
ECONOMIC IMPACT ANALYSIS

1. CONTEXT

The owner aims to target the market segments listed below which have been identified based on market trends discussed in **Section 11** of this assessment.

- 60 Apartments
- 68 Town Houses
- 1 Business zone for Neighborhood Shop with apartments above
- 1 Historic Precinct (Clubhouse, Restaurant, Deli, Gym, and Spa)
- 36 High Density Group Housing – Cottages
- 64 Group Housing
- 79 Single residential erven

2. INTRODUCTION

This section will provide a better understanding of the potential socio-economic impact of the proposed Pieterkoen Residential Development.

Economic impact refers to the effect on the level of economic activity in a given area because of some form of external intervention in the economy. In the case of this study, the local effects will be on the George Municipality economy. This economic impact is measured to determine the capital investment, which will be made, by both the developer and the capital investment by the private sector.

The analysis focuses on the changes that could be expected in the George Local Municipal economy and community.

There are various measures, which can determine the impact of such actions on the local George residents, and these include the following:

- Impact on employment numbers, i.e., the number of additional jobs created, or jobs lost because of the change in the economic growth of the local economy. This is the most popular measure of economic impact, because it is easier to comprehend than large, abstract Rand figures.
- Value Added (which is normally equivalent to GGP (Gross Geographical Product)) is a broader impact of the full income effect. This measure essentially reflects the sum of wage income and corporate profit generated in George.
- Impact on household incomes in George will increase as pay levels rise or additional workers are hired.

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- The impact on Business Output (also referred to as revenue or sales volume) is the broadest measure of economic activity, as it generates the largest numbers. It includes the gross level of business revenue, which pays for the cost of materials and cost of labour, as well as generating net business income profits.
 - Positive impact on the number of persons residing in George, including the marginalized community.
 - The net economic impact is usually viewed as the expansion or contraction of an area's economy, resulting from changes in (i.e. opening, closing, expansion or contraction of) a facility, project, or program. In this instance the possible impact of introducing a new economic activity into the George economy, such as the various goods and services which will be rendered are measured.

The following impacts can usually be quantified:

- **Direct impact:** The direct impact is calculated from macro-economic aggregates occurring as a direct result of the project. The initial impact on GDP for example is taken from the financial information and equals the value added generated by a specific scenario.
- **Indirect impact:** Indirect impacts are calculated from the activities of suppliers through application of the model. For purposes of this study, indirect suppliers include those industries who deliver goods and services to the activity under discussion (first round suppliers) including suppliers who on their part deliver goods and services to the first mentioned indirect suppliers.
- **Induced impacts:** The impacts are on goods and services demanded due to the project. Examples include the income of employees and shareholders of the project as well as the income arising through the backward linkages of this spending in the economy. The impact is sometimes confused with the forward linkages of a project.

3. DEFINING ECONOMIC IMPACT

Economic impacts can be defined as the effects (positive or negative) on the level of economic activity in a given area.

Types of economic impact

The net economic impact of an exogenous change in the economy will be translated according to various direct and indirect economic effects, as are defined below:

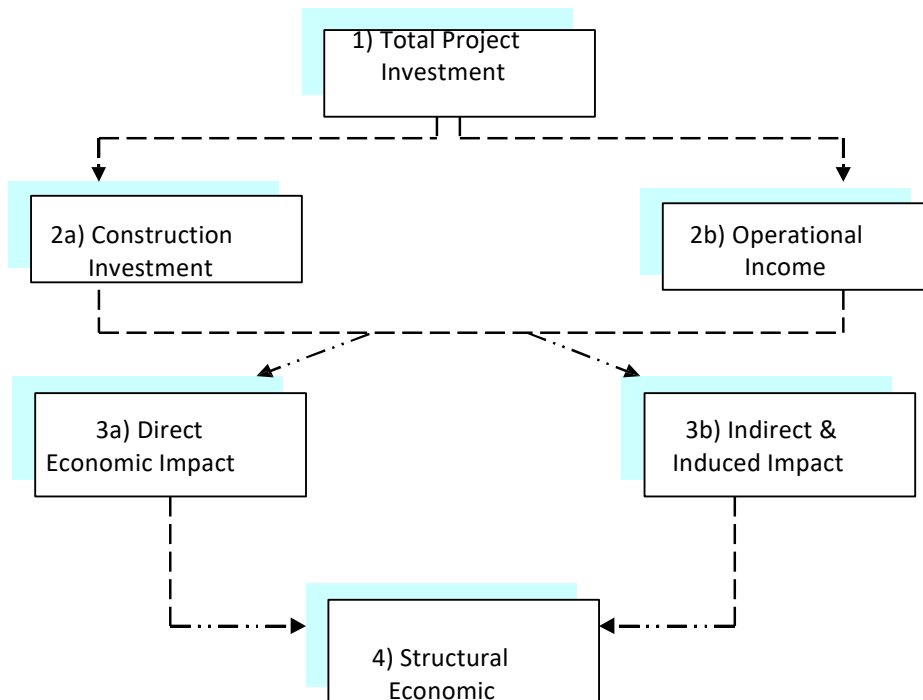
Direct economic impacts are the changes in local business activity occurring as a direct consequence of public or private business decisions, or public programs and policies. Furthermore, increased user benefits lead to monetary benefits for some users and non-users (individuals and businesses) within the geographical area:

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- For affected businesses, there may be economic efficiency benefits in terms of product cost, product quality or product availability, stemming from changes in labour market access, cost of obtaining production inputs and/or cost of supplying finished products to customers.
 - For affected residents, benefits may include reduced costs for obtaining goods and services, increased income from selling goods and services to outsiders, and/or increased variety of work and recreational opportunities associated with greater location accessibility.
 - Indirect and induced impacts: Ultimately, the direct benefits to business and the residents of communities and regions may also have broader impacts, including:
 - Indirect business impacts – business growth for suppliers to the directly-affected businesses
 - Induced business impacts – business growth as the additional residents (created by direct and indirect economic impacts/effects) spend their income on food, clothing, shelter and other local goods and services. This business growth will also have implications for potential municipal income due to raised taxes and service levies.

4. MODELLING ECONOMIC IMPACT

These economic impacts have been derived using an understanding of economic cause-effect relationships. The principle of cause-effect is that for any economic action, there can be a multitude of different economic reactions (effects). For the purposes of this project, the main cause/action is the implementation of the Pieterkoen Residential Development. This then results in a number of direct potential/probable effects, which also have a range of indirect potential/probable effects.

Figure 3.1: Cause-effect relationships resulting from the Pieterkoen Residential Development



The economic cause-effect relationships resulting from the Pieterkoen Residential Development are described according to points 1 to 3 below:

1. The investment related to the Residential Development results in the stimulation of:
 - Construction spending involved in the development.
 - The creation of operational income in the form of government revenue (e.g. Service charges, rates and taxes)
2. The stimulation of these economic activities will result in various direct and indirect economic impacts.
3. These direct and indirect economic impacts will result in economic structural changes in the regional economy.

5. QUANTIFYING DIRECT AND INDIRECT ECONOMIC IMPACTS

The subsequent paragraphs discuss the direct, indirect and induced impacts of the construction phase of the Pieterkoen Residential Development.

6. CAPITAL EXPENDITURE (CAPEX)

A capital injection (CAPEX) will be projected for each of the development activities. These include direct and indirect economic impacts. The construction of the Pieterkoen Residential Development will have the following estimated impacts on the economy in the study area:

- Additional new business sales
- Additional employment (direct and indirect)

The total capital turn-over in the construction phase of the Pieterkoen Residential Development is estimated at **R 924 000 000**.

Additional new business sales

The construction of the Pieterkoen Residential Development will lead to the expansion of business sales for existing business located within the area. For example, materials used in construction such as bricks, pipes, concrete, etc. will be purchased, as well as services such as engineers, plumbers, electricians etc. These changes will be measured in terms of new business sales, i.e. new sales that will be generated in the economy as a direct result of the capital investment in the development. Business sales will be generated because of capital investment by the developer for each of the development activities which is said to take place as mentioned above.

Additional Employment

Constructing the proposed Pieterkoen Residential Development will result in direct jobs being created for the construction of the various facilities. Indirect jobs are also created in industries that provide goods, materials and services. For example, an additional amount of goods used in the construction sector will be required from businesses and industries related to the construction sector. This could lead to an increased number of jobs being created in these businesses, i.e., in order to increase the output of these businesses.

The number of jobs created during the development phase, i.e. capital investment by the developers of the Pieterkoen Residential Development is: (See Economic Projection Schedule)

TOTAL DIRECT JOBS CREATED BY CIVIL CONSTRUCTION (OVER 12 MONTHS)	204	No.	Monthly Total	R 1 648 000
TOTAL DIRECT JOBS CREATED BY HOUSING CONSTRUCTION (OVER 48 MONTHS)	204	No.	Monthly Total	R 1 822 000
TOTAL PERMANENT JOBS CREATED BY RESTAURANT, DELI, GYM AND SPA OPERATIONS (LONG TERM)	36	No.	Monthly Total	R 370 500

Refer to Appendix 1 for further detail.

7. SUMMARY OF ESTIMATED CAPITAL EXPENDITURE – CONSTRUCTION PHASE

This section provides a summary of the impact during the construction phase (capital expenditure) of the development.

TOTAL PROJECT DEVELOPMENT COST (INCLUDING VAT)	R 924 000 000
1. Stand Development Turnover	R 234 000 000
2. Housing Development Turnover	R 660 000 000
3. Development of Commercial Node	R 30 000 000
TOTAL LOCAL MATERIAL AND LABOUR RESOURCES (INCLUDING VAT)	R 535 920 000

Refer to Appendix 1 for further detail.

8. OPERATIONAL EXPENDITURES

It is generally known that after the construction of a development or facility, ongoing economic impacts (expenditure and output) will be experienced following the commencement of the economic activities on site. This expenditure expands the markets for goods and services, increases the labour market and services as impetus for new commercial development.

The economic impact is determined by the level of economic activity generated because of the increase in market demand in the affected sectors. It is estimated that the Pieterkoen Residential Development will generate this demand over a certain number of years. The demand will be operational and direct, indirect and induced.

The ongoing impacts can be measured according to new business output in the area (turnover), additional people employed and the resulting increase in GGP contribution.

The impact calculated will indicate the potential economic effect that ongoing, sustained economic activity in the study area can have on the total local economy.

Direct Employment Creation

Because of the new businesses, which will result as part of the commercialization, namely the residential units, the administrative offices, the maintenance unit, the restaurant, the deli, the gym, and the spa. It can be estimated that the study area will be able to eventually sustain a substantial number of new employment opportunities.

The employment opportunities, which will be generated will be permanent jobs in the following categories:

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- Management
 - Professional
 - Recreational
 - Sales and Marketing
 - Production
 - Technical
 - Clerical
 - Administrative
 - Maintenance

Municipal Rates and Taxes

Municipalities are responsible for providing basic services to everyone living inside their jurisdiction. These services include:

- Supplying water
- Collecting and disposing of sewage
- Refuse removal.
- Supplying electricity and gas
- Building and maintaining municipal roads
- Storm water drainage
- Street lighting
- Municipal parks and recreation.

In order to provide these services, the Municipality charges residents service charges, rates and levies. There are different kinds of rates, including:

- Property Rates
- Water
- Electricity
- Sewage
- Refuse removal

Water Usage

The water will be supplied by the Local Municipality. The Residential Development will have a main connection and therefore be responsible for the water account.

Electricity Usage

The electricity will be supplied by the Local Municipality. Each individual house will have a pre-paid meter installed.

Property rates

Property rates are:

- Taxes on the ownership of property (land and buildings)
- Based on the market value of the property
- Used to fund various services provided by municipalities.

Property rates are paid by owners of all kinds of real property, including commercial, industrial, residential, agricultural and government property. Property rates are based on the municipal value of a property. Property rates are set, collected, and used locally. This implies that the charges differ from area to area and that the money collected is spent in that municipal area.

The municipal value of property is calculated by considering the market value of property, which includes land and improvements. The Residential Development will increase the total rates and levies, which are paid to Local Municipality. Therefore, this will increase the direct income of the local government.

9. SUMMARY OF ESTIMATED OPERATING EXPENDITURE – OPERATIONAL PHASE

Potential Rates and Taxes per average household – **R 1 500/month**:

- 316 Units x R 1500 = **R 474 000** potential income per month injected into Municipal coffers.

Potential Services Charges (electricity, water, sewage, and refuse) per average household – **R 3 450/month**:

- 316 Units x R 3 450 = **R 1 090 200** potential income per month injected into Municipal coffers.

Average disposable income per new household – **R 20 000 / month** (Typical of these households)

- 316 new households x R 20 500 = **R 6 320 000** potential income per month injected into George economy.

Refer to Appendix 1 for further detail.

10. SPATIAL CONSIDERATIONS

The site is inside the urban edge of the George Spatial Development Framework (GSDF). Its subdivision for residential development furthermore complies with the applicable policies and policy guidelines in the GSDF.

The spatial principles providing the framework for decision making are briefly listed below together with their applicability to the proposal concerned duly classified under subheadings for principle compliance criteria.

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- **Spatial Justice**
 - Historic segregation to be eliminated and uneven allocation of public resources to be rectified.
 - Not directly applicable to one site only, as the principle must be applied on a town-wide scale to have an effect. The project will provide housing opportunities for various income groups for which there is demand.

 - **Spatial Sustainability**
 - Sustainable urban living patterns that do not damage the natural environment are promoted.
 - The application is supported by detailed Environmental and Historical Impact Assessments (EIA and HIA). The EIA includes detailed studies covering the following aspects: Agricultural, Aquatic, Archeological, Bio terrestrial, Botanical, Faunal and Visual Impact. All findings and recommendations can and will be addressed during the course of developing this Residential Estate. The watercourse has been surveyed in detail and the prescribed distances from the water course are maintained.

 - **Spatial Efficiency**
 - Optimizing the use of existing resources, infrastructure and land is one of the objectives of spatial efficiency. Integrated cities form part of this strategy.
 - The proposed development seen in the context of the Kraaibosch residential area, contributes toward the optimum use of land and supplies in the market demand.

 - **Spatial Resilience**
 - Flexibility in spatial plans and land use management systems must ensure sustainable livelihood in communities most likely to suffer the impacts of economic and environmental shocks.
 - The proposal is in line with the GSDF and Zoning Bylaw and its resilience can be evaluated in the context of the neighborhoods in this area.

 - **Good Administration**
 - The requirements of any law relating to land development and land use must be met timeously. All decision making must be aligned with sound policies in terms of national, provincial, and local policies.
 - The process prescribed by the municipal bylaws will be followed for approval.

11. THE RESIDENTIAL MARKET AND SUPPLY IN GEORGE

The George SDF (2023), together with a Housing Market Study (2022) conducted by the WC DEA&DP, contain several findings about the residential supply and demand in George. These findings give important guidance for decision-making in the residential market.

- The GSDF promotes a compact city with limited outward expansion. It encourages infill and take up of latent development rights to prevent urban sprawl and unutilized land within the city boundaries.

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- Policy Guideline D1 states that all market segments must be catered for, including high-end and luxury markets to be accommodated on infill sites in mixed typologies.
 - Policy Guideline D5 acknowledges functional property markets. The Housing Market Study reflects the preference for estate living within the luxury market.
 - The George Municipality's population is projected to grow by 16% to 2035, that is, from 210 000 / 221 550 (lower/upper estimate) in 2021 to 245 8509 / 258 304 in 2035.
 - In the past five to eight years there has been a significant increase in the erection of dwellings in the upper price bracket segment of the market and in particular in the estates – an indicator of the market trend and demand, supported by the trend of semigration of the higher income group to the Southern Cape.
 - Sufficient area is available in the City Area to absorb 82% - 90% of the formal demand for residential units (backlog and growth) over the next 10 years at graded densities that support a compact city.
 - An analysis of the Deeds Office data shows that 27% of freehold properties transacted at over R 1,2 million of which 97% are in the estates.
 - The rate of increase in the uptake of medium and higher income, bonded units is an indication of an increased demand, meaning investment from elsewhere.
 - The above policies and market research data confirm that the proposed residential supply of residential erven and units will contribute towards the demand for these chosen market segments in the town. It is known from observations that the buyers of properties in some of these chosen market segments are significant economic contributors in the workforce, being professionals, business entrepreneurs, investors, and those in managerial positions.

12. CONCLUSION

The economic impact assessment demonstrates that the Pieterkoen Residential Development will contribute to the local economy of George Municipality in the following ways:

- New money injection during the construction phase and an additional monthly injection during the commercialization phase of the proposed development.
- The Unemployment rate will decrease, as an additional **410 jobs** will be created during the construction phase (4-5 years) and during the commercialization phase, the development will create **36 job** opportunities.
- The job opportunities during the construction phase will be temporary but the job opportunities, which will be created during the commercialization phase, will be permanent.

In addition, the above assessment shows that the proposed residential development:

- Will have a positive impact on the property market in the chosen market segments;
- Complies with the planning principles of SPLUMA; and
- Will attract new residents to George with economic skills that will contribute to the local economy and job creation.

APPENDIX 1

PIETERKOEN RESIDENTIAL ESTATE

PROJECTED SOCIO-ECONOMIC IMPACT ON THE LOCAL ECONOMY DURING AND AT COMPLETION OF PROJECT:

ANALYSIS SUMMARY

A:	TOTAL PROJECT DEVELOPMENT COST (INCLUDING VAT)				R 924,000,000
B:	TOTAL PROJECT EXPENDITURE OUT OF LOCAL MATERIAL AND LABOUR RESOURCES (INCLUDING VAT)				R 535,920,000
C:	TOTAL DIRECT JOBS CREATED BY CIVIL CONSTRUCTION (DURATION 12 MONTHS)	204	No.	Monthly Total	R 1,648,400
D:	TOTAL DIRECT JOBS CREATED BY HOUSING CONSTRUCTION (DURATION 48 MONTHS)	206	No.	Monthly Total	R 1,822,600
E:	TOTAL PERMANENT JOBS CREATED BY ESTATE OPERATIONS (DURATION LONG TERM)	36	No.	Monthly Total	R 370,500

A: PROJECTED DEVELOPMENT COST

1.	Site Development including Common Areas, etc	1	@	R 234,000,000	R 234,000,000
2.	Development of 314 Housing Units (Various Types)	1	@	R 660,000,000	R 660,000,000
3.	Development of Commercial Node	1	@	R 30,000,000	R 30,000,000
TOTAL PROJECT DEVELOPMENT COST (INCLUDING VAT)					R 924,000,000

B: EXPENDITURE ANALYSIS

1.	Expenditure on Building Materials (At least 50% of Material from Local Resources)	R 277,200,000
2.	Expenditure on Local Labour (At least 70% of Total Labour Requirement)	R 258,720,000
TOTAL PROJECT EXPENDITURE OUT OF LOCAL RESOURCES (INCLUDING VAT)		R 535,920,000

C: JOB CREATION DURING CIVILS CONTRACT (18 MONTH CONTRACT PERIOD)

DIRECT JOB CREATION :

Monthly Salary - R

1. Civil Contracts	1. Management	2	No. @	R 39,000	78,000
	2. Administrative Staff	2	No. @	R 7,800	15,600
	3. Technical Staff	4	No. @	R 13,000	52,000
	4. Skilled Labour	20	No. @	R 10,400	208,000
	5. Semi-Skilled Labour	30	No. @	R 7,280	218,400
	6. Un-Skilled Labour	60	No. @	R 5,200	312,000
				R 0	
2. Electrical Contract	1. Management	1	No. @	R 39,000	39,000
	2. Administrative Staff	1	No. @	R 7,800	7,800
	3. Technical Staff	2	No. @	R 13,000	26,000
	4. Skilled Labour	12	No. @	R 10,400	124,800
	5. Semi-Skilled Labour	20	No. @	R 7,280	145,600
	6. Un-Skilled Labour	40	No. @	R 5,200	208,000
				R 0	
3. Professional Structural Engineers	1. Management	1	No. @	R 52,000	52,000
	2. Administrative Staff	2	No. @	R 7,800	15,600
	3. Technical Staff	2	No. @	R 19,500	39,000
				R 0	
4. Professional Elec/Mech Engineers	1. Management	1	No. @	R 52,000	52,000
	2. Administrative Staff	2	No. @	R 7,800	15,600
	3. Technical Staff	2	No. @	R 19,500	39,000
MONTHLY SALARY VALUE					R 1,648,400.00
JOB OPPORTUNITIES (NO)					204
CIVIL CONTRACT DURATION (MONTHS)					18
TOTAL WORKING MAN HOURS					587,520
TOTAL VALUE FOR CONTRACT DURATION					29,671,200

D: JOB CREATION DURING HOUSING CONSTRUCTION (72 MONTH CONTRACT PERIOD)

DIRECT JOB CREATION :

1. Construction Housing Units	1. Management	2	No. @	R 39,000	R 78,000
	2. Administrative Staff	2	No. @	R 7,800	R 15,600
	3. Technical Staff	4	No. @	R 13,000	R 52,000
	4. Skilled Labour	40	No. @	R 10,400	R 416,000
	5. Semi-Skilled Labour	40	No. @	R 7,280	R 291,200
	6. Un-Skilled Labour	100	No. @	R 5,200	R 520,000
				R 0	
2. Professional Project Managers	1. Management	1	No. @	R 52,000	R 52,000
	2. Administrative Staff	2	No. @	R 7,800	R 15,600
				R 0	
3. Professional Architects	1. Management	1	No. @	R 52,000	R 52,000
	2. Administrative Staff	1	No. @	R 7,800	R 7,800
	3. Technical Staff	2	No. @	R 19,500	R 39,000
				R 0	
4. Professional Quantity Surveyors	1. Management	1	No. @	R 52,000	R 52,000
	2. Administrative Staff	1	No. @	R 7,800	R 7,800
	3. Technical Staff	2	No. @	R 19,500	R 39,000
				R 0	
5. Professional Structural Engineers	1. Management	1	No. @	R 52,000	R 52,000
	2. Administrative Staff	1	No. @	R 7,800	R 7,800
	3. Technical Staff	2	No. @	R 19,500	R 39,000
				R 0	
6. Professional Specialists	1. Management	2	No. @	R 39,000	R 78,000
	2. Administrative Staff	1	No. @	R 7,800	R 7,800
					MONTHLY SALARY VALUE
					R 1,822,600
					JOB OPPORTUNITIES (NO)
					206
					CIVIL CONTRACT DURATION (MONTHS)
					72
					TOTAL WORKING MAN HOURS
					2,373,120
					TOTAL VALUE FOR CONTRACT DURATION
					R 131,227,200

E: PERMANENT JOB CREATION DURING VILLAGE OPERATIONS (DURATION LONG TERM)

DIRECT JOB CREATION :

1. MANAGEMENT HOA	1. Management	1	No. @	R 30,000	R 30,000
	2. Administrative Staff	2	No. @	R 12,000	R 24,000
	3. Caretaker	1	No. @	R 15,000	R 15,000
	4. Gardeners	4	No. @	R 6,000	R 24,000
	5. Cleaners	2	No. @	R 6,000	R 12,000
	6. Security	4	No. @	R 10,000	R 40,000
2. COMMERCIAL	1. Management	1	No. @	R 25,000	R 25,000
	2. Administrative Staff	2	No. @	R 7,000	R 14,000
	3. Cleaners	2	No. @	R 4,500	R 9,000
3. RESTAURANT & DELI	1. Management	1	No. @	R 25,000	R 25,000
	2. Administrative Staff	1	No. @	R 12,000	R 12,000
	3. Kitchen Staff	4	No. @	R 6,000	R 24,000
	4. Waitrons	3	No. @	R 7,500	R 22,500
	5. Cleaners	1	No. @	R 6,000	R 6,000
4. GYM & SPA	1. Management	1	No. @	R 20,000	R 20,000
	2. Administrative Staff	1	No. @	R 12,000	R 12,000
	3. Personal Trainers	2	No. @	R 12,500	R 25,000
	4. Treatment Staff	2	No. @	R 12,500	R 25,000
	5. Cleaners	1	No. @	R 6,000	R 6,000
MONTHLY SALARY VALUE					R 370,500
JOB OPPORTUNITIES (NO)					36