

# Perspectives on KwaZulu-Natal

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## **Receiving supplementary services through Urban Improvement Precincts**

Urban Improvement Precincts (UIPs), also known as Business Improvement Districts (Bids) or City Improvement Districts (Cids) are increasingly becoming concepts of interest in Durban as ratepayers explore attempts to improve the area in which their property is situated. Cheryl Goodenough investigated the concept as part of research commissioned by the Independent Projects Trust and funded by the Open Society Foundation of South Africa.

A UIP is a geographical area where ratepayers can choose to pay a fee, which is collected on their behalf by the city council, to improve the area in which their property is situated. The fee enables property owners to receive services that are supplementary to those already provided by the council and the owners themselves may decide what services they would like to receive.

In Durban, the eThekweni municipality has provided for the adoption of UIPs, which are formed by ratepayers from a specific area. According to a step-by-step guide produced by the municipality on how to set up a UIP, the first step is to identify a champion, after which the precise boundaries of the UIP must be defined. A schedule of ratepayers within those particular boundaries must be identified. This schedule can be obtained from the rates department of the municipality.

A written application must then be made for the formation of a UIP. This must have the consent of at least 51% of the owners of property in the area of the UIP and the number must represent 51% of the rates base. A prescribed application form must be filled in and presented to the council.

Within 21 days of the council receiving the application, it is required to put a notice in a daily newspaper and in the provincial gazette and to notify every ratepayer within the UIP by registered mail. The notice must contain a brief description of the area, a brief description of the proposed service, a budget, the proportion of rebate which will be foregone, the method of collecting the levy, an address to which objections can be sent, an address where the proposal may be inspected and the date of a public hearing at which community members are entitled to give oral representations.

A UIP cannot be established if 49% or more of the owners (in number) representing 49% or more in the rates value object. If the UIP is approved it is binding on all ratepayers within the precinct.

The management body of the UIP must be a Section 21 company, which can be formed with the assistance of the Chamber of Commerce. The board of directors of the company must include at

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least three ratepayers, with at least one per precinct and one from the council.

The council charges a levy for the UIP via a rate's adjustment notice. These funds are paid to the UIP in the form of a grant-in-aid as they are collected.

Two UIPs have been set up in Durban, both in the central business district, and a number of additional applications have been made or are in the process of being compiled. The chairman of the Section 21 company that manages the UIPs, Richard Parsons said that security is only one of the issues dealt with by the UIP and the concept of the UIP is not as a crime-fighting tool. A large part of the UIP budget is concentrated on cleaning up the precinct.

Parsons emphasised that what is required by the UIP depends on the needs of the ratepayers in the area. The municipality in Durban does not have an agreement detailing the levels of service that it will provide, but Parsons said that such a contract has been discussed. However, he said that the council should not change its level of service without talking to the UIP.

In Cape Town's central business district Cids have been formed. These are managed by the Cape Town Partnership, which also markets and promotes Cape Town, aims to improve the environment, develop tourism and leisure and facilitate economic growth. It also facilitates contractual obligations between the Cids and the city of Cape Town.

The importance of the determining guaranteed levels of service prior to the establishment of the Cids was emphasised by the Cape Town Partnership. These could be concerned with issues including the following: Street sweeping, removing refuse from bins, hosing of streets and pavements, removing of illegal dumping, removal of street traders waste, litter bin provision, protection services (such as cameras and Rent-a-cops), cleaning storm water and sewerage blockages, maintenance of roads, footways and parking areas, trench reinstatements, the erection of street name signs and directional signs, replacement of missing and broken drain covers, gully cleaning, maintenance of railings and guardrails, repairing of traffic lights, removing of graffiti, illegal bins and expired posters, grass cutting on verges, parks and council land, spraying of herbicides, irrigation and pruning, general cleaning and debris removal, planting of horticultural material, fertilising and growth enhancement, repair irrigation and watering systems, tree maintenance, maintenance of streets, highways and decorative lighting, painting of poles and street furniture and power restorations.

