

# 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



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# 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



WHERE  
VISION  
CAME FROM

# 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)

## DISTRICT SIX REDEVELOPMENT VISION

‘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**’.



# WHAT FOLLOWED?

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?

- ▶ **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?

12%	Other Cost Legal, Planning, design etc
68%	Building Cost
10%	Roads and Services
5%	Foundation
5%	Site Preparation



# WHAT FUNDING IS AVAILABLE FROM GOVERNMENT?

Section 42c Grant

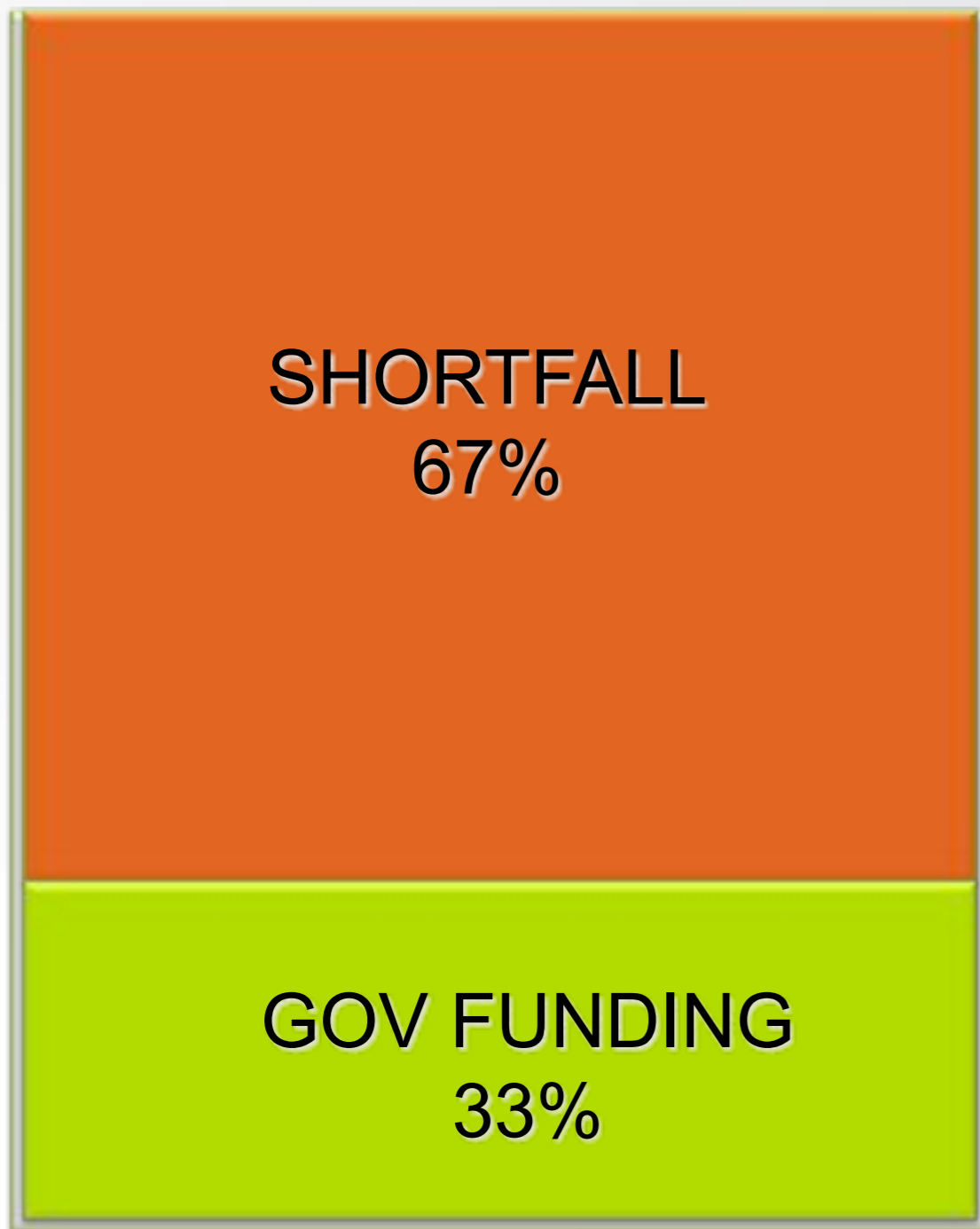
Restitution  
Settlement Grant

Housing Subsidies  
(For those who qualify)

