

# Inner city decline and the process of revitalisation

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## Abstract

Inner cities in general, compared to decentralised areas, experience progressive difficulty in surviving economically as a result of various factors. The purpose of this paper is to identify and analyse the factors that have influenced negatively and contributed to the deterioration of inner cities in general. Thereafter specific reference will be made to the process of decentralisation within the Pretoria inner city during the past two decades. Although some of these factors are not of an economic nature, they have contributed to the general decline of the inner city, ultimately leading to economic decline and increased decentralisation. The need for urban renewal and the role of local government in this process is then analysed. The paper concludes with suggestions to city authorities on how to address inner city decline if increased business activity is to be realised.

## MIDDESTEDELIKE VERVAL EN DIE PROSES VAN HERNUWING

Middestede in die algemeen in vergelyking met die gedesentraliseerde gebiede, ondervind toenemend probleme om ekonomies te oorleef weens verskeie faktore. Die doel van hierdie artikel is om die faktore wat negatief inwerk en bydra tot die verval van die middestad te identifiseer en te ontleed. Daarna word verwys na die proses van desentralisasie van Pretoria se middestad die afgelope twee dekades. Hoewel sommige van die faktore nie ekonomies van aard is nie het dit bygedra tot die algemene verval van die middestad wat weer gelei het tot ekonomiese afname en verhoogde desentralisasie. Die behoefte aan stedelike vernouing en die rol van die plaaslike owerheid in die proses word ook ondersoek. Die artikel sluit af met voorstelle aan plaaslike bestuur hoe om middestedelike verval deur middel van vermeerderde besigheidsaktiwiteite te hanteer.

## 1. INTRODUCTION

It is essential to address problems in the inner city because these geographical concentrations of production and consumption activities are a main contributor towards economic growth within the urban environment. However, various social and economic factors influence the urban business core. The economic benefits of agglomeration economies are somewhat overshadowed by several negative externalities and their associated costs. Problems and externalities in an urban area, arising from a concentration of people consuming, and firms producing, should thus be addressed. The vitality of an urban economy largely depends on a balance between the benefits of spatial concentration and the costs associated therewith. Urban renewal is an important factor in the process of creating a viable

urban environment, conducive to attracting new businesses and stimulating increased economic activity.

## 2. URBAN ECONOMICS: A SYNOPSIS OF RECENT TRENDS

Whatever the reason for the existence of cities, economic forces are likely to reinforce the original impetus. However, the same economic factors that stimulate outward growth also create problems such as economic decline, urban decay, pollution, traffic congestion and inadequate housing. These problems arise because the urban area can only adjust slowly to changes in the conditions of supply and demand and as the size of the urban area grows, the external cost of more concentration in this area increases

and multiplies (Harvey, 1988:256). A serious deterioration in the overall economic performance of the inner city area in several major cities has been witnessed. Every individual city obviously has its own unique features but in broad terms the same problems are experienced across the board. These are according to Button and Pearce (1989:141);

- i) high levels of unemployment;
- ii) high levels of under-employment;
- iii) decline in manufacturing output;
- iv) slow productivity growth;
- v) rising levels of crime and social disorder;
- vi) an out-migration of skilled labour;
- vii) low average income levels;
- viii) a diminution of the local tax base;
- ix) an increased demand for various forms of social services; and
- x) a serious deterioration in the quality of the local physical environment.

One possible explanation for these trends may be the shift in productive technology leading to pressure to increase the land-output ratio. Established firms seeking more space and new firms favouring more open and spacious sites leave inner cities, creating an environment vulnerable to decay. Official urban policies aimed *inter alia* at reducing congestion and pollution adopt a more relaxed approach to the rezoning of residential areas, with the potential of higher property taxes on commercially zoned properties. This probably adds to the decline and results in an imbalance in many urban economies. Any generalisation about the reasons for the perceived declining economic performance of inner city urban areas is a difficult task. This paper is concerned neither with offering a detailed description of the range of urban problems nor with their initial causes. It is also very important to realise that an urban environment does not exist in a vacuum, but is itself affected by activities outside of immediate area.

