



Greater Johannesburg Metropolitan Council

Baralink: An Economic Impact Assessment and Implementation Strategy

Section IV: Marketing Strategy

August 1999

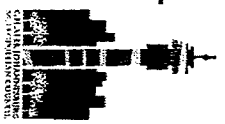
ARUP

Arup (Pty) Ltd
Consulting Engineers
Arup Planning & Development
Job Number D966/01
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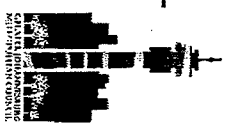
Baralink Marketing Strategy

Table of Contents

1. Introduction	2
1.1 Purpose of the Document	2
2. A Vision for Baralink	3
3. SWOT Analysis	5
4. Development Scenario	6
5. Addressing Perceptions	8
5.1 Urban Crime & Decay	8
5.2 Infrastructure	8
6. Economic Development Zone Status	9
6.1 Existing Development Initiatives	9
6.1.1 Baragwanath Rank Development Precinct	10
6.1.2 Orlando Power Station Precinct	10
6.1.3 Elias Motosoleli Informal Settlement Upgrade	11
6.1.4 Memorandum of Agreement Safuan Group	11
6.1.5 Next Steps	12
7. Environmental Guidelines	13
8. Institutional Arrangements	14
9. Moving Forward	16
Appendix 1 - Drawings 2-11	17
Appendix 2 - Proposed Refurbishment of the Orlando Power Station	28



Baralink Marketing Strategy



1. INTRODUCTION

The Baralink project was initiated in 1993 by the then Johannesburg Administration in partnership with the Greater Johannesburg Metropolitan Chamber. The initial study was the preparation of a development framework to guide development and promote investment in the area. The Baralink Development Framework was completed in January 1995 and approved by the Greater Johannesburg Metropolitan Council (GJMC) in May 1995.

In 1996, the National Department of Transport, the former RDP office and the GJMC initiated the Baralink Node Development Framework in order to review the 1995 Baralink Development Framework and to finalise a comprehensive and integrated development plan for the area.

The Baralink Node Development Framework forms one of the Urban Reconstruction Projects, funded by the former RDP office via the National Department of Transport as part of the Urban Reconstruction in Four Metropolitan Areas Initiative. To be considered for this initiative, a project had to demonstrate all or some of the following characteristics:

- Promoting the use of public transport as well as the more intensive development of land in order to support the use of public transport systems
- Meeting basic transportation needs, and promoting the creation of employment and training opportunities, stimulating economic

- development by investing in infrastructure and facilities, and involving communities in the implementation of projects
- Integrating land use and transportation planning so that these elements compliment each other
- Densification of mixed land uses (especially along transport corridors) in order to shorten work trips and travel times, reduce travel costs, and facilitate the use of non-motorised transport

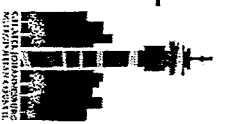
1.1 PURPOSE OF THE DOCUMENT

This document provides potential investors with a consistent framework within which options for investment in the Baralink area can be explored and is based on the study undertaken to assess the potential economic impact of a development scenario for the Baralink area.

The first section of the document takes the reader through the background to the project; a vision for the Baralink development, a SWOT analysis and the institutional arrangements that are envisaged as necessary to facilitate private sector investment. The document then outlines the key development projects as identified in this study, including the infrastructural investment necessary to provide support to development in the Baralink area.

The remainder of the document focuses on addressing concerns that the investment community have expressed regarding Baralink as an investment opportunity.

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2. A VISION FOR BARALINK

The area known as Baralink is strategically located between the eastern sector of Soweto and the south of the Johannesburg CBD. The area is also in close proximity to Roodepoort to the immediate north and to the east, the industrial areas of Aeroton and Robertsham. The residential area of Lenasia lies to the south of the site. The location of the study area is indicated in Figure 1.

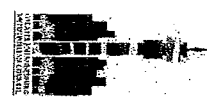
Baralink performs the strategic function of being the "Gateway to Soweto". The area contains the landmarks of the largest medical facility in southern Africa, the Chris Hani Baragwanath Hospital, Vista University and the Orlando Power Station whose cooling towers and smokestacks characterise the skyline over eastern Soweto. The area also features a number of open spaces that include the Devland and Vista koppies, the Orlando Dam and Harringtonspruit and associated riparian areas.

The area is currently monofunctional with the predominant land use being residential. There are substantial land parcels that can be infilled to provide a more compact and integrated urban form; and the principles for the urban structure are outlined in the Baralink Development Node Framework Report.

Baralink aims to become a model for investment in commercial, light industrial, residential, retail and related amenities within a geographic area. The improvement of access into and within the area is crucial to the success of opening a historically marginalised part of the Greater Johannesburg metropolitan. The Baralink area provides one of the real opportunities for investment with a view to change that will drive dynamic and sustained development of a local economy. The Greater Johannesburg Metropolitan Council is committed to the improvement of the integration of Soweto with the Greater Johannesburg metropolitan and is looking to the development of the Baralink area as the catalyst to attract investment into the area.