For Roads & Services



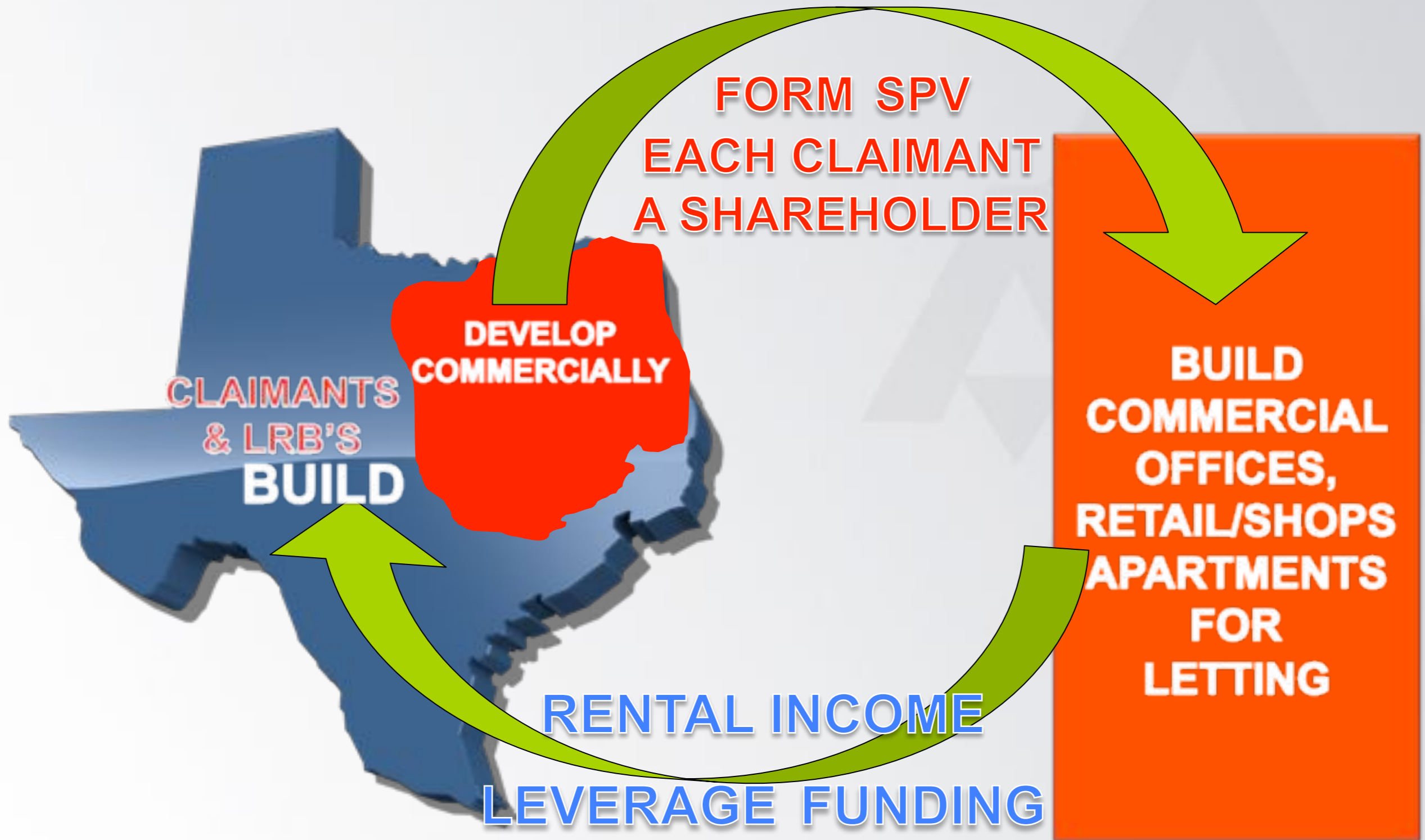
# HOW DOES FUNDING MATCH COST?



