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INCENTIVE OVERLAY ZONE

September 2025

CITY OF CAPE TOWN

URBAN PLANNING AND DESIGN

Contents

1. IOZ Background & Overview
2. IOZ Phasing & Area Selection Criteria
3. Concession Process and Rationale
4. Conclusion: Key takeaways



IOZ Background and Overview

1. IOZ Background Approval

On 26 June Council Adopted the Incentive Overlay Zone through 2025 MPBL Review.

The following Council Recommendations apply to the IOZ:

- (d) the amendment of an existing overlay zoning (Items 155 - 156 Incentive Overlay Zoning), be adopted, in terms of section 24(3) of the City of Cape Town Municipal Planning By-law, 2015, **as contained in [Annexure G](#)** to the report on the agenda.
- (e) the designation of specified areas to have an Incentive Overlay Zoning (IOZ) be adopted, in terms of section 24(5) of the City of Cape Town Municipal Planning By-law, 2015, as per the maps **contained in [Annexure L](#)** to the report on the agenda.
- (f) the IOZ Operational and Design Guidelines **attached as [Annexure M](#)** to the report on the agenda, be supported, to assist in administering the IOZ.



Incentive Overlay Zone Manual

Operational and Design Guidelines



Urban Planning and Design

Date: 2025

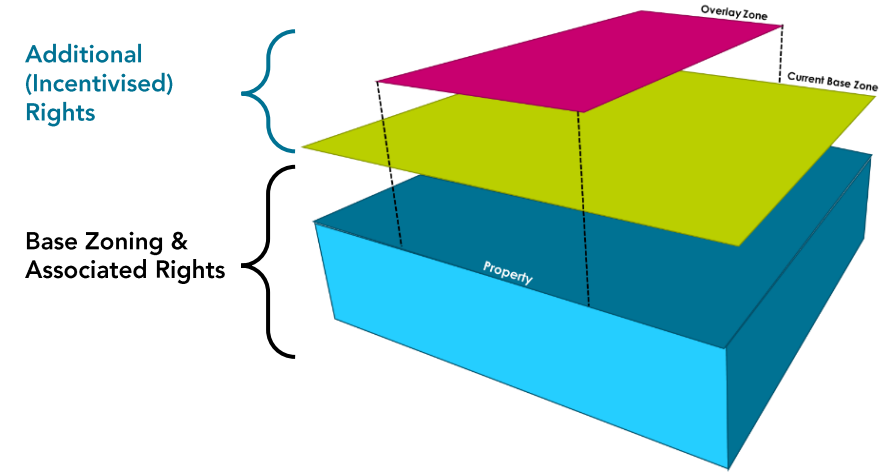
Version: 1.0



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1. IOZ Background Overview

- Every property or erf within the metro's boundaries has a zoning that determines what it may be used for. This is known as the **base zone**. An incentive overlay zone creates a special zoning area over and above the existing base zone(s).
- An Incentive Overlay Zone (IOZ) was approved by council on 26 June 2025 to allow for desired densities, land uses, and types of development in certain strategic areas.
- The objective of the IOZ is to achieve the City's spatial integration policy objectives & to direct investment to spatially targeted areas.
- Principle based investigation was conducted and identified appropriate Development Management Scheme (DMS) concessions (enhanced development rules + use rights)
- Implemented through the Municipal Planning By-Law (MPBL) – *Pilot and Experimental Approach*

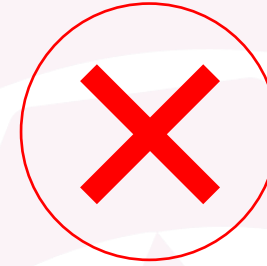


1. IOZ Background Overview



What an Overlay Zone is:

- Regulatory tool/ spatial planning mechanism
- Creates a **special zoning area**, placed over one or more existing base zone(s), which identifies **special provisions** (i.e. enhanced rights) in **addition** to those of the underlying base zone.
- Eliminates the need for a land use application.
- Applied to specific delineated & targeted areas consistent and supportive of forward planning policy



What the IOZ is not:

- A cancellation of rules or restrictions already in place
 - (i.e. *legislated heritage and environmental considerations; DC requirements.*)
- A catch all / silver bullet applicable for all areas - specific set of interventions.

1. IOZ Background

Value Proposition

Overall purpose - to enhance **spatial integration** and **economic growth** by allowing for desired densities, land use types, and economic sector types of development in strategic areas of the city through enhancement of development rights and reduced timeframes for approval.

Spatial Integration



Gives effect to MSDF and DSDF spatial transformation objectives.

The IOZ is intended to incentivise development in spatially targeted areas (Development Focus Areas)



Desired land use type and form in strategic locations

Rules are flexible to facilitate desired densities and land use types.



Promoting mixed and vibrant neighbourhood clusters

At a precinct/nodal scale, the enhanced rights are intended to foster a greater mix of uses and positive urban form, thereby enhancing the diversification of areas.



A catalyst for affordable housing provision.

The areas targeted in phase 1 are already delivering housing units in the affordability bracket. This coupled with the intent of the IOZ intended to further increase the supply of housing.



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Economic Benefits



Reduced time for approval

Applications can be considered through the Building Plans Approval mechanism, thus significantly reducing approval time.



Lower holding cost to developer/property owner

The less time a land use application takes, the less costs the developer/land owner will incur.



Increased return on investment for developers.

Additional development rights coupled with streamlined approval processes and lower holding costs can significantly boost a developer's yield, thereby improving overall return on investment.



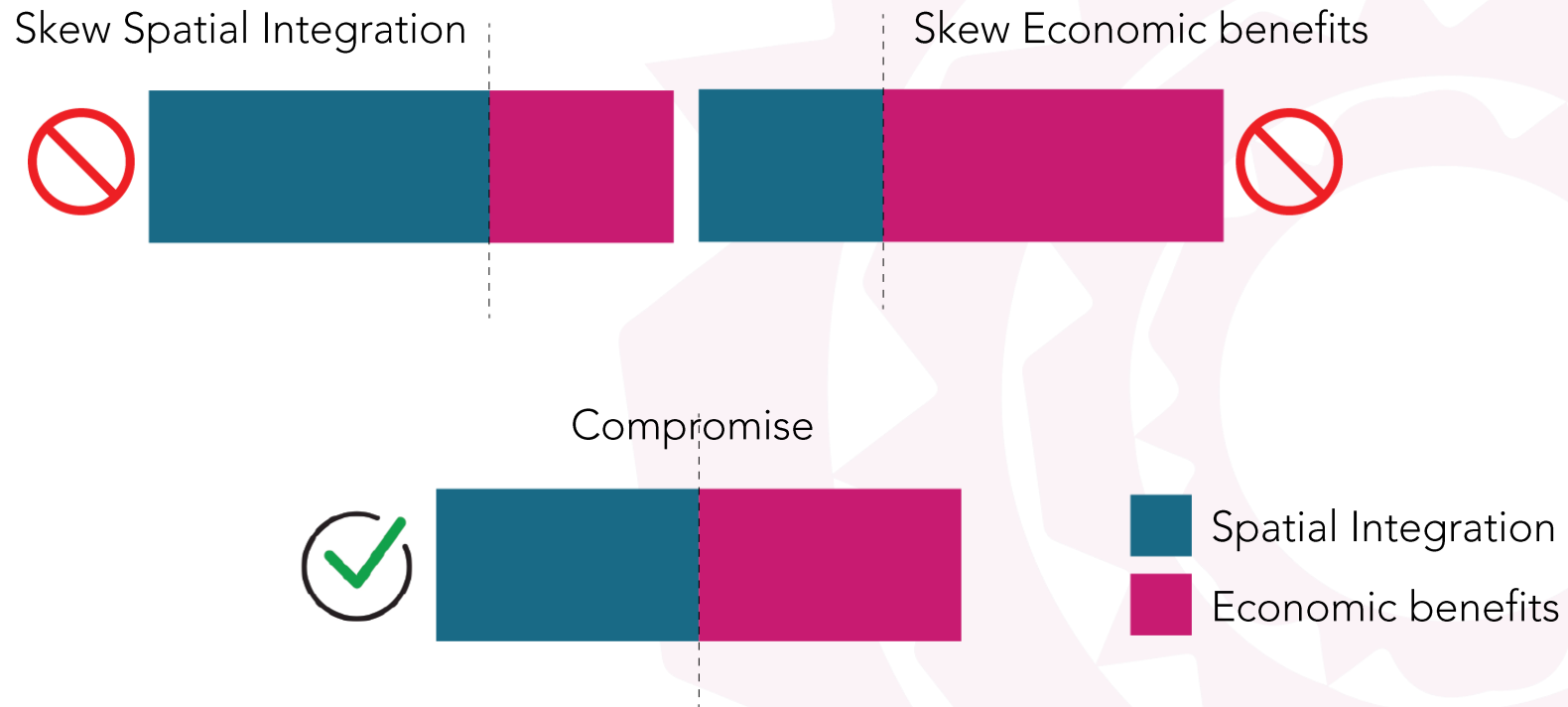
Overall lower risk for the developer & Ease-Of-Doing Business

A higher return on investment lowers a developer's investment risk, thereby incentivising development in strategic areas.

1. IOZ Background

Value Proposition

It is important to note that any mechanism that is intended to incentivise private sector development to align with city policy must strike a balance between regulation, city requirements (i.e. public good benefits), and a reasonable return on investment for private sector developers. This will ensure the best chance of success for the mechanism.



