

DRAFT

TECHNICAL NOTE

ECONOMIC CONTEXT

Central Area and CBD Extension Node Local Area Plan

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This technical note represents the Phase Two Deliverable for the Central Area and CBD Extension Node Local Area Plan.

Contract No SCM 65 of 11/12

Prepared for
Msunduzi Municipality



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Draft : Version 1

8 May 2013

1 THE GENERAL OVERVIEW OF THE MSUNDUZI ECONOMY¹

The Msunduzi Municipality (MM), as part of the Ungungundlovu District Municipality, features as the third largest concentration (second according to Clive Coetzee's of KZN Treasury's estimates) of economic activity (after Uthungulu District and the Umhlatuze Municipality) and the second largest concentration of employment (after Ethekwini Municipality). Although Ethekwini comprehensively dominates the Provincial economy the Msunduzi Municipality and its surrounding areas are an important site of economic activity along the N3 corridor to the country's economic heartland in Gauteng. Being less than an hour away from Durban, the MM area, centred on Pietermaritzburg, is often seen as being relatively well integrated within the Province's economic hub as reinforced by the many varied business linkages (for example automotive supply businesses) and commuter traffic suggest (growing volumes of private vehicle, freight transport and passenger transport modes (taxis and busses).

The MM also has some important characteristics related to its service role to the midlands hinterland region – in fact serving a population close to the size of Ethekwini's – but obviously dispersed over a wide region stretching as far as the nodes of Estcourt, Ixopo and Greytown. This has always provided important thresholds for the city of Pietermaritzburg and in turn been important to the service needs of surrounding communities. In recent years this has been substantially reinforced by the confirmation of the capital status and the subsequent decision to consolidate much of the administrative infrastructure and its substantial associated employment in Pietermaritzburg. The change has had important ramifications for the city in terms of changes in the residential and commercial markets. Certainly in the retail and property sectors, many businesses highlight this as having been a very important factor. The status of educational institutions has also helped consolidate a reputation of the MM as a place of quality primary, secondary and tertiary education (although this in fact refers to a relatively narrow range of institutions).

The connections in which the MM finds itself located are also closely connected to the extensive agricultural activity in the greater midlands area and often the critical sector, along with public sector employment in areas on the periphery of MM. Farming activities including dairy, timber, mixed cropping, poultry, beef and some presence in other agricultural activities. Many of these activities depend on the MM area for supplies, services and post harvest

processing activities as well as for logistics connectivity. However, the sector has had a variable performance as costs of production have increased, land reform uncertainty has persisted and employment has continued to decline.

In more recent years the reputation of the region has been substantially tarnished by combinations of governance and technical crises in the political-administrative complex of local government. This has included sustained periods of highly uneven and erratic service performance in critical fields (such as electricity) aggravated by poor maintenance and uncertainty around infrastructure programmes and provision. This did much to undo the reputation, at least amongst the business community, that the MM was for a period characterised by a solid "can-do" approach. Recent restructuring efforts to "turn-around" the municipality and its performance have been showing some progress and are critical in recovering a position of confidence. Work such as that of the GEDI has been pointed to as reflecting some solid progress in some service and planning fields. The prospects of a metro (category A) status for MM and its surrounds have raised concerns amongst stakeholders of a sustained period of further restructuring and the consequent loss of focus on core business. However, there is some recognition that boundaries established in the past often appear somewhat peculiar in the light of real connections that are experienced by residents and businesses.

This being said the MM area and its surrounding areas do serve as something of a tourism staging post and have been positioned to take advantage of the growing trend of event-driven tourism (UCB World Cup events, Royal Show and the like). The region attracts considerable numbers of in-Province visitor trips although the benefits are dispersed over a wide area. Local actors in the sector indicate that the decline in urban maintenance (public and private) has rendered much in the way of local MM attractions (particularly those in the city centre such as Museums and historic buildings and districts) of declining interest to visitors.

The MM region remains, despite the relatively high public sector employment and the related wage income, characterised by levels of poverty amongst over half households where unemployment remains a persistent factor. The region also has employment associated with seasonal work in the agricultural sector which results in irregular and often lower wage income. These challenges of unemployment and poverty have been aggravated by ongoing migration to the city and its surrounds as rural-based households seek to develop connections to sites of more substantial economic activity. In some cases this is also a product of even weaker local government performance in other areas. This presents ongoing service delivery, land management, settlement and economic development pressures. These dynamics impact substantially on dynamics such as the growth in informal economic activity.

¹ Thank you to the staff at RHDHV for supporting information and material as well as to Msunduzi Municipal officials as well as those of the Provincial Government for information and insights. Thanks also to other stakeholders who shared their insights. All errors are those of the author.

As noted previously the MM had, at one stage, a relatively good reputation with local business stakeholders and other key institutions. It is notable that some of the key processes associated with this have been sustained and this does reflect some confidence in place. For instance the development proposal evaluation committee is notable as are processes such as the Midlands Innovation Development Initiative (MIDI). The efforts of these structures has influenced some developments such as the upgrade of the Msunduzi (Oribi) Airport – supported by substantial Provincial Government capital injections - and other local processes.

On the horizon initiatives such as those related to the Presidential Infrastructure Coordinating Committee's Strategic Infrastructure Projects (SIPS) are likely to be very influential in the city's future. Government's commitment to improved infrastructure investment at a national scale has already been seen in the upgrade of the Church street interchange on the N3. Plans are also being taken forward on the passenger rail front between Durban and Pietermaritzburg. It is critical that the MM and its stakeholder partners interact with some boldness with these processes to influence them and secure sustainable local benefit.

2 SOME RELEVANT ECONOMIC PERFORMANCE INDICATORS

The section does not aim to provide a comprehensive quantitative overview of the MM region's economy. Such an exercise is beyond the brief of this project. However, in the absence of MM generated data some indicators are presented to inform the context discussions. It is worth noting that accessing, analyzing and presenting a variety of data sources on the economy is a critical function in a locality of the relatively economic significance of the Msunduzi area.

Limited data from three main sources is briefly presented below and supplemented by some material from municipal provided sources where appropriate as local council level data is notoriously inaccessible. Sources used here include material generated by the consultant in assisting the Ethekewini Municipality with its analysis of the regional economy obtained from the IHS Global Insight source. Reference is also made to material generated by Clive Coetzee in his capacity as analyst working in the Provincial Government Treasury. Some material has also been sourced from Statistics South Africa with reference to building plans.

Two critical indicators are presented first for consideration. These relate to economic growth and total employment. The sources of this data do not allow for a local council level analysis so the material is presented for the Umgungundlovu District. Here it is worth noting that it is generally accepted that a substantial part of the activity discussed takes place within MM or has close linkages to what takes place in MM. Of note here are trends as well as changes in shares of activity over time.

