or project to the community

- k) To what extent is the development or project aimed at promoting the exporting of products
- l) Does the development or project contribute towards the central business area

17.5.2 Procedures for determining incentives

- a) Incentives must be determined by a skilled internal or internal and external multi-disciplinary team including the Municipal manager, Services and Planning Departments, in accordance with the abovementioned criteria
- b) Incentives must be reflected in terms of a percentage discount or a fixed discount amount based on the method of calculation for the contribution
- c) The Municipal Manager or the Services and Planning Departments as delegated, shall be responsible for managing the process to determine incentives in respect of each service and each development objective area/project

17.5.3 General remarks regarding incentives

- a) Incentives should be provided to strengthen and develop existing nodes and corridors to encourage mixed land use and functional diversity
- b) Incentives should complement the IDP/SDF and vice versa
- c) Incentives should benefit labour intensive/producing projects
- d) Densification should receive priority attention.
- e) Incentives should be supportive of municipal priority issues.
- f) Affordable housing should receive priority attention.
- g) All the service departments should agree on a consensus basis, which development objective area/project are to be areas of incentives. In other words, there should not be different areas for different services.
- h) Each of the development objective areas for which incentives have been determined, must be formally proclaimed as an area of incentive in respect of engineering services.
- i) The development objective area must have been demarcated.
- j) The basic services must have been installed where the demand justifies it.
- k) The Municipality must approve the prioritised list of development objective areas/projects, the boundaries of such areas, the incentives to be provided as well as the financial implications related to the incentives.
- l) Incentives for development objective areas/projects, must be published by the Municipal Manager and must include the effective date of implementation.
- m) The Municipal Manager or Services and Planning Departments by means of delegation, shall be responsible for facilitating the process to proclaim development objective areas/projects and incentives.

18 STAKEHOLDER, INTERESTED AND AFFECTED PARTIES

18.1 There are three sets of primary stakeholders. The first set consists of the district municipality, local municipalities and their various departments that have a direct interest in the development charges system. They have been included in the development of this policy.



MUNICIPAL DEPARTMENTS



INDUSTRY



COMMUNITIES

18.2 The second set of stakeholders includes the land development industry, which includes both the private sector as well as the public sector entities engaged in land development such as the provincial and national authorities responsible for low-cost housing.

18.3 Thirdly, there are civil society organizations, communities, citizens, the business community and ratepayer associations, as well as special interest groups that are affected by this policy.

19 TRANSITIONAL ARRANGEMENT

19.1 This policy will come into effect on the date of approval by the Council.

19.2 All new land developments applications approved after the date of approval of this Development Charges Policy will be subject to the policy.

20 IMPLEMENTATION, MONITORING, EVALUATION AND CONDITIONS FOR POLICY REVIEW

20.1 The finance directorate will be responsible for the collection of data for purposes of for monitoring the implementation of the Development Charges Policy. The use of development charges shall be reported on in the municipality's financial system and be subject to the municipality's standard auditing procedures.

20.2 The information, broken down by service and by applicable region, must be published annually by the municipality and used for the evaluation and review of the policy:

20.2.1 Value of Development Charges levied.

20.2.2 Value of Development Charges received.

20.2.3 Value of the external infrastructure provided by developers as payment in kind.

20.2.4 Expenditure from all Development Charges funds.

20.2.5 Value of rebates / exemptions awarded and sources of alternative funding.

20.3 *The following conditions can lead to reviews of the policy:*

a) The growth of the municipality deviates considerably from the growth management model; and/or

b) The engineering service provision duties of the municipality change; and/or

c) An under- or over-recovery of bulk infrastructure costs are detected.

20.4 Adjustments: Annual escalation, based on the escalation determined based on the indices prepared shall be applied to the rates. Adjustment to the calculated rates per kl will be made by the municipality when base-line information regarding the CRC of bulk infrastructure is improved and if it is deemed necessary.

20.5 Administrative arrangements:

In order to implement this policy, the following implementation procedures will apply and have to be prescribed in the appropriate by-law:

20.5.1 Application procedure

i) Land development applications must be submitted to the relevant departments of the Municipality for approval.

