



## Commitment to a New Urban Development Model for the City of São Paulo

### 1.1. Background: Peripheral Growth and Socio-economic Segregation in the City of São Paulo

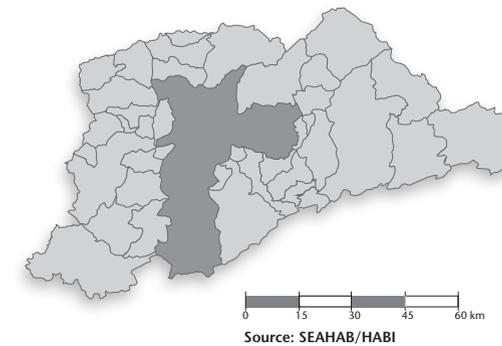
São Paulo is the capital city with the state with the same name and the heart of a sprawling metropolitan area. One of South America's biggest economic and technological hubs, accounting for more than 18% of Brazil's GDP (Cities Alliance 2002), the São Paulo metropolitan region is the third largest urban area in the world. The city of São Paulo (referred to as São Paulo in this document) is home to 10.4 million people (IBGE Census 2000) and spans 1,509 square kilometres, respectively, 59% and 19% of the Metropolitan Region. The city is characterised by high levels of social and economic inequality, and approximately 30% of its population does not have security of land tenure. In recent times, the city has witnessed a sharp rise in violent crime.



São Paulo - Downtown

Over the last two decades, São Paulo's population has been decreasing relative to the Metropolitan Region (IBGE Census Data). From 1980 to 1991, the city grew at an annual rate of 1.16%, while the Region grew at a rate of 1.88%. In the following decade (1991 to 2000), the city's annual growth rate dropped to 0.88% while the Metropolitan population grew at an annual rate of 1.65% (IBGE, 2000). This migration from the centre to the urban periphery can also be observed at the municipal level. Tables 1.1 and 1.2 show that the city's downtown, better served by infrastructure and social services (i.e., schools, hospitals, and police stations), posted a negative growth rate during the 1980/1991 and 1991/2000 periods. At the same time, in the peripheral districts, where urban development is less consolidated, the population increased.

São Paulo/  
The Metropolitan Region and the Capital City



São Paulo/  
The State and the Metropolitan Region



São Paulo Regions:

Permanent Private Households and Populations  
(1980–1991)

Table 1.1

Region	Total of Households		Difference		Population		Annual Growth Rate (%)
	1980	1991	1980 - 91	1980 - 91	1980	1991	1980 - 91
Historic downtown	85,027	86,173	1,146	1.35	321,885	283,195	-1.16
Downtown (expanded centre)	326,378	340,716	14,338	4.39	1,152,445	1,047,827	-0.86
West	73,594	103,483	29,889	40.61	318,421	410,891	2.34
South	389,404	526,567	137,163	35.22	1,670,415	2,108,228	2.14
Southeast	273,248	314,982	41,734	15.27	1,101,350	1,162,402	0.49
East 1	264,730	297,097	32,367	12.23	1,098,752	1,131,919	0.27
East 2	218,356	359,804	141,448	64.78	1,010,528	1,524,490	3.81
North 1	67,424	94,177	26,753	39.68	288,892	370,350	2.28
North 2	363,996	416,954	52,958	14.55	1,530,538	1,606,883	0.44
São Paulo City	2,062,157	2,539,953	477,796	23.17	8,493,226	9,646,185	1.16

Source: IPEA 2001.

