



NATIONAL TREASURY  
REPUBLIC OF SOUTH AFRICA

## Neighbourhood Development Programme Unit

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# OVERSTRAND MUNICIPALITY IMVUSELELO PROJECTS RE-DEVELOPMENT OF ZWELIHLE TAXI RANK AND MARKET

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*Prepared for:*

**Overstrand Municipality**

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## 1. Appointment of professional team

The Overstrand Municipality appointed Johan de Villiers and Associates Landscape Architects as main consultant who appointed AVDM Consulting Engineers and WRAP Consultancy as sub-consultants to provide technical assistance with their NDPG projects.

## 2. Project Description

The subject property of the project is an existing taxi rank located in the centre of Zwelihle. The facility is currently in an area that is regarded as a very weak economic area with only an existing general dealer and four containers scattered around the facility, primarily selling cell phone air time. Further into the neighbourhood, residents prepare food on the sidewalks that is sold to people going to work or returning to their homes.

The existing taxi rank will be upgraded from a rather derelict facility to a proper functioning, vibrant hub with lockable facilities for traders and washing and maintenance facilities for taxis. Traders will be screened and evaluated by the Red Door (**project of the Provincial Government on Local Economic Development to promote entrepreneurship**), assisting qualifying candidates with business plans and possible access to finance. The upgrade will include the landscaping of the area with soft and hard elements. Traffic calming measures will be introduced to make the area around the taxi rank safe for pedestrians by introducing a "preference to pedestrians" system subjecting vehicles to such an arrangement. Private businesses already present around the taxi rank will be encouraged to participate in the beautification of the area and owners of single residential units bordering the taxi rank will be afforded the opportunity to rezone to a zoning providing for a mixed land use.



Figure 1: Zwelihle Taxi Rank: Survey of Status Quo



Figure 2: Zwelihle Taxi Rank: Status Quo



Figure 3: Zwelihle Taxi Rank & Market: Site Development Plan

### 3. Project methodology

Although the project is regarded as small in development terms, careful planning of the phases of implementation was done due to the location of the project in the centre of Zwelihle, on one of the main streets of the township. Total non-interruption of traffic would be unavoidable, but the chronological order of the stages of implementation would minimize the inconvenience caused to the public.

The implementation of the project will consist of the following main stages:

No	Stage	Action
1	Moving and re-erection of existing taxi rank structure	An existing covered steel structure on the taxi rank will be moved in order to be re-erected it in a more suitable position on the premises to unlock the optimal area for redevelopment. The structure can accommodate 10 taxis and is sufficient for the current and future demand.
2	Provision of detour road area	Once the existing steel structure is moved to its new location, the area can be prepared to serve as a detour road for traffic during the period of re-construction of the existing road, in order to minimize inconvenience to public and vehicles.
3	Reconstruction of existing road	The existing road will be ripped from existing tar, provided with various base layers and finally paved to specifications for road use.



4	Opening of reconstructed road	Once the reconstruction of the road is finished, it will be opened for public use and the detour road will be closed.
5	Construction of new buildings, structures and fixtures	With the steel structure in its new position and the new road constructed, all areas identified for the construction of the market kiosks, offices and public toilets will now be vacant and construction of all buildings will be proceeded with. After completion of the buildings all street furniture and bollards will be installed.
6	Landscaping of area	The landscaping of the area, including the planting of trees, will be the final phase for completion of the project.
7	Opening of the facility and handing over of kiosks to traders	As the screening of traders to occupy the market kiosks in the project will run concurrent with the construction of the project, qualifying traders will be able to occupy the facilities immediately after construction.
8	Commencement of operation and maintenance contract	The recruitment of a suitable candidate to enter into an operation and maintenance contract with the municipality will also run concurrent with the construction period and his / her contract will commence immediately on completion of the construction of the project

Figure 4: Project stages

#### 4. Situational analysis

The project is situated in Hermanus, in the Zwelihle township, being the oldest and largest township within the Overstrand Municipality, housing approximately 15 000 people.

The Taxi rank is situated in the center of Zwelihle with direct and indirect connections to all parts of the Township and services approximately 2 000 commuters a day. The present status presents a weak economic outlook and does not take advantage of the economic potential of the area. The project will revitalise the precinct into a vibrant economic hub, linking all major outflows and inflows within and outside the community.

Zwelihle is bordered by the coloured township of Mount Pleasant in the North, the old Hermanus industrial area in the East, the sea in the South and the new Hermanus industrial area in the West.

The Overstrand Municipality falls within the jurisdictional area of the Overberg District Municipality, together with the Municipalities of Theewaterskloof, Swellendam and Cape Agulhas.

In 2007 Overstrand Municipality's population's race and gender distribution were as follows:

- Black - 21 495
- White - 25 071
- Coloured - 27 404
- Asian/Indian – 576
- Female - 38 599
- Male - 35 947
- **Total - 74 546**



The local economy has grown at roughly the same rate as the province, namely 3.2% per annum between 1995 and 2004. Key sectors contributing to the Gross Geographical Product of the area are trade & catering, finance & business services, manufacturing, construction, government services and transport sectors. Within this the trade and catering and transport sectors has been the fastest growing, followed by business services and construction. Government services and manufacturing have been in decline. The third economy, while not quantifiable is considered to be very large in the area. The sectors employing the largest number of people are the trade and catering, community services, agriculture, government and construction sectors. The biggest job losses have been experienced in the agricultural and manufacturing sectors.

The Overstrand LED Strategy identified that the area has a growing poor population. The poor tend to be locked into geographic spaces and are often disconnected from the economic hub because of a lack of transport. Addressing this need is covered under the connectivity and infrastructure interventions. However more is needed to address the needs of the poor and ensure economic growth is shared including support for enterprise development and a partnership with Red Door, the creation of a fund to research new BEE opportunities, a cooperative programme, the expansion of the acclaimed local labour promotion project, the establishment of a youth advisory centre and finally the creation of jobs and skills training centres.

The creation of "economic spaces" as the main driver of the NDPG projects funded by National Treasury will contribute to the connectivity of the poor with the economy by creating smaller economic hubs within walking distance of poor communities.

