

IN THE HIGH COURT OF SOUTH AFRICA
(WESTERN CAPE DIVISION, CAPE TOWN)

CASE NO. 12994/21

In the matter between:

OBSERVATORY CIVIC ASSOCIATION First Applicant

**GORINGHAICONA KHOI KHOIN INDIGENOUS
TRADITIONAL COUNCIL** Second Applicant

and

**THE TRUSTEES FOR THE TIME BEING OF
LIESBEEK LEISURE PROPERTIES TRUST** First Respondent

HERITAGE WESTERN CAPE Second Respondent

CITY OF CAPE TOWN Third Respondent

**THE DIRECTOR: DEVELOPMENT MANAGEMENT
(REGION 1), LOCAL GOVERNMENT, ENVIRONMENTAL
AFFAIRS AND DEVELOPMENT PLANNING, WESTERN
CAPE PROVINCIAL GOVERNMENT** Fourth Respondent

**THE MINISTER FOR LOCAL GOVERNMENT,
ENVIRONMENTAL AFFAIRS AND DEVELOPMENT
PLANNING, WESTERN CAPE PROVINCIAL GOVERNMENT** Fifth Respondent

**CHAIRPERSON OF THE MUNICIPAL PLANNING
TRIBUNAL OF THE CITY OF CAPE TOWN** Sixth Respondent

EXECUTIVE MAYOR, CITY OF CAPE TOWN Seventh Respondent

WESTERN CAPE FIRST NATIONS COLLECTIVE Eighth Respondent

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I, the undersigned,

SUSANNE REUTHER

do hereby make oath and declare as follows:

1. I am an environmental consultant employed by SRK Consulting (South Africa) (Pty) Ltd (SRK). The facts deposed to fall within my personal knowledge, save where stated to the contrary or indicated by the context.
2. I have a BSc Hons degree (Economics) and a MPhil (Environmental Management).
3. I have more than 17 years' experience as an environmental consultant on projects primarily in South Africa, Southern and West Africa, and South America. I have managed complex environmental impact assessments for a wide range of projects in the infrastructure, mining, coastal and industrial sectors. I have also undertaken socio-economic impact assessments for a range of developments, including mining, infrastructure and alternative energy projects in South Africa, Suriname and the Democratic Republic of Congo and I have extensive experience in strategic environmental planning, as well as experience in strategy and financial research.
4. I undertook a socio-economic impact assessment (SIA) which was completed in July 2019, as a component of the basic assessment process, required as part of the application of Liesbeek Leisure Properties Trust (LLPT) for environmental authorisation in terms of the National Environmental

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Management Act 107 of 1998 (NEMA) for the proposed redevelopment (the River Club development) of erf 151832 Observatory (the property).

5. To generate the baseline and impact assessment for the SIA, I gathered and analysed baseline data and identified potential socio-economic impacts of the proposed project based on the baseline data, project description, review of other studies for similar projects and professional experience.
6. A copy of the SIA was included as part of SRK's basic assessment report, and has been available to all interested and affected parties (including the applicants) as identified in the course of the environmental assessment process. I understand that a copy of the SIA will be made available to the court, if and when required.
7. LLPT has been granted approval in terms of the Municipal Planning By-Law, 2015 (MPB) for the development of 150 000m² floor area of mixed use development on the property for general business purposes. Based on tenant demand, this will comprise a mixture of retail space, commercial office space, hotel, community and institutional uses as well as some 30 000m² of residential space (of which 20% will comprise inclusionary housing). The development is to occur in two so-called build precincts and a third portion, as described below:
 - Precinct 1 which is located on the southern portion of the property provides approximately 60 000m² of mixed use floor space zoned as General Business (GB) in buildings with a maximum height of 25m in the GB3 subzone and 38 m in a GB6 subzone (i.e. approximately four to nine storeys high).

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- Precinct 2 which is located on the northern part of the property provides some 90 000m² of mixed use floor space zoned as General Business (GB) in buildings with a maximum height of 38m in the GB6 subzone and 44.7 m in a GB7 subzone (i.e. approximately ten to twelve storeys high). Precinct 2 has been divided into precinct 2A and 2B.
 - A third portion zoned special open space of not less than 49 835 m², with reasonable access in favour of the public as registered against the title deed of the property.
8. Two layouts were considered in the SIA. The alternatives were the same as regards floor area and land use but differed as follows:
- For layout alternative 1, the hydrologically disconnected Liesbeek channel on the western property boundary would be modified into a vegetated stormwater swale along its existing course. The eastern canal of the Liesbeek River was to be upgraded. Precinct 1 was to be located closer to the western boundary of the property.
 - For layout alternative 2, the Liesbeek River channel on the western property boundary would be retained and the eastern canal of the Liesbeek River was not to be upgraded. Precinct 1 was to be located closer to the eastern boundary of the property.

