

# FARADAY PRECINCT

Transport Node

EXECUTIVE SUMMARY

ANNEXE G

PREPARED FOR



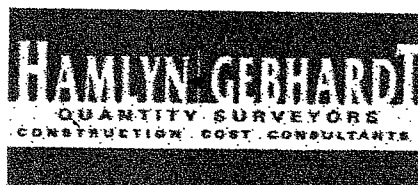
PREPARED BY



SPECIAL PLACES

**ALBONICO + SACK**  
ARCHITECTS AND URBAN DESIGNERS

**mma**  
architects



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# **FARADAY PROJECT BUSINESS PLAN**

## **INTRODUCTION**

The Faraday Special Facility is a project is seen as an investment that has the potential to turn around the recent history of economic decline in the South Eastern sector of the City.

The Project constitutes a significant public sector investment in concentration and consolidation of public transport operators into a well-defined, new inter-modal node around the old Faraday rail station. It is expected that the project will intensify use by commuters and will result in new and improved trading opportunities in the area. It creates the conditions for the establishment of managed market facilities for general consumer products and for traditional medicines and muti, with the concomitant benefits to Local economic development and job creation.

Further, it is anticipated that the potential of new trips generated into and out of this node will motivate SA Rail Commuter Corporation and their property holding company Intersite to improve and enlarge the station, an under-achieving asset, and to add the rail link to the southeast.

The combination of these programmes into a special integrated facility brings together symbiotic uses that can thrive off each other well into the future.

## **Section A**

### **1. PROJECT DESCRIPTION**

#### **1.1 Location**

The proposed Faraday station Special Facility project is located south of Johannesburg City Centre, between Eloff Street and Rosettenville Road (western and eastern boundaries) and Salisbury and Stephenson Street (northern and southern boundaries). A part of the site is located underneath of the M2 motorway and adjacent to Faraday Station.

The site is strategically located at an intersection that forms a Gateway into the City Centre from the M2 motorway and southern suburbs.

#### **1.2 Goal**

The primary goal is to develop a Multi-Modal Transportation Node and associated trading spaces that can contribute to improve the transportation facilities in the Inner City, stimulate economic development and contribute to the environmental upgrading of the Precinct.

#### **1.3 Strategy**

The strategic thrust of the project is to extend, regenerate and consolidate development around the existing transport facilities and to stimulate investment opportunities within the precinct.

The project proposal includes the extension and re-development of the existing infrastructure and facilities related to taxis, buses and rail and introduce opportunities for the development of a range of related uses to support and benefit from the concentration of commuters within this node.

#### 1.4 Objectives

The objectives are:

1. To stimulate development through public sector investment
2. To consolidate and support existing public transportation and trading facilities and in so doing nurture the enterprises that provide these services.
3. To deliver a project package that is appropriate, sustainable and that can be consolidated over time.

#### 1.5 Outcomes

Development outcomes are anticipated at two levels, at the precinct level and at the sub-precinct level. The *precinct* (see precinct development framework) includes four sub-precincts. One of these sub-precincts is the so-called 'special facilities' project in the Faraday station area.

##### Sub-precinct – 'special facilities'

The proposed *special facilities* project outcomes are:

1. Facilities for commuters, taxi operator and taxi drivers
2. A market for traditional medicines and consulting and treatment rooms for traditional healers
3. A general (informal trading) market
4. A precinct/neighbourhood centre including offices for precinct management, meeting and training rooms for health work and for environment and conservation, a visitors' centre and precinct security/police
5. A public open space with a small retail component in the longer term at the west and south end of the sub-precinct
6. Environmental upgrade of existing sidewalks and new pedestrian spaces, safety measures and amenities.
7. A motor (taxi) industry service and retail centre with formal shop space for retail, services and food.
8. Residential accommodation

(See architectural scheme and associated figures attached)

## **Section B**

### **1. CURRENT STATUS**

The current status of the project is that Putco land is available for sale at an acceptable price of R3.3 m.

The Johannesburg Development Agency (JDA) is willing to invest up to R40m of public funds to relocate the taxis out of a designated project area in the inner city to taxi ranks with associated holding areas in various parts of the city. The Faraday station has been targeted by the JDA as one such area.

The JDA also wants to accommodate informal traders in the Faraday station 'special facilities' site, from off the inner city streets, as well as traders in traditional medicines and muti and Inyangas and Sangomas, from under the M2 east.

The consultation with key stakeholders in the project indicates recognition of the need for improvement and willingness to participate in the implementation of the project (Needs analysis).

### **2. RISKS**

The approach to overall risk management that has been adopted is to implement the project in a phased manner, incrementally.

The first phase incorporates the public sector investment, which will create the conditions for further private and public investment in the Faraday project area and in the precinct generally. It includes the 'basic' traditional medicine market and healing centre, the taxi rank and holding areas, the general trading market and all the public spaces and amenities (see proposed development scheme).

The second phase will be based on the experiences of the first and aims to mobilise private investment and share risks with the private sector. It includes the motor industry and retail centre west of the site and the retail aspects on the SARCC site, the western side of the project area. It also includes extension of the traditional healing spaces eastwards on the site or finding another suitable development for that space, adjacent to the motor industry centre (see proposed development scheme).

The risks associated with the first phase are operational risks. These are considered internal in that it is directly under the control of JDA and its agents. They are the risks that will cause delays and budget overruns. Management of these risks is subject to installation of a capable project team and a tight and well-managed implementation plan.

A very important internal risk in the first phase is related to taxi holding space, specifically the purchase/lease and use of the OK Bazaars building as a taxi holding area.

Other important internal project risks are inadequate precinct and facilities management, insufficient incentive for property management and property development, and under-investment by the public sector in the long run in such facilities.

Management of these risks will require a well-constructed agreement between JDA and MTC. JDA will need to ensure that MTC has the political backing and the necessary management capacity to manage and maintain the project. It is also proposed that that deal between JDA/MTC must ensure that MTC is fully 'incentivised' to manage the project. We recommend that they be given the development rights or first right of refusal over land parcels in the project area ear-marked for private investment.

The risks in the second phase are as follows:

- Inadequate (effective) demand for rentable space
- Private sector investor perceptions of financial and commercial risks in the area
- Perceptions in private investor community about sustainability of return on investment in the inner city. This is a function of their view about city management and city improvement strategies.

The JDA will need to demonstrate stability and commitment by the public sector and convince private investors that they can get a return higher than 15 – 18 percent.

### **3. Critical Success Factors**

1. Maintenance of the momentum of development promotion in the precinct.
2. MTC ability to provide adequate and reliable management and maintenance of the project area.
3. Continuous improvement and development in the taxi and hawking industries.
4. Public sector interest in supporting (including investing) in the formalisation and improvement of traditional medicines and healing, i.e., in relation to both health aspects and conservation and resource management.

The proposed institutional and management arrangements to implement the project and to maintain and operate it are set out below.

## **Section C**

### **1. PROJECT INSTITUTIONAL ARRANGEMENTS**

#### **1.1 Overall development management approach**

The proposed approach to the development of the precinct is an area-based approach that subdivides it into four sub-precincts as described above. The focal point and development catalyst in the short-term is the Faraday station centred sub-precinct.

It is proposed that JDA devise a renewal and management plan for each sub-precinct and mobilise private and public sector capacity and resources to implement and manage these areas.

The four should be regarded as a functional management area and a post of Faraday Precinct Manager should be created in the JDA to undertake the work. The precinct manager should have two on-going responsibilities.

The first responsibility is coordination, promotion and support for precinct management (public space), facilities management and property management in each sub-precinct by contracted management agencies. In the case of the Faraday precinct, the MTC is the preferred agent to take responsibility for this. In the other sub-precincts, the CJP/PUR or other private CID management companies can be contracted to take on these responsibilities.

The second responsibility of the JDA precinct manager is performance of wider on-going developmental functions. These are:

- Establishing detailed sub-precinct development plans and strategies for renewal or regeneration.
- Establishing Improvement Districts.
- Securing precinct infrastructure upgrading funds and gearing up private infrastructure investment.
- Promoting property re-development.
- Supporting needs of local formal and informal businesses (SMMEs), e.g., measures to formalise and improve productivity of the muti market, local taxi services and the motor industry, for example.
- Marketing of the precinct, investment marketing and business promotion.
- Promoting collaboration between government and business and business-to-business. Most important is to build the wider collaborative strategies and networks between firms in the precinct and them and suppliers, customers and service providers elsewhere.

Each sub-precinct should have its own development strategy and precinct management agency, such as MTC for the Faraday project, for example.

## 1.2 Property holding and development

It is proposed that Propcom undertake all of the property transactions and perform the land holding function.

The property should be leased to MTC or they should be given the development rights over the parts of the site that can attract private finance to enable them to trade on this property and perform the requisite property development and property management functions. In this way the MTC will take responsibility for the costs and revenues related to the project and will be fully incentivised to make the project work.

JDA will provide the finance for the acquisition and should facilitate agreements between the various parties. The lease should be a low-cost long-term lease. Alternatively, JDA could retain the rights to promote development of the site and it can contract with MTC to perform the facilities, precinct and property management services for a management fee. This option does not provide sufficient incentive for MTC to carry out its functions optimally.

If property development responsibility remains with JDA it will have to seek investors and tenants itself. It can contract out the property management of the retail/commercial development projects to private property managers or to the MTC.

### 1.3 Property and Precinct/facilities management

It is proposed that the Metropolitan Trading Company be given the responsibility for property and precinct and facilities management. They can contract in the required capacity or contract out the functions to private sector agencies with the capacity to perform these tasks.