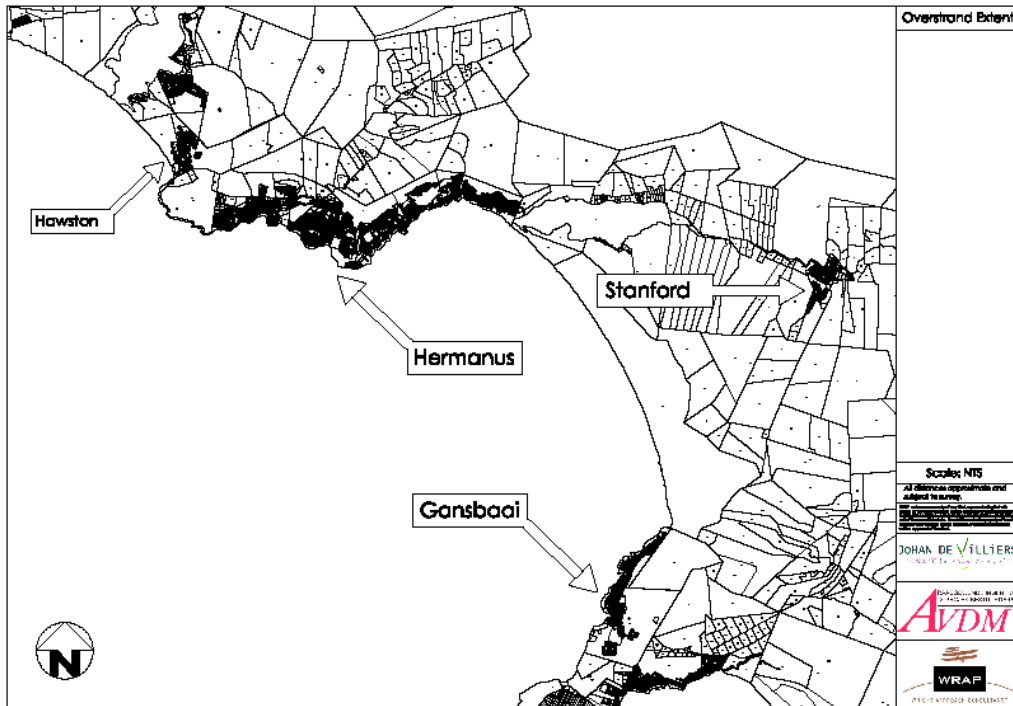


Figure 5: Location of Zwellihle in Overstrand Municipality

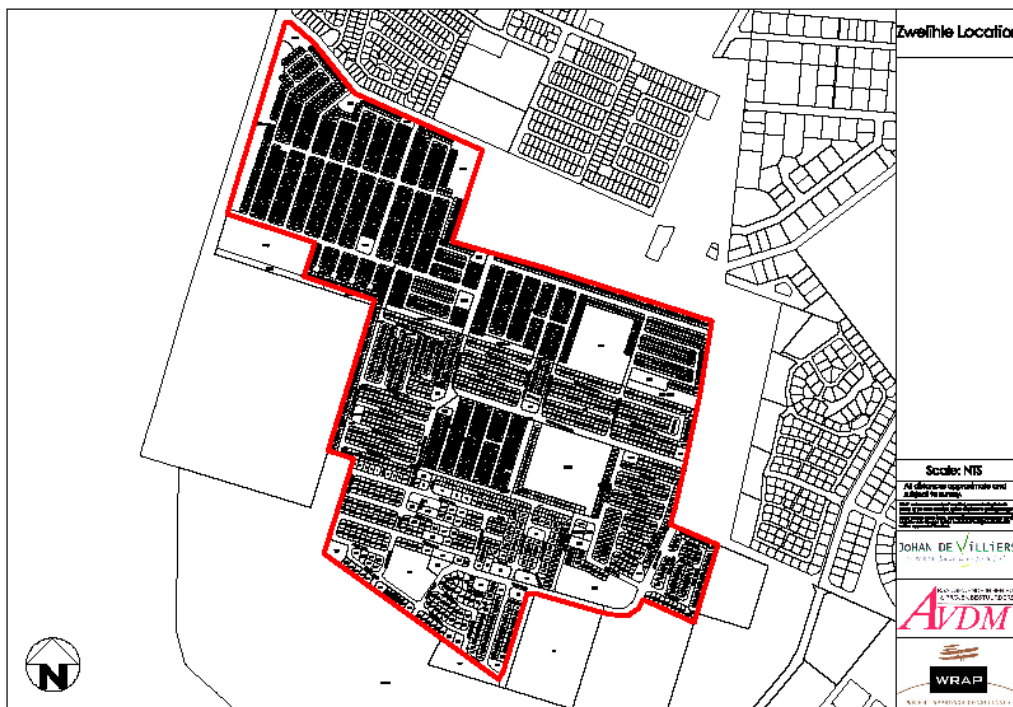


Figure 6: Location of Zwellihle in Hermanus



Figure 7: Land Use and Zoning

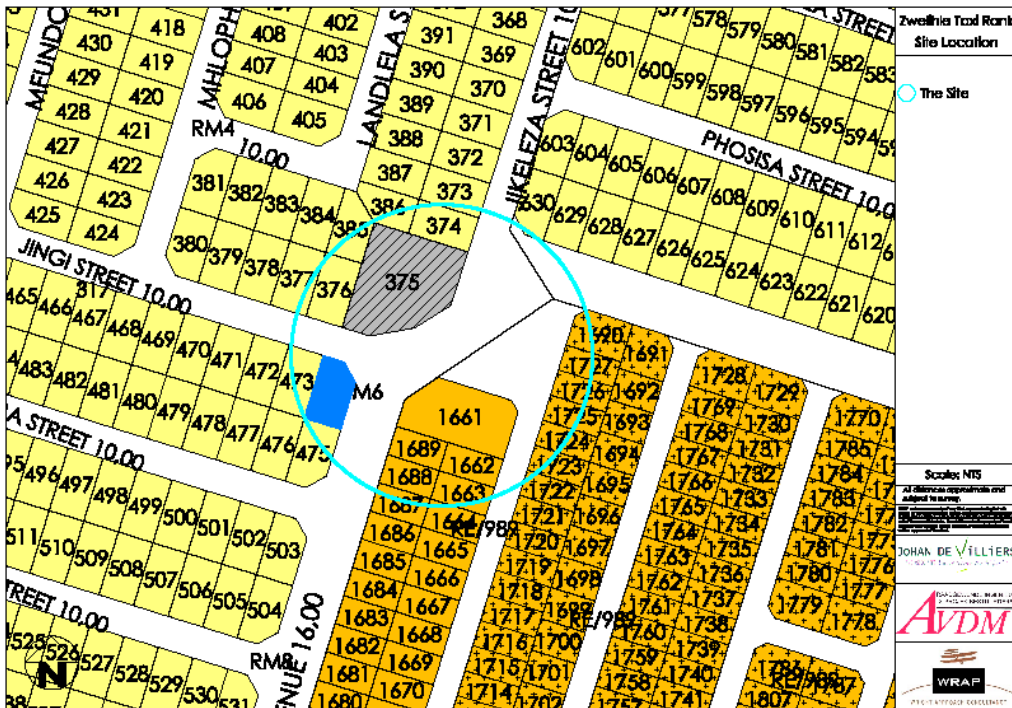


Figure 8: Site Location

**The key development challenges** of the municipality are contained in the Overstrand Integrated Development Plan (IDP).