1. IOZ Background Policy Alignment

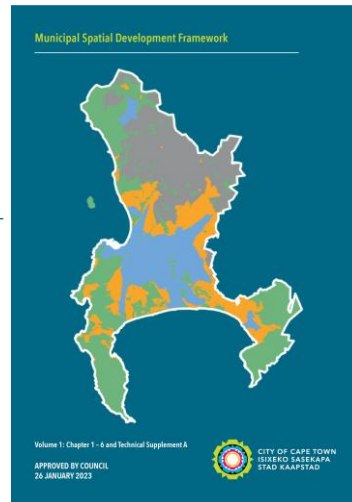
The following provides a summary of the **policy alignment** for the proposed IOZ:

Integrated Development Plan (IDP) (2022 – 2027):



- Objective 1, Programmes 1.1.A. Ease-of-doing-business project
- Objective 15, Programme 1.A Development enablement mechanisms

Municipal Spatial Development Framework (MSDF) (2023):



- Policy 2.2 Leverage development potential through spatially targeted mechanisms within the DMS, such as overlay and base zones, heritage exemption zones, and UDZ incentives to support inward inclusive growth within the urban inner core.

District Spatial Development Frameworks (DSDFs) (2023):



- Recommended as a key mechanism to implement local spatial planning development guidelines.

Transit Orientated Development (TOD) Strategic Framework (2016):



- The overlay zone is identified as one of the key implementation mechanisms to enable appropriate forms and types of development.

What areas are targeted by the IOZ?

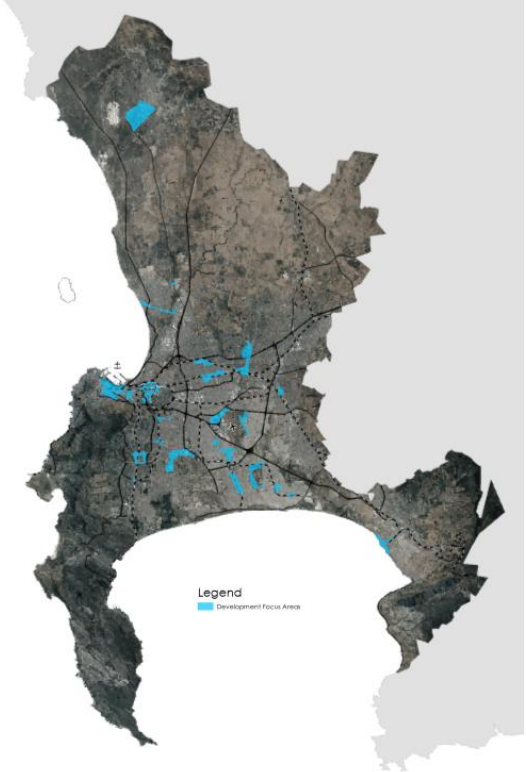
IOZ Area Phasing & Selection Criteria

3. IOZ Area Selection

Spatially Targeted Approach: Development Focus Areas

The overlay zone concessions and conditions have been applied to select **Development Focus Areas (DFAs)** identified in the MSDF and DSDF's Spatial Targeting Framework:

- DFAs are established areas that there are **well located and have potential for spatial transformative impact and to attract private sector investment**.
- 5 out of 25 DFAs have been approved in the first phase the IOZ (see next slide). These were selected based on having **high potential**, sufficient infrastructure capacity, no legal restrictions and no significant incentives.



PLFA	Description	Criteria	Response	Target
Development Focus Areas	These are established areas that there are well located and have potential to attract private sector investment .	<i>Accessibility; current pipeline of planned public investment and infrastructure projects; ECAMP Areas, SEZ etc.</i>	Incentives and Investment to stimulate or unlock development opportunities – realise said potential	Formal Areas
Urban Support Focus Areas	These are areas of high socio economic vulnerability, not necessarily well located that is in need public sector investment.	<i>Socio Economic Vulnerability Index, High Crime; Social Facilities Backlog Areas; Poor Infrastructure Maintenance– WST data.</i>	Incentives and Investment to reduce vulnerability	Primarily Marginalised and Informal Areas
Environmental Focus Areas	Areas with critical environmental significance (in terms of national conservation targets) outside of formally protected areas that require investment and/or protection for the short to medium term.	<i>National Biodiversity Targets, Coastal or Natural Special/Destination Places. POS.</i>	Investment to protect and maintain Natural Assets.	Natural Assets

How does the IOZ allocate rights?

Concession Process and Rationale

4. Concession Process and Rationale

Guiding Principles

The guiding principles that underpin the IOZ are as follows:

- Incentivise intensification (density and diversity) of land uses as envisioned by CCT Spatial Policy by enhancing predominantly residential and commercial base zones.
- Positive vibrant cities need to move away from mono-functional zoning / use, towards **mixed use**.
- Environmental protection by promoting urban infill and cost saving through the reduction of sprawl



4. Concession Process and Rationale

Enhanced Rights per Base Zone

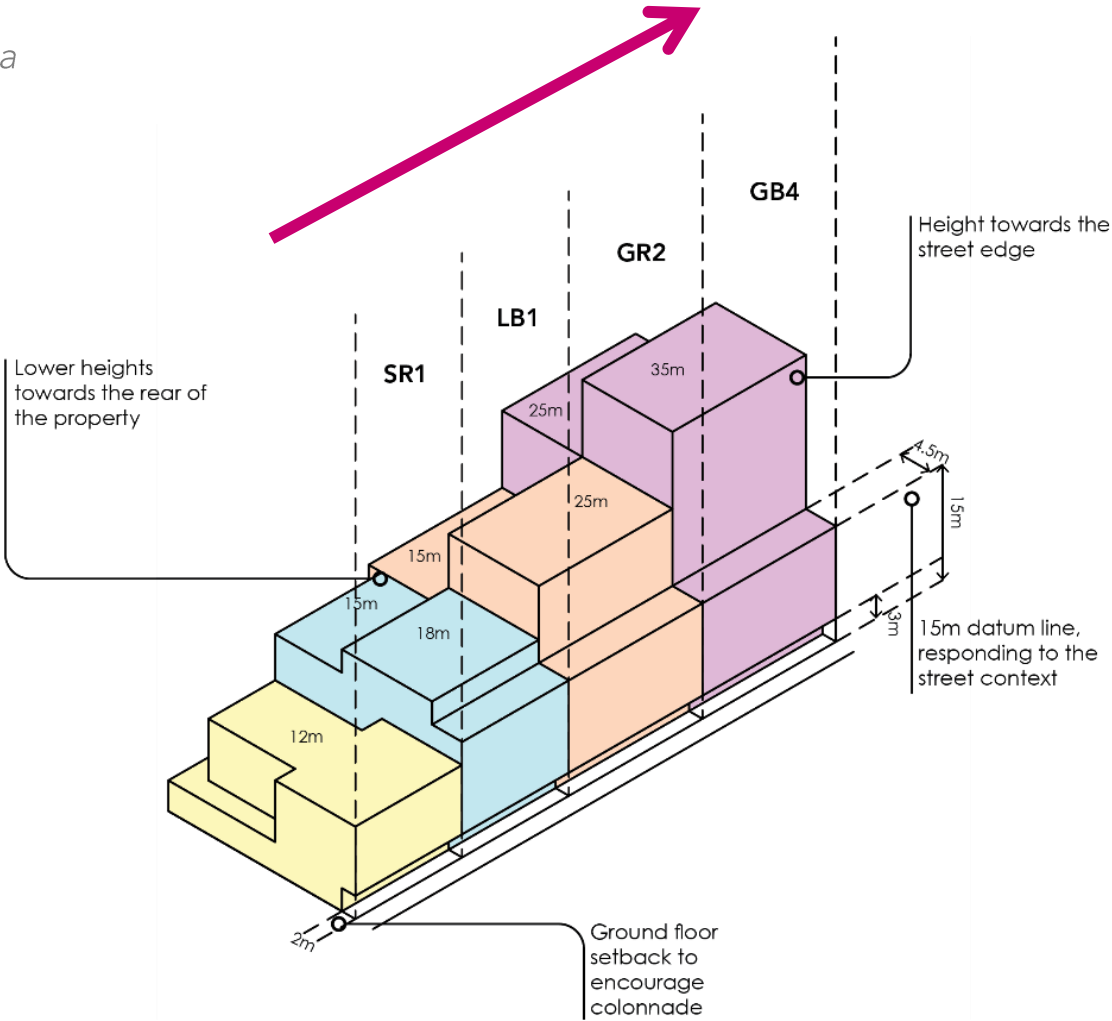
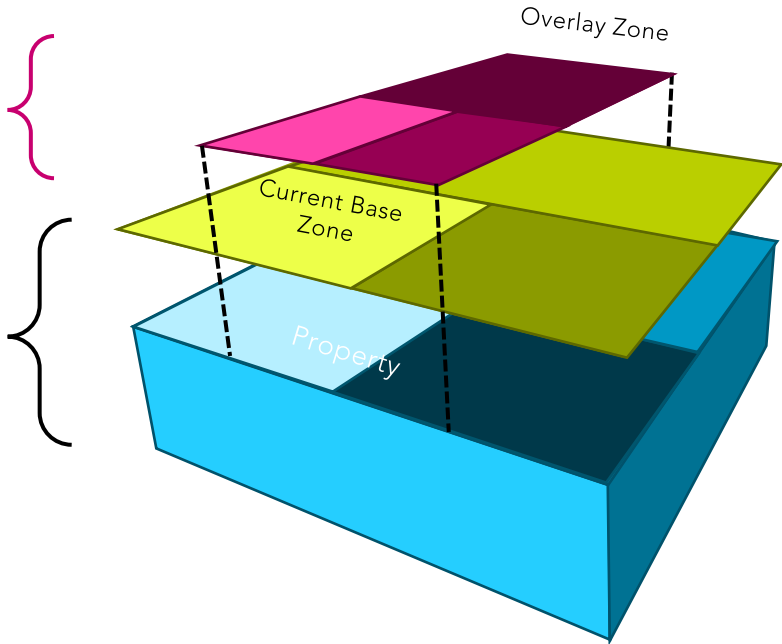


The additional rights granted by the IOZ are based off of the property's **existing** base zone / current zoning as per the DMS.
i.e. if your property is zoned SR1, you will get different enhanced rights to a property zoned GB4

Additional (Incentivised) Rights related to existing zoning.

Additional (Incentivised) Rights

Base Zone & Associated Rights

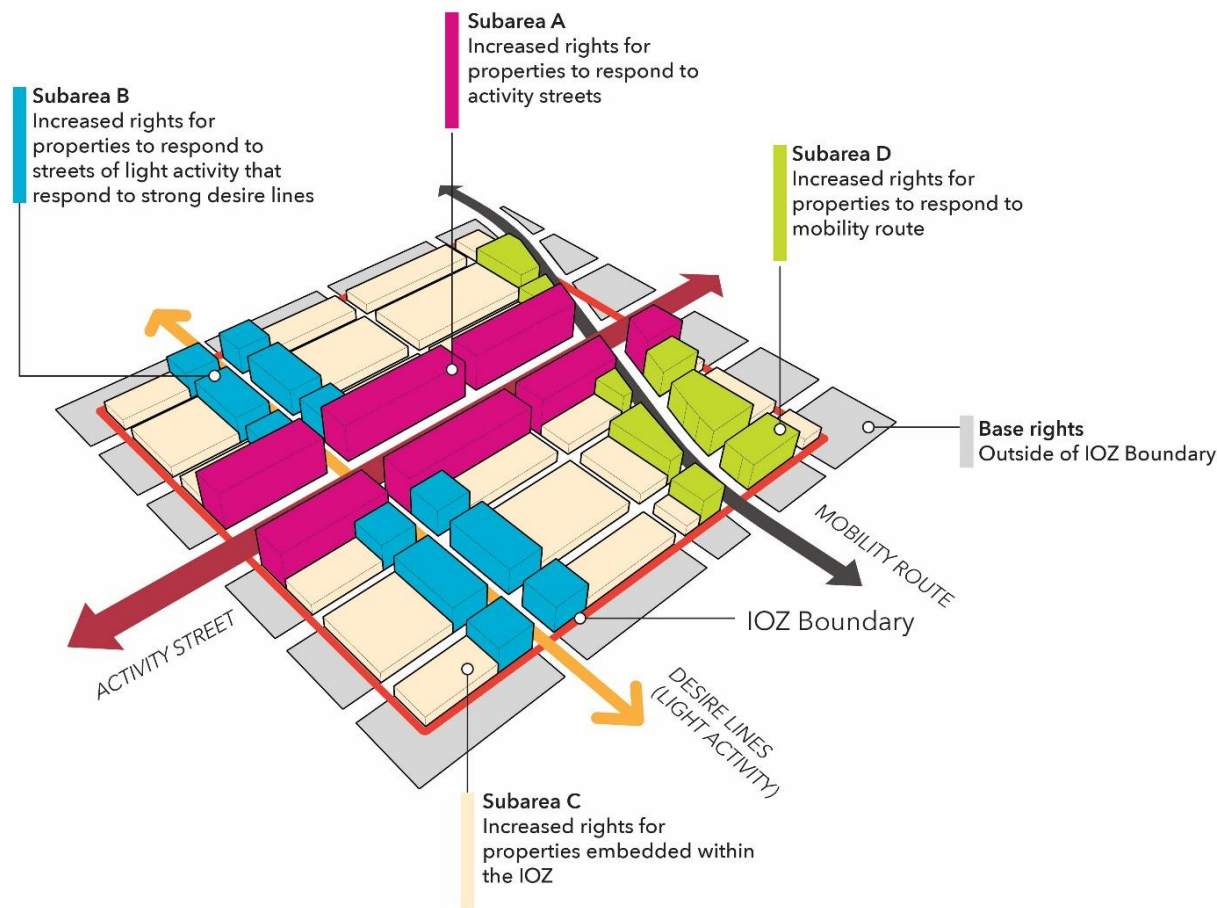


4. Concession Process and Rationale

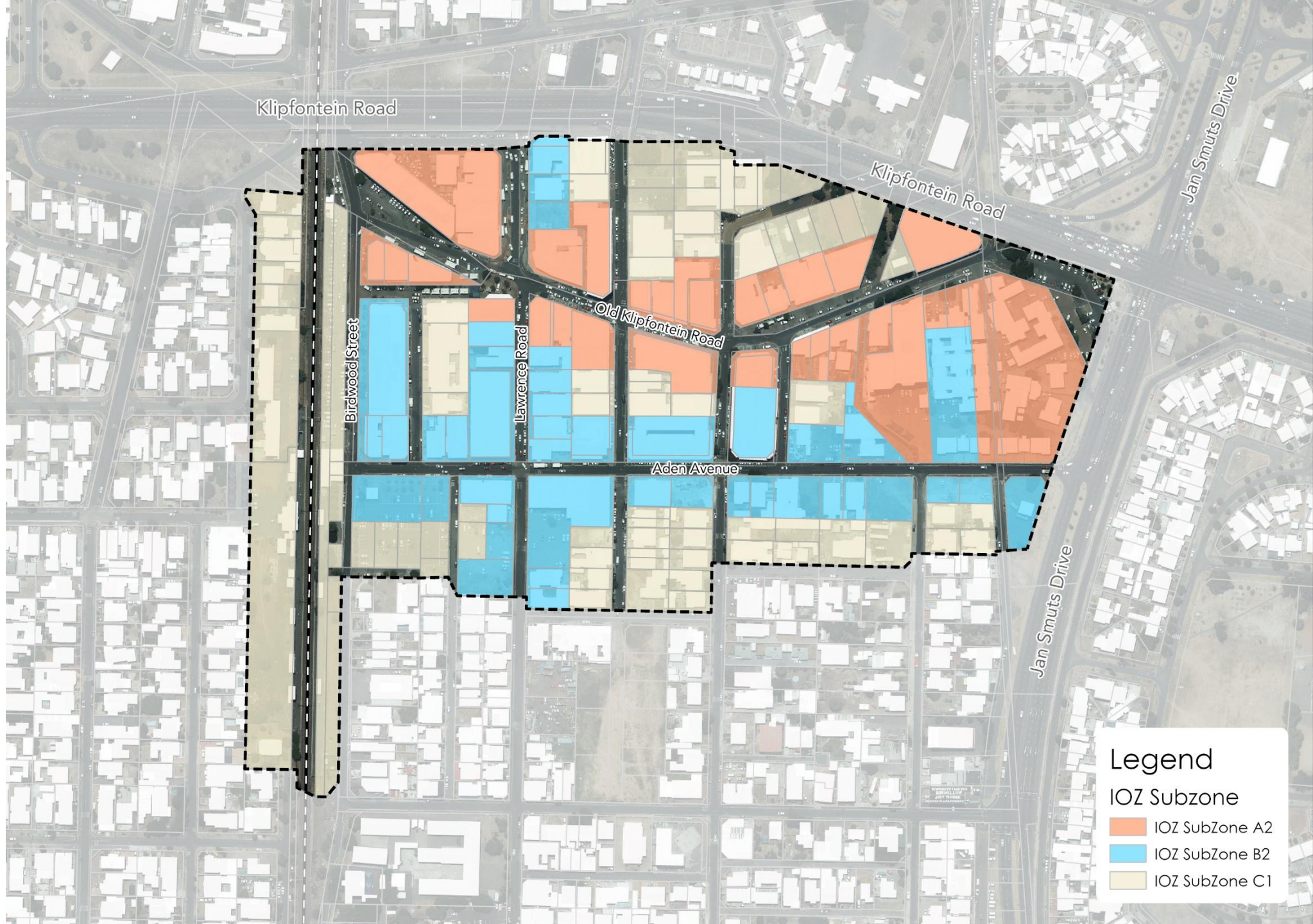
Location - Subareas



The IOZ is divided into “Subareas”. These were introduced to more appropriately respond to context specific-conditions and incentivise private development to contribute to the broader vision for the City.



