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# INCENTIVE OVERLAY ZONE

September 2025

CITY OF CAPE TOWN

URBAN PLANNING AND DESIGN

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4. Conclusion: Key takeaways



# IOZ Background and Overview

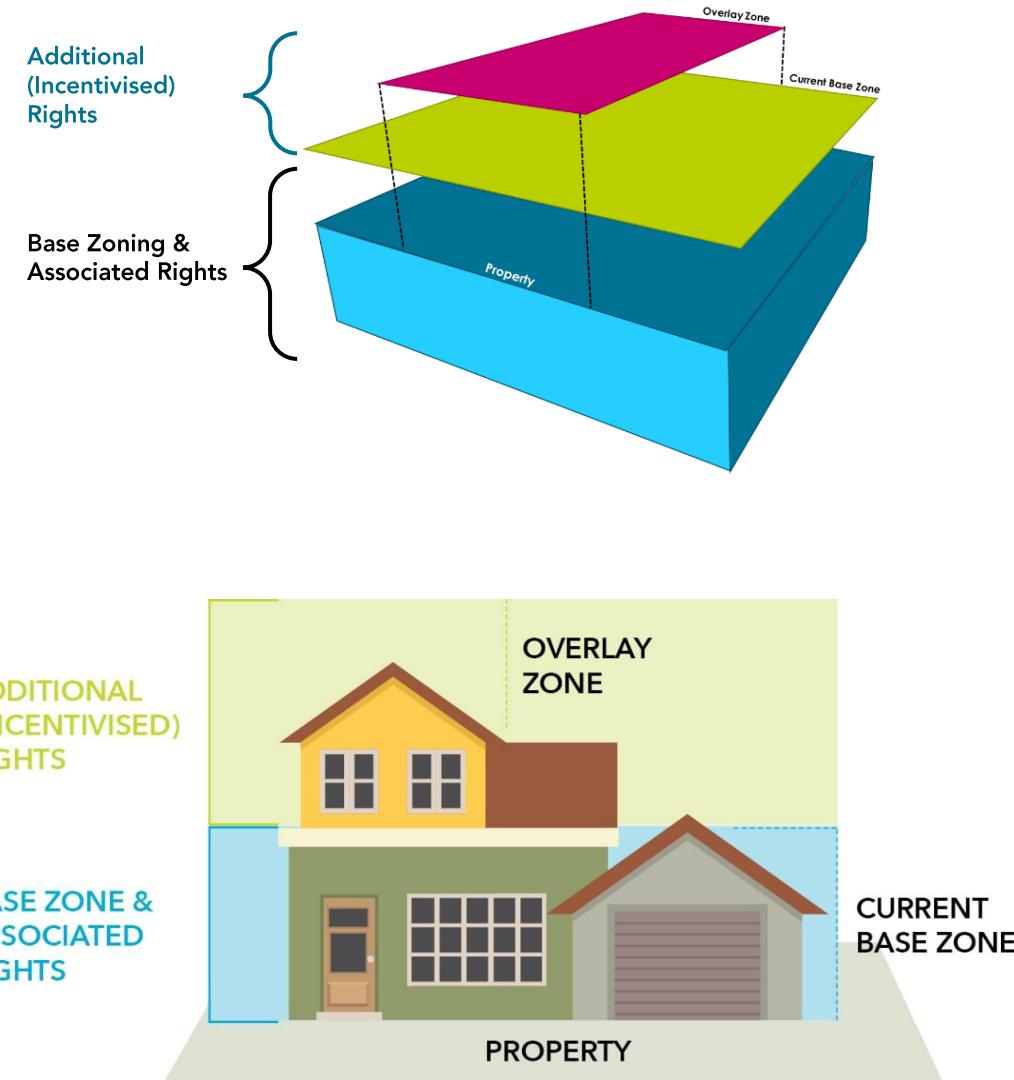
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# 1. IOZ Background Overview

- Every property or erf within the metro's boundaries has a zoning that determines what it may be used for. This is known as the **base zone**. An incentive overlay zone creates a special zoning area over and above the existing base zone(s).
- An Incentive Overlay Zone (IOZ) was approved by council on 26 June 2025 to allow for desired densities, land uses, and types of development in certain strategic areas.
- The objective of the IOZ is to achieve the City's spatial integration policy objectives & to direct investment to spatially targeted areas.
- Principle based investigation was conducted and identified appropriate Development Management Scheme (DMS) concessions (enhanced development rules + use rights)
- Implemented through the Municipal Planning By-Law (MPBL) – *Pilot and Experimental Approach*



# 1. IOZ Background Overview



## What an Overlay Zone is:

- Regulatory tool/ spatial planning mechanism
- Creates a **special zoning area**, placed over one or more existing base zone(s), which identifies **special provisions** (i.e. enhanced rights) in **addition** to those of the underlying base zone.
- Eliminates the need for a land use application.
- Applied to specific delineated & targeted areas consistent and supportive of forward planning policy



## What the IOZ is not:

- A cancellation of rules or restrictions already in place
  - (i.e. legislated heritage and environmental considerations; DC requirements.)
- A catch all / silver bullet applicable for all areas - specific set of interventions.



# 1. IOZ Background Value Proposition

Overall purpose - to enhance **spatial integration** and **economic growth** by allowing for desired densities, land use types, and economic sector types of development in strategic areas of the city through enhancement of development rights and reduced timeframes for approval.

## Spatial Integration



### Gives effect to MSDF and DSDF spatial transformation objectives.

The IOZ is intended to incentivise development in spatially targeted areas (Development Focus Areas)



### Desired land use type and form in strategic locations

Rules are flexible to facilitate desired densities and land use types.



### Promoting mixed and vibrant neighbourhood clusters

At a precinct/nodal scale, the enhanced rights are intended to foster a greater mix of uses and positive urban form, thereby enhancing the diversification of areas.



### A catalyst for affordable housing provision.

The areas targeted in phase 1 are already delivering housing units in the affordability bracket. This coupled with the intent of the IOZ intended to further increase the supply of housing.



## Economic Benefits



### Reduced time for approval

Applications can be considered through the Building Plans Approval mechanism, thus significantly reducing approval time.



### Lower holding cost to developer/property owner

The less time a land use application takes, the less costs the developer/land owner will incur.



### Increased return on investment for developers.

Additional development rights coupled with streamlined approval processes and lower holding costs can significantly boost a developer's yield, thereby improving overall return on investment.

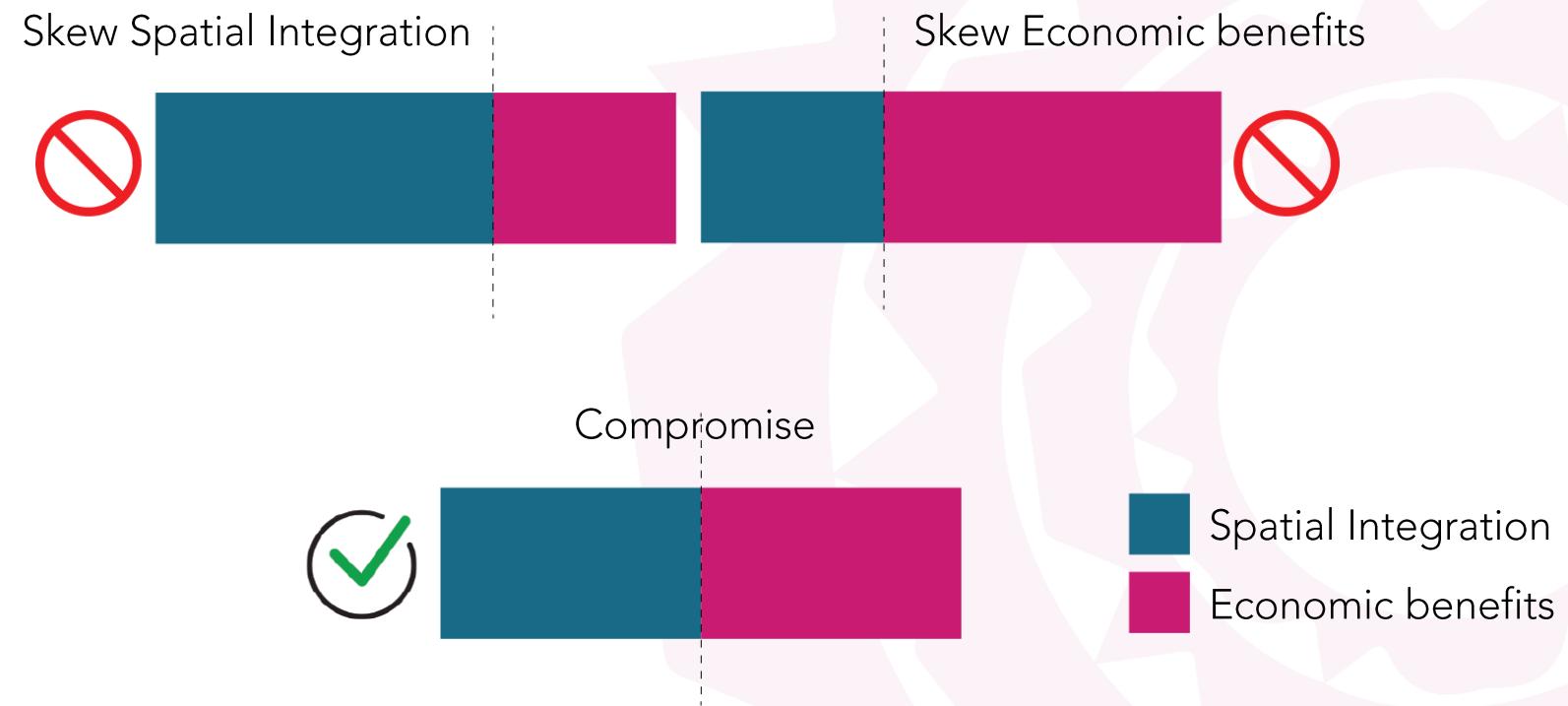


### Overall lower risk for the developer & Ease-Of-Doing Business

A higher return on investment lowers a developer's investment risk, thereby incentivising development in strategic areas.

# 1. IOZ Background Value Proposition

It is important to note that any mechanism that is intended to incentivise private sector development to align with city policy must strike a balance between regulation, city requirements (i.e. public good benefits), and a reasonable return on investment for private sector developers. This will ensure the best chance of success for the mechanism.



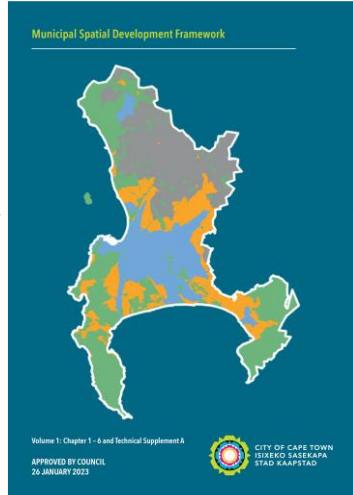
# 1. IOZ Background Policy Alignment

The following provides a summary of the **policy alignment** for the proposed IOZ:

Integrated Development Plan (IDP) (2022 – 2027):



Municipal Spatial Development Framework (MSDF) (2023):



- Objective 1, Programmes 1.1.A. Ease-of-doing-business project
- Objective 15, Programme 1.A Development enablement mechanisms

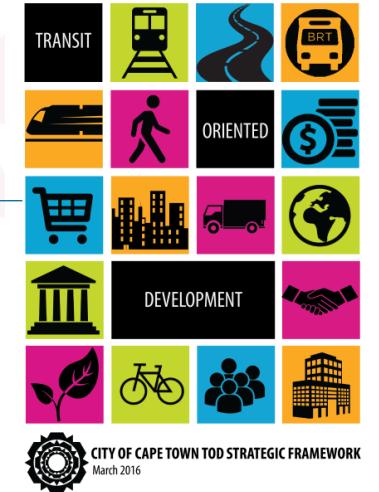
- Policy 2.2 Leverage development potential through spatially targeted mechanisms within the DMS, such as overlay and base zones, heritage exemption zones, and UDZ incentives to support inward inclusive growth within the urban inner core.

District Spatial Development Frameworks (DSDFs) (2023):



- Recommended as a key mechanism to implement local spatial planning development guidelines.

Transit Oriented Development (TOD) Strategic Framework (2016):



- The overlay zone is identified as one of the key implementation mechanisms to enable appropriate forms and types of development.



# **What areas are targeted by the IOZ?**

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IOZ Area Phasing & Selection Criteria



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### 3. IOZ Area Selection

#### Spatially Targeted Approach: Development Focus Areas

The overlay zone concessions and conditions have been applied to select **Development Focus Areas (DFAs)** identified in the MSDF and DSDF's Spatial Targeting Framework:

- DFAs are established areas that there are **well located and have potential for spatial transformative impact and to attract private sector investment.**
- 5 out of 25 DFAs have been approved in the first phase the IOZ (see next slide). These were selected based on having **high potential, sufficient infrastructure capacity, no legal restrictions and no significant incentives.**



PLFA	Description	Criteria	Response	Target
<b>Development Focus Areas</b>	These are established areas that there are <b>well located and have potential to attract private sector investment.</b>	Accessibility; current pipeline of planned public investment and infrastructure projects; ECAMP Areas, SEZ etc.	Incentives and Investment to stimulate or unlock development opportunities – realise said potential	<b>Formal Areas</b>
<b>Urban Support Focus Areas</b>	These are areas of high socio economic vulnerability, not necessarily well located that is in need public sector investment.	Socio Economic Vulnerability Index, High Crime; Social Facilities Backlog Areas; Poor Infrastructure Maintenance– WST data.	Incentives and Investment to reduce vulnerability	Primarily Marginalised and Informal Areas
<b>Environmental Focus Areas</b>	Areas with critical environmental significance (in terms of national conservation targets) outside of formally protected areas that require investment and/or protection for the short to medium term.	National Biodiversity Targets, Coastal or Natural Special/Destination Places. POS.	Investment to protect and maintain Natural Assets.	Natural Assets



# **How does the IOZ allocate rights?**

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Concession Process and Rationale



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## 4. Concession Process and Rationale Guiding Principles

The guiding principles that underpin the IOZ are as follows:

- Incentivise intensification (density and diversity) of land uses as envisioned by CCT Spatial Policy by enhancing predominantly residential and commercial base zones.
- Positive vibrant cities need to move away from mono-functional zoning / use, towards **mixed use**.
- Environmental protection by promoting urban infill and cost saving through the reduction of sprawl



- Incentives respond to:
- Create **balance in use** and form by adding what is missing from "mix"
  - Densify "gently"
  - Contribute to shared public space and urban management.



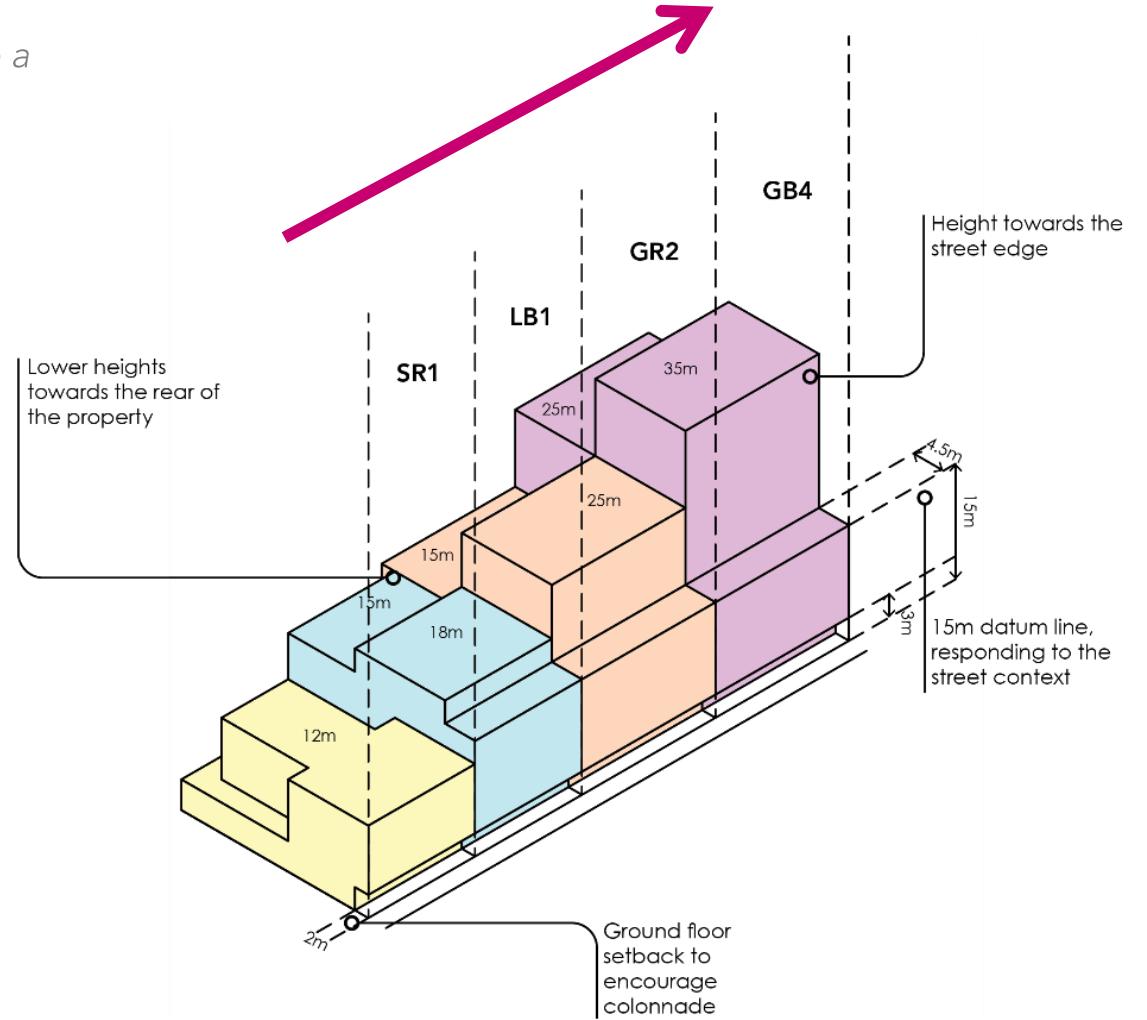
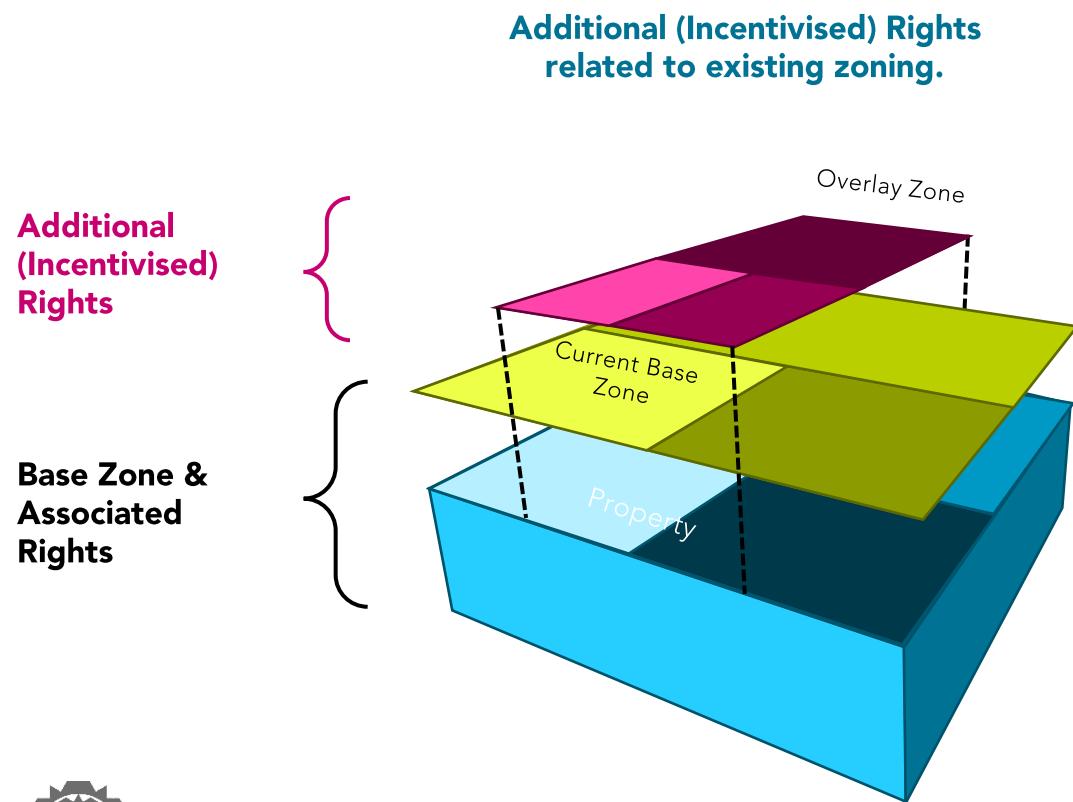
## 4. Concession Process and Rationale Enhanced Rights per Base Zone



Existing  
Zoning of  
property

The additional rights granted by the IOZ are based off of the property's **existing base zone / current zoning** as per the DMS.

i.e. if your property is zoned SR1, you will get different enhanced rights to a property zoned GB4



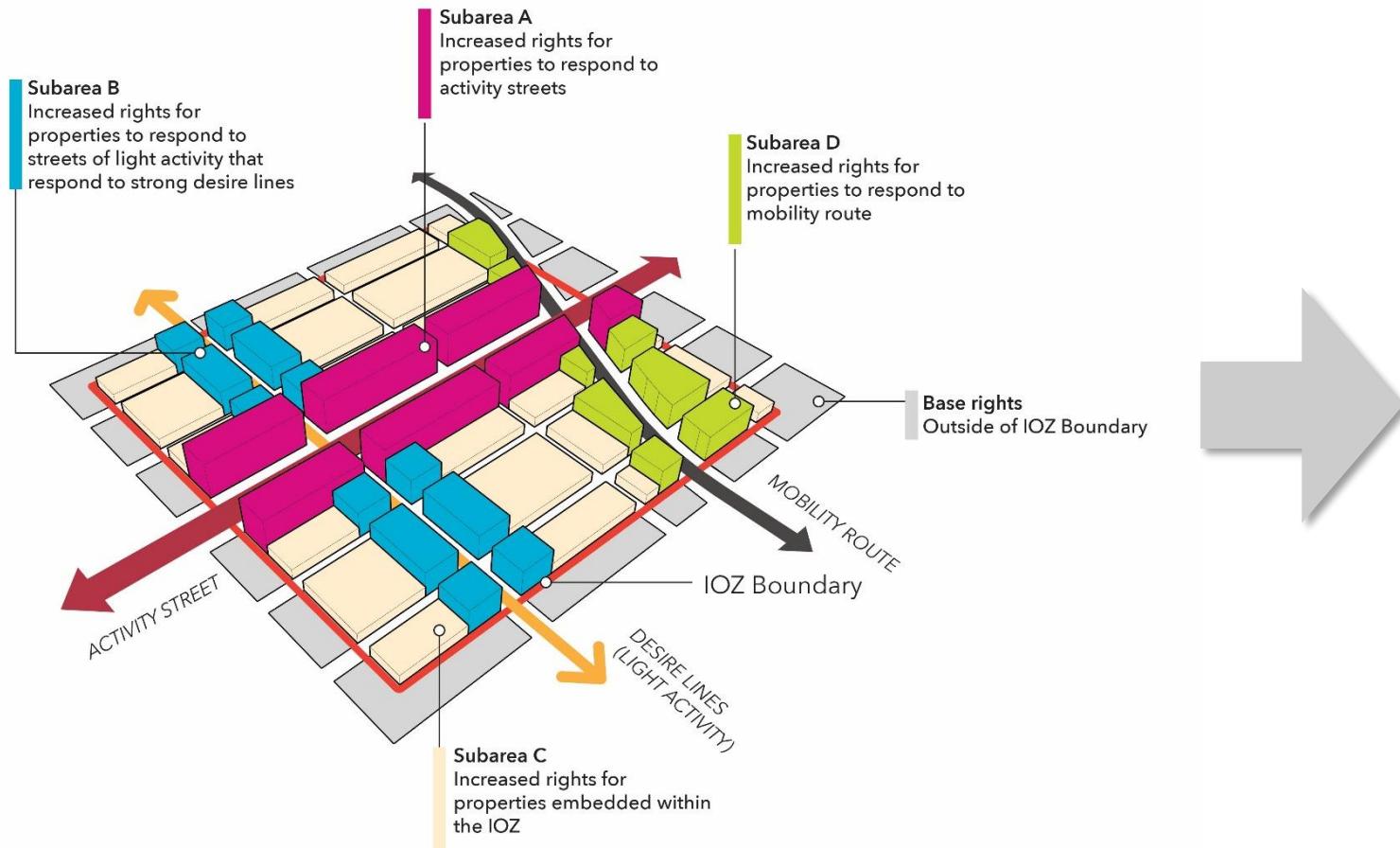
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## 4. Concession Process and Rationale

### Location - Subareas



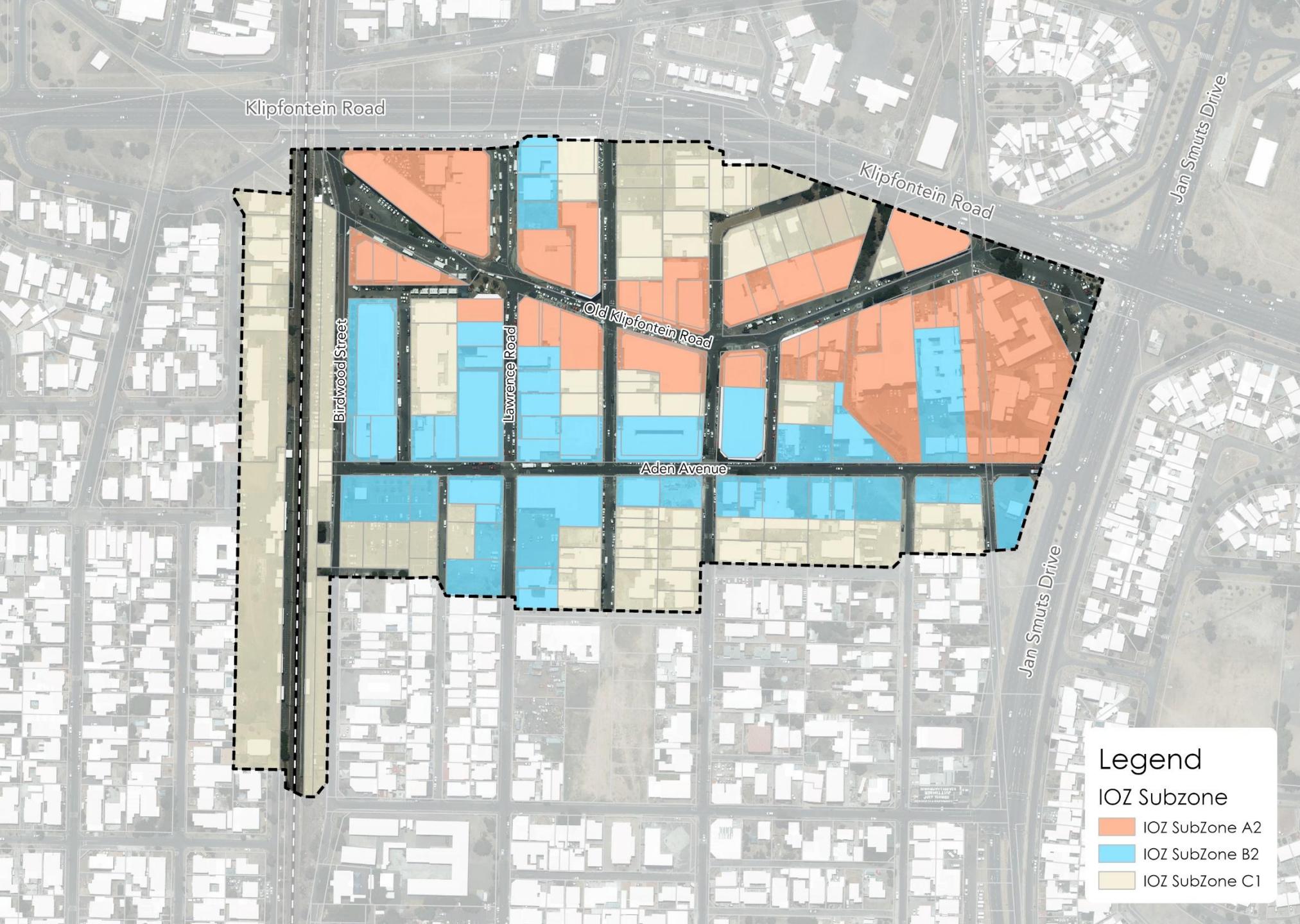
The IOZ is divided into "Subareas". These were introduced to more appropriately respond to context specific-conditions and incentivise private development to contribute to the broader vision for the City.



Properties along Activity Streets	Subarea A1	Maitland, Parow, Bellville
Properties along Streets that Connect	Subarea A2	Athlone, Diep River
Properties embedded within the IOZ	Subarea B1	Maitland, Parow, Bellville
Properties along High Mobility Routes	Subarea B2	Athlone, Diep River
Properties embedded within the IOZ	Subarea C	All IOZ Areas
Properties along High Mobility Routes	Subarea D	All IOZ Areas



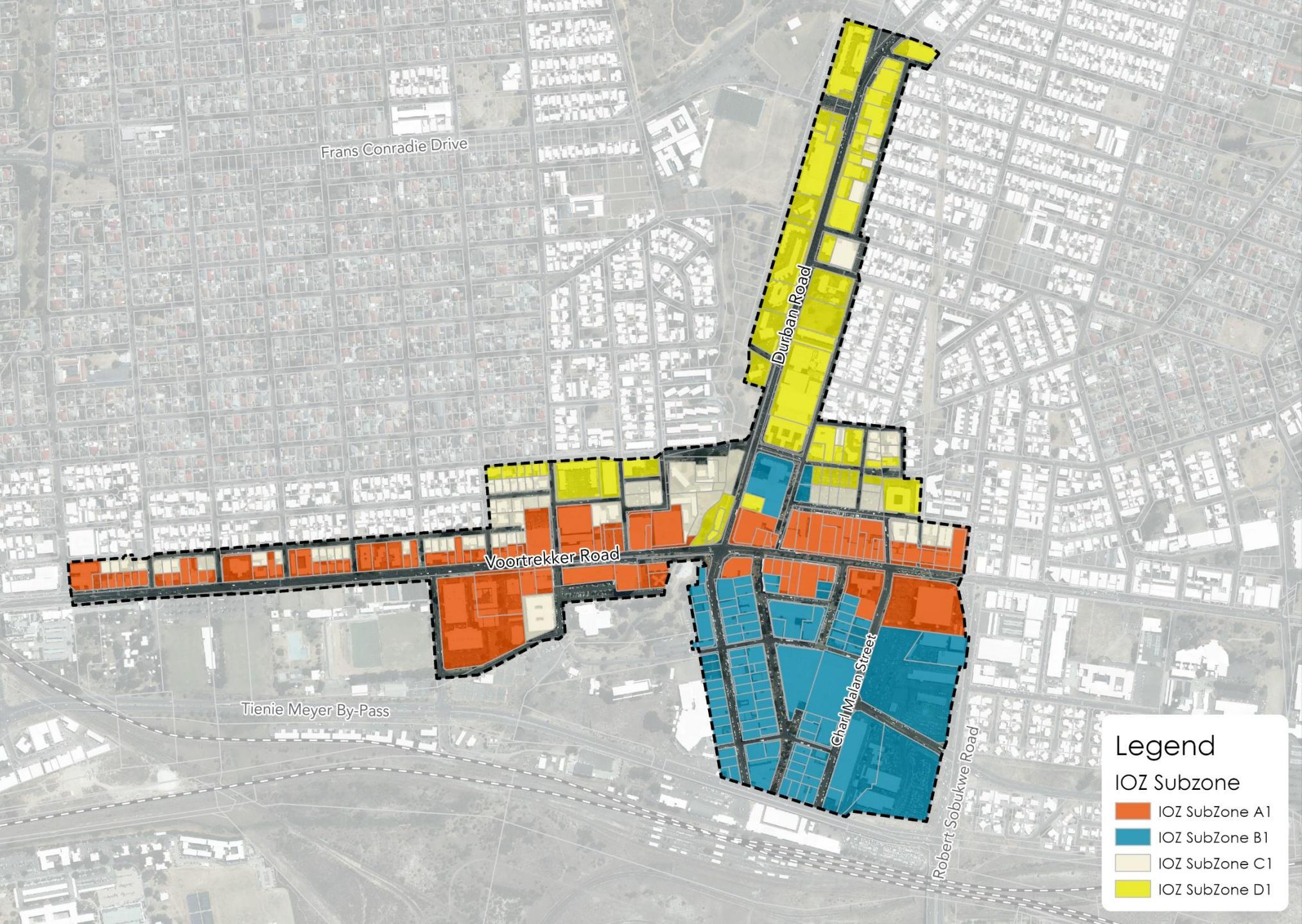
# Athlone



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# Bellville

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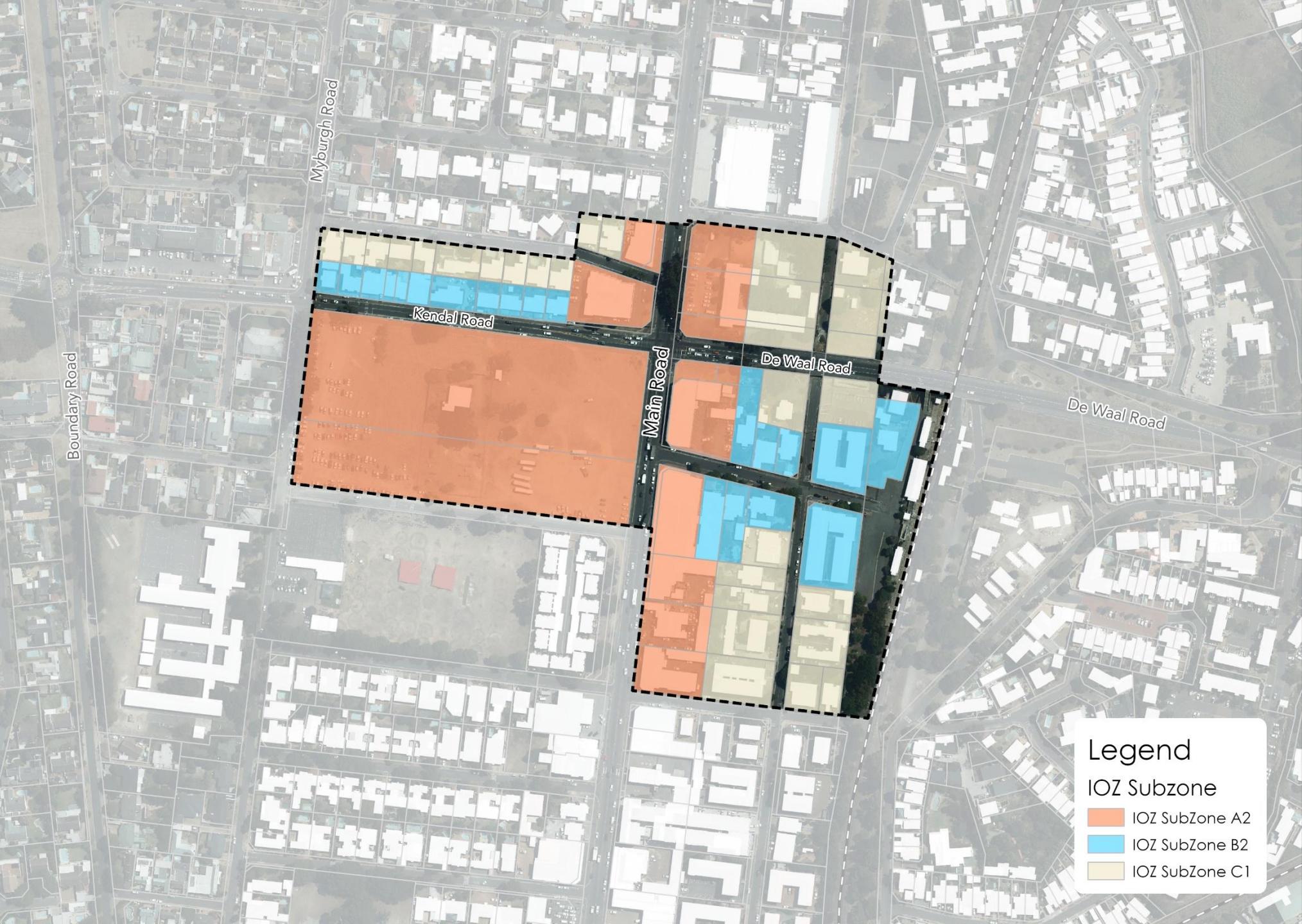
## Legend

### IOZ Subzone

- IOZ SubZone A1
- IOZ SubZone B1
- IOZ SubZone C1
- IOZ SubZone D1

# Diep River

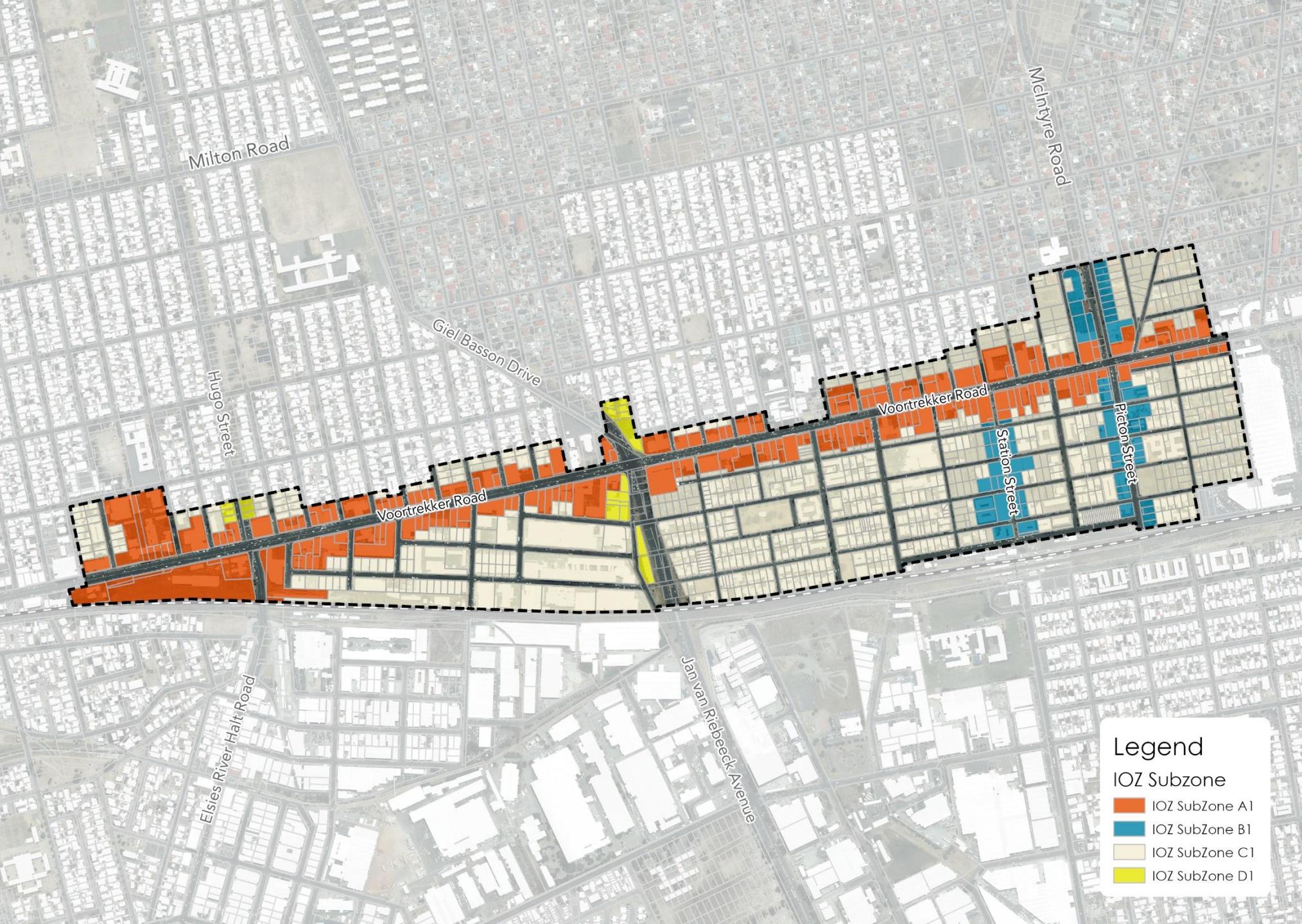
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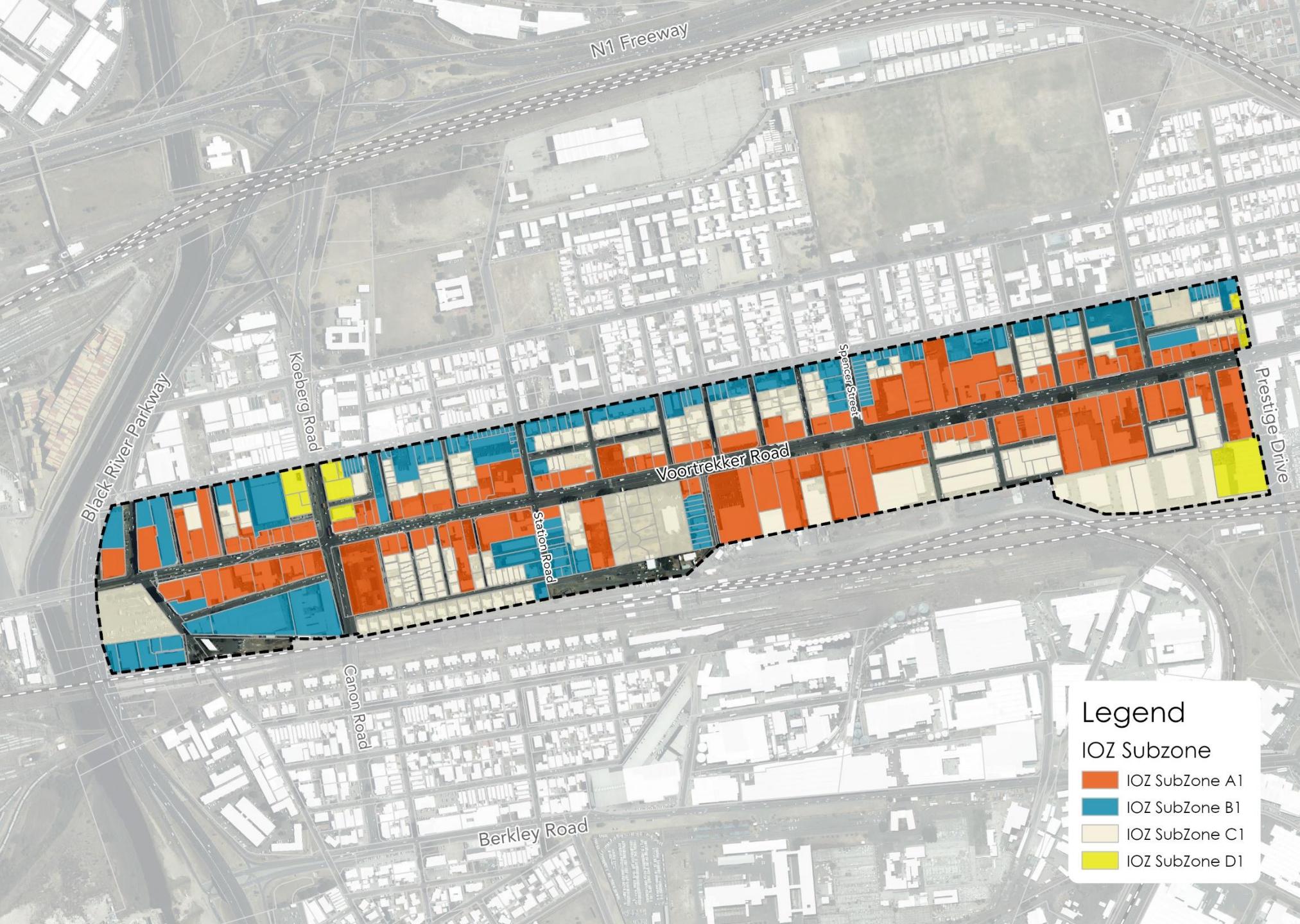
# Parow / Elsies River



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# Maitland



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# 4. Concession Process and Rationale

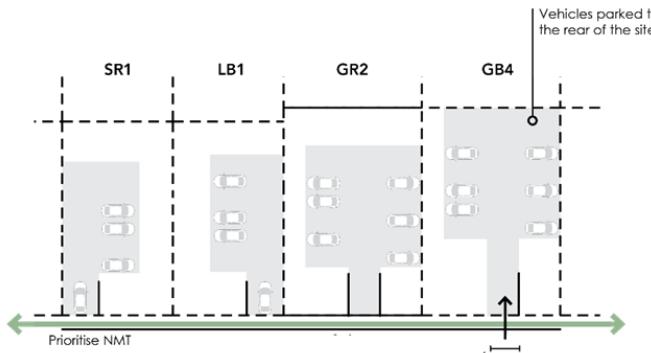
## Concession Development and Testing

IOZ Concessions and Rationale																				
Base Zone		Residential Base Zone						Commercial Base Zone							Mixed Use					
Zoning		SR1	GR1	GR2	GR3	GR4	GR5	GR6	LB1	LB2	GB1	GB2	GB3	GB4	GB5	GB6	GB7	MU1	MU2	MU3
<b>GENERAL PRINCIPLES</b>		<ul style="list-style-type: none"> <li>Increased bulk</li> <li>Increased height and coverage towards the street front</li> <li>Mitigating the negative effects on parking</li> </ul>						<ul style="list-style-type: none"> <li>Prioritisation of pedestrians and NMT</li> <li>Active street interfaces</li> <li>Appropriate functional open space</li> </ul>												
Properties along Activity Streets	Subzone A1	<ul style="list-style-type: none"> <li>Relaxation of suburban street setbacks</li> <li>Setbacks to facilitate a colonnade along the street front</li> <li>Increased height and coverage towards the street</li> <li>Ground floor commercial permitted as a primary use</li> <li>Removal of parking from street front</li> </ul>												<ul style="list-style-type: none"> <li>Setbacks to facilitate a colonnade along the street front</li> <li>Increased height and coverage towards the street</li> <li>Removal of parking from street front</li> </ul>						
	Subzone A2																			
Properties along Streets that Connect	Subzone B1	<ul style="list-style-type: none"> <li>Relaxation of suburban street setbacks</li> <li>Relaxed setbacks to promote proximity to the street front</li> <li>Increased height and coverage towards the street</li> <li>Ground floor commercial permitted as a primary use</li> <li>Removal of parking from street front</li> </ul>												<ul style="list-style-type: none"> <li>Setbacks to facilitate a proximity along the street front</li> <li>Increased height and coverage towards the street</li> <li>Removal of parking from street front</li> </ul>						SUFFICIENT RIGHTS
	Subzone B2																			SUFFICIENT RIGHTS
Properties embedded within the IOZ	Subzone C1	<ul style="list-style-type: none"> <li>Relaxation of suburban street setbacks</li> <li>Relaxed setbacks to promote articulated threshold onto street front</li> <li>Increased height and coverage towards the street</li> <li>Ground floor commercial permitted as a primary use</li> </ul>						<ul style="list-style-type: none"> <li>Setbacks to facilitate a proximity along the street front</li> <li>Increased height and coverage towards the street</li> </ul>						<ul style="list-style-type: none"> <li>Setbacks to facilitate a proximity along the street front</li> <li>Increased height and coverage towards the street</li> <li>Removal of parking from street front</li> </ul>						
Properties along High Mobility Roads	Subzone D	<ul style="list-style-type: none"> <li>Relaxation of suburban street setbacks</li> <li>Relaxed setbacks to promote proximity to the street front</li> <li>Increased height and coverage towards the street</li> <li>Ground floor commercial permitted as a primary use</li> <li>Removal of parking from street front</li> </ul>						<ul style="list-style-type: none"> <li>Setbacks to facilitate a proximity along the street front</li> <li>Increased height and coverage towards the street</li> <li>Removal of parking from street front</li> </ul>												

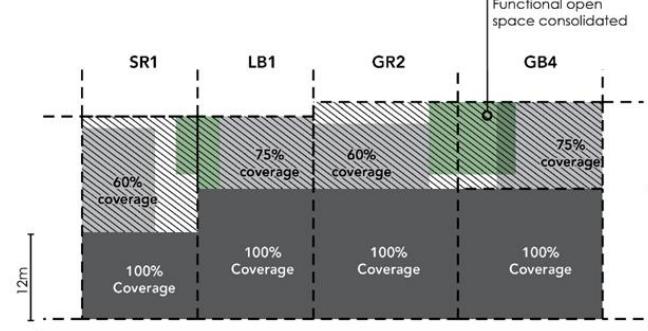
## 4. Concession Process and Rationale Urban Design Considerations

Subzone A1

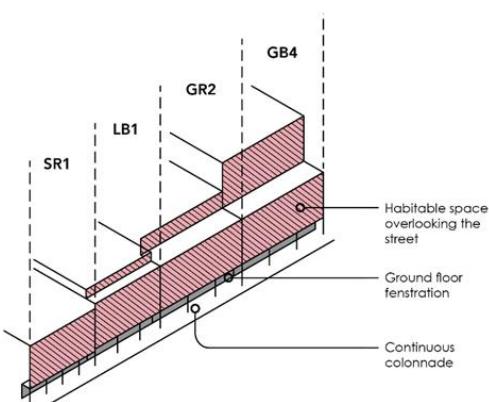
### 1. Parking



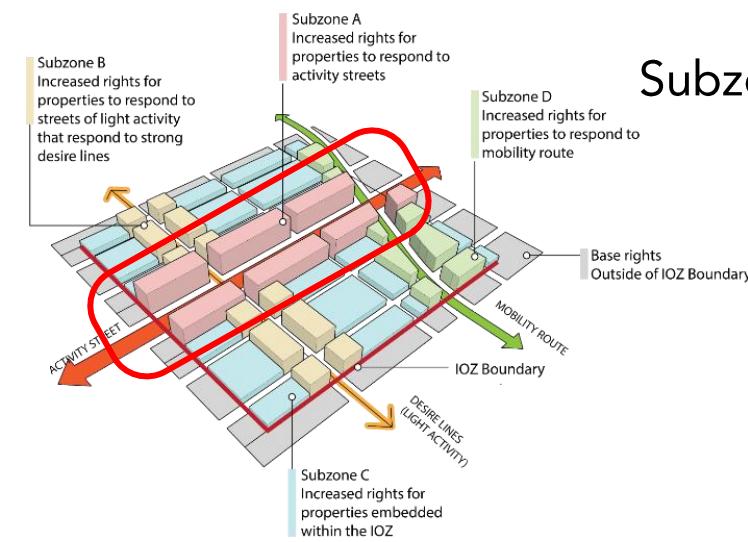
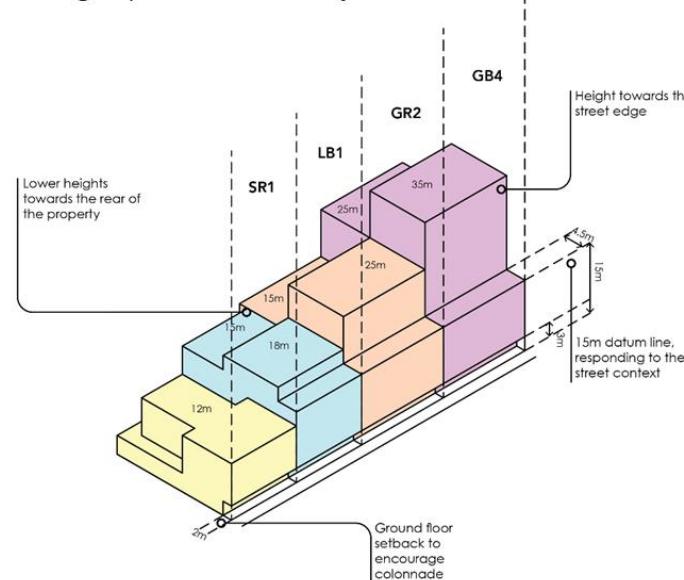
### 2. Coverage | Functional Open Space



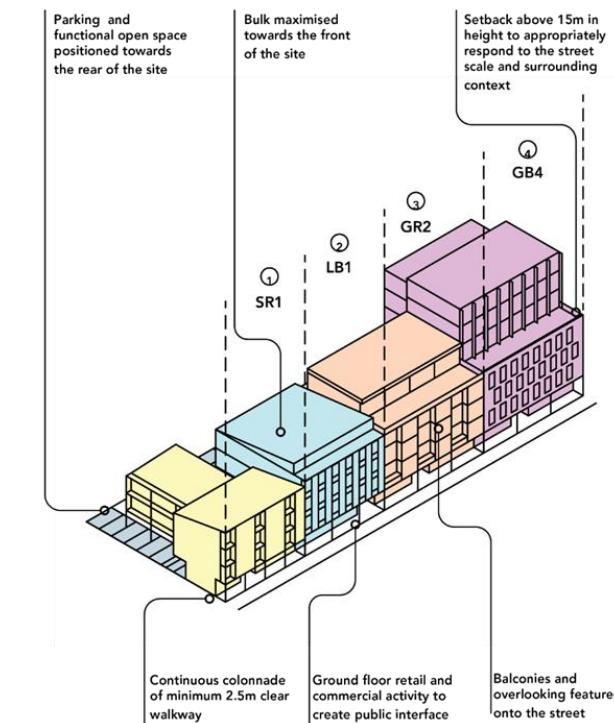
### 4. Streetscape



### 3. Height | Street boundary setback



### 5. Example of Uptake



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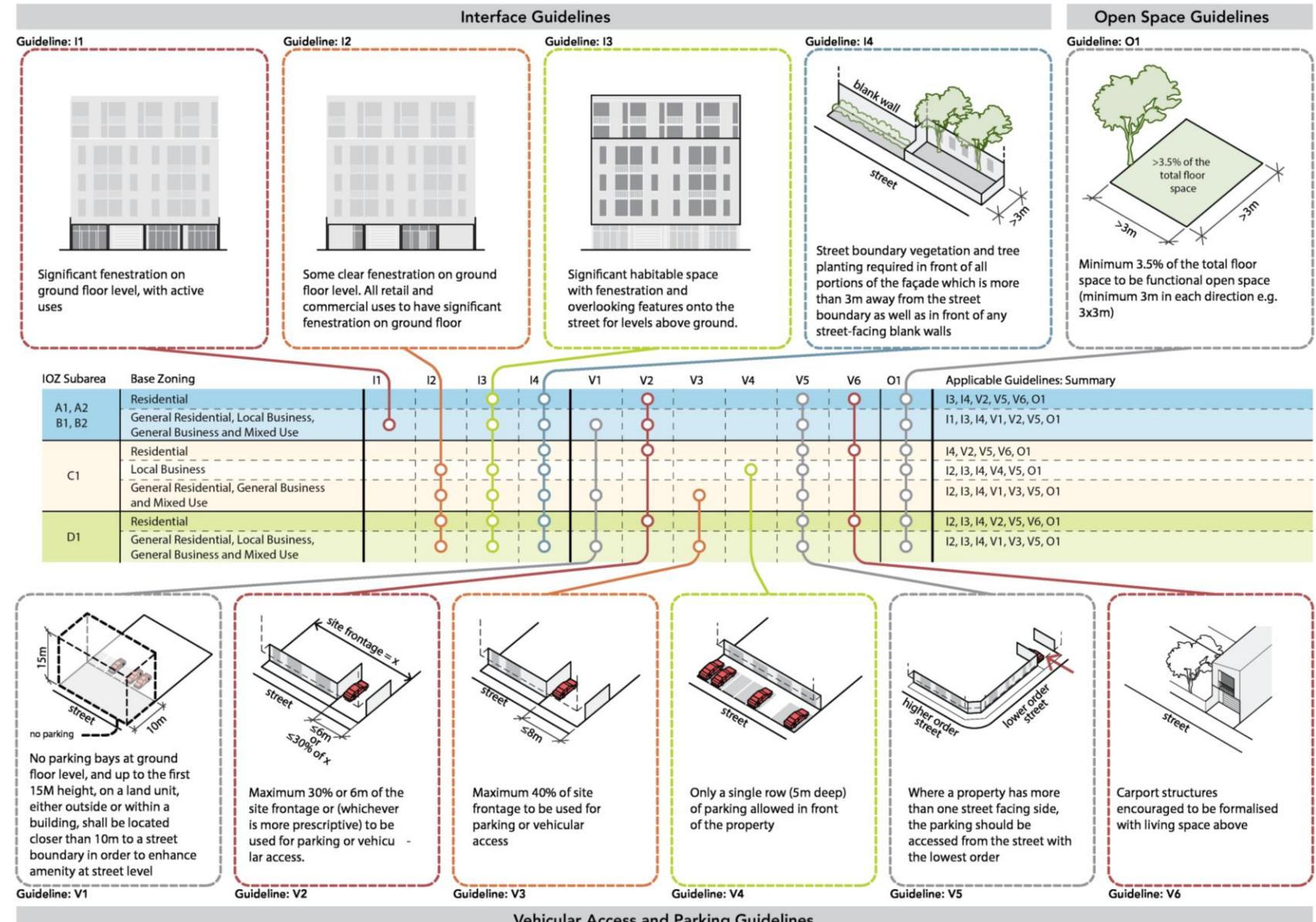
## 4. Concession Process and Rationale

### Final Concession Table (Subzone A1 example)

## 4. Concession Process and Rationale

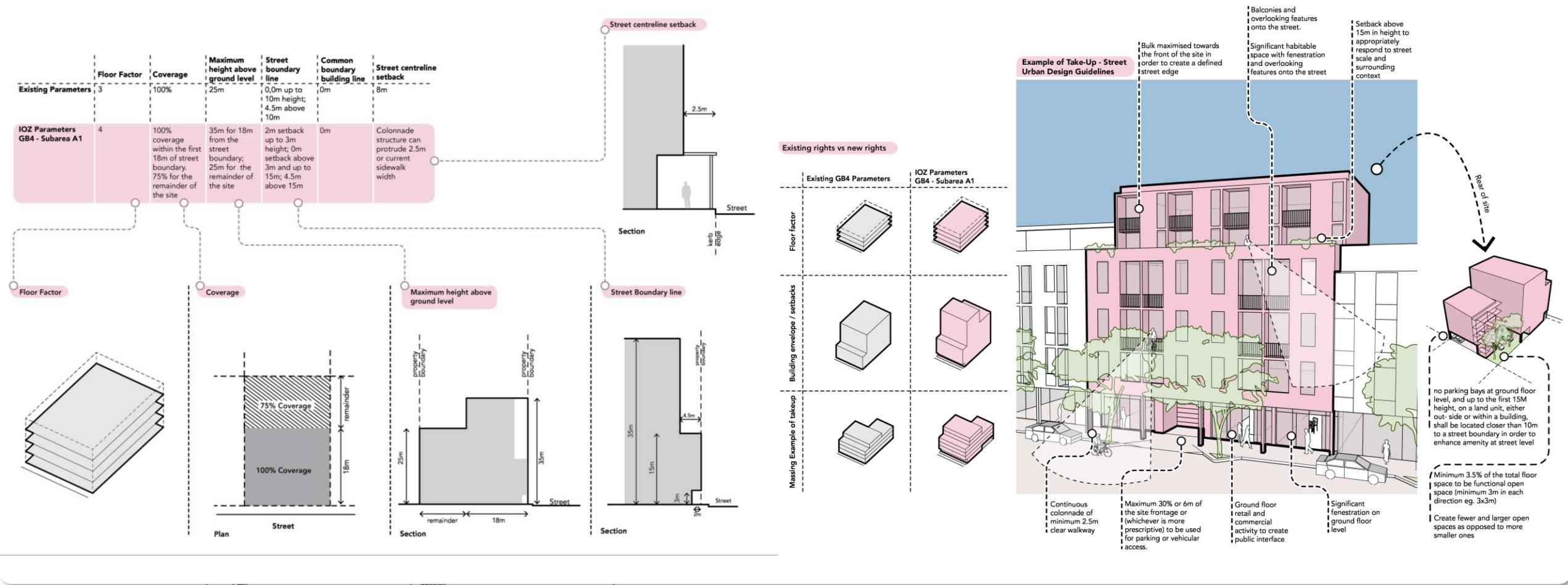
### Urban Design Considerations: Interface, Open Space and Parking Guidelines

Manual developed to guide applicants on use of overlay and design considerations to consider. Illustrative examples.



