DISTRICT SIX REDEVELOPMENT

The Context
WHAT IS THE HISTORICAL CONTEXT?

1996 Court Order

- Claimant Participation
- Facilitated through a process
- To reach settlement
- Through an Integrated Development

Dr Elaine Clark
&
Dr Neville Alexander
WHAT IS THE HISTORICAL CONTEXT?

1998  Record of Understanding signed

- With District Six Redevelopment Trust
- with the Department of Land Affairs
- and the City of Cape Town
WHAT DID THE ROU SAY?

- Provide restitution to those persons removed from District Six
  - through an integrated re-development
  - which would result in a vibrant multi-cultural community.

- Redevelop District Six by identifying
  - an appropriate institutional framework (legal Structure)
  - and implementation model (business model)
‘to provide restitution for those removed from District Six, through an integrated redevelopment which will result in a vibrant multicultural community whose dignity has been restored in a developmental environment, grounded in, and meeting the social and economic needs of the claimants and the broader community that will contribute towards the building of a new nation’.
2000 Framework Agreement in terms of the provisions of Section 42(D) of the Restitution Act.

- to identify the land
- conclude the necessary implementation agreements

DEVELOPMENT FRAMEWORK AND BUSINESS PLAN
WHAT NEXT?

As proposed by the Business Plan

Claimants are being asked to:

• to make a contribution
• to be part of a Development Company (SPV)
• Decide on the Constitution of the Company (MOI)
SO WHY IS IT NECESSARY FOR CLAIMANTS TO CONTRIBUTE?
PROBLEM

- Cost of providing
  - dignified Residential Units
  - within a Sustainable Development
  - and Rebuilding the Infrastructure
  - that can support and sustain the building of a Community.

- Is Greater than the Funding that can come from Government.
HOW BIG IS THE PROBLEM?

DISTRICT SIX
WASTELAND AFTER DEMOLITIONS

RUBBLE NOW LIES 1.5-2m DEEP OVER WHOLE SITE

R40,000.00 additional cost per unit to establish foundations.

EFFECTIVELY WIPES OUT RESTITUTION SUBSIDY
## WHAT MAKES UP THE COST?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>12%</td>
<td>Other Cost Legal, Planning, design etc</td>
<td>+ R40 000</td>
</tr>
<tr>
<td>68%</td>
<td>Building Cost</td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td>Roads and Services</td>
<td></td>
</tr>
<tr>
<td>5%</td>
<td>Foundation</td>
<td></td>
</tr>
<tr>
<td>5%</td>
<td>Site Preparation</td>
<td></td>
</tr>
<tr>
<td>WHAT FUNDING IS AVAILABLE FROM GOVERNMENT?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 42c Grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restitution Settlement Grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Subsidies (For those who qualify)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For Roads &amp; Services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
HOW DOES FUNDING MATCH COST?

TOTAL COST

SHORTFALL
67%

GOV FUNDING
33%
HOW DO WE MAKE UP THE SHORTFALL?

- Form SPV each Claimant
- Leverage funding
- Develop Commercially
- Build Commercial Offices, Retail/Shops, Apartments for letting
- Rental Income

CLAIMANTS & LRB’S BUILD

TARGET PROJECTS

DEVELOPMENT | PROJECT CONSTRUCTION MANAGEMENT
WHAT IS COMMERCIAL?

• 1750 units for letting.
• 41000 m² of Office Space for letting.
• 15000 m² of Shopping Space for letting.

Same as owning a House + Office + Shop and Earning Rent
HOW DOES THIS CHANGE THE PICTURE?

TOTAL COST

SHORTFALL 27%

COMMERCIAL FUNDING (LOAN) 40%

GOV FUNDING 33%
THERE IS ANOTHER PROBLEM !!!! AND A SOLUTION

TIME

• First have to develop commercial in phases
• Will take 10 years

Government is assisting by providing bridging capital.

• Will take 3 years
• Save hugely on interest on bank loans
• Thus reduce shortfall Claimants have to pay.
HOW DOES THIS CHANGE THE PICTURE?

<table>
<thead>
<tr>
<th>SHORTFALL</th>
<th>GOVERNMENT FUNDING (LOAN)</th>
<th>GOV FUNDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>27%</td>
<td>40%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Note!
The Remaining Bulk to develop
- Land Reform Beneficiaries
- Social & Gap
- Market Residential
- Retail
- Commercial

REMAINING BULK Approx 70%

DEVELOPMENT | PROJECT
CONSTRUCTION MANAGEMENT
HOW DOES R225K CONTRIBUTION BENEFIT CLAIMANT?