One of the strategic objectives of the Overstrand IDP is:

- the *Promotion of tourism, economic and rural development.*

A National Key Performance Area (KPA) of the IDP is:

Improving Local Economic Development (LED) through:

- Bankable LED strategies
- Alignment with AsgiSA and the National Spatial Development Plan (NSDP)

The IDP's functional strategies for Economic Development include:

- The provision of infrastructure in support of local entrepreneurs through the building and operation of facilities as Beehives.
- Communities to become self employing by running and managing their own businesses.

The Local Economic Development (LED) Strategy contained in the IDP provides for:

- The creation of an enabling environment for business development and growth with a focus on SMME support; and
- The promotion of the development of the economies of the poor through job creation programmes.

Key priority areas for the municipality include:

- Creating opportunities and tools to develop small businesses through procurement, a partnership with Red Door and the development of a small business programme for the area.

LED projects include:

- Development of economic spaces [Beehive facilities] to promote enterprise development and promotion of the second economy to facilitate trading.
- Make direct links with the Red Door in providing direct support to economic enterprises.
- Making available infrastructure to assist in growing the second economy.

The relevant recommendations of the Overstrand Spatial Development Framework regarding Zwelihle include:

- The more equitable distribution of community facilities within the Greater Hermanus area is generally required.
- The need within the Zwelihle area relates specifically to schools, sports facilities, health service and a satellite police station.
- The provision of a multi purpose community facility for Hawston is therefore regarded as priority. The multi purpose community centre should also include adult education facilities, a crèche, **small business hives**, etc.

The foreword to the **Ikapa Growth and Development Strategy (Ikapa GDS)** states:

- *“The Western Cape Province, also, however, remains characterized by deep inequalities among its different peoples. This includes unequal access to economic activity as well as social divisions that exclude people on the basis of how they look, how they speak, how they pray, how they sing”.*

One of the strategic cases for lead interventions contained in the **Ikapa GDS** is **addressing poverty and the second economy**. The intention is to compile a strategy that connects and makes coherent, a wide range of existing interventions and actions that aim at reducing poverty, but that fail to achieve this objective due to a lack of coordination. This includes the following interventions:

- The creation of employment;
- The expansion of social wage for poor households;
- Labour market interventions;
- Spatial restructuring;
- Access to assets; and
- Social inclusion.

## **5. Pre-conditions for implementation**

Once the funding for the project is finally approved by the National Treasury, working drawings will be prepared, specifications compiled and tender documents drafted.

Tenders will be called and after the closing date a tender report will be compiled for consideration by the Bid Evaluation Committee of the Overstrand Municipality that sits on a weekly basis.

Once the tender is awarded, a construction agreement will be entered into between the Overstrand Municipality and the successful tenderer.

## 6. Project funding arrangements, budget, milestones, phasing and cash flow per investor category and project phase

A total amount of R 2 000 000,00 was made available by national Treasury from a total funding envelope of R 15 000 000,00 to implement this project. R 1 500 000,00 for capital (CG) and R 500 000,00 for technical assistance (TA).

Initial project budgets indicated that the total capital funding required for the project would be in the order of R 2 000 000,00, but the Overstrand Municipality already committed itself to funding the additional R 500 000,00.