Properties along Activity Streets	Subarea A1	Maitland, Parow, Bellville
	Subarea A2	Athlone, Diep River
Properties along Streets that Connect	Subarea B1	Maitland, Parow, Bellville
	Subarea B2	Athlone, Diep River
Properties embedded within the IOZ	Subarea C	All IOZ Areas
Properties along High Mobility Routes	Subarea D	All IOZ Areas



Legend

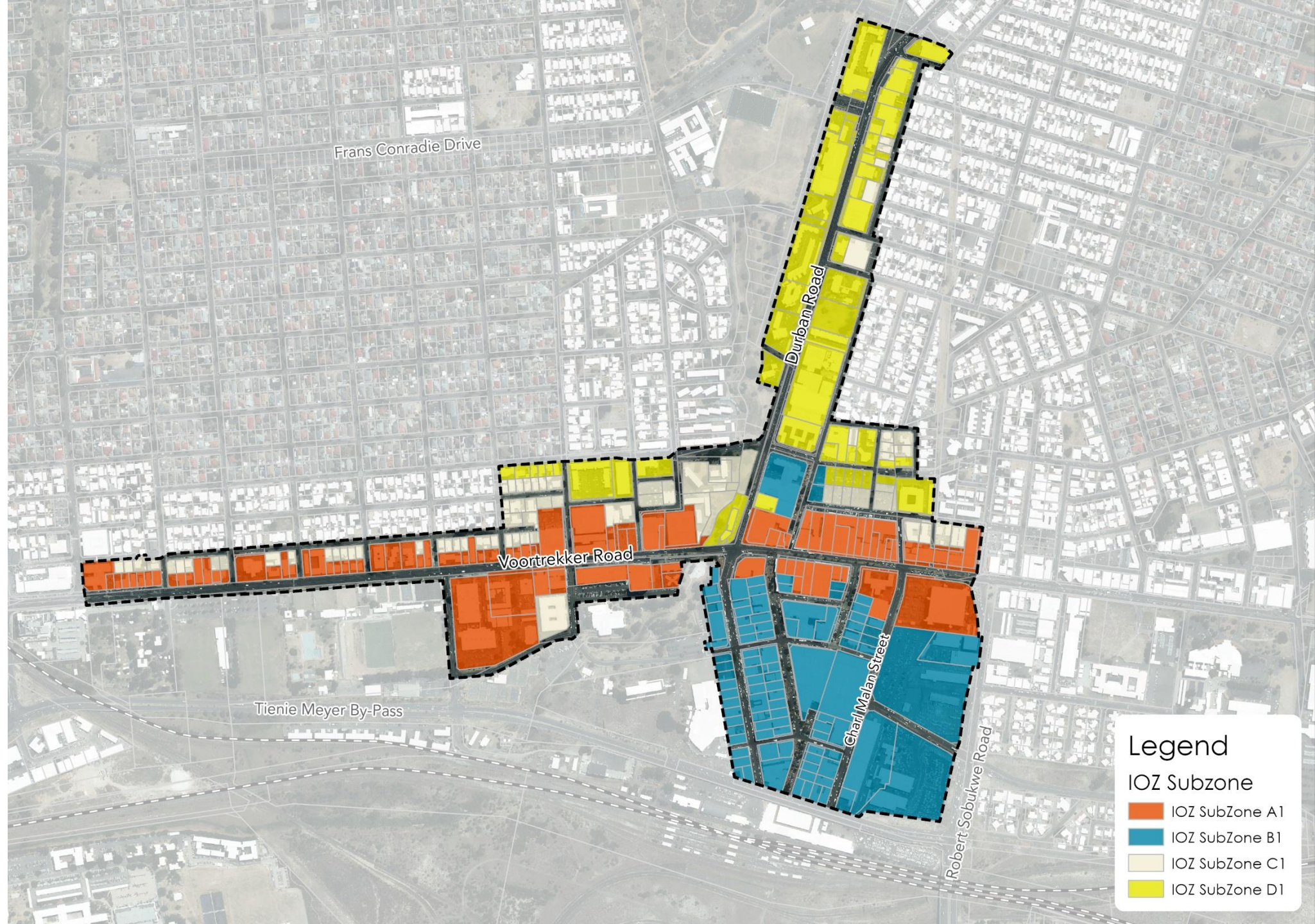
IOZ Subzone

- IOZ SubZone A2
- IOZ SubZone B2
- IOZ SubZone C1

Bellville



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Legend

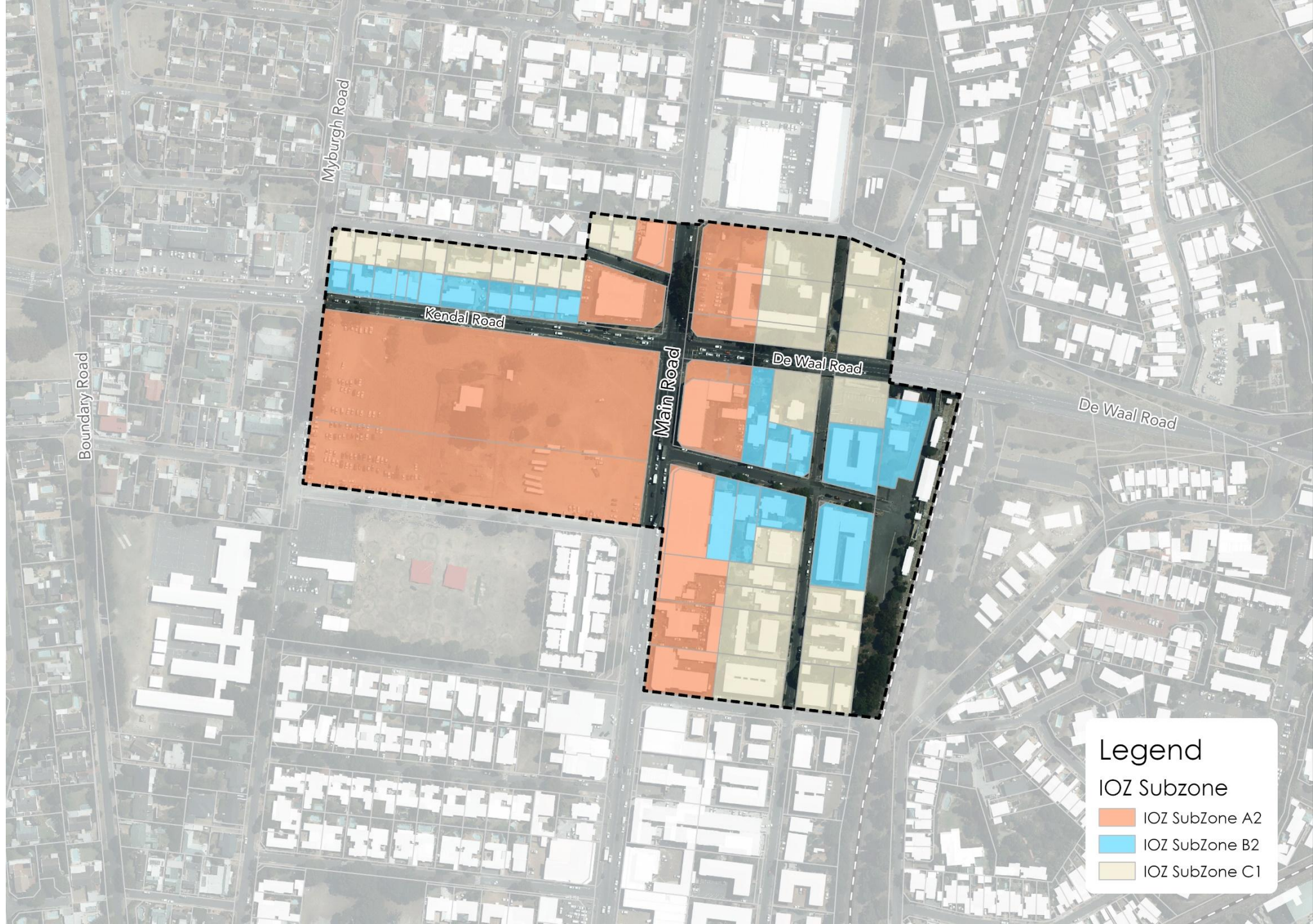
IOZ Subzone

- IOZ SubZone A1
- IOZ SubZone B1
- IOZ SubZone C1
- IOZ SubZone D1

Diep River



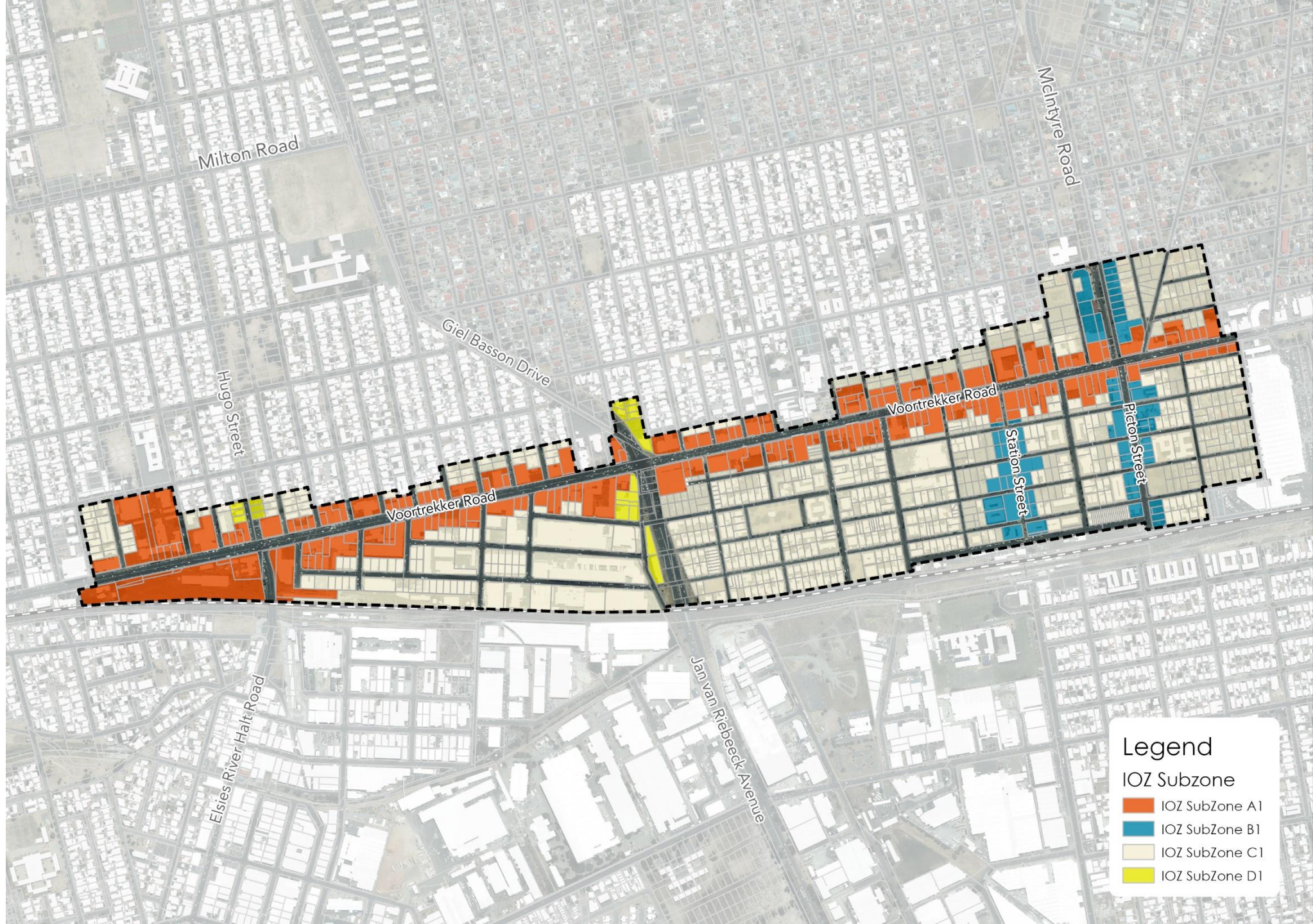
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Parow / Elsies River



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Legend

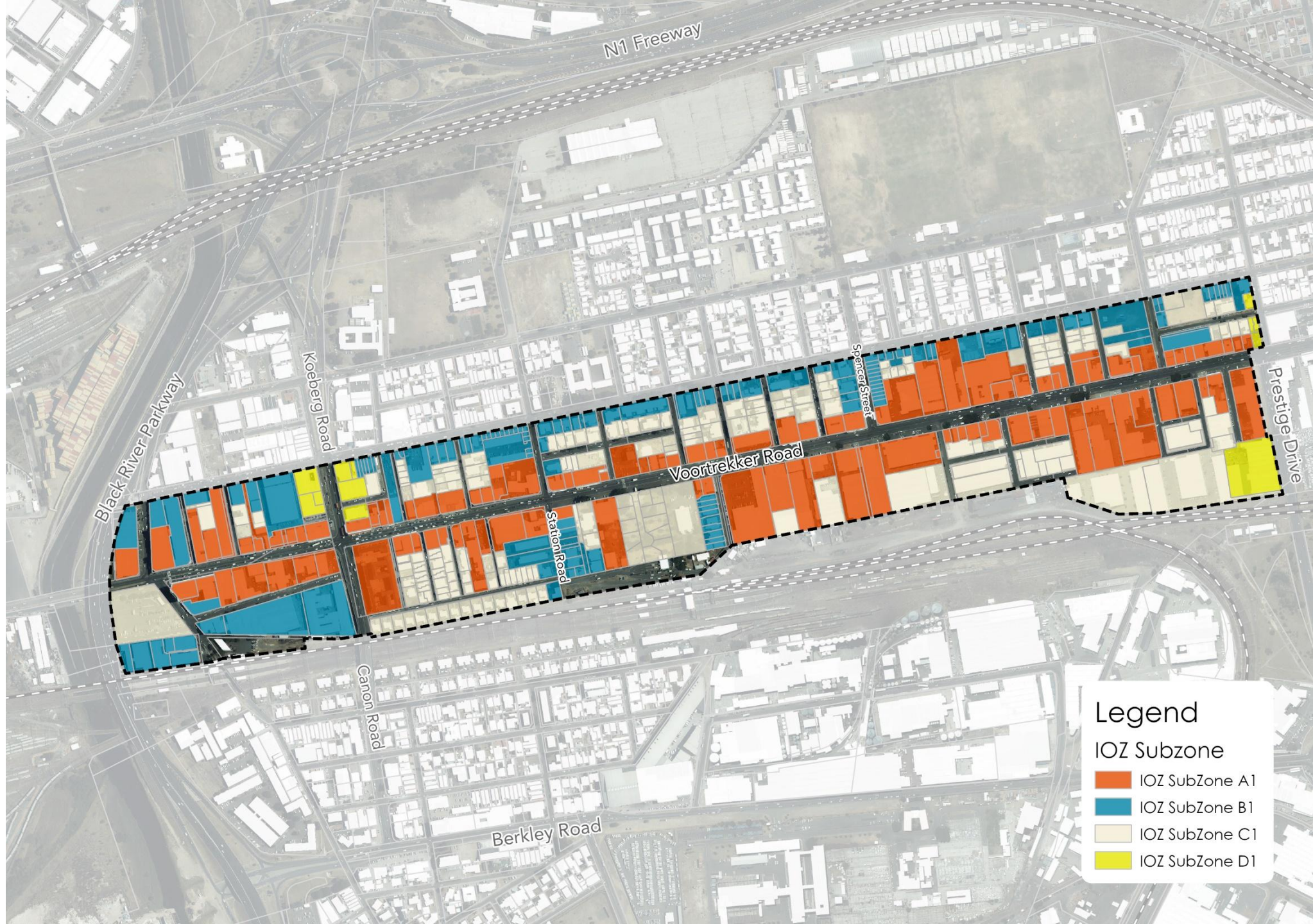
IOZ Subzone

- IOZ SubZone A1
- IOZ SubZone B1
- IOZ SubZone C1
- IOZ SubZone D1

Maitland



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4. Concession Process and Rationale

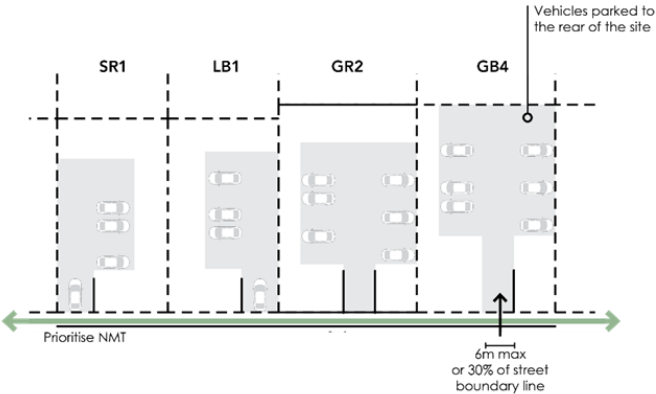
Concession Development and Testing

IOZ Concessions and Rationale																								
Base Zone		Residential Base Zone						Commercial Base Zone								Mixed Use								
Zoning		SR1	GR1	GR2	GR3	GR4	GR5	GR6	LB1	LB2	GB1	GB2	GB3	GB4	GB5	GB6	GB7	MU1	MU2	MU3				
GENERAL PRINCIPLES		- Increased bulk - Increased height and coverage towards the street front - Mitigating the negative effects on of parking					- Prioritisation of pedestrians and NMT - Active street interfaces - Appropriate functional open space																	