## 2.1 Changing urban patterns

Cities have undergone several changes in terms of locational patterns. The inner city or central business district (CBD) used to be both a place of work and residence to many. As the city expands, however, and especially at an advanced phase of urban growth, new development on the urban fringe may become an increasingly attractive alternative to redeveloping the existing central area (Balchin *et al.*, 1995:246). Various factors lead to a significant relocation of businesses and households outside the traditional CBD area. With businesses and people spread out across the boundaries of the cities, long-distance commuting is the order of the day. Expansion does not affect everyone to the same extent. Low-cost floor space makes it more affordable for small businesses to stay in the central city and large office complexes that require a large pool of workers cannot move easily. However, businesses that can take advantage of large land and single level floor space move out eagerly. Families who want more space for their children in open spaced areas also leave for more attractive decentralized residential areas. The movement of these people leads to the movement of retailers, and eventually wholesalers, to service them. The traditional CBD, as an economic and residential whole, now becomes a relatively specialised segment within a rapidly growing area (Wurtzbech *et al.*, 1994: 55).

Factors that promote this shift from the CBD to the surrounding suburbs are associated mostly with a decline in the income of central areas and with a tendency for this decline to become cumulative. This trend is explicable in terms of failure to maintain property, a widening gap between neighbourhood tax receipts and expenditures on services, out-migration of high-income residents and urban poverty (Harvey, 1988:256). Locating in a central urban area causes external diseconomies and where such costs are deemed great, economic activity may become decentralized to the outskirts of the urban area. The widely noted movement to suburbs reflects a desire to avoid diseconomies of urban congestion while retaining the benefits of a large metropolitan area. High population densities create

congestion, noise, pollution of air and water and other environmental effects. These effects occur as side effects to economic activity. The numerous diseconomies combine to generate psychological and social tension, that add to frustration, crime and expense (Haring, 1972:38). In the suburbs, communities can protect themselves, at least temporarily, from the rising density patterns associated with the central city area.

Urban planners believed that the declining urban population in the CBD would produce several benefits such as (Balchin *et al.*, 1995:250):

- i) easing the housing shortage;
- ii) improving the residential environment;
- iii) fewer commuting problems;
- iv) more urban open space;
- v) less crime and vandalism;
- vi) less need for government subsidy;
- vii) less overcrowding; and
- viii) improved educational attainment.

Unfortunately in some cases, quite the contrary occurred, which obviously enhanced economic decline. Pretoria was no exception to this and a process of inner city decline and decentralisation began that will now be described.

## 3. DECENTRALISATION OF THE PRETORIA INNER CITY

The inner city of Pretoria used to be the core of economic activities, such as administration, services, business, utilities and residential facilities, in the Greater Pretoria Metropolitan Area (GPMA). However, the inner city gradually began to deteriorate during the past decade, hampering economic growth and development. The changing employment and property trends and other related factors will now be analysed.

### 3.1 Changing employment factors

#### 3.1.1 Formal employment

The main economic sector in the Pretoria economy is the services sector, owing to the fact that Pretoria historically developed as the administrative capital of South Africa (GPMA, 1997; Urban Econ, 1999). The balance between the private and public sectors in Pretoria came

to differ substantially from the national figure. While the private sector provided three and a half to four times as much employment as the public sector at national level, in Pretoria the private sector contributed only slightly more to employment than the public sector (Pretoria City Report, 1993:2). This strengthens the argument that the Pretoria labour force is highly dependent on the public sector. Consequently, the shift of the public sector activities out of the CBD has had a seriously negative affect on the stability of the labour force in the inner city.

The decline in employment opportunities in the service sector may, to a certain extent, be attributed to the moving of provincial government to Johannesburg. Public sector employees represented a significant portion of the buying power in the inner city, which in effect generated additional employment opportunities. This out-migration of provincial government to Johannesburg had a negative influence on employment and buying power in the Pretoria inner city. Given the loss of formal employment and the need for new economic opportunities, informal economic activities grew rapidly.

