

## III LATIN AMERICA AND CARIBBEAN FORUM ON HOUSING AND HABITAT

Santo Domingo, The Dominican Republic, June 12 – 14, 2018

### Housing Laboratories

Conceptual Note

#### Laboratory: Land policies and land-based financing to guarantee inclusive housing and secure tenure and prevent informal settlements

Tuesday, 12 June, 2:00 to 3:30 p.m.

Plenary Hall (Garden Tent)

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#### Objective

This Housing Laboratory aims at identifying and exploring the organization of the land and housing markets, the land policies and the financing to guarantee inclusive and affordable housing, secure tenure, and to prevent informal settlements. Based on four specific experiences, the objective of this Housing Laboratory seeks to analyze the rationale, the achievements, the scope and the challenges included in these experiences, reflecting on the relevance of encouraging proposals linking land, financing and housing.

#### Key words:

Land, housing, financing, urban planning.

## Description

In the region of Latin America and the Caribbean, financing for housing purposes is limited, and it often does not reach those who need it the most. Credit-based financing to buy a home has become consolidated in this region, and in some cases, it includes subsidies granted to private individuals. For the purpose of this paper, this type of financing will be called ‘traditional financing’, and its results have been far from optimal. Certainly, when financing and land become available, the housing units are generally built in unfavorable locations, far from the services and the opportunities offered by cities. There is a clear dilemma between granting loans for housing purposes, the public subsidies available for the construction of social housing, urban development and planning. The challenges posed by inclusive housing and the persistence of new informal settlements require a new outlook on the land management mechanisms, to have production of housing units that are affordable and well located.

Recently, a mechanism of ‘financing through the recovery of added value’ or ‘land-based financing’ has been developed. This mechanism seeks to capture the increase in land value to fund public investment. In fact, administrative actions and investments in public transportation, roads or water lines, for example, result in higher land values. If the increase in value is captured as a result of public actions, the land and the construction rights become assets that help reduce the financing deficit of public works and social housing, through several mechanisms that generate direct income and allow for a concentration of investment.

There are several experiences in the region that combine urban planning strategies or added value capturing instruments, to finance affordable housing units and/or to guarantee secure tenure. These same instruments may also help curb the growth of informal settlements.

In the city of Sao Paulo, Brazil, land-based financing instruments have been implemented since the 1990s. Initially, the focus was mainly on the issues of infrastructure and urban design. However, as of the year 2000, after the city’s first participatory Master Plan was agreed upon and approved, the mechanisms to capture added value – as urban interventions and the onerous concession of the right to build – started playing a more strategic role, to increase land availability and to finance the construction of social housing and upgrading initiatives in precarious and informal settlements.

The Master Plan for the city of Sao Paulo, of 2002 and 2014, and the reviewed zoning law in 2016, represented another significant evolution for the city, as they focused on promoting the social function of the city, based on planning and financing instruments. In this regard, the issue of housing was addressed in a strategic manner, as follows:

- Land reserves to promote social housing and to guarantee secure land tenure for low-income families (the most important ones are the Special Zones of Social Interest (*Zonas Especiais de Interesse Social – ZEIS*) and the solidarity quota for large projects).
- Instruments to combat the existence of vacant buildings in neighborhoods with available infrastructure, services and jobs (statement of mandatory urbanization, utilization and/or parceling).
- Managing land appreciation, as, for example, onerous concession of the right to build and consortiated urban operations.
- Mechanisms to facilitate retrofitting the existing real estate units to be able to adapt them to social housing.
- Mechanisms for democratic management, as the ‘councils for urbanization funds’ linked to the onerous concession of the right to build and consortiated urban operations.

In San Antonio de Areco (Argentina), the local government created the Municipal Habitat Agency (*Agencia Municipal de Habitat*) to support a strategic unit, within the municipality, responsible for fulfilling the urban-housing needs of the city. This is done by: guaranteeing urban land and access to land and housing; facilitating rentals; building community amenities, infrastructure and services; organizing the demand and stimulating the supply of housing units; and, guaranteeing the regularization of the property.

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The city of Bogotá (Colombia) has created a project called ‘Urban Renewal – the Fenicia Triangle’ (*Renovación Urbana Triángulo de Fenicia*). In many cities in Latin America, there seems to be a consensus as regards the need and the opportunity for urban renewal, as a way to take advantage of city areas with plenty of services and available urban infrastructure. Despite this apparent consensus, there is still the question of how to reach this objective. Since many areas that could be renewed are occupied and land ownership is highly fragmented, one of the key challenges for this revitalization is to solve the land management issue, so there can be a full and coordinated intervention program. Two mechanisms for land management have traditionally been used in these cases: the land is acquired directly by private investors, or it is expropriated by the State.

The case of the ‘Fenicia Triangle’ has supplied evidence of the potential of readjusting the plots of land as a ‘third way’ for land management. This is an urban renovation project in downtown Bogota, developed by ‘Universidad de los Andes’. Although it is still in the initial stages, the open and participatory process by which it was conceived and its innovative proposal to link the

different players involved have turned it into a reference for the city. One of the main characteristics of this project is that it includes the original owners of the land, and it provides a wide offer of housing types: replacement housing for the owners, social housing and ‘free’ housing.

In Puerto Rico, the ‘Caño Martín Peña Community Land Trust’ (*El Fideicomiso de la Tierra del Caño Martín Peña*) is a permanent instrument created for and by low-income communities to facilitate a plan that would fully develop the Caño Martín Peña district. This land trust, due to its specific characteristics, has been able to: regularize an informal settlement located in a privileged area of the city of San Juan; avoid the displacement or gentrification that might result from renewing the infrastructure and the natural ecosystem of the Martín Peña Channel; and, guarantee permanent affordable housing.

## Key questions

Based on the four above-mentioned experiences, this Housing Laboratory will address the following questions:

1. As regards other ways of financing, what is the importance of land-based financing to guarantee safe and affordable housing? What are the ways to link this to the principles of the New Urban Agenda and the promotion of equitable and inclusive cities?
2. How can we maximize the potential of the mechanisms of land-based financing to increase housing availability and prevent and regularize informal settlements?
3. What are the financing instruments, considering the different urban locations? For example: What are the ways to address: densification in consolidated centers; proper occupation of the borders between rural and urban environments; the retrofitting precarious settlements?
4. What are the emerging models for the financing and planning of access to land and housing?
5. What are the strategies and trends to finance policies able to solve the issues of regularization and urbanization?

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