The budget for the project is the following:

REVITALISATION OF ZWELIHLE TAXI RANK					
ITEM	DESCRIPTION	QUANT	UNIT	RATE	AMOUNT R
1	Ripping of existing tar and spoiling off site	1600	m <sup>2</sup>	60	96000
2	Roadbed prep	2400	m <sup>2</sup>	15	36000
3	Subbase construction	100	m <sup>3</sup>	250	25000
4	Base construction	220	m <sup>2</sup>	270	59400
5	Paving (73mm)	1450	m <sup>2</sup>	280	406000
6	Paving (50mm)	1000	m <sup>2</sup>	225	225000
7	Moving and re-erecting of existing structure	1	Sum	20000	20000
8	Toilets	36	m <sup>2</sup>	4500	162000
9	Kiosks	11	No	30000	330000
10	Bollards	170	No	700	119000
11	Trees	45	No	600	27000
12	Benches	5	No	3000	15000
13	Dustbins	10	No	800	8000
14	Lights	22	No	2000	44000
15	Sub-Total				1573000
16	P&G (±15%)				236000
17	Nett Total				1809000
18	Contingencies (±10%)				181000
19	<b>TOTAL (Excl. VAT)</b>				<b>1990000</b>

Figure 9: Project budget

The milestones of the project are contained in the following table, which also includes the cash flow per investor, being the NDPG and the Overstrand Municipality:

Milestone No.	Payment to	Milestone Description	% of Completion or output	Milestone Date	Amount in R 1000's		Total
					TA	CA	
		Briefing & engage consultant and T.O.R.		20 Feb 2009			
		PREPARATION OF BUSINESS CASE					
MS-01	Consultant	Status Quo Assessment	8	13 March 2009	42		42
MS-02	Consultant	Pre-Appraisal	50	17 April 2009	208		208
MS-03	Consultant	Business Case	100	28 May 2009	250		250
		IMPLEMENTATION PHASE					
MS-04	Consultant	Commencement of implementation of first phase		8 June 2009			
MS-05	Consultant	Prepare working drawings, specifications & tender		1 July 2009			
MS-06	Consultant	Call for tenders		3 July 2009			
MS-07	Consultant	Tender closure		24 July 2009			
MS-08	Consultant	Tender report		31 July 2009			
MS-09	Contractor	Commencement of construction for the revitalisation of Zwelihle Taxi Rank. (see attached for item breakdown)		17 Aug 2009			
MS-10	Contractor	First payment Cert.	10	31 Aug 2009		200	200
MS-11	Contractor	Second payment Cert.	25	30 Sept 2009		490	490
MS-12	Contractor	Third payment Cert.	25	30 Oct 2009		500	500
MS-13	Contractor	Fourth payment Cert.	25	30 Nov 2009		490	490
MS-14	Contractor	Final Payment Cert and Completion of First phase implementation	15	17 Dec 2009		310	310
MS-15	Consultant / Contractor	Commencement of implementation of remainder of project		14 Jan 2010			
MS-16	Consultant / Contractor	Completion of Project		30 Nov 2010			
<b>TOTALS</b>					500	1990	2490

\* R490 000 to come from Municipal Budget

Figure 10: Milestones and cash flow per investor

## 7. Risk assessment and mitigation strategies

The total risk of the project has been assessed, rated and mitigation strategies proposed as contained in the following table:



No	Type of risk	Most likely; possible; unlikely	Mitigation strategies
1	Availability	Unlikely	The tender documentation will contain comprehensive specifications, payment structuring based on performance monitoring and penalty deductions.
2	Completion	Unlikely	Strict contract supervision with contractual obligations.
3	Construction	Unlikely	Strict contract supervision and compliance with tender specifications.
4	Contractor	Unlikely	Strict project management and contract supervision.
5	Cost overrun	Unlikely	Tenders will be fixed price construction contracts and provision will be made for contingency.
6	Design	Unlikely	Tender documentation will contain detailed designs and project specifications.
7	Environmental	Unlikely	Bidders will familiarize themselves with site conditions and will take responsibility to provide insurance for any environmental damage caused.
8	Exchange rate	Unlikely	All materials locally available.
9	Force majeure	Possible	Risks to be insured as far as possible and termination stipulations will be included in contract.
10	Inflation	Unlikely	Short term contract with fixed rates.
11	Insolvency	Possible	Contract will contain measures for termination in event of insolvency. Structuring of progress payments to limit risk.
12	Insurance	Unlikely	Contractor to provide insurance for duration of contract.
13	Interest rate	Possible	Fixed price construction contracts.
14	Latent defect	Possible	Strict project management and contract supervision will minimize risk and retention will be held.
15	Maintenance	Unlikely	Scope of maintenance will be pre-determined and confirmed in an Operation and Maintenance contract including performance monitoring, and penalties.
16	Market, demand or volume	Unlikely	Tenants for kiosks in development, currently on a waiting list will be properly screened by the Red Door, business plans drafted and possible finance secured for their micro operations.
17	Municipal institutional	Unlikely	Municipality appointed very capable project co-ordinator.
18	Operating	Unlikely	Operation of the facility after completion will be monitored by the municipal LED Department.
19	Planning	Unlikely	Subject property already zoned for transport purposes and all components of the project are primary uses in terms of the current zoning. The project also includes beautification and upgrading of existing facilities for which planning approval is not required.
20	Political	Unlikely	N/a
21	Regulatory risk	Unlikely	No consents required.
22	Residual value risk	Unlikely	Municipality to take responsibility for the management of the contractor appointed for the operation and maintenance of the facility
23	Resource or input	Unlikely	Resources required for the operation of the facility to be provided by the municipality.
24	Stakeholder	Unlikely	Project underwent thorough public participation and consultation process.
25	Sub-contractor	Unlikely	Strict project management and contract supervision.
26	Tax rate change	Unlikely	Fixed price construction contracts placing such risk on contractor.
27	Technology	Unlikely	Project not dependant on any technological systems.
28	Upgrade costs	Unlikely	Proper planning with detailed specifications to meet demand.
29	Utilities	Unlikely	All services already available on site.