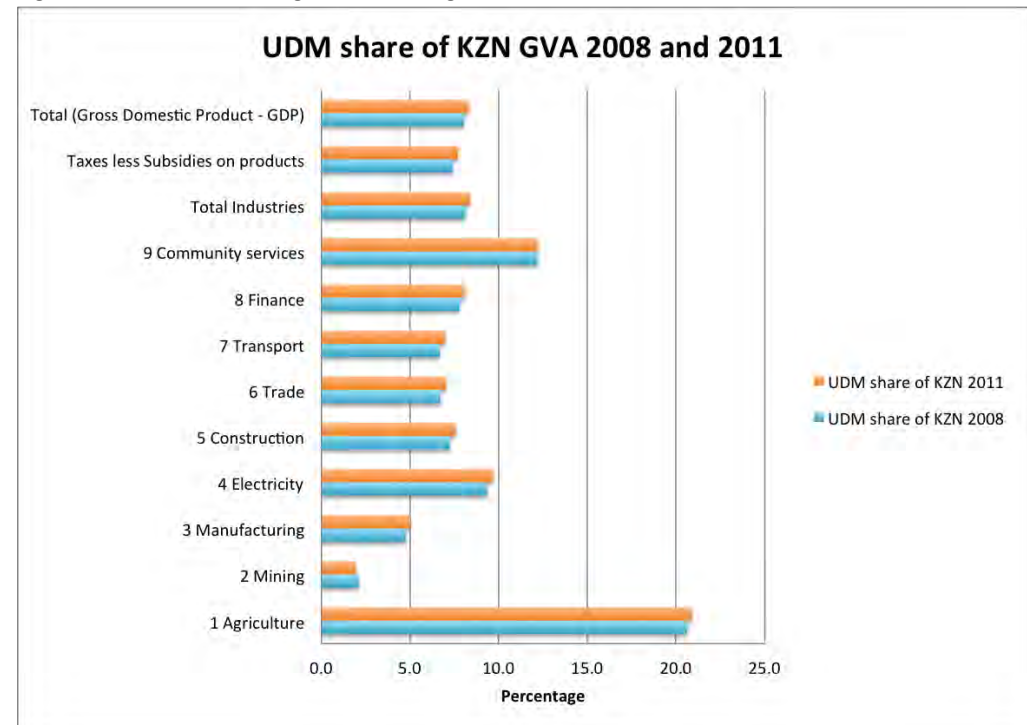
In the first instance Figure 1 provides a sense of the UDM share of the KZN economy. In 2008 this stood at 8% of the KZN economy and in 2011 this has risen slightly to 8.3%. This is a slightly smaller share than that of the Uthungulu District's share, which was 8.9% in 2008 and declined slightly to 8.5%. Both are obviously significant lower than the share of the Ethekewini metro at 64.8% of KZN GDP in 2011 (against 64.6% in 2008). These changes are really too small to make any significant comment on but if one stretches the analysis some way back it can be seen that something of a trend exists for the major urban centres in KZN to steadily increase their share of KZN's economy. This does not mean other centres are not growing, but does suggest that Ethekewini and Msunduzi have grown a little faster than these other areas, hence also growing their share. However, this has been a very turbulent period and one should not read too much into this as growth rates have been very subdued.

It should be noted that the data generated by Clive Coetzee of KZN Treasury has slightly different allocations around shares of the KZN economy. For instance he suggests that Msunduzi (as opposed to the UDM) has seen its share of KZN GDP remain relative constant at 8.2% in Q1 2008 to 8.07% on Q1 2012. In Coetzee's calculations this is larger than the 5.89%

contribution of Richards Bay (as opposed to Uthungulu as whole). It is interesting that in Coetzee's data set the Msunduzi economy is seen as having grown at an average annual growth level of 3.96% between 2003 and 2012- higher than the rate for KZN over this same period. This confirms the tendency for KZN urban centres to grow faster than the KZN economy as a whole which is likely to reinforce their dominance in total economic activity.

From Figure 1 we can also see that to a large degree the share of UDM by sector has remained constant. There are some minor adjustments upward in the share of sectors such as finance, manufacturing and agriculture. This reflects that Msunduzi's relatively diversified economy has experienced some growth in importance relative to Uthungulu position where a predominance of large-scale industries exposed to global turmoil and flat performance of the coal terminal might have had an impact.

Figure 1. UDM share of KZN growth including sector detail

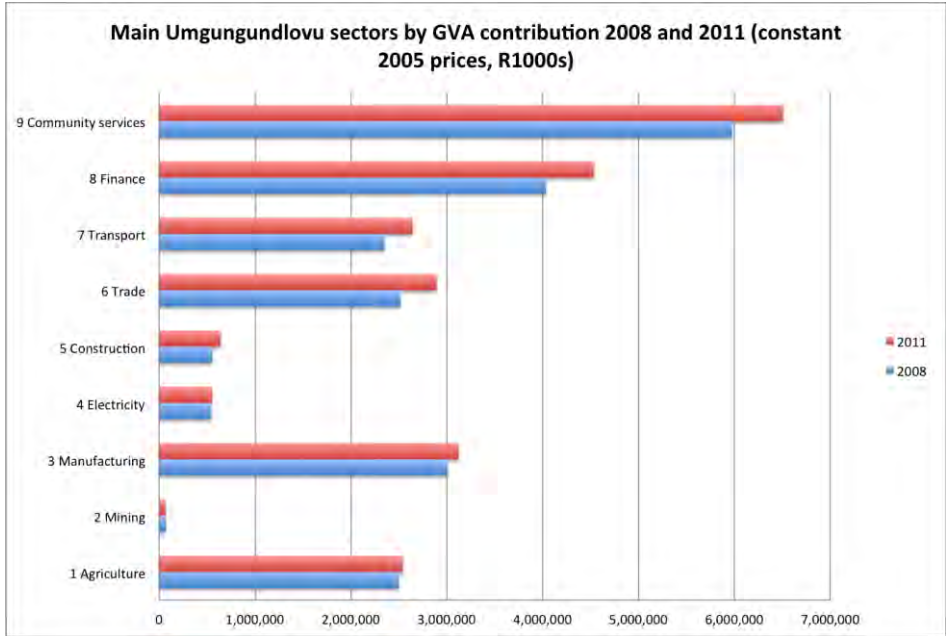


(Source: Robbins calculations from EThekewini Regional Overview with IHS Global Insight Data)

In Figure 1 the status of the district and also the MM as one of KZN’s most important agricultural and agri-business sector is notable as is the relatively high share of community services (or government employment).