**Population and Annual Growth Rates in Central/ Intermediary and Peripheral Subregions**  
**Period 1991/2000**

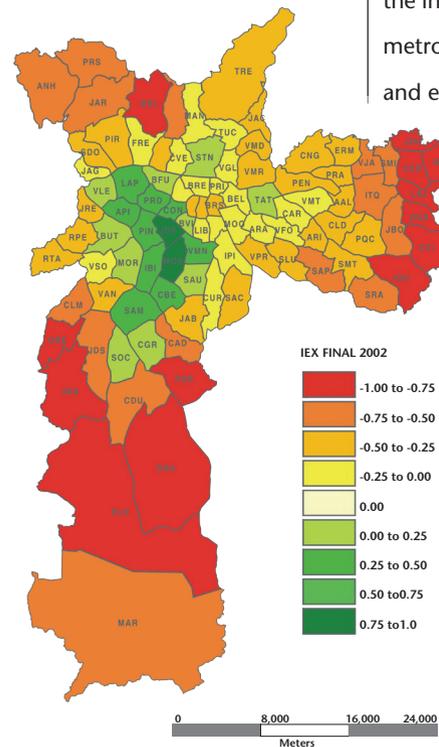
Subregion	Population		Annual Growth Rate (%)	Households
	1991	2000	1991- 2000	
Central/intermediary	5,649,633	5,299,842	-0.71	1,624,007
Peripheral	3,996,562	5,134,408	2.82	1,361,970
Total	9,646,195	10,434,250	0.88	2,985,977

Source: SEHAB 2003

São Paulo’s “peripheral growth”, which is common in other Brazilian cities as well, is partly caused by the formal sector’s limited delivery of affordable housing, which is itself due to the high real estate prices in urban areas and a dearth of subsidy policies targeting low-income populations. Indeed, the World Bank reported in 2002 that every year over 600,000 families in Brazil’s cities have no choice but to enter the informal housing sector. Informality spreads where land is more affordable on outskirts of cities and metropolitan regions, creating situations of physical and social isolation, a lack of urban infrastructure, and environmental degradation.

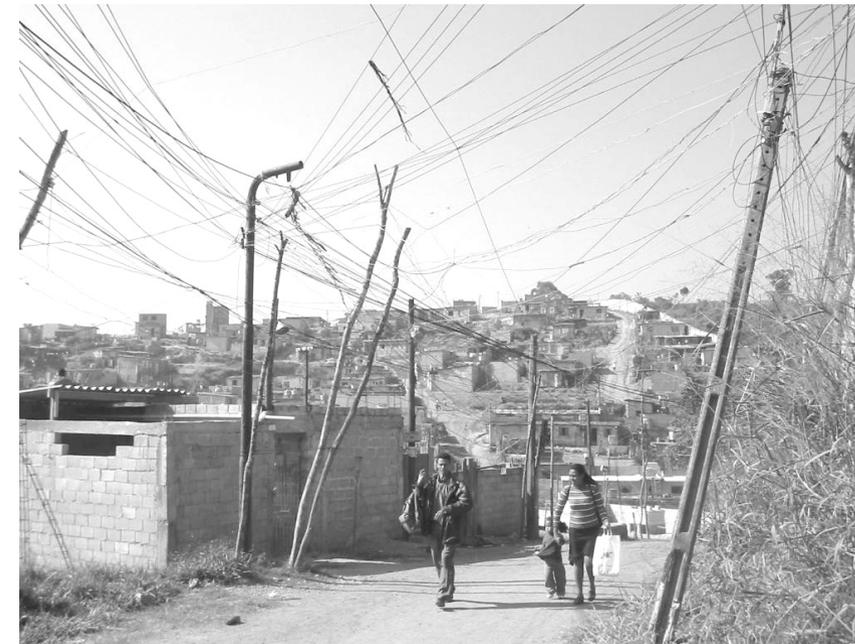
The Map of Social Exclusion/Inclusion in the city of São Paulo (Sposati 2002) applies data from the Brazilian Statistics and Geography Institute (IBGE) to several social and economic indicators, such as income and access to social services, for the city’s 96 districts. The results indicate that central districts have a high degree of social inclusion (they would be classified as High Human Development districts under the UNDP index), while peripheral districts feature a high level of social exclusion (and would be classified as Low Human Development districts). The map also shows that the population growth rate in districts with greater levels of social exclusion is higher than in other areas.