#### 3.1.2 Informal employment

During the period from 1980-1994, the contribution of informal employment to the composition of labour in Pretoria increased by almost 60 per cent (Urban Econ, 1999). Twenty to thirty years ago, informal trading was virtually non-existent in Pretoria. However, during the past decade or two, enormous growth in informal trading has taken place. Although informal trading provides employment and income, it contributed to the out-migration of businesses from the inner city. Examples of these problems are (Urban-Econ, 1998):

- a) Shop owners complain that informal trading blocks the sidewalks, making it difficult for pedestrians to pass, while also obstructing window displays and promotions.
- b) Since informal trading activities obstruct pavements, pedestrians make use of alternative routes, thus reducing the flow of potential customers.

Table 1 : New office developments (Pretoria and South Africa)

Area	1995		1996		1997		1998		1999		2000		2001	
	m <sup>2</sup>	%	m <sup>2</sup>	%	m <sup>2</sup>	%	m <sup>2</sup>	%	m <sup>2</sup>	%	m <sup>2</sup>	%	m <sup>2</sup>	%
Pretoria inner city	10 442	24	5 300	5	4 600	11	0	0	0	0	10 442	24	5 300	5
Pretoria decentralised	33 082	76	103 948	95	36 600	89	34 371	100	60 801	100	33 082	76	103 948	95
Total	43 524	100	109 248	100	41 200	100	34 371	100	60 801	100	43 524	100	109 248	100
National inner cities	145 151	32	106 125	15	48 585	12	29 660	6	1 200	1	145 151	32	89 903	15
National decentralised	312 048	68	588 444	85	349 169	88	503 084	94	430 841	99	312 048	68	526 821	85
Total	457 199	100	694 569	100	397 754	100	532 744	100	432 041	100	457 199	100	616 724	100

Source: Rode, 2002

- c) Informal traders cause litter and their operating areas are untidy and dirty, contributing to an unpleasant environment.
- d) Some of the informal traders harass passers-by.

Such factors render the inner city of Pretoria unattractive and customers prefer to patronise clean and safe facilities where they can do their shopping and other business unhindered. This poses a problem for the Pretoria inner city, since it may realistically be assumed that informal trading will remain an important part of the inner city's economic base.

### 3.2 Business property trends

#### 3.2.1 General

The development of new business nodes closer to residential areas such as Menlyn, Brooklyn and Hatfield occurred. As these centres became viable, further development increasingly occurred in areas surrounding the new business centres. These changes have clearly had a negative influence on the local economy of the inner city. For the purpose of this study, the changes in the office, retail, residential and industrial markets are analysed with a view to determining how changes in these markets led to the decentralisation of the inner city.

#### 3.2.2 Offices

##### *New developments*

In Table 1, the decentralized trend of new office development in Pretoria is compared with the inner city and also to the national level. During 1994 no new office development was recorded in the Pretoria inner city, while the highest percentage of inner city office development occurred during 1995 and 2000, when office developments in the inner city constituted 24 per cent of all office developments in the greater Pretoria area. With the exception of these two years, the comparison between the inner city and decentralized areas shows evidence that the Pretoria inner city performed poorly. This is an indication of the popularity of office developments in the decentralized areas of Pretoria, or the increasing unpopularity of the inner city as a business location.

Table 2: Cumulative take-up of office space (m<sup>2</sup>); A+, A and B-grade combined

Area	Take-up of office space m <sup>2</sup>	
	6 months to May 1998	12 months to May 1998
Pretoria inner city	11 700	-28 900
Pretoria decentralized	18 156	58 542
	6 months to June 2001	12 months to June 2001
Pretoria inner city	-21 674	-78 938
Pretoria decentralised	94 613	183 688
	6 months to March 2002	12 months to March 2002
Pretoria inner city	-1 381	-13 564
Pretoria decentralized	16 806	62 286

Source: Rode, 2002

*Office take-up rates*

Table 2 compares the take-up rate of offices in the Pretoria inner city with that of decentralized areas. These figures give an indication of the popularity of each of these areas for office development. Table 2 shows that the inner city had negative take-up rates in office space over the 12-month periods in question, whereas all the decentralized areas recorded positive take-up rates.

*Vacancy rates*

As an area's popularity declines, the office vacancy rate increases and rental rates usually fall. To show this, the vacancy rate of the inner city and that of the decentralized areas are portrayed in Table 3.