The UDM’s own economic make up has evolved a bit over this time. This is illustrated in Figure 2 where main sectors and their change in contributions over time are presented. Here it is noteworthy that nearly all sectors have increased their contributions to the local economy in real terms. Notable in this has been the ongoing growth in community services as KZN Province has continued to expand its employment and its activities based in Pietermaritzburg. However, it is also worth considering the growth in finance, transport and trade reflecting Msunduzi’s own experience with some new investment in these activities and their growing output.

Figure 2. UDM main sectors economic activity 2008 and 2011



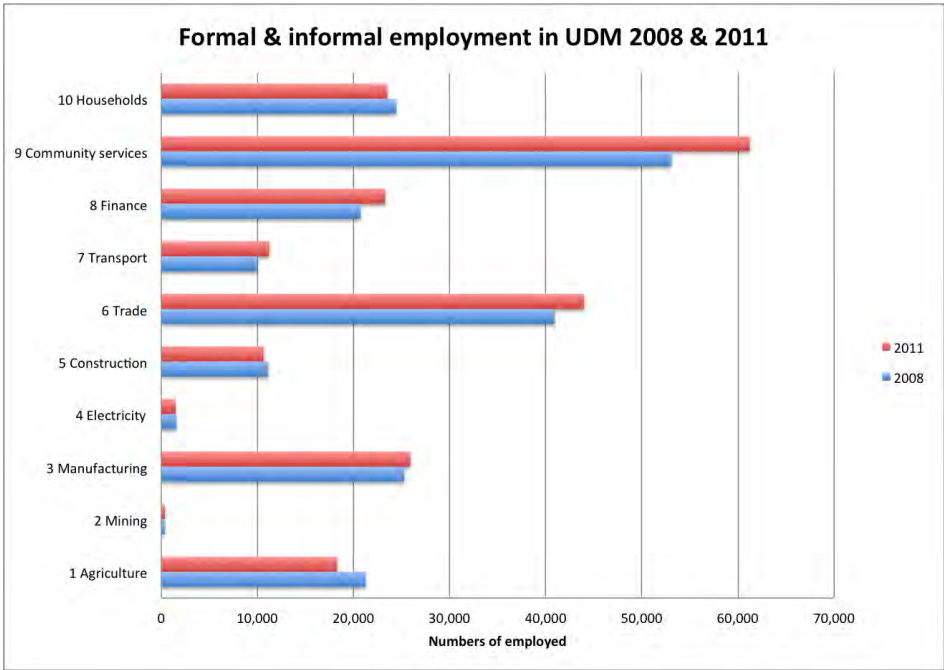
(Source: Robbins calculations from EThekweni Regional Overview with IHS Global Insight Data)

Figure 3 provides some information on employment in the UDM area and compares formal and informal employment in the 2008 period with the 2011 period by main occupational sector. In the first instance it is worth noting that in general terms employment growth, while it has occurred, has been generally below 2% per annum with much of the growth in informal employment, public sector employment and retail employment. The figure shows clearly how

significant public sector employment growth (at over 5% per annum) has been in this overall picture and both this category and retail employment are largely concentrated in Msunduzi Municipality.

Analysis of other data for the Province as a whole shows creeping unemployment with figures not rising as sharply as one might expect mainly because of a disturbing level of growth in discouraged work seekers. In survey terms if someone has not been actively seeking employment for two weeks they are not considered unemployed. Furthermore, it should be noted that these employment figures, as was stated above, do include informal employment which would include a variety of activities ranging from begging, street trading, home-based work activities or subsistence production of one sort of another. It would be expected that around a quarter of UDM employed would fall into this category. Levels of seasonal work associated with agriculture are also important to consider in that they can result in considerable fluctuations across annual data.

Figure 3. Employment in UDM (formal and informal) 2008 and 2011



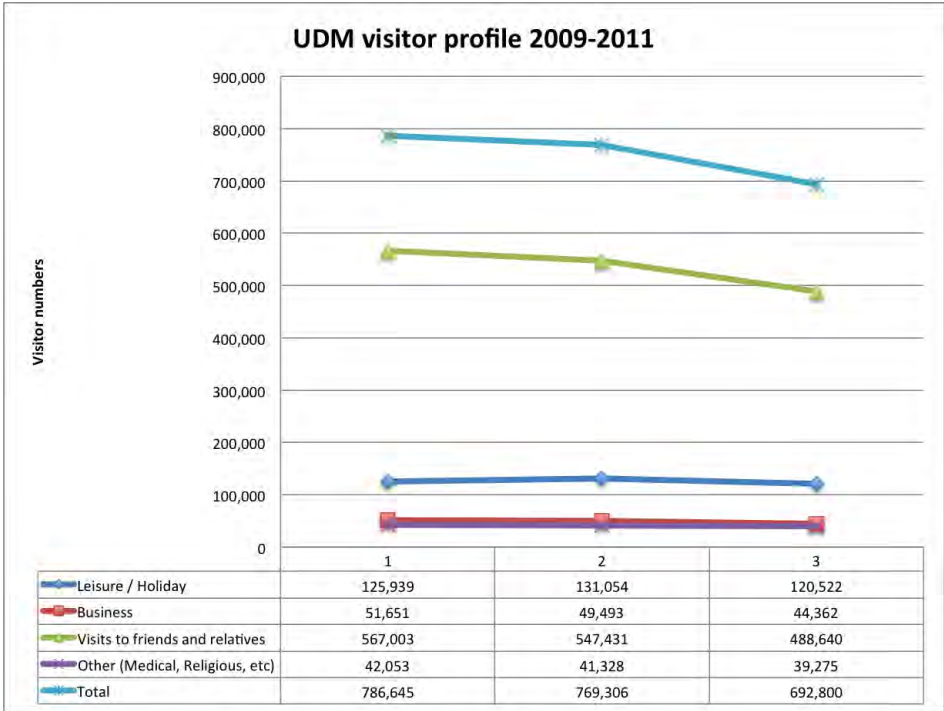
(Source: Robbins calculations from EThekweni Regional Overview with IHS Global Insight Data)

Tourism has always been a feature of the district strategy and its real economy. In recent years figures suggest that the UDM are has captured around 9% of the total visitor numbers traveling within the Province (KZN origin and from outside KZN). This is on par with the economic performance of the area but observers suggest it is below what might be expected considering the tourism assets in MM and beyond. A closer look at the data shows that almost three quarters of the trips are visits to friends and relatives and are quite likely made up of migrant workers doing vacation return visits and others in the province visiting friends and family. These visitors tend to not spend that highly and more often than not take advantage of accommodation provided free by family members of friends. However, they do offer some economic injection while they stay in the area. However, the second category, that of leisure and holiday tourists, makes up around 17% of the total – around 120 000 people in 2011 (or around 10 000 people a month if not adjusted by season or around a theoretical level of 333 bed nights per day across the entire district²). Those in the know say that they would estimate the split of leisure and tourist visitors at around 50% for MM and 50% across the remaining local municipalities within the UDM, with MM’s figures influenced heavily by major events such as the Dusi and the Comrades.