Properties along Activity Streets	Subzone A1	- Relaxation of suburban street setbacks - Setbacks to faciliate a colonnade along the street front - Increased height and coverage towards the street - Ground floor commercial permitted as a primary use - Removal of parking from street front										- Setbacks to facilitate a colonnade along the street front - Increased height and coverage towards the street - Removal of parking from street front												
	Subzone A2																							
Properties along Streets that Connect	Subzone B1	- Relaxation of suburban street setbacks - Relaxed setbacks to promote proximity to the street front - Increased height and coverage towards the street - Ground floor commercial permitted as a primary use - Removal of parking from street front										- Setbacks to facilitate a proximity along the street front - Increased height and coverage towards the street - Removal of parking from street front												
	Subzone B2																							
Properties embedded within the IOZ	Subzone C1	- Relaxation of suburban street setbacks - Relaxed setbacks to promote articulated threshold onto street front - Increased height and coverage towards the street - Ground floor commercial permitted as a primary use										- Setbacks to facilitate a proximity along the street front - Increased height and coverage towards the street		- Setbacks to facilitate a proximity along the street front - Increased height and coverage towards the street - Removal of parking from street front										
Properties along High Mobility Roads	Subzone D	- Relaxation of suburban street setbacks - Relaxed setbacks to promote proximity to the street front - Increased height and coverage towards the street - Ground floor commercial permitted as a primary use - Removal of parking from street front										- Setbacks to facilitate a proximity along the street front - Increased height and coverage towards the street												

