

Development of a Fiscal Impact Tool for South African Municipalities

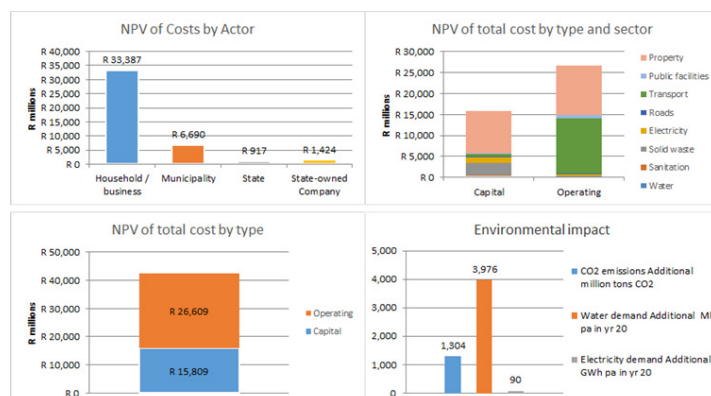


Municipal land use planning and management is the mandate of local government and municipal officials are tasked with evaluating development applications continually. Many, if not all these development decisions will have short- and long-term servicing and financial implications for the municipality.

The South African Cities Network and the National Treasury Cities Support Programme were concerned that large-scale development decisions were being made without adequate consideration of the impact, and specifically the fiscal impact, on both municipalities and national government. PDG, together with Conrad Van Gass and John Spiropoulos, were initially commissioned to investigate the tools that metros were using to evaluate the impact of development application. We found that whether no tools were being used, or only one aspect of the development impact was being assessed.

The PDG team then developed a Fiscal Impact Tool that considered 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 transport costs. Environmental costs were also assessed in terms of resource demands and carbon emissions from transport.

The process of tool development and testing in a large-scale integrated development in one metro, as well as the applications of the tool in all eight metros, surfaced a range of important fiscal impact concepts. These include the need to compare a proposed development with a 'do nothing' scenario, the need to evaluate capital and operating costs together over a sufficiently long time frame, and the need to



consider costs from a particular perspective, given payments for services between actors. The key spatial drivers of cost emerged to be the cost of land, connector infrastructure length, and travel costs, which are a function of modal availability and distance. All eight metros have been provided with the tool, which can be used for the assessment of large-scale development proposals, as a bargaining tool for development discussions, for Development Charges calculations or for generating life-cycle cost surfaces for long-term strategic planning.

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FIDS PROJECT:

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