Of some concern when looking at the figure below is the recent trend of decline in visitor numbers driven largely by a decline in friends and family visits. This is mostly likely to do with ongoing economic conditions in the country and the fact that so many households have such high debt that making these trips has become unviable for them. It seems the other categories are slightly less sensitive to this but are not showing any significant growth signs at present.

² Theoretical as the visitors might come only for the day and leave again. Some estimates would suggest that for this area this would constitute at least half of visitors with most staying in Ethekekwini.

Figure 4. UDM visitor profile 2009-2011



3 A CLOSER LOOK AT THE PROPERTY SECTOR

It is also worthwhile examining information on the property sector as these matters concern municipalities because of the implications for planning, sustainability and revenue. Property is an important element of the economic processes in a place and has connections to construction, commercial development (finance, retail) and industrial development of various types. It is important that figures be considered across time as generally these are highly volatile. Once again the recessionary period as a result of the 2008 economic crisis had a significant impact.

Drawing largely from Stats SA there is some scope to comment on both building plans passed in Msunduzi and buildings complete. Reporting on both these categories is somewhat uneven and the data should ideally be tested against other sources. For instance it is noted that during periods of institutional crisis some municipalities return incorrect figures which only get corrected (if at all) later on. In an attempt to avoid too much being read into any one set of data three different periods have been considered where data is available, 2008, 2010 and 2011. Furthermore, to make sense of this material it is also worth situating Msunduzi in the context of other municipalities and their performance.

Drawing from the Stats SA 2012 releases on **2011** building plans data the following statement provide a clear sense of the over KZN municipal building plans performance environment. "Ethekwini Municipality recorded the highest value of **building plans passed**, contributing 67,0% or R8 359,7 million to the total of R12 473,2 million reported for KwaZulu-Natal during 2011, followed by KwaDukuza Municipality (12,7% or R1 583,8 million), **Msunduzi Municipality (6,1% or R764,4 million)**, Newcastle Municipality (4,2% or R528,0 million) and Hibiscus Coast Municipality (2,9% or R355,7 million) (see Figure 15.1 and Table D, page viii)." (Stats SA, 2013: xx) It is notable, that at least within the Provincial context, 2011 was a relatively good year for plans passed for Msunduzi.

It is also worth looking at the types of building plans that were being considered and passed, and from an economic activity point of view, non-residential buildings are most relevant. In KZN, during 2011, "The category non-residential buildings contributed 36,9% or R4 599,6 million to the total value of building plans passed in KwaZulu-Natal during 2011. High values were recorded for industrial and warehouse space (contributing 12,0% or R1 495,8 million to the total value of building plans passed), followed by shopping space (contributing 9,2% or R1 152,7 million) and 'other' non-residential space (contributing 9,2% or R1 149,6 million) (see Table 41.1 and 41.2, pages 54 and 55)." (Stats SA, 2013: xx) The big contributors to non-residential plans, apart from Ethekwini, were Emnambithi / Ladysmith at R185,2m; City of uMhlathuze at R350,3m; the Hibiscus Coast at R355,7m; Umngeni at R229,8m; and KwaDukuza

R1 583,8m. It is notable that Msunduzi did not feature that well in the category but that its neighbor, Umngeni did (probably related to mixed use developments planned at the Cedara and Howick intersections).

In terms of other important categories the Stats SA report points out that, "Residential buildings contributed 35,0% to the total value of building plans passed during 2011[in KZN]. The largest portion can be attributed to dwelling-houses (22,5% or R2 803,8 million), followed by flats and townhouses (12,5% or R1 553,5 million) (see Table 37, page 50). The highest values for new dwelling-houses larger than 80 square metres were recorded for Ethekwini Municipality (R1 192,4 million) and KwaDukuza Municipality (R869,9 million) (see Table 38, page 51)." (Stats SA, 2013: xx) The other three large contributors were Umdoni R82,2m; Newcastle R528,0m; and Msunduzi R764,4m. It can therefore be seen that Msunduzi featured well in the residential category for the year 2011 – something that most observers would say has a lot to do with the growing public services employment which is associated with housing subsidies and relatively good comparative wages even in the lower segments. (Stats SA, 2013: xx)

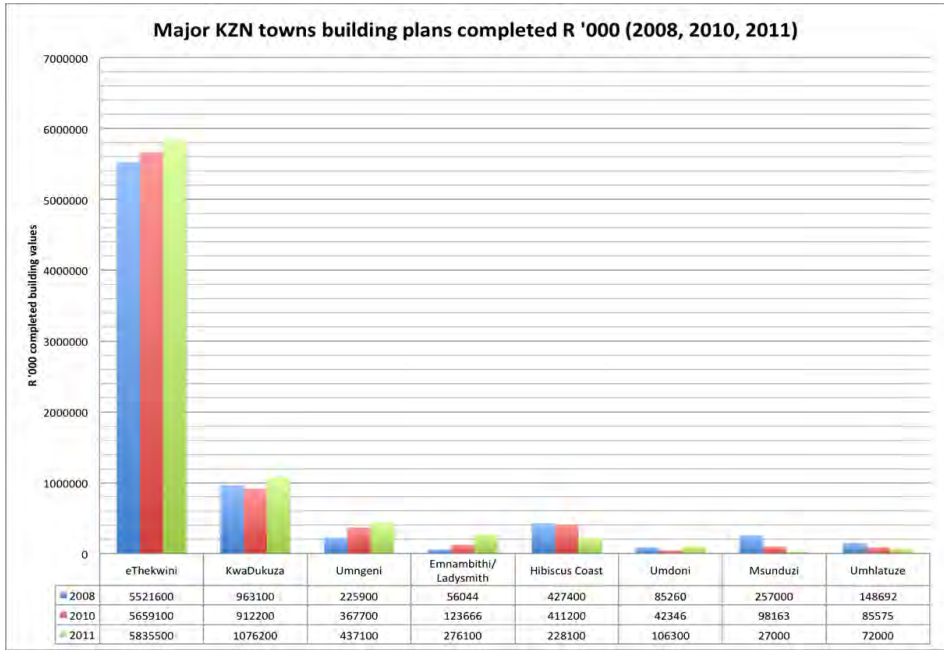
It is also important to get a sense of actual buildings completed. This would obviously reflect how many plans passed in previous periods are converted into actual projects. According to Stats SA, "The value of buildings completed in KwaZulu-Natal was to a large extent dominated by the completions reported for Ethekwini Municipality (contributing 71,7% or R5 835,5 million to the total value of R8 136,0 million). Second in line was KwaDukuza (13,2% or R1076,2 million), followed by Umngeni Municipality (5,4% or R437,1 million), Emnambithi / Ladysmith Municipality (3,4% or R276,1 million), Hibiscus Coast Municipality (2,8% or R228,1 million) and Umdoni Municipality (1,3% or R106,3 million) (see Figure 16.1 and Table F, page xi)." (Stats SA, 2013: xxi) Obviously it is notable that Msunduzi, despite being the third largest economic hub in the Province, does not feature amongst the largest contributors in the aggregated category. City of uMhlathuze value of building plans completed for this period was only R72,3m. Umngeni's performance is once again significant, driven largely by residential development stock but also with some non-residential development.