**3.2.3 Decentralisation property trends**

During the past number of years, the office market experienced accelerated growth in decentralized areas. This growth may be attributed to a number of trends in the office market, viz. (JHI, 1997):

- Office parks.* Companies are increasingly demanding low-density office buildings in secure office parks. These office parks provide a single entrance and high security, attractive environment and low- to medium-density buildings. Technological advances enhance this trend and close proximity in high-density office blocks is no longer a prerequisite.
- Office houses.* Many small businesses prefer to occupy their own building at competitive rental rates. This has created a high demand for houses with the potential to be converted into offices. Before 1992, home offices were rare in the Pretoria area. However, relaxed regulations by the City Council of Pretoria of the development of office houses contributed to the development of small businesses along main access roads. High traffic volume

renders areas unsuitable for residential purposes and therefore other land uses, benefiting from the high traffic volume, have replaced previously existing residential land uses. The main advantages of these high-volume traffic roads are accessibility and visibility, serving as free advertising to the companies located in these areas. Home offices are also preferred due to lower rentals on residential premises, and better and safer parking.

- Home offices.* Another trend is the increase in the number of people preferring to work from home. This is made possible by innovations in technology. Personal contact is less important, since most business can be conducted via fax, phone, the Internet or closed circuit television. This has led to the trend of houses being purchased and partially converted to office space, while the remainder is used for residential purposes.
- Convenience.* Another factor that has contributed to decentralisation is the shift of businesses to the suburbs for the sake of convenience. Business owners moved their businesses closer to their homes, as has occurred in the eastern suburbs of Pretoria.
- Influx of embassies.* The growth of the office market in decentralized areas is also supported by the influx of embassies into Pretoria, concentrated in Sunnyside, Arcadia and Hatfield. This has led to the creation of a strong office node in these areas. The preferences of firms to locate in these upmarket areas has changed the original residential character of these areas to business and office nodes, which are in competition with the inner city due to their close proximity to both the inner city and the eastern suburbs.
- Competing centres.* The deterioration of the inner city property market can also be attributed to the development of competing centres. Various such centres have been developed in decentralized

Table 3: Office Vacancy Rates for selected areas (%), 1999-2002

Area	Vacancy rates (%)			
	1999	2000	2001	2002
Pretoria CBD	14,10	13,09	13,76	6,58
Pretoria decentralized	5,10	6,97	7,56	6,76
National CBD	18,90	18,57	19,39	20,16
National decentralized	6,00	7,33	9,35	11,17

Source: Rode, 2002

areas in the past two decades, the majority of which are in Menlyn, Brooklyn, Hatfield, Centurion and Midrand. Due to the development of Midrand, which is very centrally located, companies were offered the opportunity of rationalising with only one office in Gauteng (Wapnick, 1999). Furthermore, Midrand is one of the fastest growing business nodes in South Africa and is becoming particularly important as a distribution and warehouse area (JHI, 1997:11).

### 3.3 Retail market trends

A number of market trends that contributed to the decentralisation of retail activities in Pretoria have been identified. These include the following:

- a) *Supporting markets.* One of the factors that contributed to the decline of the retail market in the inner city was the decentralisation of the office market. The office sector was a major and regular supporter of retail facilities, and increased decentralisation, combined with the movement of the provincial government to Johannesburg, led to a diminishing buying power (Wapnick, 1999). Consequently, retail outlets in the inner city soon followed the decentralized trend of the office sector.
- b) *Convenience shopping.* The demand for convenience shopping facilities also contributed to the decentralisation of the inner city of Pretoria. A number of trends in convenience shopping were identified (JHI, 1997):
  - i) *Mail orders.* The first trend identified was the increase in the popularity of mail order shopping, offering easy access to retail products from the convenience of one's own home. One South African direct-mail company recorded a 70 per cent increase in net profit, and the demand for catalogue products also experienced high growth.
  - ii) *Mega malls.* The mega-mall concept contributes to convenience shopping by

providing shopping and entertainment facilities under one roof.

iii) *Development in disadvantaged areas.* Before 1994, retail development in these areas was limited. However, owing to the recent increase in retail development in disadvantaged areas, facilities are provided in close proximity to residents' homes with the result that the buying power of the inner city may decline even further.

### 3.4 Residential market

Some trends that contributed to the decentralisation of accommodation have been identified in the residential market. These trends are (JHI, 1997):

- a) *Secure complexes.* The development of safe, secure and upmarket complexes in surrounding suburbs led to the decentralisation of residential facilities.
- b) *Residential estates.* Another trend identified was the development of luxury golf estates and estate-like residential areas. This type of development provides luxury houses with one secure entrance in a country-like environment.

### 3.5 Industrial market

Manufacturing activities are increasingly moving to areas further away from the Pretoria inner city. A number of factors, mentioned below, have contributed to this trend (JHI, 1997):

- a) *Security.* Due to the rise in crime levels, industrial firms become increasingly security conscious and are willing to pay higher rental rates for secure and single-access industrial parks. These industrial parks are mostly located in decentralized areas, like Midrand and Centurion.
- b) *Office space.* Another factor contributing to the migration to decentralized areas is the consolidation of industrial and office space. Clients visiting these areas require of firms to provide an attractive environment and convey a successful image, reflected by new hi-tech industrial parks in decentralized industrial areas.

### 3.6 Other factors

a) *Crime.* A general trend accompanying a political transition, such as the post-1994 period, is an increase in uncertainty and unrest, and consequently an increase in crime and grime too. Increased crime in the inner city caused several businesses and households to feel threatened and unsafe, with the result that they migrated to safer areas in the suburbs where crime is less concentrated (SAPS, 1999).

b) *Traffic and parking problems.* Traffic problems contributed to the inconvenience of conducting business in the inner city and therefore also to decentralisation. This problem was heightened by the lack of adequate through-roads, which is a serious problem since approximately 40 per cent of city traffic is through-traffic. Another factor that aggravated traffic problems in the inner city was that middle- and high-income groups still preferred to use private rather than public transport, thus contributing to large traffic volumes in the inner city.

Traffic problems are exacerbated by pick-up points of buses and taxis blocking traffic, pedestrian flows at crossings and limited street and parking capacity (City Council of Pretoria, 1993:172). Furthermore, it was found that the supply of parking to offices in the inner city is only 1 space/100 m<sup>2</sup> and for shops only 1,14 spaces/100 m<sup>2</sup>, which is lower than accepted norms (Wapnick, 1999). Consequently, customers would rather visit a decentralized shopping centre, where large and predominantly free parking facilities are available (City Council of Pretoria, 1993:173).

c) *Technological progress.* Innovation in technology has led to the decentralisation of businesses across the world as well as in Pretoria. With the development of fax machines, the Internet and conferences via satellite, etc., it was no longer necessary for companies to be located close to one another or to

interact in person. These innovations also meant that companies no longer require large office space (Wapnick, 1999).

- d) *Physical decline.* The mounting pressure on the funds of the City Council led to a decline in the maintenance of the inner city area. Cleaning services were reduced, leading to an increase in grime levels and thus creating an environment conducive to criminal activities. Many of the buildings or structures in the Pretoria inner city are old and deteriorating. However, the upgrading of a building necessarily means additional costs, which are normally reflected in higher rental rates (Wapnick, 1999).
- e) *Poor management.* Since the late 1980s, a number of businesses have re-located to residential premises in Hatfield, adjacent to the inner city. Many other businesses have followed suit and the city authorities have made little effort to prevent or manage this migration trend, leading to an increase in houses occupied for the purpose of conducting business. New rights were easily granted to new businesses in decentralized areas, negatively affecting the value of land in the inner city, and consequently on the tax base. Furthermore, the unlawful use of residences for business purposes occurs openly, with little action on the part of the city authority of Pretoria to stop or prevent it. If home businesses are not rezoned for business purposes, they pay levies for residential use, and consequently the local authority forfeits business tax income (McIntosh, 1999).
- f) *Vacant land.* Stable development of the inner city of Pretoria was also hampered by the purchase of large tracts of land by the government for development schemes that were never realised. Large areas were bought by the City Council in order to build freeways to allow people to pass through and around the inner city. Thus, Pretoria has large areas of unproductive

land that do not contribute to the local economy. These large areas of undeveloped land also have a sterilising and unfavourable effect on surrounding land use (McIntosh, 1999). These property trends have had a major effect on the inner city while eroding potential economic opportunities. Due to this, an urban plan of revitalisation is necessary if any chance of economic survival for these areas is to be expected.

#### 4. NEED FOR URBAN RENEWAL

A strategy is a plan for reaching a specific goal and can be classified, in an urban sense, as business attraction, business retention or local business growth (McDonald, 1997:414). A set of activities is used to support different strategies. A local urban authority may pursue three kinds of economic development strategy viz.: a) do nothing, b) try to draw firms from other local economies or c) engage in efforts to assist existing firms in the local economy to grow and expand and attract new businesses. No local authority can follow a *laissez-faire* approach in such a dynamic environment and different strategies to attract new business enterprises to the local economy may lead to only moderate success. Instead of focusing on attracting new business enterprises to the local economy, the most productive strategy may well be to concentrate on existing local enterprises that are located within the local economy's boundaries and are not planning to move away. Effort will still be devoted to business attraction and business retention, which obviously remain a high priority, but the focus should shift to existing firms. This would, if successfully implemented, inevitably lead to the attraction of new firms to the local economy. It seems that an industry in an urban economy will grow more rapidly if it produces a product that is in demand, is competitive, is already of some size in the urban area, is located in a larger urban area and is surrounded by a diverse collection of industries (McDonald, 1997:339).

A deliberate effort at urban renewal and revitalisation driven by city leaders is thus necessary to retain and gain businesses with the purpose of increasing urban economic growth. Urban renewal

may also refer to the development of other problem areas such as industrial redevelopment, upgrading of downtown areas, promotion of university and hospital centres and the creation of the so-called new-towns in town. Urban renewal covers three types of programmes, viz. rehabilitation of sub-standard structures to a prescribed minimum standard; conservation, in order to upgrade an area by protecting buildings worth preserving; and redevelopment, which refers to the demolition, clearance and reconstruction of buildings that have become obsolete (Button, 1985:152). In addition, urban renewal is seen as a deliberate effort to change the urban environment through planned, large-scale adjustment of existing city areas to present and future requirements for urban living and working (Grebler, 1965:13).

An aspect that should be kept in mind is the individual structure and the behaviour of the individual property owner. Most buildings can be maintained, provided that the owners are willing to undertake the required maintenance expenditure and provided that it is economically viable due to active economic activity. It is therefore true to a certain extent that building structures decline in quality because owners permit them to do so. One of the determinants of the market value of a particular property is the quality of the neighbourhood in which it is located (spillover effect). An owner thus obtains the highest return from his/her property if it is undermaintained while others in the area are well maintained. Conversely, a lower return is received if the building is maintained while the rest of the neighbourhood is deteriorating. In this case it will only be beneficial to the property owner to maintain his property if the adjacent properties are also upgraded. If this is not done, further investment will be discouraged and deterioration will spread (Richardson, 1971:128).

The overall decay in areas containing redundant buildings and where improvement has been neglected may lead to even further decline. New investment may also be considered too much of a risk and owners of existing buildings may decide not to keep up essential repair and maintenance work. This may produce a short-term increase in returns but over the longer term

buildings are likely to decay even more quickly. Although it may be in the interest of all owners to invest in maintenance, such investments may nevertheless fail to occur. This may be due to the fact that any single investment will probably have little overall influence on property values in the area and, since they cannot be sure that others will follow, it is likely that no owners will invest (so-called prisoner's dilemma) (Balchin *et al.*, 1995:246).

The planning, development and successful implementation of a sustainable urban renewal plan may curb the decline of urban areas. An urban renewal plan often serves multiple goals, such as profitability on private or social account, benefits to city tax revenues, the demonstration effect of setting new urban standards in design and long-term income gain for the city population. This is likely to have the following beneficial effects (Balchin *et al.*, 1995:251). Firstly, a more efficient allocation of resources will result. Less wastage of land will occur because land will be used optimally. Some of the decayed residential land will be converted into commercial and industrial land and vice-versa. Unemployment rates will decline and rising income levels and property values will lead to a spillover effect into the surrounding area. Secondly, considerable social benefits will be derived from such an initiative. A healthier and higher paid labour force will result in higher levels of productivity and less deprivation will almost certainly reduce the cost of providing welfare services. A final, very important aspect is the potential redistributive effect of urban renewal. Higher levels of income and increased economic activity will widen the tax base and these improved levels of revenue will enable local authorities to provide better services. Renewal tends to reduce the demands on medical, police and fire services, that are normally higher in the CBD areas than in the surrounding urban areas (Button, 1985:153).