For the purposes of the relevant findings of the SIA and for the purposes of this affidavit, it is not necessary to distinguish between these two alternatives. I understand that alternative 1 is that which has been adopted.

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9. The approval for the River Club development which has been granted to LLPT in terms of the MPB provides for floor areas allocated to the various types of uses which differ slightly from those considered in the SIA. Provided the proportions of different uses broadly remain as assessed in the SIA, as I understand they do, the findings of the SIA remain valid.
10. I assessed a number of impacts with socio-economic consequences. Aspects of my study which are relevant for present purposes are summarised below. I would point out that figures for the project's development (investment) value, the number of direct jobs and the estimated annual wage bill for those direct jobs are as at the date of the SIA and as provided by the project team and LLPT. I understand that at the time of the planning appeal before the City's appeal authority LLPT presented an upward adjustment of certain of these figures.

Investment in the economy creating wealth

11. The estimated capital investment costs provided by LLPT (including material and professional fees) differed slightly between the two options, mainly due to different bulk earthwork requirements and respectively amount to:
- R3.90 billion for layout alternative 1; and
 - R3.94 billion for layout alternative 2.
12. The construction of the River Club development will generate:

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- direct economic impacts, through the employment of staff and direct procurement from suppliers, e.g. equipment and contractors;
 - indirect economic impacts, mainly procurement by suppliers and service providers from other businesses; and
 - induced economic impacts, through increased demand from households earning an income from direct and indirect economic impacts.
13. The direct capital investment for the River Club development of approximately R3.9 billion is highly significant for a single development, as the total investment (over the course of approximately 7 years) represents:
- approximately 1.4% of the City of Cape Town (the City)'s GDP of R283.28 billion in 2015 (WCG, 2016); and
 - approximately 35.5% of the City's construction sector's contribution of R11.11 billion in 2015 (WCG, 2016).
14. The domestic output sector multiplier for the South African construction industry is 1.9, implying that for every R1 million of extra construction spend, output in the entire economy expands by R1.9 million (National Treasury, 2016).¹ The River Club development may thus increase total economic output by

¹ Construction has the highest domestic output multiplier of all sectors reported by the National Treasury, followed by agriculture, forestry and fisheries and finance, real estate and business services (both of which have a multiplier of 1.7).

approximately R7.4 billion over the approximate 3-5 year construction period, i.e. a supplementary indirect economic boost of R3.5 billion.

15. Economic growth in the City has slowed since 2010 to 2.5% per annum (WCG, 2016), which is concerning given the high unemployment, poverty and population growth rates in the City. Construction, once the fastest growing industry (albeit off a relatively small base) has slowed to an average of 1.7% per annum in 2010-2015. Both of these already troubling figures have shown further slowdowns since March 2020 and the Covid-19 Level 5 lockdown that began then and continued until early May last year, and these figures have continued to decline since then. It is expected that the River Club development will contribute significantly to maintaining or increasing growth rates in the sector for the duration of project construction.
16. The River Club development is one of the highest value single development proposals currently considered in the City. The extent of the benefit is assessed to be of high significance.

Increased employment, income and skills development

17. The development project will create various types of employment during the construction phase: direct employment in the form of contractors and the management team; indirect employment including sub-contractors and suppliers; and induced employment including employment generated by increased spending at businesses and on services by households earning an income from the development (the multiplier effect).

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18. LLPT estimated that the development will directly employ an average of 5239 workers during the 30 month first phase construction period, at times peaking at 8382 workers. I am informed by LLPT that additional construction phases may take place, which will proportionately increase the employment benefits discussed below.
19. Construction creates and sustains indirect jobs mainly in upstream sectors. National Treasury (2016) estimates an employment multiplier of 4.9 for the South African construction sector, implying that for every R1million of extra construction spend, 4.9 additional jobs are created. This implies that the River Club development may increase total employment by some 19 000 jobs, of which 13 700 would be indirect and induced for this project. The creation of some 5 239 direct and possibly some 13 700 indirect and induced jobs will contribute meaningfully towards employment at a regional level, and the construction sector in particular.
20. The cost of direct employment during the construction period is estimated at some R1.63 billion for the 5 years of construction, with the average wage being above the South African minimum wage of R3 500.00 in 2017, generating income for a large number of households.
21. Assuming that 5 239 direct employees support between 1.0 (skilled labour) and 2.65 (semi- and low-skilled labourers) dependants, an additional 12 500 people benefit from income earned by direct employment at the River Club development. Assuming further indirect and induced employment of

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approximately 13 700, this could increase the number of benefitting dependents by another approximately 30 000.