In terms of the 2011 period for buildings completed, "Residential buildings contributed 38,2% to the total value of buildings completed during 2011. The highest value was reported for dwelling-houses (contributing 24,2% or R1 968,0 million to the total value of buildings completed), followed by flats and townhouses (13,5% or R1 099,2 million) (see Figure 16.2). The highest value for dwelling-houses was recorded for Ethekwini Municipality (R1 101,3 million), followed by KwaDukuza (R461,3 million) and Umngeni (R197,9 million) municipalities (see Table 107, page 138)." (Stats SA, 2013: xxi)

“The largest value for non-residential buildings completed was recorded for shopping space (11,1% or R899,5 million), followed by industrial and warehouse space (10,3% or R839,9 million) and ‘other’ non-residential buildings (7,9% or R644,8 million) (see Figure 16.2). Ethekwini Municipality reported large values for the completion of shopping space (R574,4 million) and industrial and warehouse space (R689,0 million) for 2011 (see Tables 111.1 and 111.2, pages 142 and 143).” (Stats SA, 2013: xxi)

When looking across the time period inclusive of 2008 it is noticeable that in terms of building plans passed by value Msunduzi has been performing in similar terms of municipalities of Umdoni (holiday-related real estate, commercial and public housing projects), Umhlatuze (residential and industrial), and Ladysmith (residential, commercial and public housing projects). It has been converting a similar proportion of projects from planned to completed but in these periods received a declining proportion of planning applications and of these few progressed. This trend, presented in Figure 4 (below) is clearly one that needs attention as it suggests that in general terms Msunduzi has not been very attractive to property developers.

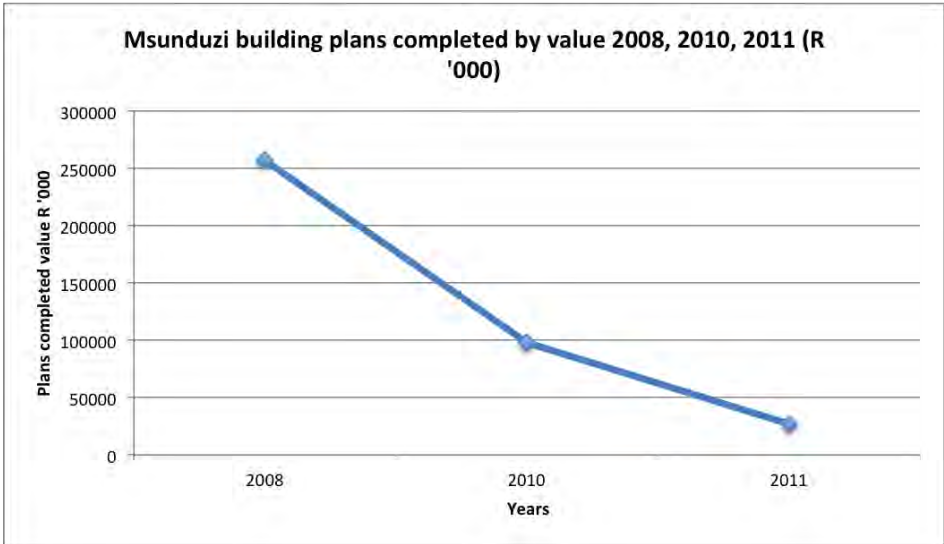
Figure 5. KZN major towns and cities building plans completed comparisons 2008, 2010, 2011.



(Source: own calculations from Stats SA, 2009, 2011, 2011)

Looking a bit more closely at Msunduzi for these periods the Figure below (Figure 6) provides a sense of this decline in building plans completed. Clearly this is much influenced by general economic conditions, but in broad terms it would be expected that an economic significant area with some strong employment would perform much better relative to other centres.

Figure 6. Msunduzi building plans completed 2008, 2010, 2011



(Source: own calculations from Stats SA, 2009, 2011, 2011)

Drawing on other sources of data some additional comments can be made. Firstly there have been a number of spatial shifts worth commenting on. The centre of Pietermaritzburg has almost no premium rated office space (at times called category A space). This has steadily declined over the years and is almost all concentrated in smaller single occupier buildings. The bulk of private building office stock is rated as C or not rated with some limited B grade stock. Public owned office stock is generally in the B to C range. However, it is worth noting that the demand for offices from the public sector has pushed up rentals in these lower grade office buildings to levels higher than would conventionally be expected. This might also have something to do with weak public sector capabilities around negotiating office deals and demand for facilities that have BBBEE ownership. Almost all the A grade office stock and the highest office rentals are commanded in more peripheral office nodes, most notably in the Montrose area. Vacancy rates are estimated to be below 10% in the core CBD because of public sector demand. However, it is worth noting that in areas of the CBD, some former office buildings and commercial stock has been converted to residential – formally or informally.

It should also be noted that many private office tenants are cautious about being in buildings or districts dominated by public sector occupiers of buildings. This has something to do with a generally poor reputation the government has in maintaining its building stock. Obviously the partial breakdown in public services in the CBD as well as general management deficiencies and inadequate investment and planning controls has increased the risks for developers and tenants in some areas hence the flight to areas where they see some greater predictability in their environment. This is aided by the fact that many of the corporate and business office space occupiers and their client base use private motor vehicles and thus not only need safe parking (at a premium in the CBD) but also can accommodate a peripheral location, which for instance would not work for all retailer categories. Some data obtained from Real Estate actors active in the local market suggest that public sector demand and the associated demand of office occupiers that do business with government has been important in a generally low vacancy rate and rentals that are reasonably strong for the grade of office space available.

In terms of commercial property in Msunduzi there has been some sustained demand and interest in more semi-peripheral sites such as those associated with the Liberty Mall precinct and more recently, the start of the project at the recently completed N3/Church Street interchange, anchored by Shoprite Checkers. Commercial retail rentals are relatively strong in suburban areas and even on sites alongside routes to some major peripheral residential township areas as retailers and developers respond to growing market demand associated with these areas. However, KZN as a whole performs quite poorly attracting only around 10% of these developments as developers and retailers note the Province's lower per capita GDP figures and consequent lower disposable income. Despite this relatively subdued context there is interest in the sector, including in neighbouring municipal areas. These could reduce demand for some types of land category in Msunduzi but the area should begin to see ongoing demand for more peripheral development sites associated with the development corridor with Durban as well as the hinterland service economy role performed by Msunduzi.

Industrial stock has remained relatively stable during a period when demand for manufactured products has been performing very weakly for a number of years. Msunduzi has quite a vibrant manufacturing sector ranging from very large operations such as Hulett Aluminium through to many smaller and medium concerns supplying the provincial, national and in some cases the international market. Areas on the northern side of the N3 have been the traditional industrial heartland of Msunduzi and are well located relative to the N3 corridor. However, there is not much scope for expansion of these uses and there is some considerable concern about service quality and decay of the areas. Demand for industrial land around the Camps Draft area and Mkondeni has been noticeable over the past years and some scope exists to incrementally grow these. However, investors in these site also raise matters of the municipal environment and service quality. Developers active in the sector point out that they would expect to

accommodate new demand in the Umngeni municipality and on the N3 corridor towards Durban should planning approval be secured. The bulk of this demand is from logistics and distribution operations but also some lighter manufacturing. The fact that property prices are cheaper than Durban and the problems of congestion and lack of suitable sites is something that would work in the regions favour. However, fragmented land holdings and concerns about the capacity of the municipality to deliver infrastructure are matters needing attention as many companies will only consider sites in well maintained industrial estates shared with similar businesses.

In residential development terms Msunduzi's performance has been subdued to weak in recent years. The upper end of the market has seen competition from the Umngeni Municipality in particular, although developments around the Victoria Country Club area have also been strong performers. Public sector employment has provided a strong base for demand for mid-range and entry level private properties with quite strong performance in the rental market in better located areas. However, this has not translated into much volume in terms of new stock and has been made worse by the unwillingness of financial institutions to fund developers of residential property or private buyers. The fact that many people are highly indebted – including public sector workers – has been an issue affecting demand translating into new building stock. Public sector subsidy housing has been an important feature of the environment for some time and will continue to be so. Property developers and real estate actors see ongoing demand for residential stock along the major corridors on the periphery of Pietermaritzburg but say much must be done to boost confidence.

4 POLICIES AND PLANS

A range of public sector policies and plans are of relevance when considering the economic context of the area. These range from those at a national and provincial scale to those at a local scale. This section does not provide an exhaustive discussion of these but simply points to them as being relevant where appropriate.

The National Development Plan (NDP) combined with initiatives such as the Presidential Infrastructure Coordinating Committee (PICC) and the related Strategic Infrastructure Projects (SIPs) all suggest a highly “developmental” role for the state in influencing the trajectory and pace of development. The NDP highlights the imperative to build a capable state at all levels and to secure partnerships with other stakeholders to drive economic growth and employment to ensure poverty reduction and sustainable development. In this context it is notable that the MM has in the past been seen as being able to secure partnerships with other stakeholders and further that its actions have at times been associated with a position of being supportive of economic growth and employment creation. Structures such as the Development Facilitation Committee created to facilitate development are an important example of what can be done.

The fact that the N3 corridor itself will be subject to substantial national investment commitments and therefore also with private sector development interest will be important for Msunduzi to reflect on. This has already seen attention to the Chota Motala interchange with implications for links with the CBD such as the development of the new Shoprite Checkers adjacent to the N3. As will other aspects of the programmes driven at a national level such as those associated with public transport and urban development more generally. Managing the range of these demands will be something that the MM will need to attend to over the forthcoming years as they will place demands for capacity and investment without which MM could lose on opportunities generated. These will also place urban development pressures on places such as the MM as settlement growth will occur as will more challenging urban issues of pollution, congestion and unregulated activities. Some work also needs to be done to ensure national players engage more closely with the potential of urban spaces along these projects – not just seeing the in functional or instrumental terms – also viewing the national initiatives as helping craft a better urban environment to support sustained growth and development.

At the Provincial level, the Provincial Growth and Development Strategy (2011) and the Provincial Growth and Development Plan (adopted in 2013) provide some further guidance as to matters which district and local government as well as provincial and national government should attend to. The goal of job creation in the PGDS and the associated strategic interventions around agriculture, public sector supported employment creation, growth sectors, SMME and entrepreneurial development and knowledge driven economic processes

are all relevant to the MM and the district. As are the critical strategic goal areas of human resource development and strategic infrastructure and of spatial equity. The next few years are seen as providing space for other actors to craft a space for themselves in these and other plans such as the NDP. The process of seeking some alignment has begun at the district level and should also be actively pursued at the local level. Plans by Msunduzi to do a City Development Strategy have been on the table for some time and could provide an opportunity to interrogate areas of alignment and gaps where the locality might be able to offer something that was not considered in the first rounds of the other processes. In order for KZN to meet its commitments in the PDGP it is imperative that such an important area such as Msunduzi also makes its own contributions. If the Province is to contribute 2.1 million jobs to the national target by 2030 then MM would need to consider ways of increasing employment by almost one third over this period. In recent years the commitment of the Province to fund the upgrades of the airport at (Oribi/Msunduzi) are an example of what improved coordination and alignment could bring. Msunduzi Municipality has also participated in programmes such as the Corridor Programme of the KZN COGTA Department (which is funding the new tourism hub at Freedom Square). Much mooted plans to develop a new parliamentary precinct in the city have not been progressed – in part because of the persistent issues related to Provincial Government deficits in the mid-to-late 2000s.

Institutionally the alignment of planning with outcome targets and the adoption of measurable indicators is an important element in being able to determine the degree to which local areas are generating their contributions. However, critically the plans also provide a framework for spheres such as local government to hold other layers of the public sector to account. Municipal underperformance is often (but not always) also a product of failures at other levels and this would need attention. For example both the NDP and the PGDP place considerable emphasis on substantially improving educational outcomes. MM has long trumpeted itself as a centre of quality education. This is a widely supported assertion. However, the district is also home to a swathe of underperforming schools that serve the bulk of the population. A localities development path is substantially influenced by the educational profile of its residents and there should be an active dialogue between the local and other players on the state of education as a whole.

At the district level the UDM and its constituent municipalities have all produced IDPs and a variety of strategic planning documents. These have some common themes around the imperative to provide basic services, grow employment and business investment and extend and maintain infrastructure. Because the MM serves as a hub for the district and beyond the alignment in programmes and spending is critical. Processes around the metro issue might help support greater integration but it should also be noted that in many cases these have caused a substantial level of institutional turmoil in the first few years and do not provide a

panacea for problems experienced in the past. A variety of factors need attention at this level and have been noted in many of the documents. These would include service reliability and investment (for example in electricity and water/sewer systems) as well as more coherent spatial planning taking account of the interdependence as well as unique trajectories of different spaces.

The Msunduzi IDP for the period under review understandably places much emphasis on the strategy to recover the institutional integrity and performance of the institution. It also seeks to set out some plans for meet ongoing investment and service requirements in the MM area. The second strategic objective in the document is that related to Local Economic Development. This sets out plan 6 of the IDP as being related to Economic Development and Job creation. The following Organizational Objectives are specified:

- To stimulate economic growth through job creation, promotion of BBBEE, development of SMME's, co-operatives and agri-industry
- To promote sustainable tourism.
- To promote and stimulate business investment, retention and expansion

These objectives are broadly aligned with other strategic objectives in documents such as the PGDP. On page 21. Of the MM IDP the following is stated: "Emanating from our analysis in section F under Economic Development business unit, the Municipality has developed a number of strategies that will underpin our Local Economic Development Plan. Thus far, our District Municipality in partnership with other municipalities within the district developed the LED framework and finalized the City Local Economic Development Plan will be fine tuned around the uMgungudlovu District LED framework." (Msunduzi Municipality, 2011: 21)

Although detail on these plans is not available and has not all be thoroughly examined where it is in place the overriding issue raised by both stakeholders and municipal officials is the lack of resource commitments, the reputational matters already discussed and the capacity constraints. However, efforts at the MM level with the MIDI and other partnership bodies do suggest an eagerness to collaborate as the upgrades of Msunduzi airport suggest.

The LED team in the municipality has a range of projects they have been working on including an SMME incubator for Edendale, some sector projects such as Msunduzi ICT incubator and fashion sector and arts sector support. The team has also been involved in the Development Facilitation Committee and its processes related to developments as well as in processes such as those relating to the informal economy and tourism. The LED team has also been involved in considering a revised approach to informal business operating in the MM, and more particularly in the CBD.

Relatively recently (since late 2012) the MM and its stakeholder partners initiated the Pietermaritzburg Urban Renewal Programme (otherwise known as PURP). This has developed on work around upgrading the CBD commissioned by MM from Nathan Iyer. This is seen to have the following objectives:

- Creation of conducive and attractive environment
- Enhancement of rates revenue
- Job Creation
- Climate change - "Clean and Green"
- Infrastructure upgrade
- Energy efficiency
- Improving safety
- By-law regulation and enforcement
- To transform the face and the image of the City centre

Projects and interventions identified to date include:

- Rehabilitation of existing roads infrastructure
- Outdoor advertising management
- Energy efficient street lighting
- Informal trade management
- City beautification
- Street Parking Management
- Enforcement of Municipal by-laws
- Environmental Management
- Transportation Planning
- Road Traffic Signage and signals
- Urban Planning and Management
- Safety and security

Already progress has been made around delineation of parking sites as well as discussions related to the establishment of the proposed Informal Trade Chamber. It is expected some of this could be funded out of the COGTA Corridor programme.

5 SOME SPECIFIC COMMENT ON THE CBD AREA

The CBD and CBD extension areas are well located in close proximity to the N3 corridor and the variety of routes that connect the city to its surrounding hinterland. For these reasons the area has managed to retain a strong position in the KZN economy and more particularly as a regional centre of importance. Clearly the location of the Provincial government headquarters and the Provincial Capital status have been important in sustaining the relevance of the area. However, the diversified manufacturing base and the availability of relatively complex and deep services suppliers in the area is also important as is the city's historic role and a centre of education and training.

The CBD itself has a rich historical character which has seen observers identify it as one of the most important centres of Victorian colonial architecture. This status is further reinforced by the presence of some important provincial-level museums and other sites of cultural and historical significance. Pietermaritzburg is also known as having been an important site of contestation in the struggle against apartheid. It is associated with names such as Gandhi, Harry Gwala, Peter Kerchoff and Jabu Ndlovu in the decades long efforts to bring the apartheid government to its knees. For a period of time in the late 1980s and early 1990s it was also a site of considerable struggle for influence between the UDF structures and subsequently the ANC on the one hand and the IFP on the other. Considerable evidence was documented in the TRC of the apartheid government's attempts to exploit these conflicts for its own gain. The CBD was often the area in which symbolic actions took place. Despite this tourism status claimed by the city, it does not necessarily translate in significant numbers of visitors and related investment. For instance there are few hotel establishments in the CBD and none of these are in the higher quality brackets.

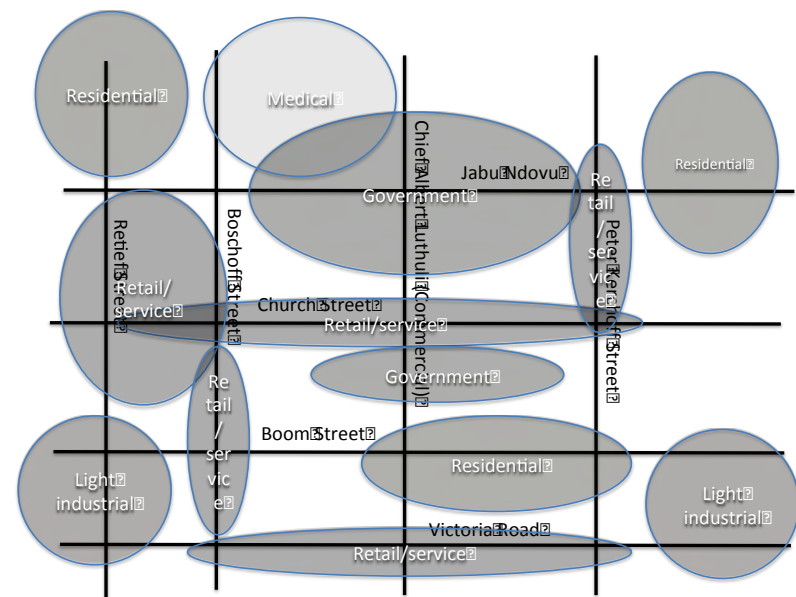
Some notable features of the CBD and extension area include the following:

- The parliamentary complex for the KZN Provincial Government at the heart of the CBD;
- The head offices of KZN Provincial Government Departments, the bulk of which are situated in and around the core administrative hub of the CBD and serve as the dominant user of available mid-grade office space;
- A number of formal retail hubs are noteworthy including that along Church Street, along sections of Chief Albert Luthuli (formerly Commercial road), along sections of Boschhoff, along sections of Victoria Road and at the Liberty Mall retail node. These contain many national chains and some local independents. Areas around the lower and upper sections of Church Street and around Retief Street also contain significant informal trade and independent retail;