These benefits, however, will only be realised if considerable costs are incurred. Urban renewal projects are costly and may take several years, so that the costs and benefits at the end of the project may differ substantially from those estimated at the outset. The financial costs include, *inter alia*: research; survey and planning costs; administrative

expenditure; the cost of acquiring decayed property; demolition costs; the cost of public and private developments and relocation costs. Urban renewal may also decrease land values in some parts of the metropolitan area by transferring activities to the renewal site. In addition to the financial costs, there are social costs to consider. If people are forced to move it may break up existing community ties and the removal of people means the loss of the option of living in poor quality, but affordable accommodation, that some people may actually prefer (Mills, 1972:188). By identifying and quantifying the benefits and costs of renewal investment carefully, cost-benefit analyses should be undertaken and renewal projects ranked in order of the greatest net benefit as a guide to decision-making. However, a crucial feature in achieving success with urban renewal is the involvement and participation of local government.

##### 5. THE ROLE OF LOCAL GOVERNMENT

The role of the local urban authority should be to develop a policy package to promote and facilitate, rather than to control economic growth. A policy for dealing with the problems of urban renewal should be based on four salient features, that are all interrelated (Harvey, 1987:261):

- i) the general aspects of physical decay;
- ii) the poverty of its inhabitants;
- iii) its economic function of providing relatively affordable housing close to employment opportunities; and
- iv) an outward movement of both households and firms to more attractive areas.

However, governments sometimes have been hesitant to prepare renewal plans and where they have drawn up such plans, these have been constrained by financial criteria. Often, the cheapest renewal plan is accepted and implemented, regardless of the potential benefits and level of success. Urban renewal plans should stand or fall on the success of their attempts to stimulate the revival of business activity (Mills, 1972:188). Success should be measured in terms of results rather than contributions.

It is important to build the capacity of local authorities to enable them to take responsibility within their areas of jurisdiction. A new kind of local government entrepreneurship or leadership is required with its focus on the efficient provision of the services for which it is responsible, and the easing of excessive regulation and control. The development of leadership is vital and must encompass a commitment to credibility, accountability and consistency in policy implementation. The leadership should create opportunities, rather than react to problems. The focus must be on creativity, with a well-defined domestic and international vision for the urban area's future. An urban local authority should identify and expand its area's comparative advantage and enhance its infrastructure, capital assets and human resources. This identification and expansion should be based on well-informed decisions and directed towards the implementation of a realistic action plan. A key factor is to establish a structure to ensure that local growth and development strategies and investment plans are based on sound information. A local government can only judge the appropriateness of policies if it has reliable information concerning its economy. This can save valuable time and money if decisions regarding the elimination of growth-hampering policies or the implementation of growth-enhancing policies are to be made. An example of an international city where the local government followed this route is Curitiba in Brazil.

There is nothing special about Curitiba's history, location or population. It has its share of squatter settlements, where fewer than half the population are literate. The secret of this city seems to be a simple willingness of city leaders to solve their problems (Gurstein, 2000). Jaime Lerner, the mayor, decided to make a case for better planning to address the city's problems. Given the relatively poor economic conditions, Lerner had to think small, cheap and participatory. He sponsored a contest for a Curitiba master plan, circulated the best entries, debated them and turned the project over to architects, asking them to develop and implement a final plan. This plan included various practical projects to improve their

city with the help of the local inhabitants.