Figure 11: Risk assessment and mitigation strategies

## **8. Institutional (management) arrangements on completion**

The management arrangements for the facility will be in the form of an operation and management contract concluded with a private service provider of the area. The LED Department of the Overstrand Municipality will be responsible for the liaison with the service provider and monitoring of the services provided, that will include the following:

- General maintenance of the facility including toilet facilities;
- Daily cleaning of the area, refuse bins etc;
- Watering of trees and landscaped areas;
- Enforcing of rules applicable to traders and provisions of lease agreements;
- Collection of monthly rental;
- Managing the distribution of municipal information from the office premises provided in the facility; and
- Liaison with kiosk holders and taxi operators.

## **9. Operating plan and programme**

In order to ensure the long term success of the operation of the facility, it is of utmost importance that it is well managed, maintained and secured. In order to reach such goal, a service provider needs to be appointed to execute a general management and maintenance program. The Municipality through its job creation strategy enters into contracts with local Service Providers for cleaning projects. In the next round of tenders the maintenance and cleaning of the community facilities will be included in the specification documents. The development is however too small to reach a monthly break-even point and in order to "balance the books" the Overstrand Municipality will include the management agreement in their annual operational budget.

The value of the management contract that will be entered into will be based on the following key underlying assumptions:

- Twelve kiosks will be rented out at a rate of R 100/month;
- The management contract will have a value of R 9500,00 per month that includes provision of a salary of R 5000,00 per month for a supervisor R 3 000,00 for an assistant.
- A cleaning material budget of R 40,00 per day.

Income Forecast:												
Income	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Des
Kiosks	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200
Expenses Forecast:												
Personnel	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Des
Supervisor	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Assistant	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000
Cleaning	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500
Maintenance*	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200
Total	10700	10700	10700	10700	10700	10700	10700	10700	10700	10700	10700	10700
Cash Flow:												
Income	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200
Expenses	10700	10700	10700	10700	10700	10700	10700	10700	10700	10700	10700	10700
Net cash flow	(9500)	(9500)	(9500)	(9500)	(9500)	(9500)	(9500)	(9500)	(9500)	(9500)	(9500)	(9500)

\* Although provided for on a monthly basis it is envisaged that maintenance will be limited to twice a year.

Figure 13: Cash flow projection

## 10. Outputs and outcomes

The output of the project is the use of a well designed and properly constructed user friendly facility by residents of the area on a daily basis. The output further includes a travelling and commercial component, complemented with an up to date information distribution facility for the Overstrand Municipality.

The primary outcome of the project is the transformation of a derelict facility into a modern, well designed facility on which residents of the area can be proud of and which facility can serve as catalyst for similar projects with possible private sector investment.

