



REPORT TO:

CITY MANAGER

**TO BE REFERRED BY THE OFFICIAL TO MAYCO VIA THE RELEVANT SPATIAL
PLANNING AND ENVIRONMENT SECTION 79 COMMITTEE**

1. ITEM NUMBER SPE 14/11/23

2. SUBJECT

**WORLD BANK'S TECHNICAL DEEP FIVE ON PROPERTY TAX AND
LAND BASED FINANCING FROM 11 TO 15 SEPTEMBER 2023, IN TOKYO
AND YOKOHAMA, JAPAN**

2. ISIHLOKO

**INGXELO ENGASEMVA KOHAMBO ENGEETEKNOLOJI IDEEP FIVE
BEBHANKI YEHLABATHI KWIRHAFU YEPROPATI
NANGOKUBHEKISLELE KWEZEMALI ZOMHLABA UKUSUSELA
NGOWE11 UKUYA KOE15 KWEYOMSINTSI 2023 EYAYISE TOKYO
NASEYOKOHAMA, EJAPAN**

2. ONDERWERP

**WÊRELDBANK SE TEGNIESE DINKSKRUM OOR EIENDOMSBELASTING
EN GRONDGEBASEERDE FINANSIERING (“WORLD BANK'S
TECHNICAL DEEP DIVE ON PROPERTY TAX AND LAND-BASED
FINANCING”) VAN 11 TOT 15 SEPTEMBER 2023 IN TOKYO EN
YOKOHAMA, JAPAN**

Q1301

3. EVENT SUMMARY

| EVENT DETAILS | |
|--|--|
| CONFERENCE/SEMINAR | <i>World Bank's Technical Deep Dive on Property Tax and Land Based Financing</i> |
| OTHER | <i>Attending seminar only</i> |
| DATE | <i>11 to 15 September 2023</i> |
| VENUE | Tokyo and Yokohama Japan |
| TOTAL COST TO THE CITY | R11 513.96 |
| CITY | Tokyo and Yokohama |
| COUNTRY | JAPAN |
| ATTENDEE DETAILS | |
| NAME AND SURNAME | DESIGNATION |
| Robert McGaffin | EXECUTIVE DIRECTOR: SPATIAL PLANNING AND ENVIRONMENT |
| PROVIDE SUMMARY OF HOST ORGANISATION / CITY | |
| The World Bank Tokyo Development Learning Center (TDLC) in collaboration with the City Management and Governance Global Solutions Group (GSG) and the Urban Regeneration and Land Value Capture Knowledge Silo Breakers (KSB) of the World Bank organized an in-person Technical Deep Dive (TDD) on Property Tax and Land Based Financing. | |

4. OBJECTIVE

Property taxation is a widely used method for generating revenue by local governments worldwide. It is a generally dependable and predictable source of income for financing infrastructure projects and providing public services in countries like the United States and Japan. However, this is not the case for many developing countries. For these, significant challenges in land valuation, tax calculation, and tax collection are common. A growing movement is helping to identify improved methods for valuing, calculating, and collecting property taxes in developing countries. Additionally, commonly used forms of land-based financing – sales of development rights, impact fees, special assessment districts and land pooling – require certain building blocks to be in place before these tools can be used. Without these underpinnings, many developing countries are missing out on opportunities to generate additional revenue and catalyze broader economic impact through these tools.

Land-based financing tools represent important potential sources of revenue for cities across the world. Demographic growth, increasing concentration of residents and of economic activities in urban centres, real estate market dynamics, and upgrades to urban infrastructure are among the factors that most contribute to rise in value of real estate. Especially in contexts of increasing urbanization whereby local governments must provide more services for more people in financially constrained environments, it is vital that local governments strategically consider how to leverage and/or “capture” value increases resulting from policy action, public infrastructure and/or public services

DLC, in collaboration with the City Management and Governance Global Solutions Group (GSG) and the Urban Regeneration and Land Value Capture Knowledge Silo Breakers (KSB), launched its FY24 TDD series by hosting a five-day, in-person TDD to discuss challenges and solutions around incorporating land-based financing and property tax policies and practices. Held in Tokyo and Yokohama City, Japan, from September 11–15, 36 participants from eight countries, Brazil, Ethiopia, Ghana, Indonesia, North Macedonia, Pakistan, Philippines, and Tanzania, as well as global experts and practitioners from Japan, the United States, South Africa, and South Korea joined the event to share their wealth of knowledge and experiences related to property taxation and land-based financing.

5. OUTCOMES

The following value-capture instruments were presented and discussed:

- Property tax
- City Improvement Districts
- Development Contributions
- Land Adjustment Programmes
- Public-private partnerships
- Tax Increment Finance

Whilst the first three are well-used instruments in South Africa and Cape Town, where sophisticated systems are in place. Particular lessons were learnt from presentations relating to the remaining three instruments.

Whilst Tax Increment Finance is widely used in the USA, it has had limited application elsewhere because firstly, specific national legislation needs to be in place. Secondly, local governments require administrative and legal systems to be in place to accommodate the establishment of multiple Special Purpose Vehicles, which can create financial governance, reporting and administrative challenges.

In terms of land readjustment mechanisms and Public Private Partnerships, participants visited Miyashita Park in the Shibuya Ward, Hareza Ikebukuro in the Toshima Ward, and the new Toshima Ward Office Building—both of which are examples of increased utilization of publicly owned land through public private partnerships and land swaps between the private and public sectors. Of particular interest was how Toshima Ward obtained enough funds to

construct a new government office building by utilizing a closed elementary school and children's center, as well as leasing the previous office building site to a private company on a fixed-term land lease agreement.

Further examples were presented from Seoul, Korea, where the key lesson learnt was to avoid placing too much burden on a project in terms of meeting public objectives such that the project becomes unviable and unattractive to private investors.

