



Demonstration of the Fiscal Impact Tool

SACN and National Treasury CSP

Partnerships and Financing Workshop

25 July 2017

Objectives

- Provide a background to the Fiscal Impact Tool within the context of measuring the social, fiscal and economic impact of land (re)development programs and projects

Development

- at what cost?
- to whom?
- for how long?



Structure of the presentation

1. Background and rationale for the Fiscal Impact Tool

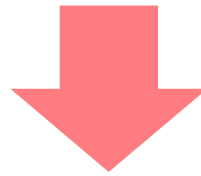
2. Principles

3. Overview

4. Examples – Cornubia; Pelican Park and MTIFF

Background

- SACN and the National Treasury CSP commissioned a study in 2014 into current practices in the 8 metros for costing the fiscal impact of planning decisions



Main findings:

1. None of the metros currently have a tool to assess the **long term operating and capital costs** of development to **multiple actors**.
2. No existing tools are suitable for this purpose

Proposed solution

- Develop a simple tool to assist metros with evidence-based decision making regarding the spatial location of individual development proposals.



Fiscal Impact Tool was developed in collaboration with eThekweni Municipality

Cornubia was used a pilot case study to test the tool concept and methodology (concluded Feb 2015)

Rationale

- Cities have increased planning powers and built environment responsibilities
- Spatial planning decisions are made based on a number of reasons – long term fiscal impact is not one of them
- There is a lack of evidence to motivate decisions based on fiscal impact

Possible applications of the tool

- Assessment of large-scale development proposals
- Bargaining tool for development discussions
- Development Charges calculations
- Generating life-cycle cost surfaces

What question are we trying to answer?

- Development approval? Yes/No?
- Best location for a project?
- Best land use for a given site?

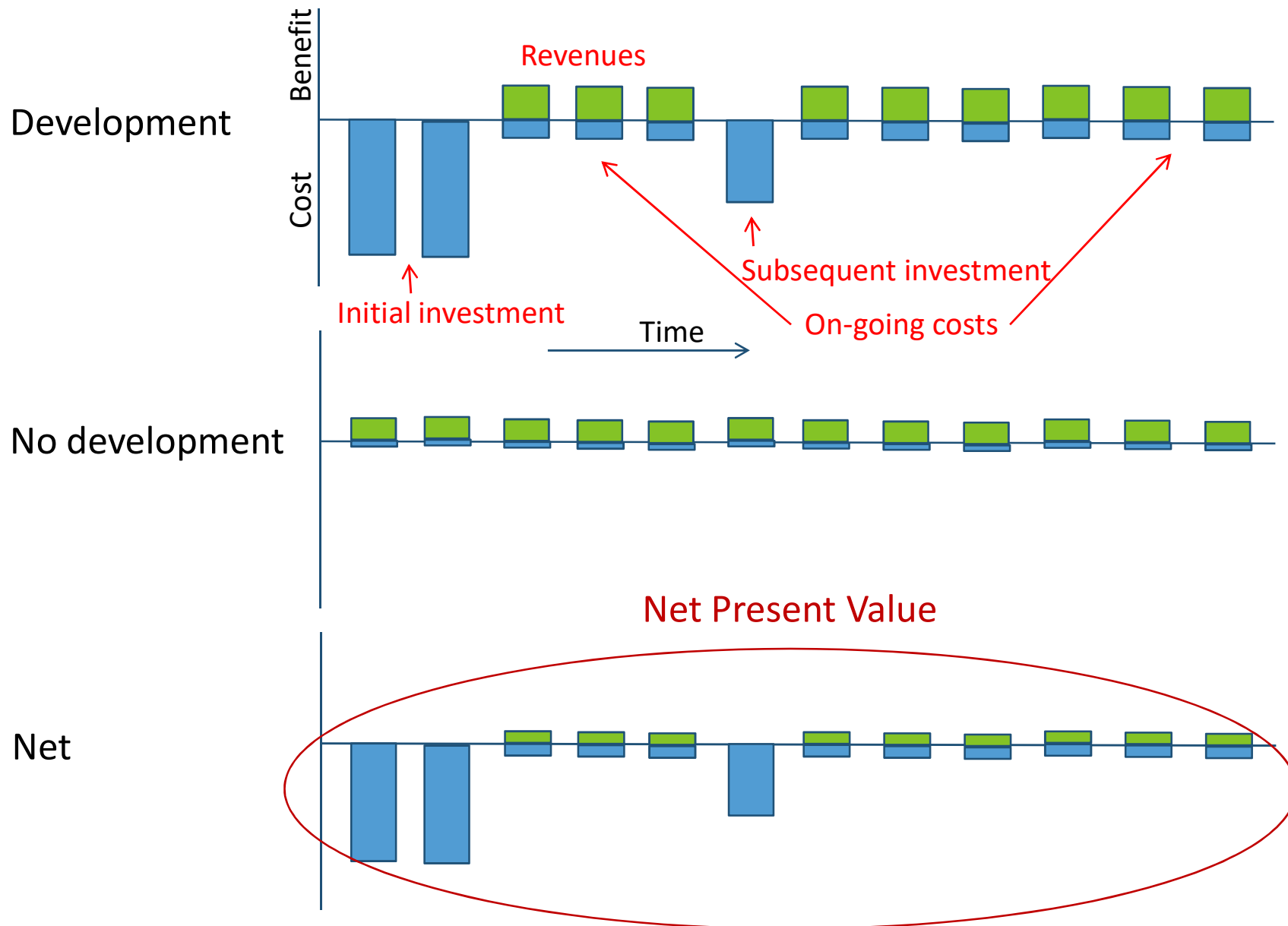
Fiscal and other impacts

- Fiscal impact is the **total life-cycle cost** of the development incurred by government, including public utilities
- **Financial impact on household budgets**, especially for poorer households in terms of time, distance and costs to get to work or work opportunities as well as to social facilities
- **Environmental costs**

How does space impact cost?

- Land value
- Connector infrastructure length
- Travel distance, modes and time
- Existing infrastructure capacity
 - Cost calculated irrespective of existing capacity
 - Existing capacity reduces immediate capital need

Principle of Net Cost/Benefit



Key outputs (fiscal and financial)

- Net present value (by land use and total):
 - **Municipality**
 - State
 - State-owned entities
 - Households / businesses
- Net present value of GVA increase
- Economic cost of total travel time
- Transport costs as % of income in year 20

Key outputs (non-financial)

- Total employment in person years
- Increase/decrease in average daily travel time
- Environmental costs:
 - CO₂ from transport → cost
 - Water usage
 - Electricity usage

Services

- Property (land & buildings)
- Water
- Sanitation
- Solid waste
- Electricity
- Roads and stormwater
- Transport
- Municipal public services
- Provincial social services

Actors

- Households
- Businesses
- Municipality
- State-owned entities
- State (national and provincial)