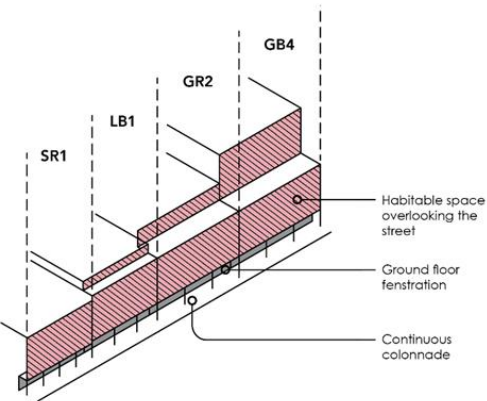
4. Concession Process and Rationale

Urban Design Considerations

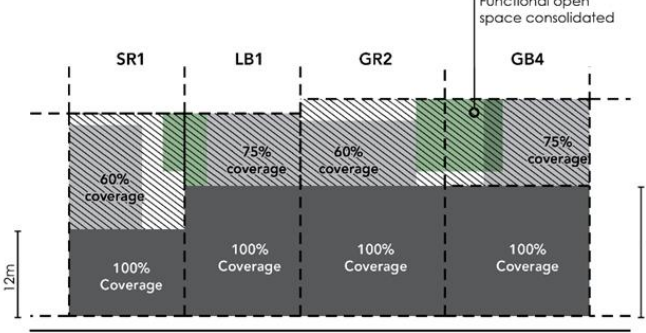
1. Parking



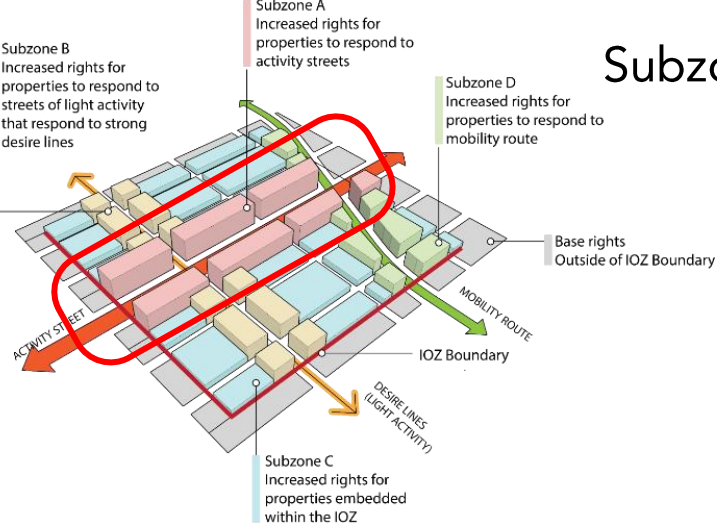
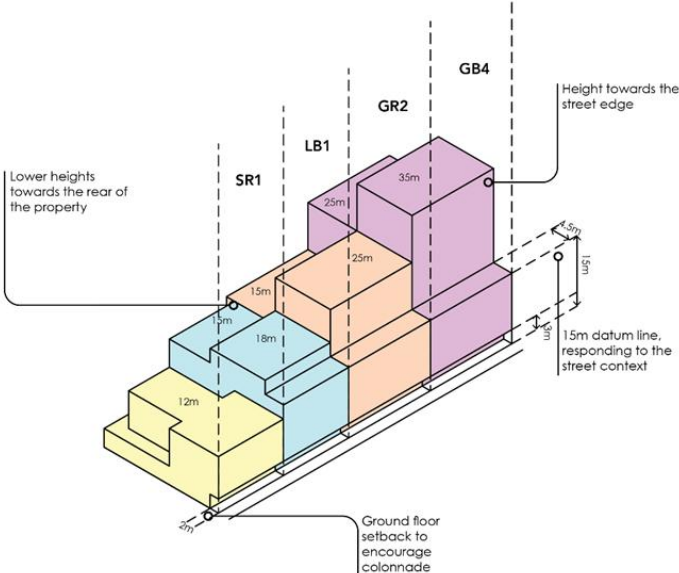
4. Streetscape



2. Coverage | Functional Open Space

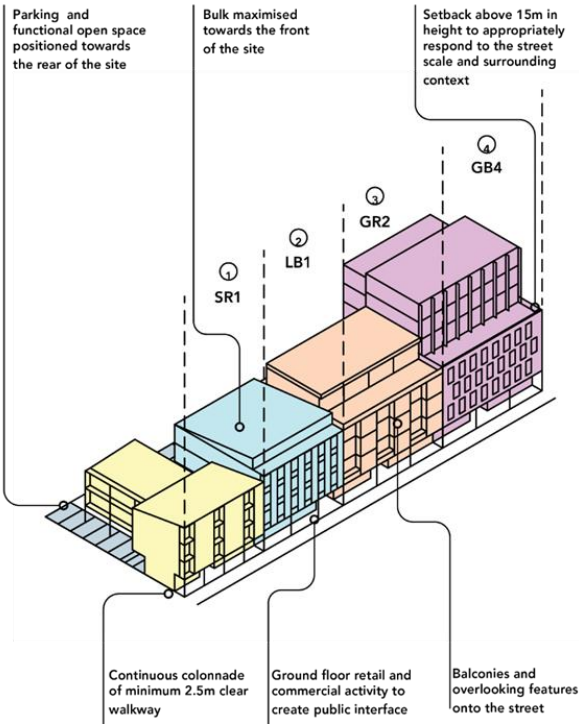


3. Height | Street boundary setback



Subzone A1

5. Example of Uptake



4. Concession Process and Rationale

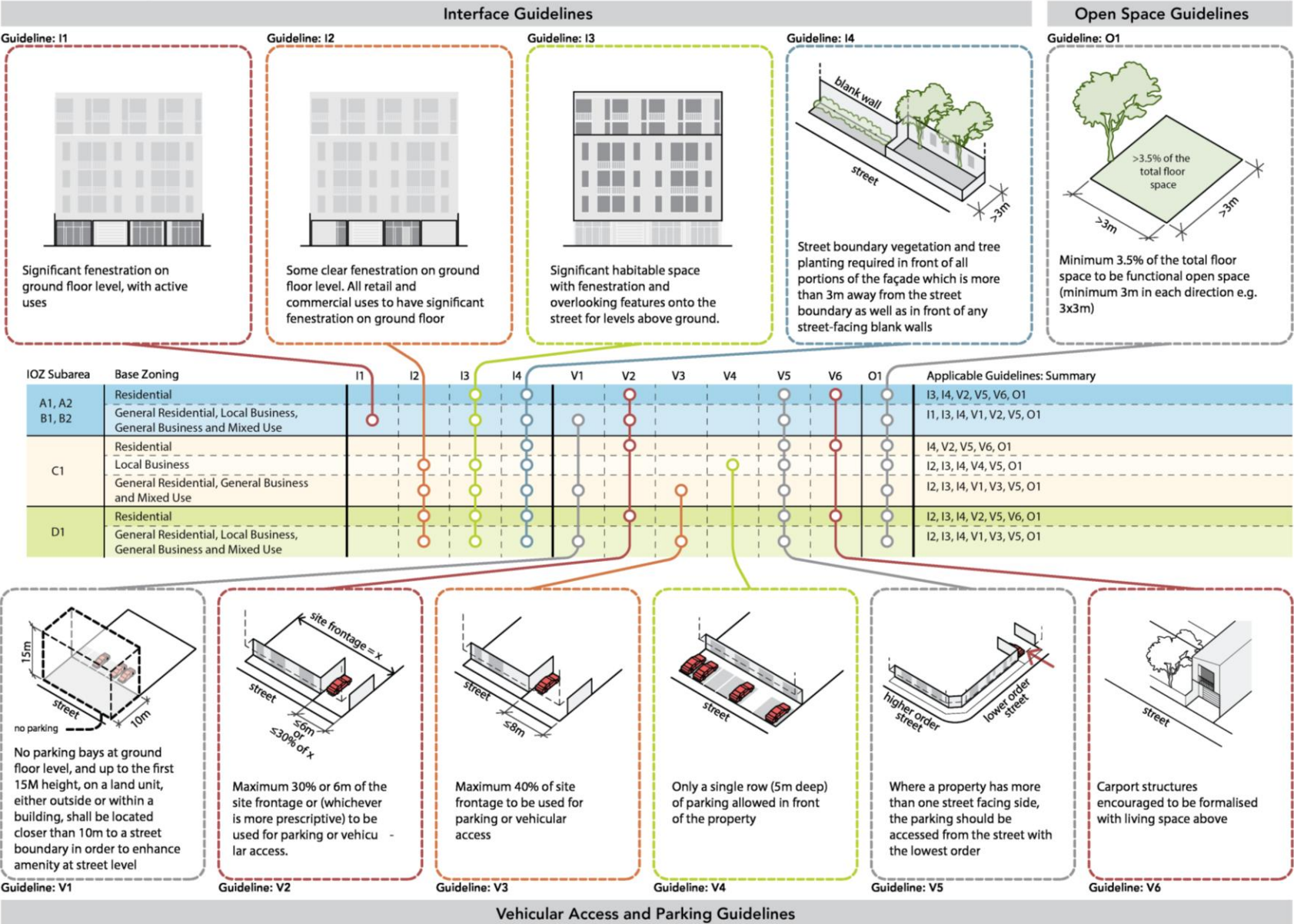
Final Concession Table (Subzone A1 example)