The CBD has some other interesting spatial concentrations. These would include:

- A medical services precinct around and between the two major private hospitals of Mediclinic and St Annes;
- A cluster of legal businesses (many situated around Burger and Jabu Ndlovu Street closely connected with the Regional, magistrates and High Court facilities in the core CBD;
- Medium density housing clusters in the south eastern section of the CBD and the north eastern section along with medium to lower density housing in the South, South West and parts of the western CBD;
- Some light industrial stock primarily in the north western section of the CBD around Greyling, Victoria as well as in the south western section off Victoria Road;
- The presence of a range of educational establishments in the CBD and on its periphery is also notable ranging from a number of primary and high schools, a burgeoning number of crèches and pre-schools and facilities such as an FET college, a campus of DUT, the PMB campus of UKZN, the Unisa offices (top of Church street);
- A diversified automotive sales and services sector concentrated primarily towards the western edge of the CBD and in the extension node north west of the Royal Show grounds;

Generalised dominant land uses in core CBD as observed and reported by respondents



In recent years some development processes of significance have occurred. These would include:

- The redevelopment of Freedom Square, the Children's Library and the city centre taxi rank;
- The occupation of many office buildings by Provincial Government departments;
- The pedestrianisation and then partial re-opening of the Central Church street core retail spine and associated upgrading of some building stock;
- Irregular bouts of upgrading of major public buildings such as those associated with the Parliamentary complex;
- Upgrade and expansion of Mediclinic and St Annes medical centres;
- Development of a number of retail properties along Victoria Road;
- The development of the CBD extension area including the Liberty Midlands Mall and the retail and automotive and financial services facilities surrounding Armitage Road.

It is worth noting that in spatial terms the different areas of the CBD continue to service quite distinct, although often overlapping, markets. For example the core Church street retail is said to benefit substantially on public sector workers locate in the precinct as well as commuter taxi passengers passing through the area. The lower Church street serves as a major retail site for lower income people living in outlying areas as well as in the rest of the district – particularly to the north of the CBD. Victoria Road services the residents of north western suburbs as well as those running businesses and the like in areas of Umngeni and further afield. Victoria Road has developed something of a strip mall pattern and thrives, in part, because it is on the CBD edge – accessible and not too congested with vehicles, taxis and pedestrians. The upper section of Church street is well connected with commuter taxi links to areas towards Richmond and Vulindlela.

It is also noted by observers that the city's CBD has many small and independent businesses and is not as highly penetrated by national retail chains and the like, although they are a significant and growing presence – particularly as they seek to gain a foothold in fast growth emerging markets. It has also been noted that apart from the high level of public sector building stock ownership, there is some considerable fragmentation of property ownership patterns associated with the multiple small plot character. Although, once again, this is said to be changing as value investors buy up stock – especially where redevelopment opportunities are strongest (notably in the northern portion of the CBD).

Many areas of the CBD are characterised by a relatively high degree of turnover or uses suggesting that much property is not owner occupied but is rented out to tenants. This has also seen pressure on conversion of uses, primarily from single occupancy family residential to

retail, but also to multiple occupancy residential and to service industry (repairs and maintenance). There are also cases of conversion from offices and light industrial to retail, services and at times residential (particularly at either end of Church Street).

Sources suggest that rentals in the area are highly uneven across space and use category, but demand is generally seen to be good for well located commercial, light industrial and office stock. Higher grade office rentals can be as high as R125sqm (for below premium or A grade) – although this might be distorted by public sector demand. The bulk of B and C grade office space is likely to be rented below the R85sqm level. More industrial type properties can go for anything between R25-R60sqm depending on location and options for including a retail element. Mid-level retail space in Victoria Road can go higher than R110sqm. Rentals in the Liberty Midlands Mall are seen to be premium as the centre dominates this category in the greater midlands region.

It should also be noted that the MM area and the CBD itself have been important draw cards for hosting events in and around Pietermaritzburg. The annual Royal Show would be one example as would events such as the Amashova cycle race, the Comrades Marathon. These bring visitors in to the MM area and can boost some business opportunities in the CBD. However, one retailer noted that only the Royal Show has a sustained spillover effect into the CBD and suggested that other festival-type events should be considered.

In the last year to 18 months the progress made on the new tourism hub facility (estimated cost of R27m funded by KZN COGTA) and the start of the implementation of the Pietermaritzburg Urban Renewal Programme (PURP) are noteworthy. They are likely to provide a much needed boost to confidence in the CBD and have the potential to have ongoing impacts. Efforts under PURP could also secure some improved partnerships with both formal and informal businesses should adequate progress be made.

However, a number of challenges remain:

- Urban management across the CBD remains very uneven and erratic – including around managing spaces (cleaning, street names, general signage and pedestrian/tourist signage/information etc), but also in terms of regulation and facilitation of appropriate uses and activities;
- Infrastructure maintenance and new investment is sorely lacking across a number of fields;
- The cultural life of the core CBD needs ongoing attention with concerns around the state of museums, the maintenance of historic buildings and activities that bring life into the CBD such as cultural events;

- The core CBD lacks green spaces and less chaotic public spaces (squares etc) although the CBD edge some has areas serving this purpose (such Alexandra Park) but the remainder are either not accessible (school sports fields, poorly maintained cemeteries), vacant plots, areas occupied by trading or taxis and degraded watercourses.
- The historic building stock is an asset but also a major challenge in that it can be associated with high maintenance costs and complex procedures to upgrade to contemporary uses. In many areas plot sizes are small resulting in a relatively compact CBD but also making contemporary uses a challenge (eg on site parking);
- The flight of higher grade professionals from CBD office space to more peripheral nodes such as Montrose is a major loss to the CBD;
- Edge developments such as the CBD extension, Montrose and even those in Umngeni (such as the proposed Cedara intersection mixed use development) are likely to place further competitive pressure on the CBD;
- Financial and skills pressures as well as a sense of political uncertainty are major concerns;
- Developers remain very cautious about the area for all sorts of developments.

Nevertheless some opportunities have been pointed out. These could include:

- Ongoing attention to the core CBD public sector precinct development;
- Public transport interventions both in terms of managing private minibus taxis and in terms of rapid transit schemes and the related node investments;
- Greater commitments from a variety of entities to the heritage and cultural assets in the CBD;
- The potential to create and sustain unique identities for different areas of the CBD and corridors connecting these areas to surrounding areas (including the CBD extension area);
- The impact of N3 corridor developments, if managed appropriately.

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