The Cid is set up in accordance with a by law which was promulgated in 1999. In addition the Cid has a detailed legal service agreement with the council which enables it to employ private contractors to do work and send the bill to council should the service agreement not be met by the council.

The Cape Town initiative has been developed in phases. The initial application defined a bigger district but the Cid at first consisted of a smaller phase one initiative. Other areas that formed part of the bigger district were subsequently added to the Cid.

Bids, as they are known in the United States, have been functioning internationally since the 1960s. Writer Heather MacDonald has stated that the Bid movement was one of the most important developments in local governance in the last two decades and that there were anywhere from 1 000 to 2 000 such districts nationwide. She said: "Bids have unleashed an enormous amount of private sector creativity towards the solution of public problems. Philadelphia, for example, dubbed 'Filthadelphia' by local wags, had been brought to its knees in the 1980s by massive deficits and intractable municipal unions. Cyclones of trash commanded the sidewalks.

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Now its historic downtown is clean and orderly, thanks to the Central City business improvement district, which steam cleans the sidewalks every night and sweeps them continuously during the day. Local business activity has increased markedly."

In the United States Bids are proposed particularly for business owners with a focus on the improvement of deteriorating downtown districts. In San Diego, California, the city's small business department runs the Bid programme. The department states that the Bid provides a business area with the resources to develop marketing campaigns, increase awareness and lobbying efforts, secure additional funding and enhance public improvement and beautification projects in partnership with the city. "An organised business community can work more effectively to create positive change and increase support for businesses in the area."

According to MacDonald, core functions of Bids usually include keeping sidewalks and curbs clean, removing graffiti and patrolling the streets.

Feedback on the UIPs in Durban has been very positive, according to Parsons. He said that several large property owners are strong supporters of the concept. In addition, he mentions two comments that have been made to him. One described the Durban central business district as safer than London, while the other claimed that the improved cleanliness had resulted in improved turnover over the past two festive seasons and a reversal in trends.

The key to the success of Bids lies in their dissimilarity to big city government, according to MacDonald. "They operate without civil service rules and red tape; most important, they negotiate labour contracts from a clean slate. They can hire and fire employees based on performance, not civil service status or other government mandates." She said that Bids place a priority on simple things such as keeping sidewalks clean and safe.

The business plan of the Cape Town Partnership details the motivation for establishing a Cid and describes the advantages as including the cost of supplementary services being borne by all property owners in the area. In addition: Costs are borne in proportion to the value of the property; the improvement district approach is holistic; the environment is enhanced and investor confidence strengthened; the improvement district supports investment in business; an improvement district creates a positive identity for the area; the improvement district provides private sector management and the Cid allows for individual precincts to exist and promote their own identity.

However, Bids have attracted opposition, according to MacDonald. She said that critics have claimed that some of the large Bids in Manhattan New York "harbour secret designs to drive the poor out of public spaces". The Grand Central Partnership, for example, was faced with a large group of homeless people who camped at Grand Central Terminal, hustlers flocked upon tourists and demanded payment for flagging down a taxi, there was graffiti, filthy sidewalks and broken streetlights. About the Bid, the Grand Central Partnership, MacDonald wrote: "The Partnership put an army of cleaners to work scouring the sidewalks and removing graffiti within 24 hours of its appearance. The Bid's security patrol produced a 60% drop in crime. Taxi dispatchers today operate orderly queues outside the station; and new lampposts, planters and trash receptacles, paid for by the Bid, are sprouting up across the district. And the homeless problem in the area has improved dramatically, due in considerable measure to the Partnership's innovative service programmes."

However, MacDonald said that the programmes put the Partnership in direct competition with existing social service providers in the city. The Partnership was accused of 'sweeping the

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homeless out of sight' and the motives of business and property owners were regarded as being impure because they were perceived as being inherently unqualified to help the downtrodden. MacDonald said that the campaign against the Partnership culminated in a front-page article in The New York Times but that there was no credible support for the charges. "There is no reliable evidence that the Partnership ever encouraged or tolerated any violence towards the homeless. Nevertheless, the advocates won the public opinion battle and the Partnership has been forced to revamp its outreach efforts."