Current Zoning	Floor Factor	Coverage	Maximum height above existing ground level	Street boundary building line	Common boundary building line	Primary Use	Street Centreline Setback	GUIDANCE		
								Street interface treatment	Parking and Vehicular Access	Open Space
SR1	>650: 2 >200 up to 650: n/a	100% coverage within 12m of street boundary; 60% for the remainder of the site	12m	2m setback up to 3.5m height; 0m setback above 3.5m and up to 12m height	0m for 12m of street boundary (regardless of erf size) Remainder of site: > 650: 3m > 350 up to 650: 0m >200 up to 350: 0m ≤ 200: 0m	Residential (multiple units) retail, shops, commercial. No noise disturbance or manufacture permitted. Place of instruction, place of worship, institution, place of assembly, home occupation, hotel, boarding facility.		Minimum 50%. Clear fenestration on ground floor level 80% of site frontage as habitable/active façade on levels above ground. Street boundary vegetation and tree planting required in front of all portions of the façade which is more than 3m away from the street boundary.	Maximum 30% or 6m of the site frontage or (whichever is more prescriptive) to be used for parking or vehicular access. Carport structures encouraged to be formalised with living space above. Where a property has more than one street facing side, the parking should be accessed from the street with the lowest hierarchy.	Minimum 3.5% of the total floor space to be functional open space (minimum 3m in each direction e.g. 3x3m)
GR2	2	100% coverage within 18m of street boundary; 60% for the remainder of the site	25m within 18m of street boundary; 15m for the remainder of the site	2m setback up to 3.5m height; 0m setback above 3.5m and up to 15m height	0m up to 15m in height where intersecting a street boundary, for a distance of 18m measured perpendicular from such street boundary (regardless of erf size); Remainder of site > 650: 4.5m or 0.6H > 350 up to 650: 0m (12m from street and 60%) and 3m rest >200 up to 350: 0m ≤ 200: 0m	Residential (multiple units) retail, shops, commercial. No noise disturbance or manufacture permitted. Place of instruction, place of worship, institution, place of assembly, home occupation, hotel, boarding facility.	Colonnade structure can protrude up to 2.5m or current sidewalk width.	Minimum 60% of site frontage as habitable/active façade on levels above ground. Street boundary vegetation and tree planting required in front of all portions of the façade which is more than 3m away from the street boundary.	Same as PT 2 Maximum 30% or 6m of the site frontage or (whichever is more prescriptive) to be used for parking or vehicular access.	
LB1	2	100% coverage within 18m of street boundary; 75% for the remainder of the site	18m for 18m from street boundary. 15m for the remainder of the site	2m setback up to 3.5m height; 0m setback above 3.5m and up to 15m height; 4.5m above 15m.	0m for 18m from street and 60%; and 3m rest	As per by-law		70%. Clear fenestration on ground floor level 80% of site frontage as habitable/active façade on levels above ground. Street boundary vegetation and tree planting required in front of all portions of the façade which is more than 3m away from the street boundary.	no parking bays at ground floor level, and up to the first 15M height, on a land unit, either outside or within a building, shall be located closer than 10m to a street boundary in order to enhance amenity at street level Where a property has more than one street facing side, the parking should be accessed from the street with the lowest hierarchy.	
LB2										
GB1	2.5		20m within 18m of street boundary; 15m for the remainder of the site							
GB2	3		30m within 18m of street boundary; 25m for the remainder of the site							
GB3	3.5									
GB4	4									
GB5	No Change (4)									
MU2	No Change (4)									

4. Concession Process and Rationale

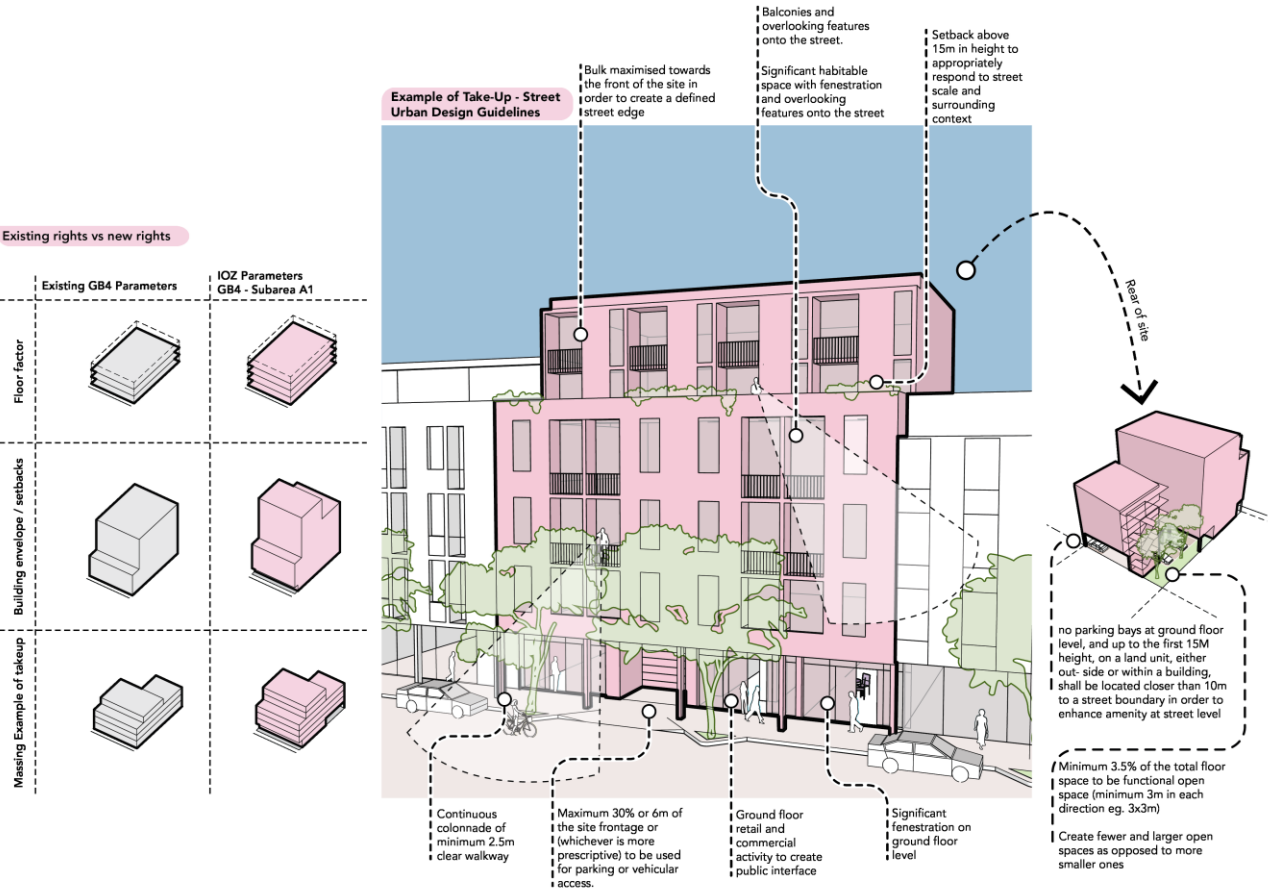
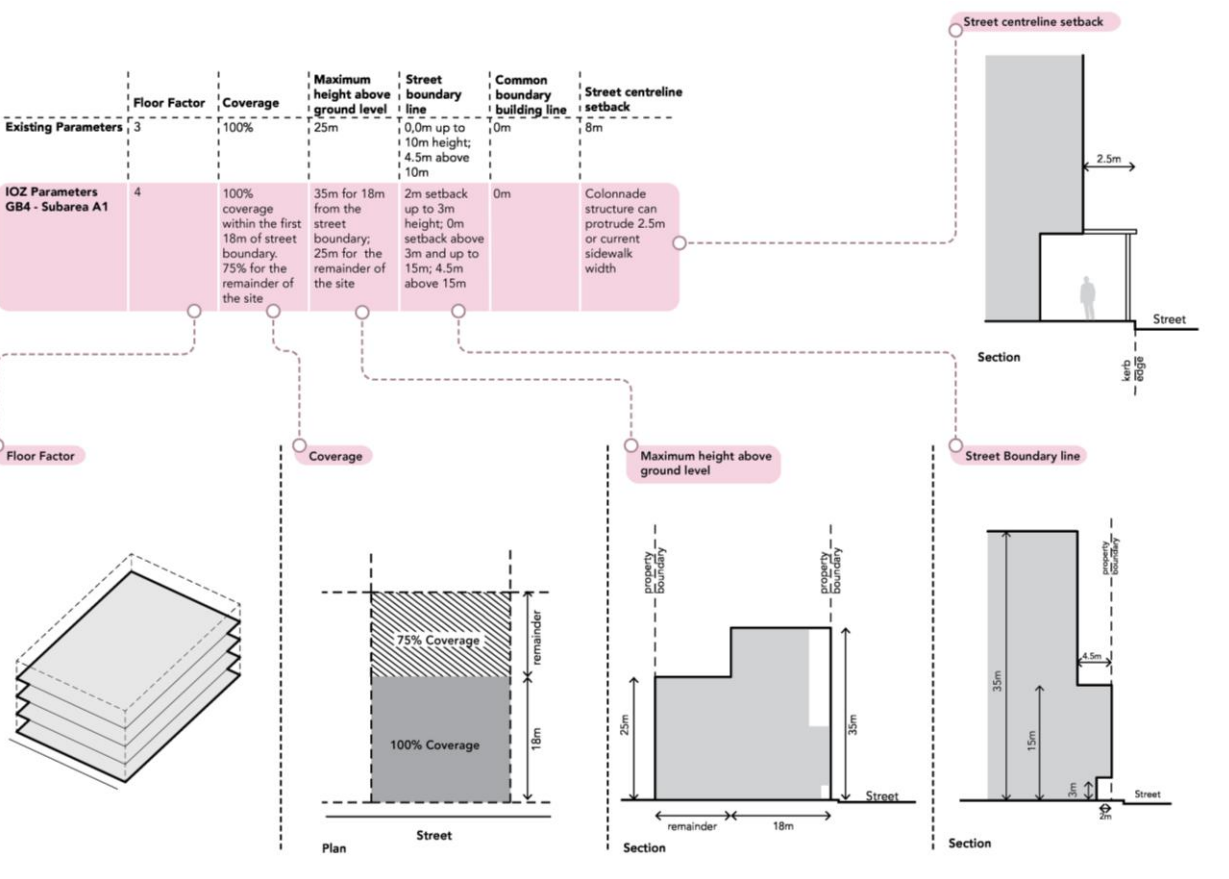
Urban Design Considerations: Interface, Open Space and Parking Guidelines

Manual developed to guide applicants on use of overlay and design considerations to consider. Illustrative examples.