Whilst not directly related to land-based financing, the case-study of the local government "one-stop shop" in Yokohama City in delivering public services was very interesting.

6. ACTIONS REQUIRED

Circulation of the World Bank Cost Benefit Analysis Toolkit to City of Cape Town Policy and Strategy Department (Complete). This is a particularly useful resource in light of the use of Cost Benefit Analysis in the City of Cape Town project assessment and stage-gate process.

Circulation of the Economics of Ecosystems and Biodiversity (TEEB) toolkit to the Environmental Management Department (Complete). This is a very useful resource in light of the Department's intention to quantify the economic value of the ecosystem services provided in Cape Town.

7. IMPLICATIONS

7.1 **Constitutional and Policy Implications** No Yes

7.2 **Environmental implications** No Yes

7.3 **Financial Implications** No Yes

7.4 **Legal Implications** No Yes

7.5 **Staff Implications** No Yes

7.6 **Risk Implications** No Yes

7.7 **POPIA Compliance**

It is confirmed that this report has been checked and considered for POPIA Compliance.

8. RECOMMENDATIONS

It is recommended that the feedback report on the trip **WORLD BANK'S TECHNICAL DEEP FIVE ON PROPERTY TAX AND LAND BASED FINANCING FROM 11 TO 15 SEPTEMBER 2023, IN TOKYO AND YOKOHAMA, JAPAN** undertaken by Executive Director Spatial Planning and Environment, Robert McGaffin on 11 to 15 September 2023 **be considered and noted.**

8. IZINDULULO

Kundululwe ukuba **makuthathelwe ingqalelo kwaye kuqwalaselwe** ingxelo engesemva kohambo **ENGETEKNOLOJI I DEEP FIVE BEBHANKI YEHLABATHI KWIRHAFU ENGEPROPATI NANGOKUBHEKISELELE KWEZEMALI ZOMHLABA UKUSUSELA NGOWE11 UKUYA KOWE15 KWEYOMSINTSI 2023, EBISE TOKYO NASE YOKOHAMA, EJAPAN** eqhutywe nguMlawuli weSigqeba kwezoCwangciso loMhlaba ongamaBala nokuSingqongileyo uRobert McGaffin, ukususela ngowe 11 ukuya kowe15 kweyoMsintsi 2023

8 AANBEVELINGS

Daar word aanbeveel dat die terugvoerverslag oor die reis onderneem deur die uitvoerende direkteur: ruimtelike beplanning en die omgewing, Robert McGaffin, van **11 tot 15 September 2023 na Tokyo en Yokohama, Japan** om die **WÊRELDBANK SE TEGNIESE DINKSKRUM OOR EIENDOMSBELASTING EN GRONDGEBASEERDE FINANSIERING** by te woon, **oorweeg word en daarvan kennis geneem word.**

9. GENERAL DISCUSSION

As a town planner and land economist, and Executive Director for Spatial Planning and Environment, Robert McGaffin was invited as a guest speaker to the World Bank's Technical Deep Dive on Property Tax and Land Based Financing, organised under the auspices of the World Bank Tokyo Development Learning Centre programme. The objective of the event was to facilitate knowledge exchange and sharing within the global development community.

Specifically, the aim of the programme was to maximize development impact by examining the evolution of land-based financing and property tax system in Japan and other developed countries highlighting the lessons and implication for developing countries such as South Africa. Mr. McGaffin presented on and shared his experience with land-based financing and urban regeneration practices in the City of Cape Town and in South Africa.

This presented an opportunity to show case the work being done within the Metro on an international platform.

The knowledge sharing allowed for exposure to international best practice which is beneficial to the City of Cape Town, especially considering the Spatial Planning and Environment Directorate’s allocated lead role in precinct planning and development. Furthermore, the exposure to land-based financing practices will all be beneficial to Mr. McGaffin in his role as Chair of the Property Value Chain Governance Forum.

FOR FURTHER DETAILS, CONTACT:

| | | | |
|----------------|---------------------------------------|--|-------------|
| DATE | 3 October 2023 | | |
| NAME | Monique Scharffenorth | CONTACT NUMBER | 021 4003163 |
| E-MAIL ADDRESS | Monique.Scharffenorth@capetown.gov.za | | |
| DIRECTORATE | SPE | FILE REF NO | |
| SIGNATURE : | Monique Scharffenorth | <small>Digitally signed by Monique Scharffenorth Date: 2023.10.10 12:18:51 +02'00'</small> | |

EXECUTIVE DIRECTOR

ROBERT MCGAFFIN

COMMENT:

SIGNATURE: **Robert McGaffin** Digitally signed by Robert McGaffin
Date: 2023.10.10 19:02:37 +02'00'

NAME _____

DATE _____

MANAGER: INTERNATIONAL RELATIONS

DR. DENVER VAN SCHALKWYK

COMMENT:

Actions noted

SIGNATURE: **Dr Denver van Schalkwyk** Digitally signed by Dr Denver van Schalkwyk
Date: 2023.10.11 10:24:28 +02'00'

DATE _____

REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.

LEGAL COMPLIANCE

NON-COMPLIANT

NAME

TEL

DATE

**John Laing
Smale**

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John Laing Smale
Date: 2023.10.13
11:41:37 +02'00'

COMMENT:

Certified as legally compliant based on the contents of the report.
Note: Paragraph 2 titled "Subject" should contain the words "Feedback Report" as per the approved report template for Feedback Reports.



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Mbandazayo
Date: 2023.10.15 17:47:06 +02'00'

CITY MANAGER

NOTED

REFER TO THE MAYORAL COMMITTEE VIA THE RELEVANT SECTION 79 COMMITTEE

DATE

COMMENT:
