

OUDE MOLEN SOCIO- ECONOMIC IMPACT REPORT



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SOCIO-ECONOMIC MOTIVATION

Currently, the Oude Molen site is very underutilised, with some medical and educational activities (health training and sub-acute hospital care and Waldorf School), short-stay accommodation, limited commercial activities and a few residential uses. Many of the buildings are dilapidated and standing vacant, making it unlikely that additional economic activity could be generated in its current state.

Despite this current use limitation on the site, the area is in an increasingly strategic location, with access improving through several private and government infrastructure interventions. The most impactful on access, is the increased connectivity through the upgrade of Barkley Road into a dual carriageway and the extension of Barkley Road to Liesbeek Parkway/Albert Road. This infrastructure investment will improve access to Voortrekker Road and the Northern Suburbs linkages as well as increase access to the commercial node being developed around the Amazon/ Blackriver Parkway Office blocks as well as access into Salt River and the economic activity developing in these areas. The proximity to these areas, where job opportunities are being created, combined with the provision of residential units (34% of which will be affordable), will promote greater spatial integration.

The site is also close to the Maitland/ Ndabeni areas, which were traditionally industrial areas. These areas have also been changing in the past few years with an increased number of residential units being developed and/or planned. These areas have seen increased residential development, driven by both City initiatives (e.g., Maitland Mews¹) and private developers (e.g., the Prime and the proposed Maitland Metro Initiative² upgrade). Despite the drive for more residential units in the surrounding areas north of the site, the city still identifies the area as prime location for job creation.

The proposed Oude Molen redevelopment will capitalise on the economic opportunities emerging in the surrounding areas as well as the latent economic potential on the site itself. By transforming the site into a mixed-use development led by residential units but also incorporating commercial (office) and retail opportunities, the development, together with the other initiatives in the area will start to create a mixed-use node which will allow broader economic benefits to start to be developed for the wider spatial area.

¹ City driven social housing development

² The Maitland Mews is a private sector-led urban renewal project which is looking to upgrade existing buildings into commercial and residential mixed-use developments.

In addition to the broader benefits of developing the Oude Molen site, there will also be direct economic benefits to redeveloping the site due to investment anticipated by the development. These benefits will be felt in the greater City economy, both during the construction phase (in terms of job creation, but also in terms of additional business sales due to economic linkages with the construction sector) and the operational phase (sustainable jobs related to new commercial and retail activities and increased business activity on site). The increased opportunities on the site will also increase government revenue through rates and taxes for the city.

A significant social benefit will be the creation of affordable housing on the site. It is proposed that 34% of the proposed residential units proposed for the site will consist of a mix of social housing and First Home Finance and Subsidy Assistance (formally known as FLISP). Research in the area has shown that although there has been an increase in the provision of affordable housing in the broader study area, most of the demand for residential units stems from individuals who work in the Cape Town CBD in areas close by and who are looking for accommodation closer to their areas of employment. The provision of affordable housing on the site will address some of this demand.

Finally, the site's redevelopment will honour its significant heritage value. Priority heritage areas will be preserved, and the cultural history of the site will be highlighted through the proposed interpretation centre.

In summary, the redevelopment of Oude Molen presents a transformative opportunity to unlock the area's economic potential and create substantial socio-economic benefits, while preserving some of its cultural heritage.

1 INTRODUCTION & BACKGROUND

1.1 INTRODUCTION

Urban-Econ Development Economists (Pty) Ltd was appointed to provide specialist socio-economic inputs into the Heritage Impact Assessment (HIA). Urban-Econ's role is therefore to undertake a socio-economic impact study on the proposed development of the Oude Molen site, a portion of Remainder Eft 26439 in the Two Rivers Urban Park (TRUP). The socio-economic impact assessment will form part of the body of work submitted by the client for the necessary statutory approvals for development.

1.2 PROJECT DESCRIPTION

The development on the site will consist of a "compact, large scale, sustainable, residentially led mixed use development based on a live-work-play philosophy and transit orientated development ("TOD") principals". The preferred development concept therefore consists of 18 blocks of mixed-use activities ranging in height between 2 and 5 stories high (depending on the where they are located on the site) and where of heritage value existing buildings will be retained and incorporated into the design scheme.

The proposed development will consist of the following:

1. 1 364 residential apartments, of which 464 will be social housing units (40m² units), 438 will be open market apartment (60m² units), and 462 will be open market terrace apartments (combination of 75, 60 and 90m² units)
2. Office space (over three blocks) totalling 18 981m²
3. Retail space (over three blocks) totalling 3 379m²
4. Cultural Heritage Centre (788m²)

Diagram 1.1 details the proposed development footprint to occur on the Oude Molen site.