MacDonald said that the lesson to be learned is that "business and property owners who become directly engaged in assisting the poor risk a powerful backlash from entrenched social service interests - at least in the political hothouse of New York City". She viewed as a more substantive criticism of Bids the additional tax burden that they impose, which could prove detrimental in the long run. She said that some people argue that the Bid assessment is a second tax for services that a city is already supposed to provide.

Economist Moshe Adle of the Urban Planning Department at Columbia University is, however, critical of the Bids. He says that they are not voluntary and that they "serve the narrow interests of some groups at the expense of all the rest, with commercial tenants ending up on the losing side". Adler argued against the dominance of landlords on the Bid boards but said that if Bids were really about cleaning streets then this dominance would not have mattered. He provides the example of the Downtown Alliance in New York, which includes Wall Street. The area saw changes in zoning so that offices in the district could be converted into apartments after the area experienced an economic depression in the early 1990s. Adle said that the conversion benefited landlords but not commercial tenants. "Furthermore, eager to take advantage of tax abatements, some landlords have tried to force their remaining commercial tenants out: tenants complain that elevator services have been reduced, bathrooms go uncleaned and that the conversion work is being done in a way designed to disrupt their business. At street level, store-owners are equally unhappy with the Alliance Bid. Clothing, candy and jewellery stores cater mainly to office workers on lunch breaks, not to residents and the owners of these stores would rather not see conversions that destroy office space permanently."

Adler described a number of other complaints, including some from landlords. He said that one survey revealed that 31% of 404 landlords and property managers thought their Bid was a bad investment and only 45% believed that they were getting their money's worth. Merchants also complained that they became aware of the existence of the Bid when they received their first assessment bill and questioned why they contributed to services that the city was already responsible for providing and for which they were already paying taxes. In addition, some argued that the only reason for the Bid was to create jobs for the bureaucrats who would run it. Adler also argues that the Bid was exploiting workers by paying minimum wages.

The Cape Town experience of having a detailed legal service agreement with the council has emphasised that the services from council should be the same in areas where a Cid has been set up and in those where no Cid is in existence. Additional services are expected in the Cids, but these are paid for. The council can provide such services (at additional cost) if there is capacity. Alternatively private contractors carry out the services. Whether the additional services are provided by the council or not, they should not result in resources being taken away from poorer areas.

The Cape Town Partnership's business plan for the Cid stated that there are no practical disadvantages, but simply certain misperceptions. "A perceived disadvantage will be the additional cost. However, both overseas and locally it has been proved that the costs are recouped in higher rentals and increased occupancy driven by investor and consumer confidence. There is also a

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concern that the Cid would result in the local authority reducing normal services or discontinuing them altogether. This is not true. An agreement will be entered into between the local authority (the City of Cape Town) and the Cid which identifies and stipulates the services to be provided by the local authority. This agreement guarantees the levels of service to be provided by the local authority."

Another disadvantage of UIPs, which is not likely to be a disadvantage for the property owners in the UIP itself, is the displacement of crime. However, this is a serious matter of concern. If a specific area has additional security, for example, criminals are likely to go to a neighbouring area when security is more lax.

MacDonald argues that Bids have become a positive draw for businesses and that many businesses regard the additional expense as a worthwhile investment. "At heart, most criticism of Bids springs from a deep suspicion of private enterprise, which some people believe can be up to no good where public spaces are concerned. Bids are disproving that belief, showing that private interest and the public good can coincide. They are providing a model of efficient public services which governments should emulate. And in a city such as New York, often swayed by anti-business sentiment, Bids have given property owners a much-needed voice." She says that perhaps one day, Bids will not be necessary, but for now they provide beneficial opportunities for some communities.

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