**TOTAL COST**



# HOW DO WE MAKE UP THE SHORTFALL?



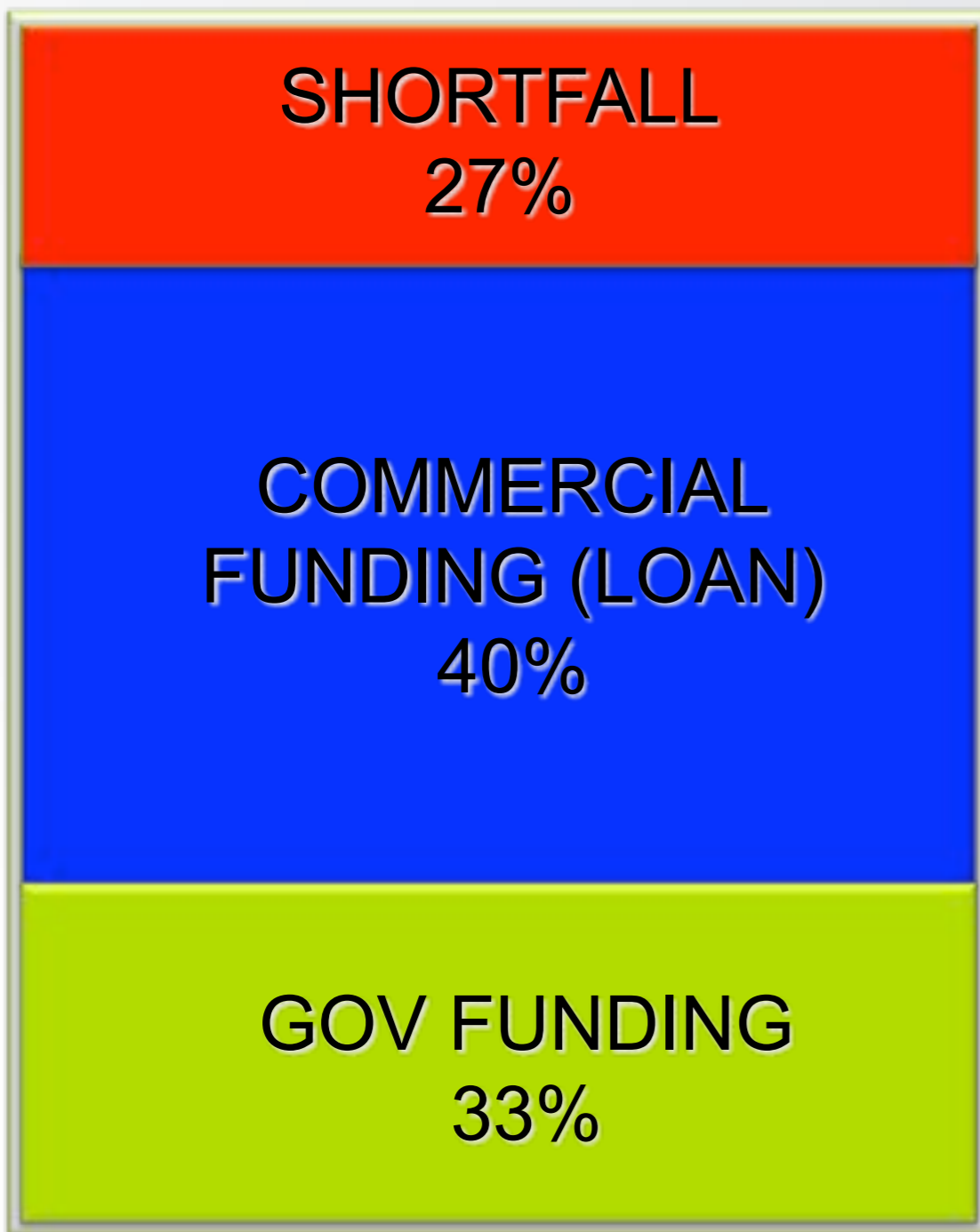
# WHAT IS COMMERCIAL?