## 4. Concession Process and Rationale Urban Design Considerations

Example: Subzone A1

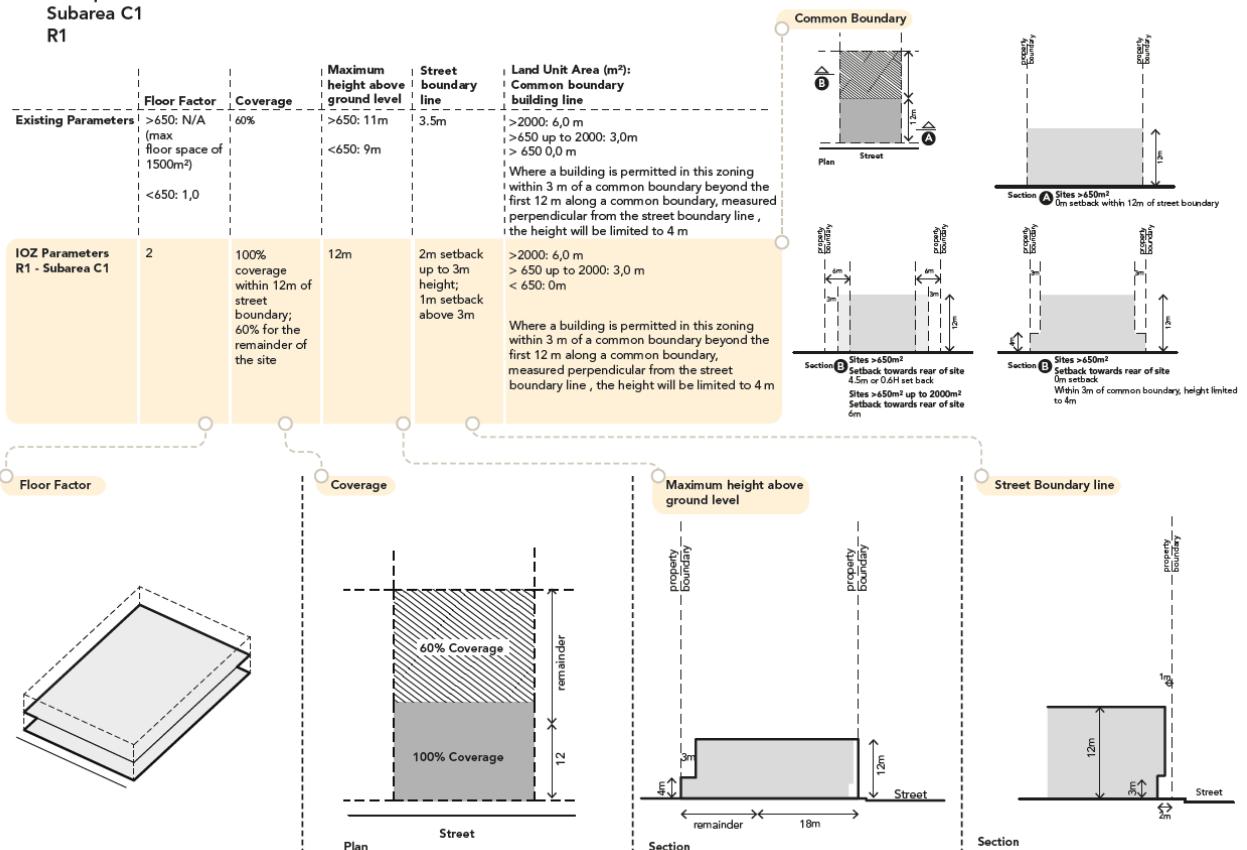


# 4. Concession Process and Rationale

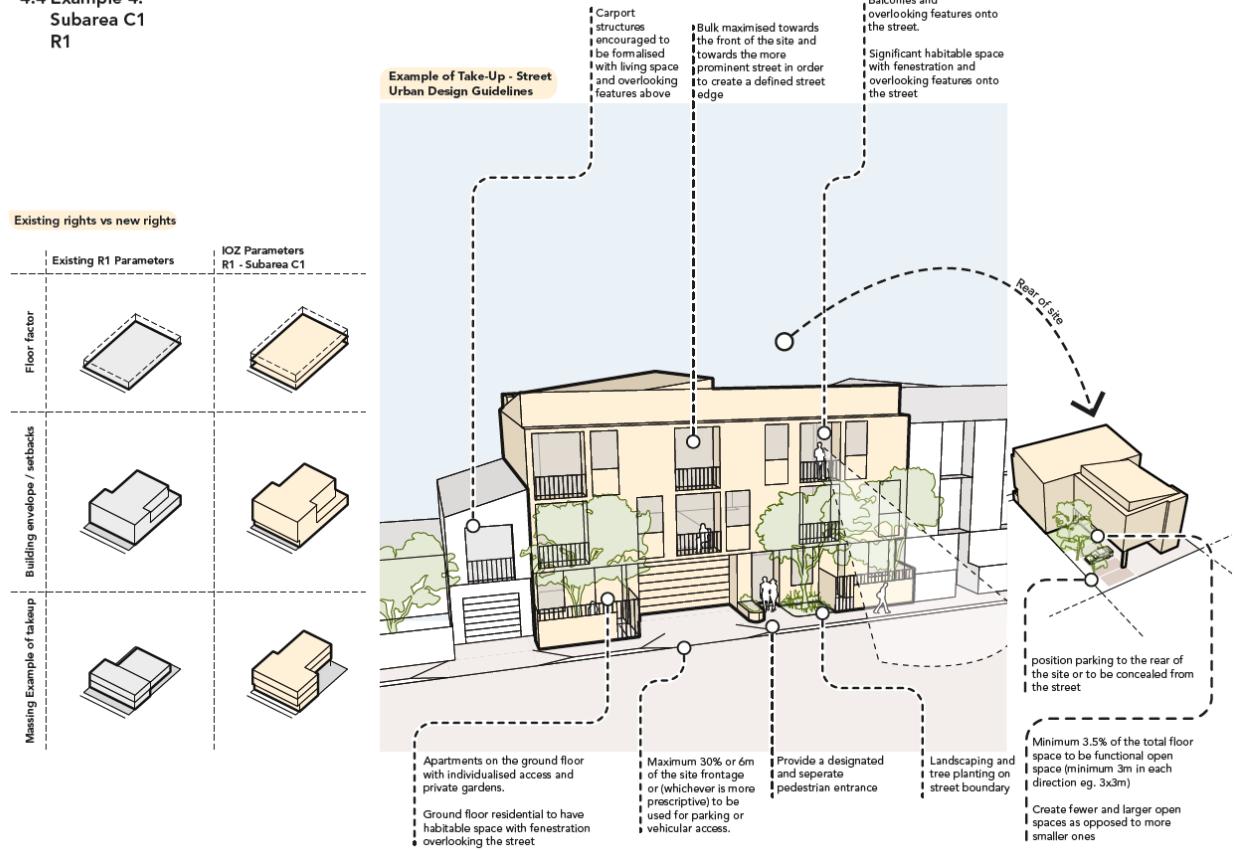
## Urban Design Considerations

Example: Subzone C1

### 4.4 Example 4: Subarea C1 R1



### 4.4 Example 4: Subarea C1 R1



## 4. Concession Process and Rationale

### Quantifying & Testing Concessions

Various studies undertaken to quantify and test the impact of additional rights:      Key findings from studies



**Property market - Impact on project viability and more specifically holding costs:** This included a scenario-based cost breakdown and developer ROI (Return on Investment) investigations.  
**Potential to reduce holding costs by up to 66% for developers. Depending on scale of development.**



**Infrastructure requirements, costs and associated development contributions:** provides insight into the costs associated to the enabling infrastructure that would be required to service the rights that will be facilitated through the IOZ.

**Spare capacity available and minimal infrastructure upgrades required. New upgrades already catered for in the City's master plans and will be funded by DCs. Total costs of new infrastructure required is approximately 1% of the total 10 Year Infrastructure Capex budget (Infrastructure Report 2023)**



**Potential Return to City:** estimate the potential income that could be generated through the take up of additional bulk rights should the IOZ be implemented.

**Potential increase to the City's revenue stream in the 5 IOZ areas due to increased development.**



**Regulatory Impact Assessment:** Where impacts were not amenable to quantification, a comparative score-based approach was followed to estimate impacts (i.e., impacts are expressed as values, but not necessarily in financial terms). A more detailed RIA was then undertaken with City officials in the conclusion to this iterative analysis, yielding nett positive outcomes.

**Nett Positive impact from a Policy, Operational, Economic, Environmental and Social perspective.**



# Conclusion

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Further info and contact details



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## 5. Key Conclusions



1. Take a **phased approach** to spatial targeting:
  - Maturity required for more complex areas.
  - Opportunity to bring areas online that require infrastructure readiness.
  - Limited areas and a bolder approach required to stand apart from proactive and necessary MPBL amendments.



2. Realise incentivisation as a planning tool has **limited effect**, its not a silver bullet.



3. Recognise **complementarity** with other mechanisms and tools.
4. Signalling is a key role of IOZ in the initial phases. establish trust and clarity for potential investors.



5. **Incremental uptake** (renovations/extensions) in short term is likely before large scale new builds come online in response to policy.
6. **Urban management** is an important example of a key enabler of urban development and needs to be addressed if IOZ is to succeed in full.

## Helpful Links

For further information on the IOZ please visit <https://bit.ly/IncentiveOverlayZone>

A detailed manual, the **IOZ Operational and Design Guidelines**, has been put together to assist in understanding where and how you can develop in the IOZ. The manual includes further information on how the IOZ works, how to check if a property is eligible, the process to follow to apply for the enhanced rights, and how to interpret the rules into the design of the building.

For more information and general enquiries about the IOZ, we suggest you contact your District Planning Office.

To get in touch, contact:

[Development Management Department](#)

Telephone: 021 401 4702

You can also download our district office [contact list](#).



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