A further outcome is the creation of the following jobs during construction as well as the operation phase of the project:

Category	Initial number of jobs created	Potential growth	Total
Construction phase:			
Construction team	18	0	18
Operational phase:			
Market kiosks	12	12	24
Operation and maintenance	2	1	3
Rezoning of adjacent properties to mixed use	10	10	20
Total	24	23	47

Figure 13: Jobs created

## 11. Resource requirements

The resources required for the project can be tabled as follows:

Resource	Current Status	Requirement
Land and facilities	Available	None
Funding of R 2 000 000	In principle approved by National Treasury	Approval of business plan
Funding: R 500 000	Approved by Municipality	Available 1 July 2009
Operation and maintenance service provider	None	Recruiting and appointment before completion of project
Budget for operation and maintenance service provider	None	To be budgeted for by Overstrand Municipality

Figure 14: Resource requirements

## 12. Partnership structures

Except for the financial contribution of approximately R 500 000 to the project by the Overstrand Municipality, no other partnership structures is envisaged. It is however envisaged that owners of residential properties bordering the facility will be encouraged to rezone their properties to a mixed use zoning that allows for residential, limited manufacturing and selling of goods manufactured. Although not formal partnership structures, residents participating in the rezoning of their properties will contribute to the expansion of the hub ensuring the success of the facility by expanding the services offered and goods offered for sale.

The local taxi association also played a major part in the planning of the project and their continued participation in the operation of the project is of utmost importance.

## 13. Identification of key success factors

The key success factors of the project lies in the level of co-operation of its users. Training, to the effect that users are reliant on each other i.e. the more customers the traders attract, the more passengers there will be for the taxis and vice versa.

The success of the operation will further be largely dependant on the efficient operation and management of the facility. The level of service provided by the holder of the maintenance contract will be closely monitored by the LED Department of the Municipality and when not up to standard, remedial actions will be taken, with the enforcement of agreed penalties and if the situation continues, measures to terminate such agreement if the enforcement of penalties does not bring the required improvement.

#### **14. Stakeholder management strategy**

It is proposed that all tenants of the market stalls and all taxi owners utilising the facility form a committee or body corporate on which the Director of LED serve as an advisor and observer, holding regular meetings with the operation and maintenance contract holder, where the management and maintenance of the facility is discussed. The committee will have a constitution that will include criteria for participating tenants that will be allowed to trade from the market kiosks.

#### **15. Options and viability assessments**

The location of the site within an existing built environment, made the assessment of any other options very difficult. The fact that the taxi rank already exists and is in operation did not leave many options. The challenge lies in the enhancing of the functioning of the facility, with the addition of the market kiosks transforming the dull taxi rank in a vibrant hub with commercial activities available to residents. The viability of the project was assessed through a needs analysis of the community. The core of this analysis was captured in a data base of existing and aspirant entrepreneurs.

The viability of the project was further strengthened by the screening process executed by the Red Door and the compilation of business plans for all prospective tenants of the market kiosks.

#### **16. Exit strategy (ownership of project and/or components, urban management, resources required, operations funding)**

As mentioned previously in this document, an operation and management contract will be entered into with a local service provider to manage and maintain the facility.

Ownership of the facility will vest in the Overstrand Municipality, who will also provide the operational budget for the operation and management contract for the facility. The income generated from the rental charged for the market kiosks, will be utilised for the annual maintenance of the facility.

#### **17. Implementation plans (including management responsibilities and strategies on operational costs)**

Although ownership of the facility will vest in the Overstrand Municipality who will also provide the operational budget for the operation and management of the facility, it is envisaged that a rental

will be agreed with tenants, after advice on affordability was taken from the RED DOOR.

Initial thoughts include the option of having free tenancy for an initial period and thereafter having a rental payable as a percentage of the turnover based on the contents of the business plan compiled by Red Door for each tenant.

It is proposed that the income generated from tenants be held in a separate fund by the Overstrand Municipality and that the payment of the cost of the annual maintenance of the facility be borne by such fund.

### **18. Preparation of detailed specifications and procurement documentation**

Detailed specification and procurement documentation will be compiled, once final approval for the Capital Grant of R 1 500 000 is finally approved by National Treasury.

The Overstrand Municipality has a very well organised and capable staffed Supply Chain Section to deal with the procurement for this project. The relevant committees are sitting on a weekly basis for the awarding of tenders.

### **19. Conclusion**

As motivated in the aforementioned business plan, the Zwelihle 1 project would serve as a "quick win" project within the community, showing commitment from the local authority and National Treasury by creating an economic space within walking distance of the large poor community.

Although the project itself would not break even without municipal contribution for operation and maintenance, it would serve as platform for other entrepreneurs and smaller businesses to be established in and around the upgraded facility.

The project would contribute to job creation and building of entrepreneurship, teaching people business skills with the assistance of the Red Door.

The way that the management of the facility through a private contractor and participation of tenants is envisaged, pride for the facility would be established by users thereof and people will take ownership for the sufficient management, maintenance and general protection of a community facility.