Structure of the model

- 22 possible land uses for the site at any density

Low income

- Four free-format categories

Medium income

- Three free-format categories

High income

- Three free-format categories

Industrial

- Three size specific categories

Commercial

- Three size specific categories

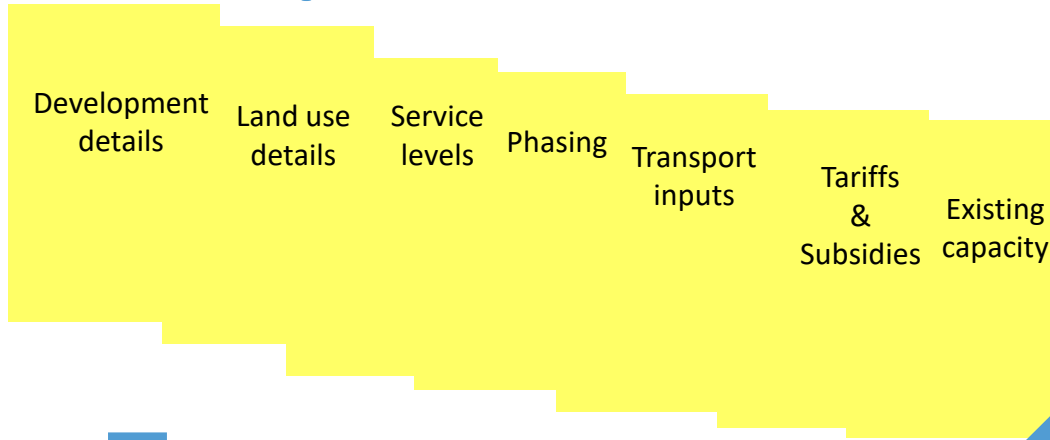
Institutional

- Three type specific categories

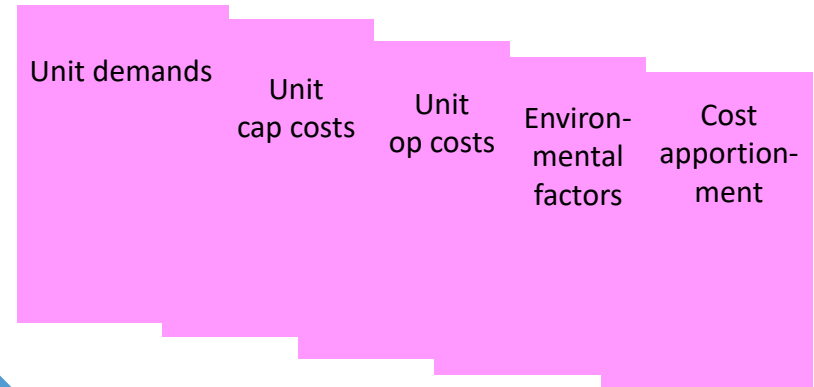
Agriculture and
other

- Three categories

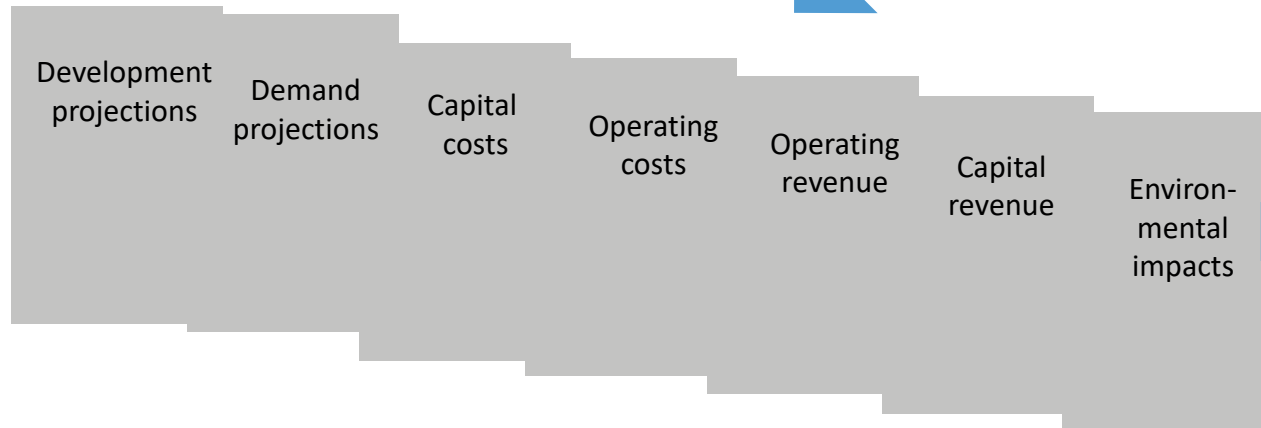
Inputs



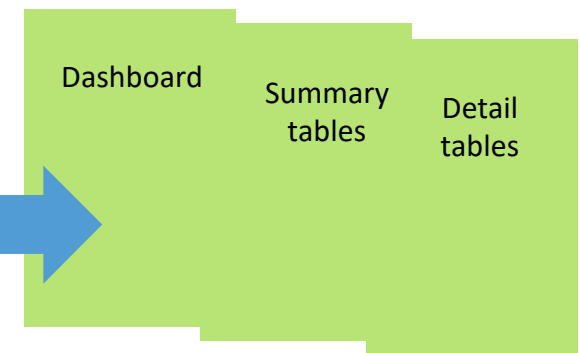
Defaults



Engines



Outputs



Outputs dashboard - Cornubia