- 1750 units for letting. Residential →
- 41000 m2 of Office Space for letting. Office →
- 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**



# THERE IS ANOTHER PROBLEM !!!!

## AND A SOLUTION

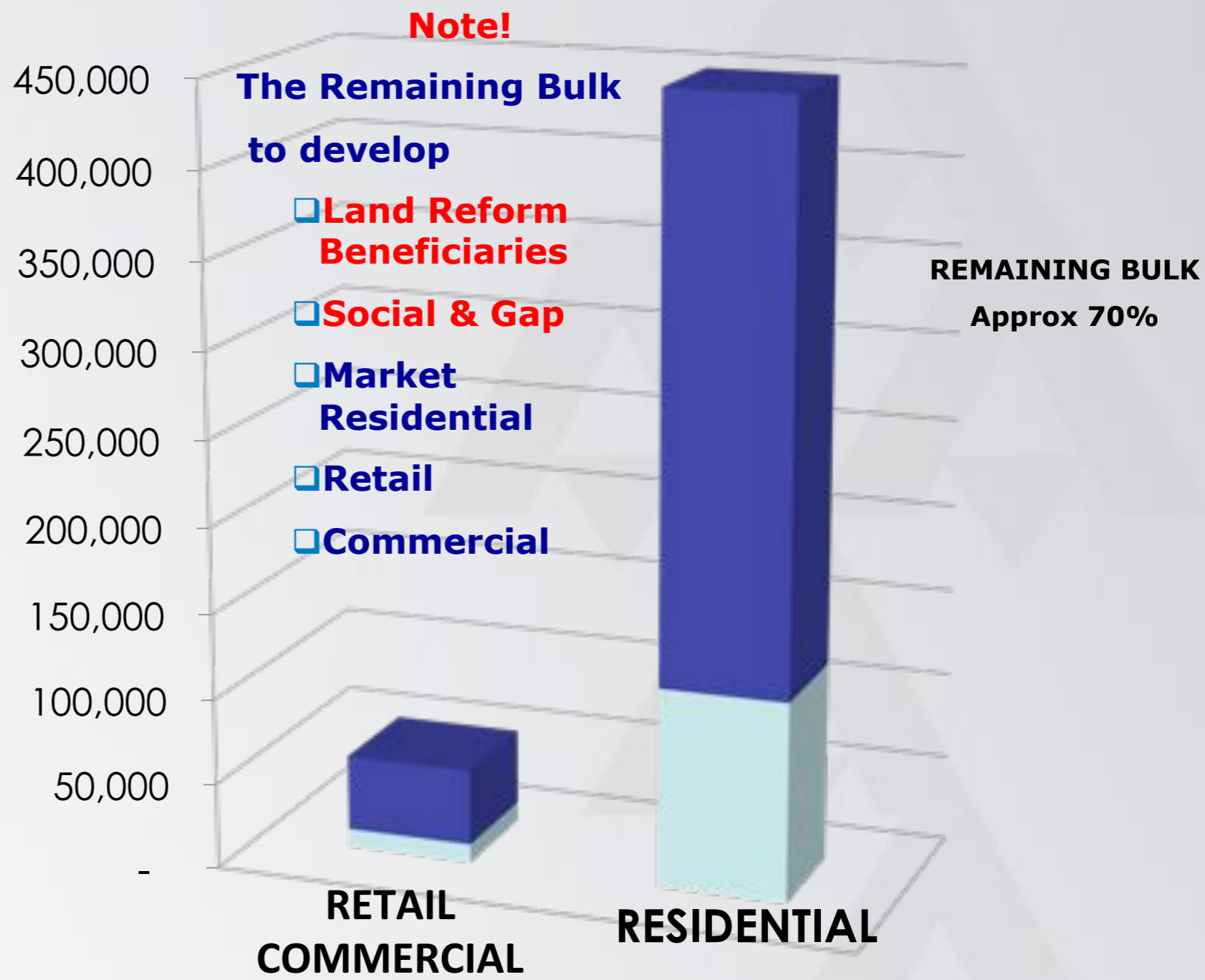
### ▶ TIME

- 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?