Operational phase – increased employment, income and skills development

22. LLPT estimates that approximately 860 people will be directly employed at the River Club development (i.e. excluding those employed by tenants), with the estimated wage of direct employment at R200 million per annum, with an average wage of R19 600.00 per month. The 860 direct and indirect River Club employees are likely to support an additional approximately 1 700 dependents.
23. The commercial and business services sectors provide opportunities primarily for semi-skilled and skilled workers, and have high employment multipliers of 5.3 and 3.1 respectively. Annual operating expenditure may result in additional indirect and induced jobs. Direct as well as many indirect and induced jobs will be located in the Cape Town region.

Increased State and local government revenue

24. The River Club development is also expected to increase State and local government revenue. LLPT estimates that annual property rates for the development would amount to R46 545 000.00 (in 2017 terms). These rates would represent some 0.5% of the City's budgeted total revenue from property rates of R8.8 billion in 2017-2018. This is significant for a single development.
25. Direct employment income of R200 million (in 2017 Rand) per annum will attract personal income tax on a sliding scale from 18% to 45%, increasing

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State revenue. Indirect and induced employment will further increase State revenue.

Increase in centrally located housing, including inclusionary housing

26. LLPT proposes that 20% of the total floor space will be allocated for residential use. 20% of that residential floor space will be allocated for inclusionary housing. For present purposes it is assumed that the development will entail at least 600 units of which at least 120 units will comprise inclusionary housing opportunities.
27. Demand for centrally located housing has increased in recent years, triggered by a range of factors, including an increase in jobs close to the CBD and higher traffic volumes into Cape Town. The increase for such housing is evidenced by the significant appreciation in house prices in areas located in and close to the CBD.
28. The City has noted that the need for affordable (including inclusionary) housing in Cape Town is significant, and estimates that approximately 650 000 families will rely on the State for some form of housing assistance. The provision of 120 inclusionary housing units at the River Club responds to the demand for housing in the area.

Densification facilitating improved connectivity, transport systems and TRUP implementation

29. At present the River Club has little connectivity to surrounding areas due to natural and artificial movement barriers. The proposed development will

improve connectivity by creating pedestrian access to the TRUP and constructing new road infrastructure that will facilitate east/west movement across the Black River.

Loss of private open space and creation of new publicly accessible areas

30. While the River Club development will see a loss of the private open space currently enjoyed by golfers, this will be replaced by significantly improved open space that is more accessible to the public. Open space facilities will include high quality landscape areas, pathways, lawns, river walks and rehabilitated watercourses. This high quality open space provided by the River Club development will be accessible to a wider public, compared to the current situation.

Adjustment of certain figures

31. As reflected in the decision of the seventh respondent (the appeal authority) in the land use planning appeals (which decision appears, so I am advised, at page 515 and following in the founding papers), LLPT has calculated that the project's development value in the local economy over 3 to 5 years has increased from R3.9 billion to R4.5 billion (see paragraph 85 of the appeal authority's decision at page 546 of the founding papers).
32. The SIA was prepared before the outbreak of the Covid-19 pandemic. As correctly pointed out by the appeal authority in paragraph 93 of the appeal decision, the consequences of the Covid-19 pandemic have included devastating impacts on economic growth, the curtailment of economic activity,

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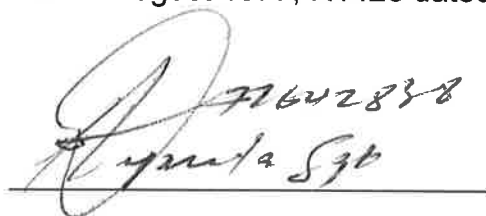
the withdrawal of planned investments in urban development and the further worsening of the unemployment crisis. The socio-economic benefits of the River Club development have become all the more apparent and significant in this context.

33. I would also draw attention to paragraph 94 of the appeal authority's decision where it is (correctly) recorded that information from Statistics South Africa indicates that the private building market is in deep trouble, has endured sharp declines, and faces a bleak outlook. The River Club development will be a significant boost to the local construction industry, which is facing critical challenges.



SUSANNE REUTHER

I certify that the above signature is the true signature of the deponent who has acknowledged to me that she knows and understands the contents of this affidavit, which affidavit was signed and sworn to at Rondebosch on this 25 day of August **2021** in accordance with the provisions of Regulation R128 dated 21 July 1972, as amended by Regulation R1648 dated 19 August 1977, R1428 dated 11 July 1980 and GNR774 of 23 April 1982.



**COMMISSIONER OF OATHS
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