Baralink



LOCATION OF THE STUDY AREA


LEGEND

-  Project Area
-  National Road
-  Floodline
-  Other Arterials
-  Farm Boundaries

Section IV DRAWING 1

ARUP
PLANNING & DEVELOPMENT

ARUP (Pty) Ltd
CONSULTING ENGINEERS
Plot 6 Road Farm 1st Mile and 2nd Mile
Pretoria 0001
Tel: +27 (0)12 332 2000
Fax: +27 (0)12 332 2071



Baralink Marketing Strategy

3. SWOT ANALYSIS

This SWOT analysis has been developed from information taken from previous specialist studies that formed part of the Baralink Development Framework. We have extracted those issues most relevant to the area from an investment perspective and responded to them where possible in the latter sections of the strategy.

The SWOT analysis summarises the existing status of the Baralink area as a monofunctional and under-developed area that lacks basic infrastructure and local business and industry support systems.

However the analysis also highlights the potential of the area for development through a combination of private and public sector investment and the need to focus on the SMME sector as being the comparative advantage of the area. For the Baralink area to develop a thriving mixed-use local economy, it cannot compete with the established sectors of the metropolitan, but needs to find its own strengths with the one abundant resource it has, the local communities.

<p>3.1.1.1 STRENGTHS (existing)</p> <ol style="list-style-type: none"> Proximity to buying power of population of Soweto Access to a skilled labour force Land available for release and development Coherent vision and implementation strategy for the area Established educational facilities for vertical integration with industry R&D Proposed EDZ status to facilitate international investment and to support SMMEs and export-oriented industry Rates holidays and rebates supported by the local authorities 	<p>3.1.1.2 WEAKNESSES (presently undermines investment in the area)</p> <ol style="list-style-type: none"> Perception of criminal activity in area Formal economic structures not well established (banking, legal, administrative & other support services) Weak public sector decision-making and a history of non-investment by the formal sector No investment framework for Soweto/Baralink Is a monofunctional area with limited urban infrastructure services Economic growth sectors (high value-added) moving to northern areas of Greater Johannesburg Lack of public amenities and managed open spaces
<p>3.1.1.3 OPPORTUNITIES (current & future)</p> <ol style="list-style-type: none"> Tailored infrastructure investment to support the development strategy Implementation of BID's to curb crime and urban decay Chris Hanu/Baragwaneth Hospital is the busiest hospital in the southern hemisphere Significant number of commuters moving through the Baralink area on a daily basis (not currently captured by the formal sector) Growth of formal sector segments as identified in market demand analysis 	<p>3.1.1.4 THREATS (may undermine future investment)</p> <ol style="list-style-type: none"> Criminal activity No formal sector investment in area Competition between local authorities for rateable investment Perceptions of Soweto/Baralink as a residential area

Baralink Marketing Strategy

4. DEVELOPMENT SCENARIO

The development scenario that was formulated in this study identified land parcels that are suitable for release and development within three timeframes, namely:

- Immediate – within 1 year
- Short-term – year 2 to year 5
- Medium-term – year 5 to 10

The development scenario did not take those land parcels identified as only being available after 10 years into account as they either require rehabilitation or are otherwise encumbered. We also believe that the development of the area in a 10-year time horizon will substantially alter the character and potential of the area and cannot be anticipate at this stage.

The table below summarises the findings of the post critical analysis undertaken as part of the land use potential exercise.

Table 1. Land Use & Development Potential in the Baralink Area.

TIME HORIZON	LAND USE	LAND PARCEL	GROSS LEASABLE AREA (m ²)
Immediate	Commercial	SA-5C	20167
	Industrial	SA-3A	86273
	Residential (mortgaged)	SA-8B SA-4L SA-8A	8725 75586 49623
Short-term	Retail (Neighbourhood)	SA-5C	16134
		SA-3C	6038
		SA-5G	4878
	Commercial	SA-5E	4355
		SA-4M	2062
		SA-5F	16489
Hotel	SA-1H	3051	
	Office Park	SA-5E SA-4M SA-5F SA-1C	3919 1650 6595 1070
Residential (affordable)	Residential (low cost)	SA-1I	33773
		SA-4M	8087
		SA-5F	26865
		SA-5H	28417
		SA1J	27952
		SA-5D	29455
		SA-5A	3892
		SA-9F	125796

*Part of SA-5C
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Baralink Marketing Strategy

The available land parcels have been allocated preferred land uses for planning purposes, however these are flexible within the overall objective of mixed-use development within the area, and the maximisation of land values.

The allocation of land parcels in terms of their potential use, availability and Gross Leasable Area is graphically illustrated in the drawings 2 to 10, attached as Appendix 1

TIME HORIZON	LAND USE	LAND PARCEL	GROSS LEASABLE AREA (m ²)
Medium-term	Residential (mortgaged)	SA-1I	118205
		SA-5F	51729
		SA-5H	56833
		SA-1J	9317
		SA-5D	147275
		SA-1H	15953
		SA-8F	93063
		SA-8E	25291
		SA-1B	45492
		SA-4I	15175
		SA-4I	10117
		SA-4F	51823
		SA-1H	15953
		SA-8B	30537
SA-4A	37895		
SA-8C	24012		
SA-8F	74450		
SA-8E	2810		
SA-4K	18079		
SA-9F	125796		
SA-9E	38853		
SA-8H	18893		
Residential (low cost)	Residential (mortgaged)	SA-9C	74808
		SA-9D	68234
		SA-4C	33618
		SA-8P	21835
		SA-4E	15843
Retail (Neighbourhood)	Retail (Neighbourhood)	SA-1B	267599
		SA-1F	383256
		SA-4I	20233