- ii) A Department may impose conditions relating to the development and, conditions relating to Development Charges. This must include conditions relating to the time within which payment must be made.
- iii) If a developer wishes to obtain additional development rights in the future over the rights already approved, a new application will be necessary in terms of the relevant planning legislation and the Development Charges must be recalculated.
- iv) The final Development Charges must form part of the conditions to be approved and must be reflected in the calculation.
- v) The final approval of the conditions will be binding in terms of the relevant land use or planning legislation. Section 51 of SPLUMA makes provision for appeals against the decisions of a municipality in relation to Development Charges which should be referred to the Municipal Manager.

20.5.2 Information required from the Developer

- i) In terms of the relevant legislation, the Municipality may entail from the developer any information essential for it to assess an application. This comprises information that will allow it to determine the necessary Development Charge.
- ii) The type of information that a developer must make available, as well as the format in which it is provided will be prescribed by the Municipality from time to time. These details, however, will differ according to the type of land use change planned as well as the extent of the proposed project.

20.6 Infrastructure in Lieu of Development Charges

20.6.1 If a developer installs bulk engineering services in lieu of paying Development Charges, it shall be in terms of an agreement with the Municipality, and :

20.6.2 The agreement must specify the bulk infrastructure to be provided in lieu of the charges, as well as the extent, design and standards to which the infrastructure will be built, include a program and completion date, and specify the cost of the infrastructure and that the assets are be transferred to the Municipality.

20.6.3 The municipality may require the developer to provide a bank guarantee equal to the value of the infrastructure to be so constructed. The cost of the infrastructure constructed, if it does not include all of the bulk services infrastructure required for the project, should be proportional to the extent constructed relative to the total.

20.6.4 The developer must provide all information required including the design and allow the municipality reasonable access to procurement and construction processes regarding the infrastructure construction for the Municipalities to be able to ensure that the process is fair and the infrastructure provided meet all requirements. Accurate records shall kept of all costs and payment certificates by the developer to verify final costs.

20.6.7 In agreement with the Municipality, a developer may install bulk engineering services in lieu of Development Charges.

20.6.8 The developer may deduct the cost of the bulk infrastructure to be installed from the Development Charges for that specific development, provided that:

- a) a written Services Agreement is entered into between the developer and the Municipality. The Services Agreement must specify the infrastructure to be provided in lieu of Development Charges and the standards to which the infrastructure is to be built. It should further specify the cost of the infrastructure and the assets to be transferred to the Municipality;
- b) the developer and the Municipality sign the Services Agreement prior to commencement of the works to be provided in lieu of Development Charges;
- c) the implementation programme and expected transfer date is documented;
- d) in terms of local government legislation, the Municipality may not issue any clearance otherwise outstanding to the developer or approve a building plan in relation to the particular development prior to the fulfilment of the commitment and provision of a guarantee;
- e) procurement of a service provider/s by a developer to build and install the infrastructure specified in the Services Agreement shall comply to the following:

- i) The process followed by the developer for calling for bids from infrastructure providers must be fair and competitive. The developer should appoint the bidder offering the most cost effective bid;
- ii) the Municipality reserves the right to participate as an observer in the bidding process in order to ensure that it is fair, and a sensible selection is made;
- iii) the developer shall keep accurate records of payment to verify final payment certificates;
- iv) the Municipality may have access to all applicable records relating to the construction process;

20.6.9 The final value of the assets transferred must be checked in correlation with the original Development Charges and any balance due by the developer must be paid in full.

20.6.10 Where the developer installs external infrastructure of a higher value than the Development Charge required by the Municipality the additional amount may be offset against the Development Charges for following phases of the same development.

21. CONFLICT OF LAW

This policy comes into effect on the basis of Bylaws adopted and developed in terms of the SPLUMA Act, Sections 40 (7) (b) and Schedule 1 (y), with the specific purpose of enabling the IDM to implement Development Charges as intended in terms of is effective across the area of jurisdiction of the IDM. This policy supersedes and replace any policy of IDM, or of the LM's within the area of jurisdiction, to the extent that it affects Development Charges (previously known as bulk service contributions) for water and/ or sanitation services.

22. SHORT TITLE

This policy is called the Mandeni Local Municipality Development Charges Policy, 2019