4. Concession Process and Rationale Urban Design Considerations

Example: Subzone **A1**

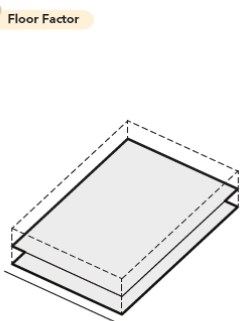


4. Concession Process and Rationale Urban Design Considerations

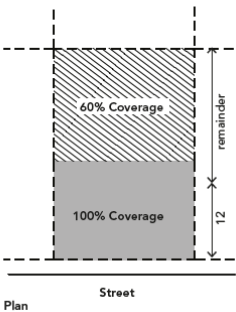
Example: Subzone C1

4.4 Example 4:
Subarea C1
R1

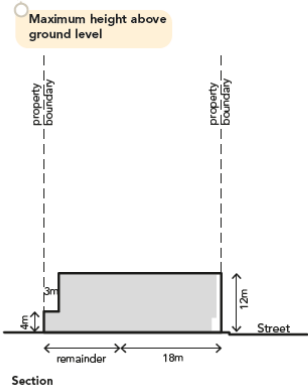
	Floor Factor	Coverage	Maximum height above ground level	Street boundary line	Land Unit Area (m²): Common boundary building line
Existing Parameters	>650: N/A (max floor space of 1500m²) <650: 1,0	60%	>650: 11m <650: 9m	3.5m	>2000: 6,0 m >650 up to 2000: 3,0m > 650 0,0 m Where a building is permitted in this zoning within 3 m of a common boundary beyond the first 12 m along a common boundary, measured perpendicular from the street boundary line, the height will be limited to 4 m
IOZ Parameters R1 - Subarea C1	2	100% coverage within 12m of street boundary; 60% for the remainder of the site	12m	2m setback up to 3m height; 1m setback above 3m	>2000: 6,0 m > 650 up to 2000: 3,0 m < 650: 0m Where a building is permitted in this zoning within 3 m of a common boundary beyond the first 12 m along a common boundary, measured perpendicular from the street boundary line, the height will be limited to 4 m



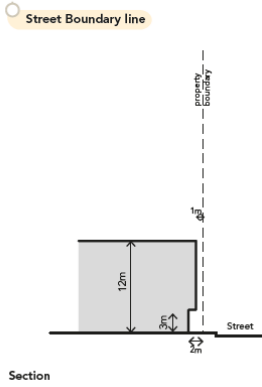
Floor Factor



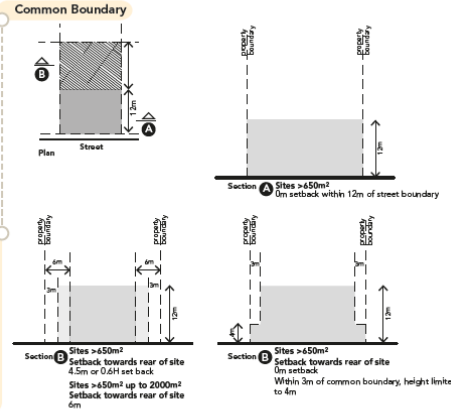
Coverage



Maximum height above ground level



Street Boundary line

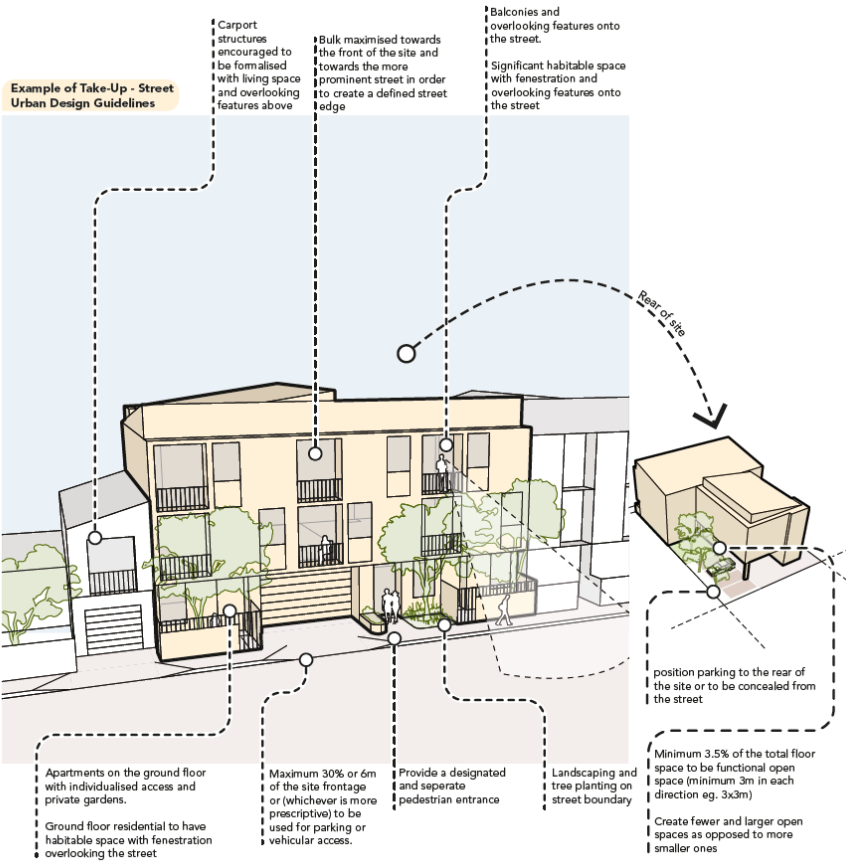


Common Boundary

4.4 Example 4:
Subarea C1
R1

Existing rights vs new rights

	Existing R1 Parameters	IOZ Parameters R1 - Subarea C1
Floor factor		
Building envelope / setbacks		
Missing Example of take-up		



4. Concession Process and Rationale

Quantifying & Testing Concessions

Various studies undertaken to quantify and test the impact of additional rights:

Key findings from studies



Property market - Impact on project viability and more specifically holding costs: This included a scenario-based cost breakdown and developer ROI (Return on Investment) investigations.

Potential to reduce holding costs by up to 66% for developers. Depending on scale of development.



Infrastructure requirements, costs and associated development contributions: provides insight into the costs associated to the enabling infrastructure that would be required to service the rights that will be facilitated through the IOZ.

Spare capacity available and minimal infrastructure upgrades required. New upgrades already catered for in the City's master plans and will be funded by DCs. Total costs of new infrastructure required is approximately 1% of the total 10 Year Infrastructure Capex budget (Infrastructure Report 2023)



Potential Return to City: estimate the potential income that could be generated through the take up of additional bulk rights should the IOZ be implemented.

Potential increase to the City's revenue stream in the 5 IOZ areas due to increased development.



Regulatory Impact Assessment: Where impacts were not amenable to quantification, a comparative score-based approach was followed to estimate impacts (i.e., impacts are expressed as values, but not necessarily in financial terms). A more detailed RIA was then undertaken with City officials in the conclusion to this iterative analysis, yielding nett positive outcomes.

Nett Positive impact from a Policy, Operational, Economic, Environmental and Social perspective.

Conclusion

Further info and contact details

5. Key Conclusions



1. Take a **phased approach** to spatial targeting:
 - Maturity required for more complex areas.
 - Opportunity to bring areas online that require infrastructure readiness.
 - Limited areas and a bolder approach required to stand apart from proactive and necessary MPBL amendments.



2. Realise incentivisation as a planning tool has **limited effect, its not a silver bullet.**

3. Recognise **complementarity** with other mechanisms and tools.

4. Signalling is a key role of IOZ in the initial phases. establish trust and clarity for potential investors.



5. **Incremental uptake** (renovations/extensions) in short term is likely before large scale new builds come online in response to policy.



6. **Urban management** is an important example of a key enabler of urban development and needs to be addressed if IOZ is to succeed in full.

Helpful Links

For further information on the IOZ please visit <https://bit.ly/IncentiveOverlayZone>

A detailed manual, the **IOZ Operational and Design Guidelines**, has been put together to assist in understanding where and how you can develop in the IOZ. The manual includes further information on how the IOZ works, how to check if a property is eligible, the process to follow to apply for the enhanced rights, and how to interpret the rules into the design of the building.

For more information and general enquiries about the IOZ, we suggest you contact your District Planning Office.

To get in touch, contact:

[Development Management Department](#)

Telephone: 021 401 4702

You can also download our district office [contact list](#).





THANK YOU

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