Although there was resistance from the shopkeepers when it was proposed that the downtown-shopping district should be turned into a pedestrian zone, it was accepted after a trial period of thirty days. Lerner got each industry, shop and institution to 'adopt' a few street children, providing them with a daily meal and a small wage in exchange for simple maintenance gardening or office chores. Teenagers were also hired to keep the parks clean and 1,5 million tree seedlings were provided to plant and care for. Street vendors were organised into a mobile, open-air fair that circulates through the city. Furthermore, concentric circles of local bus lines connect to five lines that radiate from the centre of the city in a spider web pattern. Triple compartment buses use the radial lines in their own traffic lanes at one-eighth of the construction cost of subways. Builders get tax breaks if their projects include green areas. Curitiba's citizens separate their waste into just two categories, organic and inorganic, for pick-up by two kinds of trucks. Poor families in squatter settlements unreachable by trucks bring their waste to centres in exchange for bus tickets or food. The recycling programme costs no more than the old landfill, but the city is cleaner, there are more jobs and the poor get food and transportation.

According to Lerner (Gurstein, 2000) "there is no endeavour more noble than the attempt to achieve a collective dream. When a city accepts as a mandate its quality of life; when it respects the people who live in it; when it respects the environment; when it prepares for future generations, the people share the responsibility for that mandate, and this shared cause is the only way to achieve that collective dream". This shows how leadership within local government can use a relatively cheap and participatory approach to an urban renewal plan. Good governance thus implies inclusion and representation of all participants in an urban society, as well as of accountability, integrity and transparency in local government actions. Capable urban management requires a capacity to fulfil public responsibilities with knowledge, skills, resources and procedures that draw on

partnerships. If local government provides the public with the chance to participate and express their views, an effective system of governance creates a willingness to obey laws and pay taxes. To promote the welfare of their residents they must provide a liveable environment, linked with community involvement, ensuring a decent quality of life and equitable opportunity for all residents. However, encouraging participation requires that government have in place regulatory structures that minimise transaction costs and barriers to entry. Building a liveable urban environment also requires consistent incentive systems that foster productive and competitive firms of all sizes. The role of local government should be re-focused to facilitate markets, promote economic and social stability and ensure equity.

## 6. SUMMARY

The process of decentralisation has been the result of a number of factors such as inner city decline and the development of decentralized areas. A deliberate effort of urban renewal and revitalisation driven by city leaders is necessary to gain and retain businesses that will contribute to renewed urban economic growth.

A factor to be considered by the Pretoria city authority is to adjust assessed values downward as rent declines to prevent the abandonment of property. The abandoning of property may cause serious social problems, in that it harms the appearance of the neighbourhood, is a fire hazard and may attract crime. No property taxes are collected from the time a property is abandoned and this puts pressure on the budget of the city authority. Another possibility is the provision of property tax holidays and incentives to property owners, allowing them ample time to renovate and upgrade their property before (re)levying current property taxes. Once buildings are upgraded, the potential increase in the rent income of property owners would benefit the city authority with an increase in tax revenues. A major challenge would be to attract businesses and consumers back to the inner city and thus to increase buying power. One way of doing this would be the introduction and implementation of City Improvement

Districts, with the emphasis on a clean and safe environment. Thus, businesses could be enticed to return and the tax base would then increase with the concomitant positive result of additional revenue. A well-structured marketing plan is also vital in positioning the inner city relative to competing centres. Informal traders may also be designated to a specific developed area, customized to their needs, developing a vibrant trading node while unregulated trading is addressed.

Most urban areas are subject to similar influences and are confronted with similar problems. However, there will be no easy, single, all-embracing solution to overcome these difficulties. Depending on the economic, social and cultural background, different solutions, adapted to each particular situation, are required. The use of opportunities that present themselves, the exploitation of an area's economic potential while simultaneously mastering social conflict and ecological challenges, in a sustainable manner, is one of the major tasks awaiting local urban governments. Whether or not an inner city's economic potential is realized depends fundamentally on the quality of urban management and the policies affecting it.

The rewards for successful growth and development strategies and policies and the penalties for failure are likely to be greater and will be experienced more quickly than in the past. The consequences of delays and half-hearted attempts at reform, with little thought to long-term credibility, will profoundly affect urban economic growth and development. The assumption of responsibility, willingness and a decisive effort to address urban problems should not be negotiable by any future-oriented urban government. Initiative and commitment by urban governments to create jobs, promote wealth, permanently protecting the urban environment and natural resources, guaranteeing commuter-friendly mobility, creating appropriate residential space for all inhabitants and finally, a decisive act to eliminate criminal activities, would ultimately offer high returns to all.



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