Diagram 1.1: Proposed development footprint



Source: Nigel Burls & Associates, 2024

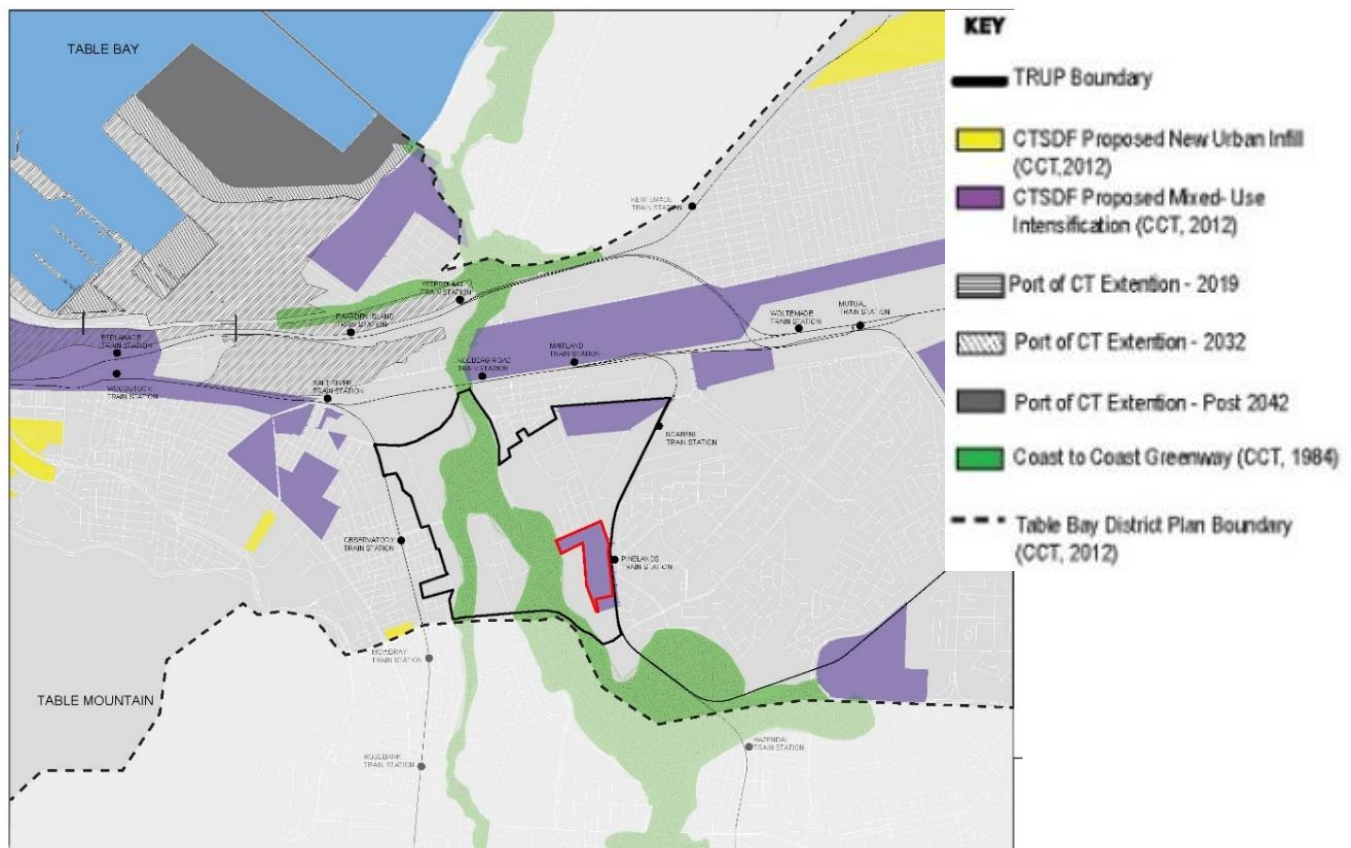
1.3 SCOPE

The scope of this project is to quantify the socio-economic impacts of both the no-go scenario as well as the proposed development (preferred development scenario). This study will also explore the heritage impacts of the proposed development from a socio-economic perspective. For this component, the Heritage Impact Report and the Social Impact Report will serve as the main inputs. The study will also investigate the broader impacts on the Cape Town economy, including the opportunity to reinforce catalytic projects as well as address social housing by the proposed development.

1.4 PROJECT LOCATION & STUDY AREA

The site makes up one of seven precincts that comprise the Two Rivers Urban Park (TRUP) and is at the confluence of the Black and Liesbeek Rivers. The site is close to a number of economic nodes, including Maitland industrial, the Cape Town Central Business District (CBD), the new Amazon Development and Ndabeni. In addition, the study has good access to a network of Main Roads and Freeways including the N2, M5 and N1.

Map 1.1: Oude Molen location



Source: NM & Associates Project team (for Western Cape Government)

1.5 METHODOLOGY

The study was conducted by means of a mixed-method approach, whereby qualitative and quantitative data was analysed to determine the socio-economic impact of the proposed development. The study made use of heritage and social impact assessment reports, estimated financials, as well as desktop research on the property market performance.

The study utilises a Social Account Matrix (SAM) model to quantify the impact of the construction and operational activities of the proposed developments on the economy. A SAM represents the flows of all economic transactions that take place within an economy (regional or national). It is at the core, a matrix representation of the National Accounts for a given country, but can be extended to include non-national accounting flows, and created for whole regions.

SAM refers to a single year providing a static picture of the economy, based on national accounting statistics and Input-Output tables that are compiled and published by Statistics South Africa, using primarily South African Reserve Bank National Accounts data. The sectoral parameters utilised in the model are therefore strictly compatible with the macro national accounting data published by the South African Reserve Bank and Statistics South Africa regularly.

Importantly, it is the matrices that can be derived from the model that are used as instruments for economic analysis. The fundamental assumptions with regard to the model, as well as the use of this model for analytical purposes, are:

- Production activities in the economy are grouped in homogeneous sectors
- The mutual interdependence of sectors is expressed in meaningful input functions
- Each sector's inputs are only a function of the specific sector's production
- The production by different sectors is equal to the sum of the separate sectors of production
- The technical coefficients remain constant for the period over which forecast the projections is made
- There will be no major change in technology

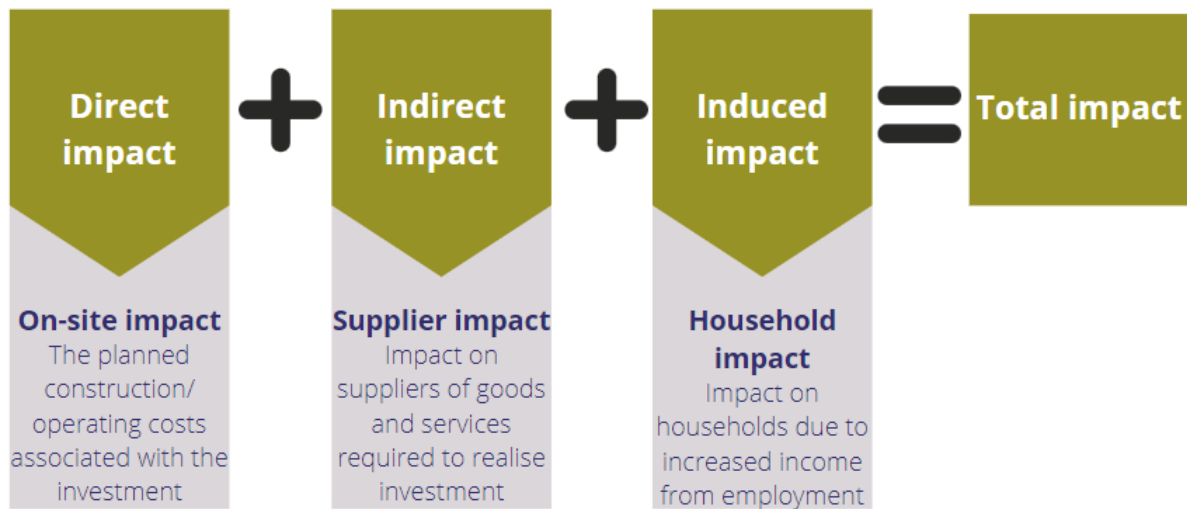
It should also be noted that:

- All the Rand values in this report represent 2023 Rand values (cost excluding 15% VAT)
- The different measures of economic impact (jobs, GDP, and new business sales) cannot be added together and should be interpreted as separate economic impacts

- The model quantifies direct and indirect economic impacts for a specific amount of time. Therefore, the estimates that are derived do not refer to gradual impacts over time

Three types of economic impacts can be measured, namely, direct, indirect, and induced impacts.

Diagram 1.2: Direct, indirect & induced Impacts



Source: Urban-Econ, 2024

- **Direct Impacts** – changes in local business activity occurring as a direct result or consequence of public or private sector capital expenditure. Direct economic effects are generated when the new business creates new jobs and purchases goods and services to operate the new facility. Direct impacts result in an increase in job creation, production, business sales, and household income.

The multiplicative effects can be grouped into two distinct effects, namely:

- **Indirect Impacts** – occur when the suppliers of goods and services to the new business experience larger markets and the potential to expand. Indirect impacts result in an increase in job creation, GDP, and household income.
- **Induced Impacts** – represent further shifts in spending on food, clothing, shelter and other consumer goods and services as a consequence of the change in workers and payroll of directly and indirectly affected businesses. This leads to further business growth/decline throughout the local economy. 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.

Economic impacts can also be viewed in terms of their duration, or the stage of the life cycle in which the development takes place, (1) the construction phase (CAPEX) and (2) the operational phase (OPEX). Due to the duration of these phases, the impacts are therefore separated into those observed during the construction phase and those experienced during the operational phase. The construction phase economic impacts are of a temporary nature, they have, therefore, a temporary effect. On the other hand, the operational phase of the proposed project could last decades; hence the impacts during this stage would be of a sustainable nature.

The economic impacts during construction and operational phases can be viewed in terms of a change in the following:

- **Production** – the change in output in the economy as a result of the investment
- **GDP** – the change of the value-added in the economy as a result of the investment
- **Employment** – change in jobs created in the economy as a result of the investment
- **Income** – change in income generated through the employment created as a result of the investment.

Any of these measures can be an indicator of improvement in the economic well-being of residents, which is generally the goal of any investment project.

1.6 REPORT OUTLINE

This report is structured as follows:

- **Section 2** discusses unpacks the broader socio-economic impact of the site based on its strategic location within a well accessed economic node as well as the opportunity to create in integrated development that allows housing opportunities to be generated both by the open market but also for affordable housing.
- **Section 3** uses SAM modelling techniques to estimate the economic impact (in terms of production, GDP, jobs and income) of the preferred development alternative versus the no go scenario.
- **Section 4** concludes the report with a summary of the key economic impacts as identified in the report.

2 VALUE INFORMANTS

2.1 INTRODUCTION

This section will discuss the value of the site in terms of its strategic location and the growth of the node which presents several economic opportunities. This is necessary to understand the broader context of the Oude Molen site and will assist in identifying socio-economic benefits that cannot always be quantified. As part of this analysis shows how this area has been evolving both in terms of increased populations but also due to the changing nature of land uses.

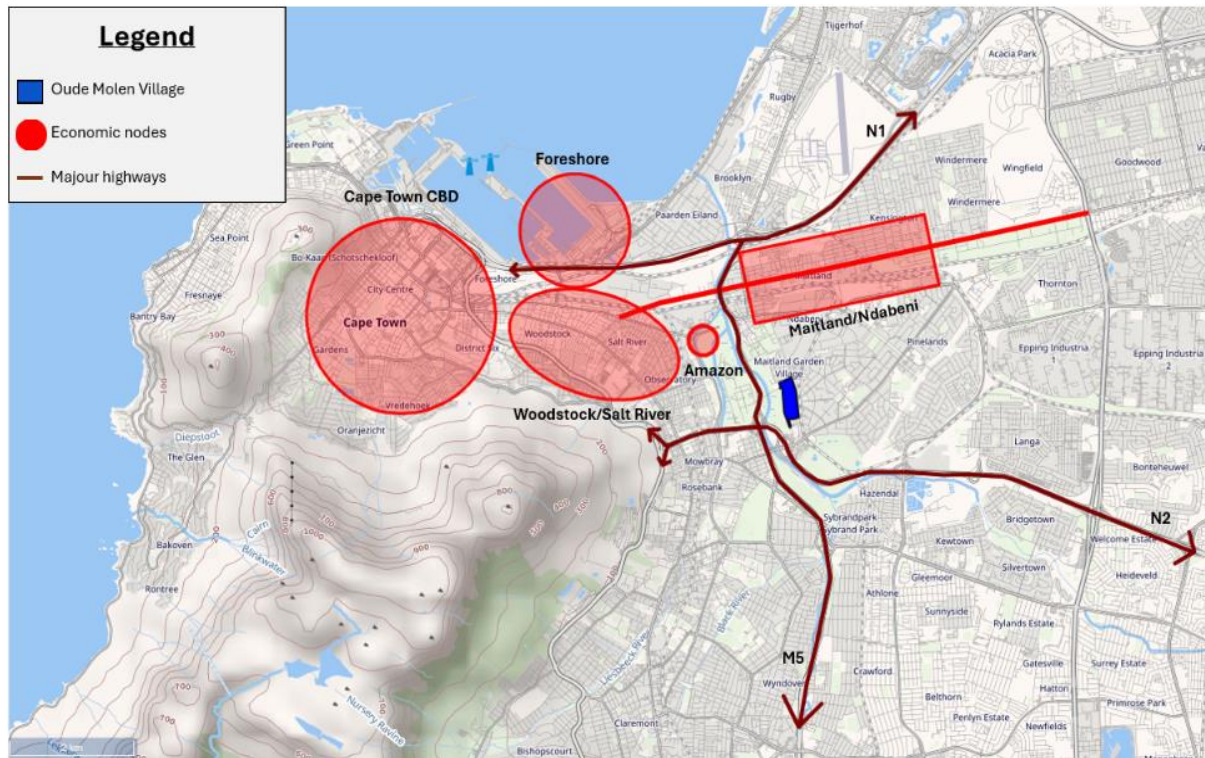
2.2 STRATEGIC SITE LOCATION -

Map 2.1 illustrates the location of the Oude Molen Site in the context of the broader area. The site is abutted by a traditional industrial/commercial area to the north which includes Ndabeni and Maitland Industrial area. According to the Maitland LSDF, "Maitland is well located within the urban inner core with sub-regional connectivity to key employment nodes supported by public transport. Locational connectivity exists to Century City..., the Cape Town port, Paarden Eiland (and Ndabeni) specialised industrial area, Cape Town Central Business District (CBD) and access via Voortrekker Road to Bellville CBD (City of Cape Town: Spatial Planning and Environmental Directorate, March 2024)". To the direct north of the site is the residential area of Maitland Gardens (LSM 8 Low) and to the east of the site is the more middle-income area of Pinelands (LSM 10 high) (Lightstone, 2023).

Despite these traditional land use allocations, over the past few years, the area has been changing with an increased number of affordable residential developments being developed in the area including Maitland Mews (social housing development driven by the city), Conradie Park (Provincially driven mixed-income development) and Maitland Metro (Private urban renewal project to integrated affordable housing with economic opportunities). In addition, the city is investigating the feasibility to optimise the city functions at the Maitland Abattoir site to generate more residential and economic opportunities. These new initiatives are driving residential trends in the area, demand for which are also being underpinned by a demand from people who work in the CBD or other areas close by which provide economic opportunities; however industrial development continues to play an important role in the surrounding area, particularly in Maitland/Ndabeni/Paarden Eiland. Other economic opportunities include the increased activation of retail spaces on the ground floor of

redeveloped buildings which has further enhanced the mixed-use opportunities within the area.

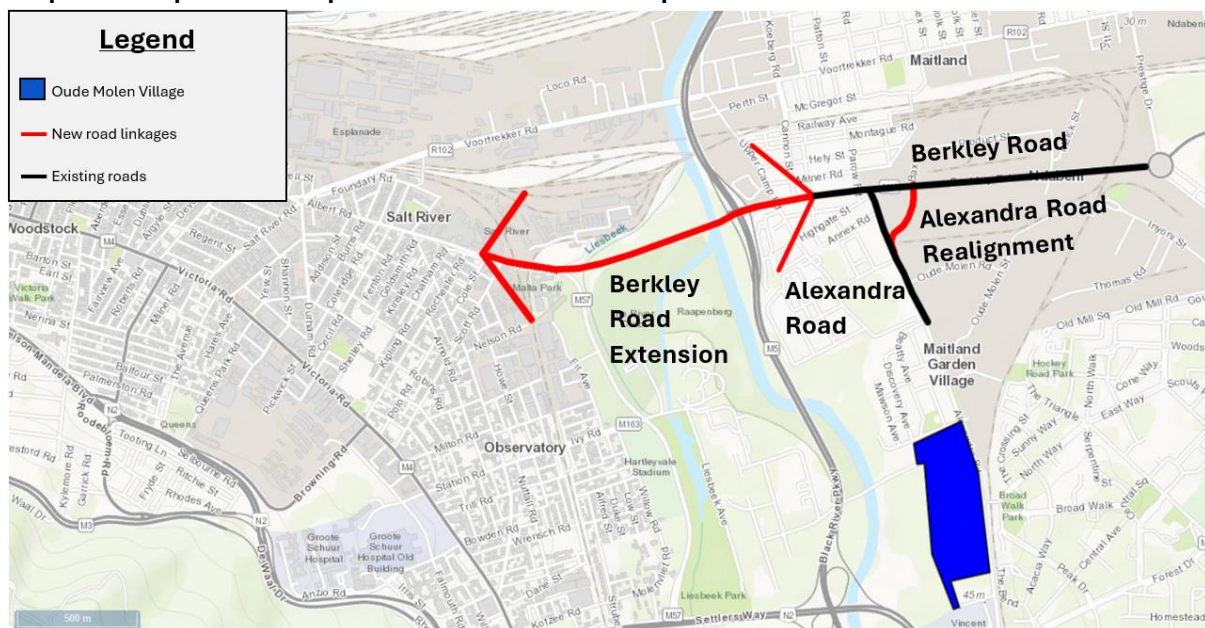
Map 2.1: Oude Molen Site Location



Source: Mapable, 2024

The site will also experience increased connectivity though infrastructure improvements including the Berkley Road Extension and the Alexandra Road Alignment. (Refer to **Map 2.2**).

Map 2. 2: Proposed Transportation and Public Transport Zones



Source: Mapable

These road infrastructure upgrades will connect the growing economic node around the Black River Parkway/ New Amazon Development with Maitland and Voortrekker Road. The immediate area surrounding the Oude Molen is therefore growing into an economic node, with good access and linkages to other areas of economic opportunity.

Developing the Oude Molen node as a mixed-use node that provides both employment opportunities as well as residential opportunities will capitalise on the site ever growing strategic nature and create greater linkages to other economic opportunities being generated in the broader study area.

2.3 IMPACT ON AFFORDABLE HOUSING

Despite the increased supply of affordable housing in the greater study area over the past few years, there is still an enormous demand for residential development that is affordable and well located to existing economic opportunities. Over the past few years, the city together with Province has been making inroads into the housing backlog, however, the increasingly high value of land, particularly in the CBD has restricted access to well-located areas and the housing back log including that for affordable housing has been increasing steadily.

The proposed development at Oude Molen will provide 1 364 residential opportunities of which 34% will include inclusionary units both as part of social housing provision and through the First Home Finance and Subsidy Assistance (FLISP). This will address some of the affordable housing need in the area.

Research and interviews with local developers in the study area also indicated that there is a demand for green spaces and parks to complement the growing urban fabric and the proposed Oude Molen with its proximity to the TRUP as well as the proposed landscape plan will ensure access to green spaces.

2.4 HERITAGE IMPACT

The Oude Molen site can be considered a site of high heritage importance as it has "historical, social, associational, architectural, aesthetic and potential archaeological heritage value". (Postlethwayt, Heritage Impact Assessment for the Proposed Development of Oude Molen Precinct: Portion of Eft 26439-RE Cape Town, 2024). The Heritage Impact Assessment however accepts the redevelopment of the site in principle (into a mixed-use site) however the heritage significance needs to be acknowledged, and additional development should be

accommodated without negatively impacting heritage significance. This has been done through the design framework which precludes significant development in the most heritage sensitive areas (F-wards and Homestead complex), but rather focus on adaptive re-use and 'tread lightly 'infill development. In the rest of the development consideration needs to be given to maintaining building frontages, access points and density and height relationships – with more compact development on the southern and eastern edges and lower densities on the more visually sensitive western boundary.

2.5 SYNTHESIS

In the broader context of the urban environment, the development of the Oude Molen site, given that the heritage sensitivities are addressed and the recommendations in the Heritage Impact Report are addressed in the contextual framework, will capitalise on the strategic nature of the site as well as the broader economic opportunities. In addition, the development will provide affordable housing in a well-located area close to work opportunities.

3 PREFERRED DEVELOPMENT ALTERNATIVE IMPACT

3.1 INTRODUCTION

This section of the report will detail the economic impact of the preferred development alternative as outlined in Section 1.2. The preferred development option will also provide the opportunity to adequately invest into rehabilitation of some of the most sensitive heritage areas (F-Wards and the Homestead complex).

3.2 CAPEX IMPACT

The capital required for the property development is estimated to R788 million (PepperGreen Consulting, 2024) and will include the infrastructure required to unlock the development potential of the site, construction of the top structures as well as professional fees, contingencies, escalations and development costs. This cost does however exclude the finance costs (capitalised debt interest during construction and interest on delayed VAT payments/0.

It is anticipated that the development will be constructed over a 2-year period. The table below outlines the economic impact of the CAPEX phase of the project. These benefits are for the duration of the construction period and are thus only temporary.

Table 3.1: CAPEX impact of the preferred development option

	Production	GDP	Jobs	Income
Direct	R766 million	R172 million	406	R100 million
Indirect	R786 million	R299 million	1 287	R133 million
Induced	R401 million	R162 million	505	R65 million
Total	R1 95 billion	R633 million	2 198	R298 million

Source: Urban-Econ, 2024

The CAPEX of the preferred development option will increase production in the economy by R1 95 billion and contribute R633 million to the GDP. The extensive construction activities over the 2-year period will sustain 2 198 jobs, of which 406 will be on site.

Most of the impact during the construction phase will be felt in the building and construction industry (38%), followed by the manufacturing industry (16,5%), general government and community services (15.5%) and real estate and business services (11.9%).

The construction of the Oude Molen will create direct employment during construction, where contractors, sub-contractors, and professional staff will recruit labour. In contrast, indirect employment will be provided by industries and sectors that supply tools, materials, plants, and equipment during construction. Also, induced employment will be created through forward linkages as households benefiting from direct and indirect jobs spend some of their additional income on goods and services in the economy. Beyond the direct employment opportunities created by the project during the construction phase of the development. The expenditure on the project outside of the local economy will also have a positive effect on employment creation, albeit for a temporary period. Throughout the construction phase, it is recommended that the developer encourage the contractor to fill as many local positions as possible using labour from the surrounding area. Overall, the proposed development will require skilled and unskilled labourers during construction. Thus, the construction process will immediately boost the local economy through employment. This can be attributed to contractors using local labourers during the construction process.

3.3 OPEX IMPACT

The OPEX impact of the preferred development option will include the operational costs from the office and retail operations as well as maintenance and levy costs from the residential component. The table below outlines the estimated OPEX for the various property components. This is based on estimates from the Pepper Green Consulting Feasibility Study, 2024 and including estimated wages.

Table 3.2: Preferred option OPEX - property component

Component	Annual OPEX (estimated)
Residential	R25 798 662
Office Activities	R108 646 135
Retail Activities	R21 214 718
Community Hall	R4 287v887
Total	R159 946 549

Source: Pepper Green Consulting, Adapted by Urban-Econ, 2024

The operational impact will be felt in the economy per annum for as long as the development is operational. The table below outlines the economic impact of the operational phase of the project.

Table 3.3: Per Annum Operational impact of the preferred development option

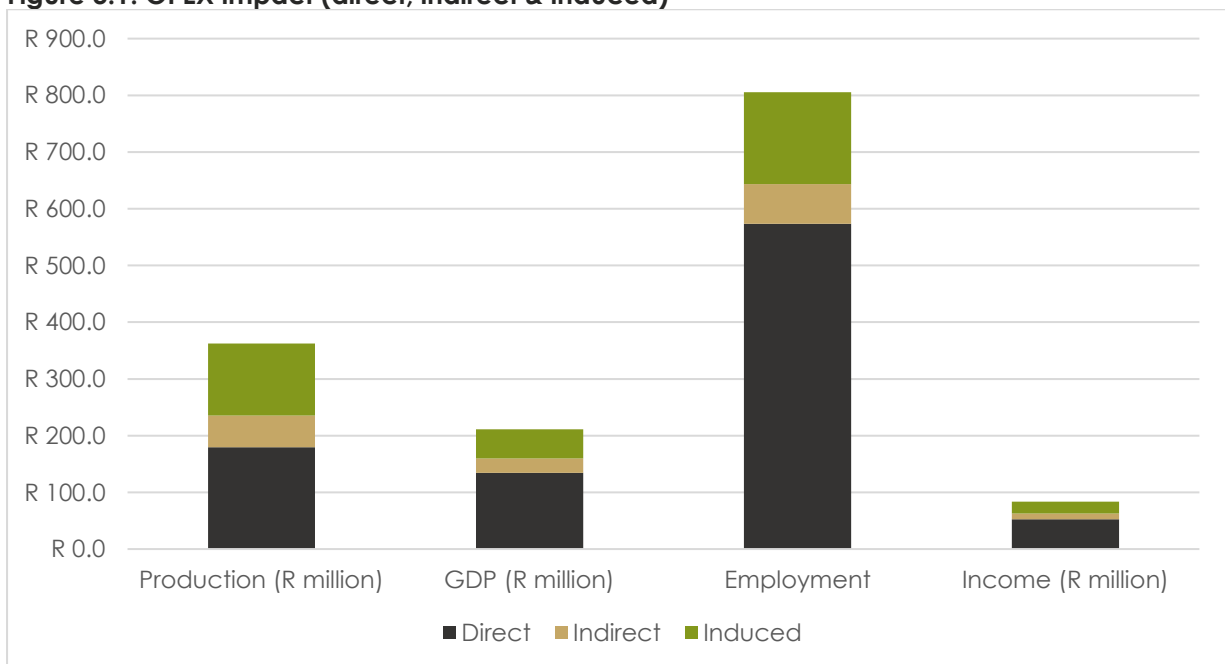
	Production	GDP	Jobs	Income
Direct	R180 million	R135 million	574	R53 million
Indirect	R56 million	R25 million	70	R10 million
Induced	R127 million	R52 million	162	R21 million
Total	R363 million	R212 million	806	R84 million

Source: Urban-Econ, 2024

The annual economic impact of the OPEX will amount to a R212 million contribution to GDP. The proposed development will further create an estimated 806 jobs, of which 574 will be on site. Most jobs will be in the real estate and business services (42%), trade and accommodation (39.5%) and general government and community services (7.5%), indicating a range of jobs at varying skill levels.

The total impact of the impacts as per the various components of the proposed development can be summarised in the following figure.

Figure 3.1: OPEX impact (direct, indirect & induced)



Source: Urban-Econ, 2024

3.4 DESCRIPTION OF ACTIVITIES

This chapter discusses the economic impact of the no-go option. The no-go option reflects the farms as it operates at its current level of activities, focusing mainly on its current activities. A small portion of the land is occupied by the Valkenberg East Psychiatric Hospital – Forensic

Unit, but most of the rest of the land is a number of buildings (61% of which are leased) and vacant land.

The site is therefore very underutilised, with some medical and educational activities (health training and sub-acute hospital care and Waldorf School), short stay accommodation, limited commercial activities and a few residential uses. Many of the buildings are dilapidated and standing vacant, making it unlikely that additional economic activity could be generated in its current state.

3.5 SUSTAINABILITY OF NO-GO OPTION

The 'no-go' alternative is the option of not constructing the proposed Oude Molen mixed use development where the *status quo* of the current activities on the project site would prevail. This alternative would result in no additional impact on the receiving environment.

Should the 'no-go' alternative be considered, there would be no impact on the existing socio-economic environment and no benefits to the local economy and affected communities. The alternative also bears the opportunity cost of missed economic benefits to the economy and due to the dilapidation of some of the buildings, could lead to further disinvestment and even irreparable damage to some of the heritage buildings.