- Can move into house within 3 years
- Will fully own the house worth more than R1m
- Will have a share in the Company
- Will be able to pay off the R225k from dividend within 2-5 years.
- Will still own a share in the SPV that would have a value in 10 years far exceeding the value of the house (equiv to more than 4)
WHAT HAPPENS IF DON’T CONTRIBUTE?

- End up building RDP type houses or
- Have to sell off some land (crown jewels)
- Take a longer time to return
- Greater potential for gentrification.
- Lose control of access to job opportunities
- and business opportunities
WHAT HAPPENS IF YOU CAN NOT CONTRIBUTE BUT WANT TO.

• Get assistance from family beneficiaries.
• Liquidate assets or use current assets as collateral
• Wait until SPV is formed and work out a payment plan with SPV.
• Dividend from shares deferred until loan is paid up.
WHAT HAPPENS IF YOU DON’T WANT TO CONTRIBUTE

Plan will only work if more than 80% of claimants contribute

YOU AS A CLAIMANT COMMUNITY NEED TO DECIDE

IF NO GO BACK TO DRAWING BOARD

IF YES
ESTABLISHING THE DISTRICT SIX DEVELOPMENT COMPANY
WHAT LEGAL STRUCTURE DID BUSINESS PLAN RECOMMEND?

A Development Vehicle (Special Purpose Vehicle) in the form of a PRIVATE COMPANY
To drive
To co-ordinate
and monitor

the process of restitution and the re-development of District Six in accordance with the Development Framework and the Business Plan.
WHAT ARE THE OBJECTIVES OF THE SPV?

- restitution of claimants
- separate juristic entity
- take transfer of the land comprising District Six
- protect the claimants against gentrification
- Protect the Vision against undue interference
- be able to secure funding
The Company's Act (Act 71/2008) requires:

- The filing of a Notice of Incorporation
- Payment of a prescribed fee
- The filing of a Memorandum of Incorporation
WHAT WILL IT TAKE TO SET UP?

THE STEPS

- Shareholders must agree on Content of the MOI
- Register the Company
- Hold the inaugural AGM
- Elect a Board of Directors
- Can be achieved within a 3 month timeframe
MEMORANDUM OF INCORPORATION (MOI)
WHAT ISSUES WILL MOI DEAL WITH?

- The purpose and objective of the company
- Rights of shareholders
- Powers and responsibilities of directors
- How and when meetings are to be held
WHAT DOES IT MEAN TO OWN SHARES?

A share certificate will be issued to each shareholder.

- A "share" means
  - own a piece of the company
  - have the right to vote
  - entitled to dividends
  - limited liability
WHO ARE THE POTENTIAL SHAREHOLDERS?

- Tenant Claimants
- Owner Claimants
- Land Reform Beneficiaries (LRB’s)
- Social Housing Beneficiaries?
- Gap Housing Beneficiaries?
- Stakeholders?

YOU MUST DECIDE
HOW MANY SHARES WILL YOU GET?

Could be determined by:
- the nature of claim (Tenant, Owner, LRB, etc.)
- and number of claims
TYPE OF SHARES?

- Ordinary Shares
- Other Classes of Shares
CAN I SELL MY SHARE?

How, when and on what basis?

- Restriction on transferability
- Pre-Emptive Rights
PROPOSED RESTRICTIONS

- “Lock in” period
- Board approval
- Company - first option to buy back the shares
- If not, then the shares will be offered for sale to the other shareholders
WHAT HAPPENS TO SHARES IF YOU DIE?

- Will not be subject to the same restrictions
- Can be transferred to Heirs
"Director" means a member of the Board of a Company.
There are generally three main categories of directors, namely:

- Directors elected by the shareholders
- Ex Officio Director's
- Prescribed Officers – those who exercise general executive control
50% of the directors have to be elected by the shareholders

Directors can serve for an indefinite period or a term as set out in the MOI

Decisions by the Board shall be passed on a majority of votes
SHAREHOLDER MEETINGS

- The company shall convene an Annual General Meeting (AGM) at least once a year
- Will require at least 35% quorum
- Decisions by a majority of votes, unless otherwise provided by the Company's Act
THANK YOU