The work of property management includes: collecting rent, setting up and administering services contracts with precinct and facilities management service providers, ensuring maintenance of municipal services by City Utilities, concluding and maintaining lease/rental agreements with tenants, and maintaining relationships with key stakeholders, including:

- Taxi associations and the taxi council, re. taxi ranks and holding areas, and these with motor city property developers and property managers.
- Intersite/Commuter Corporation/private developers and property managers re-commercial retail space.
- MTC re- general traders, multi traders and traditional healing centre
- Health, tourism and conservation authorities re- related facilities.

Precinct/facilities maintenance includes cleansing, minor repairs and provision of security service in both the public and private space.

Client relations will require setting up of *liaison committees* with each of the tenant groups to ensure proper communication, resolution of conflicts and dealing with services and maintenance problems. The relationship should entail both rights and obligations on the part of both parties, including fair and regular payment of rentals and maintenance of private spaces used by each group. The relationships should be made legal, i.e., contracts, should be adequately incentivised and should entail sanction for non-compliance.

### 1.4 Implementation of 'special facilities' project - Project team

The Quansult project team can provide project management and technical services capacity in both phase 1 and 2 of the implementation of the project. It is to be contracted by and report to JDA and is to work closely with its property management, and precinct/facilities management partners, MTC (see attached proposed distribution of responsibilities).

## Section D

### 1. OPERATIONING PLAN

#### 1.1 Phasing

The intention that has informed the phasing of the project is to minimise financial risks resulting from assumptions that cannot be fully verified at the formulation stage given the low-income, economically marginal character of the tenant population. The risks relate to the following:

1. Space requirements and design, take-up, affordability of rentals, and costs associated with operation and maintenance.
2. Requirements and 'effective demand' of various stakeholders and potential tenants in the project.
3. Capacity, ability and willingness of various key agencies and project partners – specifically property investors and those responsible for property development, brokerage and property and facilities management.

## 1.2 Implementation programme

The implementation programme is in two phases. The first phase incorporates the public sector investment and the second phase the mobilization of private investment into the precinct.

The first phase is organized into two contracts; a civils contract that includes minor building construction work and a second contract incorporating the building construction. Each phase has a set of preparatory activities that are precondition and prerequisites for construction.

(See attached work programme and GANTT chart).

## 2. INDICATORS

Firstly, the project will be measured by delivery of specified buildings, infrastructure and facilities on time and within budget.

Secondly, success will be indicated by the number of satisfied users of the facilities, that is mainly the commuters but also traders and services providers.

Thirdly, success will be indicated by the long-term economic impact in the precinct and that part of the city and impact in improvement of property take-up and property values.

## 3. FINANCIAL AND RESOURCES

Having examined both the estimated capital and operating costs, as well as revenue potential for the development, it is the opinion of Hamlyn Gebhardt that if the project is suitably managed the proposed Scheme will be sustainable. It will also provide a robust foundation for the steady growth of amenity in the precinct.

The approach adopted in the appraisal of financial viability of the project is to examine each functional component of the Development to establish whether it is independently sustainable. The following sources of capital (excluding Value Added Tax) are required (excluding operating costs):



	Public sector Investment	Private finance
Taxi Facilities (including work to OK Bazaar Building)	R 18 740 000	
Bus Terminal	1 480 000	
Traders' Market	7 983 500	
New roadworks and paving	12 195 000	
Neighbourhood Centre	5 060 000	
Purchase "Putco" Site (including costs)	4 000 000	
Retail and Micro-retail (in excess of 3. above)		R 3 395 000
Taxi Business Centre (& Food Court)		8 290 000

**R 40 000000** public sector budget has been allocated to date. An additional R9 458 500 has yet to be ratified in respect of the acquisition and upgrading of the "OK Bazaars" building.

### Traders' Market

No 250 x 4 m<sup>2</sup> units with a commencing rental of **R 6,94 per day** escalating at 10% per annum.

### Taxi Facilities

Holding and ranking facilities served with ablutions, the ranking adjoining trading/retail areas, and management offices for No 1 200 operating taxis (200 rank bays) are provided. In the first year, taxis contribute **R 1 x average of 2,5 entries per day**; which covers operating costs.

The facility's profitability can be improved by advertising revenues but with suitable escalation of contributions, this position would stabilise over time.

### Bus Terminal

This facility comprises primarily a large paved area, management of buses occurring elsewhere. Revenue will cover operating costs.

### Taxi Business Centre

This facility comprises lower level retail and taxi maintenance facilities, with a fast food court above linked to the informal trading market. The **2001 m<sup>2</sup>** shows a return of **14,61%**

### Neighbourhood Centre

This facility comprises two levels of office and retail facilities. The **1230 m<sup>2</sup>** shows a return of **14,55%**

### New roadworks, civils works and paving

The civic upgrade comprises the peripheral and public open space paving to the whole site providing pedestrian access and servicing of the Project.

**INCOME AND EXPENDITURE STREAM**