CONSOLIDATED ECONOMIC IMPACTS

Based on the information above as well as the previous studies, including the market research to potential positive and negative impacts if the proposed development is constructed is compared to the impacts if a "no-go" scenario occurs are unpacked in the table below.

Table 0.3: Economic impact of Preferred Development Vs. No Go Scenario

Type of Impact	Development of Oude Molen Precinct	No Go Scenario
Temporary Impacts (During Construction)		
Impact on Economy	<u>Positive Impact:</u> During construction, the development will have a significant impact on the CoCT economy with an estimated injection of an additional R1.95 billion in new	<u>No Impact:</u> The current zoning on the site does not allow the existing uses nor for any further development to take place.

Type of Impact	Development of Oude Molen Precinct	No Go Scenario
	business sales and an increase in GDP of R632 million. Although temporary in nature this impact could last 2 years depending on the implementation model applied by the developer.	
Impact on Jobs	<u>Positive Impact:</u> During construction, a considerable number of 2 197 jobs could be constructed during the construction period. These jobs will in turn provide additional household income in the form of salaries and wages.	<u>No Impact:</u> This scenario will not include any construction activities and therefore there will be no impact.
Impact on Skills	<u>Positive Impact:</u> During construction, a range of skilled employment opportunities will be created. This will create the opportunity for additional skills to be developed	<u>No Impact:</u> No additional skills will be created
Disruption to Neighbours and Tenants	<u>Negative Impact:</u> During construction existing tenants either may not have their current leases renewed, or if they are being accommodated in the new development they might have to temporarily move or be impacted by noise during construction activities. Impacts in terms of noise and traffic from construction vehicles will also impact neighbours in the surrounding areas.	<u>No Impact:</u> There will be no impact on neighbours or existing tenants.
Sustainable Impact (Operational Phase)		

Type of Impact	Development of Oude Molen Precinct	No Go Scenario
Impact on Economy	<u>Positive Impact:</u> Once developed the site will have a significant impact on the CoCT economy with an estimated injection of an additional R362 million in new business sales per annum as well as an increase in GDP of R211 million per annum.	<u>No Impact:</u> There will be no impact as the existing facilities on the site. If, however existing tenant leases are not renewed, this could have a negative impact on the economy due to a loss in production.
Impact on Jobs and Economic opportunities	<u>Positive Impact:</u> the mixed-use development will have a positive impact on jobs in the retail, commercial and services sector by increasing the number of economic opportunities available on the site and creating 574 direct jobs (805 total jobs).	<u>No Impact:</u> The current uses are already non-conforming to the allowed/ permitted use of the site Even if current uses were to be permitted on the site, this would still require a rezoning application to be undertaken.
Impact on Household Income	<u>Positive Impact:</u> The increased jobs will result in increased salaries and wages, which in turn will create more spending power for households in the region of R83 million per annum.	<u>No Impact:</u> There will be no additional jobs therefore no additional household income
Impact on Government Revenue	<u>Positive Impact:</u> There will be a positive impact of government revenue due to the increased income from additional rates and taxes generated by new uses on the site	<u>No Impact:</u> Current zoning limits further development of the site (current uses are not allowed on the site).
Increase in supply of housing	<u>Positive Impact:</u> There will be a range of new housing typologies and housing will be provided in both the social housing space as well as the	<u>No Impact:</u> Current zoning limits further development of the site.

Type of Impact	Development of Oude Molen Precinct	No Go Scenario
	open market. 34% of the housing will be inclusionary.	
Integrated holistic development	<u>Positive Impact:</u> The design of the development allows for better linkages to be created with surrounding land uses and create a more efficient use of the land allowing for shorter trip lengths for people using the site, enhancing environmental protection of the site through efficient management of the site and better use of public and community facilities.	<u>No Impact:</u> Current zoning does not allow for any improvements on the stie.
Private investment	<u>Positive Impact:</u> Due the number of new mixed-use opportunities, there is scope for private investors to work in partnership to develop the site. This will increase private investment into the area by an estimated R766 million.	<u>No Impact:</u> It is unlikely that any significant new private investment will occur on the land.
Sense of Place	<u>Neutral Impact:</u> The new development will change the existing nature of the development; however, this will not be negative as the concept attempts to balance new development, heritage and environmental considerations. The development concept and vision for the site aims to integrate public and private spaces as well as existing environmental features to assist	<u>No Impact</u>

Type of Impact	Development of Oude Molen Precinct	No Go Scenario
	in protecting the adjacent environmental area as well as creating vibrant public open spaces.	
Impact on Existing Tenants	<u>Negative:</u> Some of the tenants will have their leases permanently terminated which will negatively impact them, however where possible existing uses have been incorporated in the development concept. These tenants will during the construction phase experience temporary negative impacts, however in the longer term once the development is completed, they will experience positive impacts with an improved public and private environment.	<u>No Impact:</u> unless current leases are terminated.