# 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 DO WHAT?

- ▶ 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

**PRIVATE COMPANY**

# WHAT DOES THIS INVOLVE?

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

# DIRECTORS ?

**"Director" means a member of the Board of a Company.**



# BOARD OF DIRECTORS

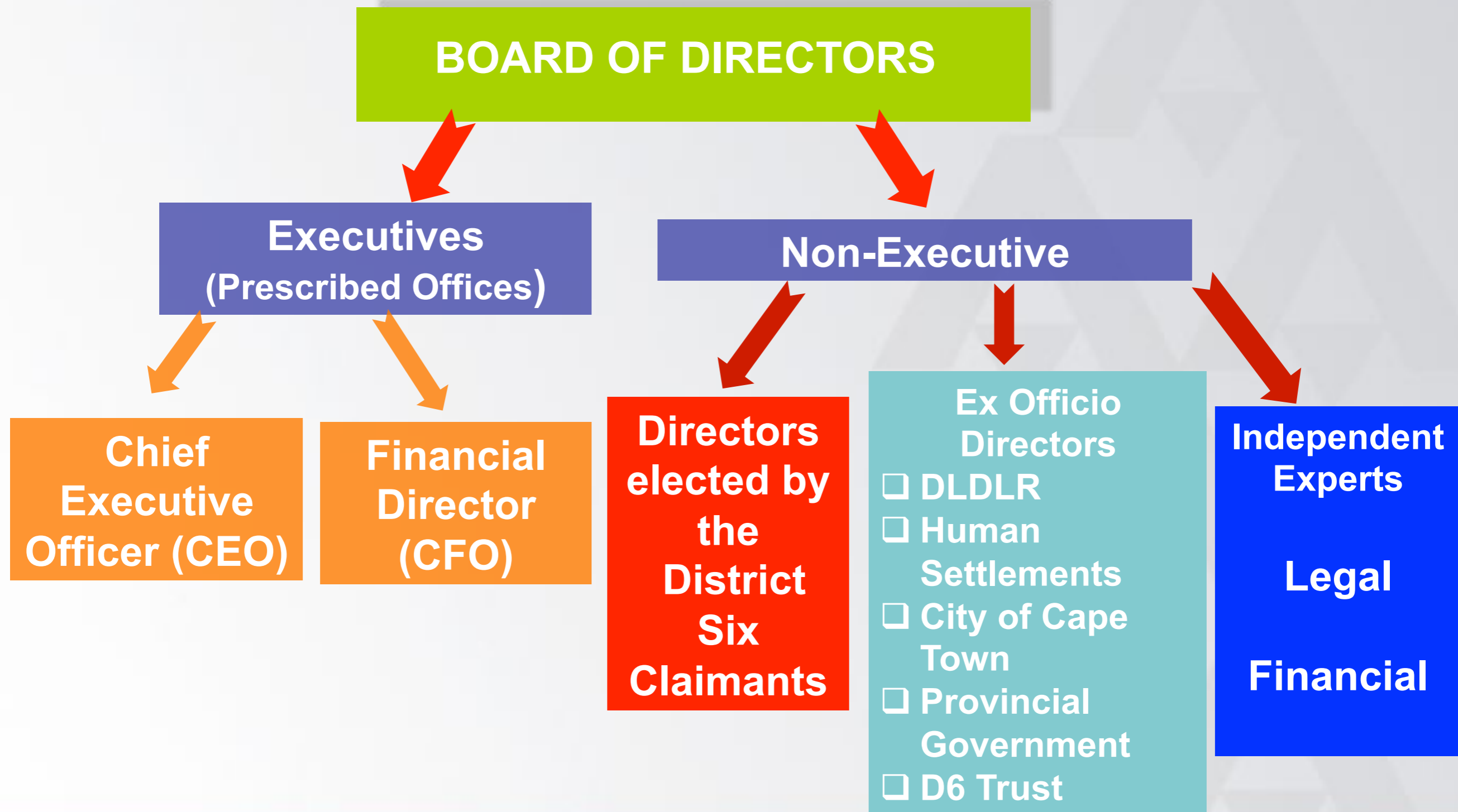
There are generally three main categories of directors, namely:

- ▶ Directors elected by the shareholders
- ▶ *Ex Officio* Director's
- ▶ Prescribed Officers – those who exercise general executive control

# BOARD OF DIRECTORS

- ▶ 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

# RECOMMENDED BOARD STRUCTURE



# 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