Urban violence in São Paulo has also reached critical levels over the last decade. However, a study conducted as a component of the *Bairro Legal* Technical Assistance Project challenges the often postulated correlation between poverty/social exclusion and violence (Kilsztajn et al. 2003). Kilsztajn demonstrates that while the most violent districts are all poor, not all of the poor districts are violent. Further, there are significant differences in the level of violent deaths among districts with similar levels of poverty and social exclusion. According to this study, these differences can be explained by the presence or absence of organised crime, especially drug trafficking.



Map of Social Exclusion/Inclusion, 2002  
 Source: SEHAB/SPOSATI

IBGE data and other specific studies indicate that, currently, about three million people in São Paulo live in some form of illegal settlement, without secure land tenure, in poor urban and environmental conditions and subject to violence, crime and frequent eviction. Unfortunately, housing policies adopted over recent decades, particularly in the 1990s, have not contributed significantly to reversing this picture, as discussed in section 1.3.



Periphery - District of Jardim Ângela

## 1.2. Housing and Property Illegality Affecting the Urban Poor

Several forms of illegality affect the urban poor. This section describes the most common ones:

**Squatter settlements or favelas**, located on either public or private land. In both cases, the land has been occupied in a spontaneous or organised fashion against the legal owner’s will, and with no legal relationship established between the residents and the landowner (Pólis 2002). These settlements are occupied by low-income citizens and are characterised by poor urban infrastructure and public services.

**Informal subdivisions** developed below the minimum standards set by the Federal Land Subdivisions Law (6766/79, amended by Law 9785/99). This includes two subcategories:

**Irregular subdivisions**, which occur when a subdivision project is approved by the municipality at the request of the landowner, but the development deviates from the approved project, and;

**Illegal subdivisions**, which occur when a subdivision is developed without approval from the municipality. It is usually a third party that invades the land, subdivides it, and sells the lots (Pólis 2002). Those who illegally develop and market someone else’s land are known as *grileiros*.

**Cortiços**, or slum tenements, usually originate from the conversion of old buildings in central areas into complexes of small rental units, that are poorly developed and maintained, often with high risk and degradation. The illegality of the *cortiço* is not specifically related to land tenure, but rather the building’s overcrowded conditions, and failure to comply with building codes. Many also lack standard facilities such as kitchens, bathrooms and laundry rooms. In addition, the relationship between the landlord and the tenants is considered illegal, since it is usually not formally documented (Pólis 2002).

**Public housing units** that have not been regularised by the Metropolitan Housing Company of the municipality of São Paulo (COHAB-SP) or the São Paulo State Housing and Urban Development Company (CDHU). These cases do not actually involve a legal dispute, as it is in the government’s interest to regularise these projects to be able to formalise the sale of housing units to their occupants. Although COHAB norms prohibit the resale of public housing units by their original occupants, there is actually a high degree of turnover in the housing complexes through under-the-table transactions. To deal with this problem, COHAB made an assessment of its housing complexes and discovered that, in addition to the high resale activity, there were also a significant number of vacant apartment units. Through the *Viver Melhor/Novação* Programme, COHAB has renegotiated the debts of 51,000 original occupants, reducing monthly payments and making partnerships with notary publics in order to facilitate the process of title deed registration. COHAB is also reallocating the vacant apartments, in accordance with its waiting list.

### 1.3. São Paulo’s Housing Policies in the 1990s and Challenges for Going to Scale

In 1988, the new Brazilian Constitution made municipalities responsible for implementation of slum upgrading and land tenure regularisation programmes within a national policy framework. This new scenario, coupled with the Housing Finance System’s (SFH) failure in providing a solution for affordable housing (see Chapter 2, section 2.2.1), prompted local Administrations to create their own strategies to address the housing deficit and precarious living conditions of the impoverished population. In São Paulo, as we saw, close to three million people live in precarious conditions. However, the housing policies developed in São Paulo in the 1990s failed to achieve their objectives from both a qualitative and a quantitative standpoint and addressed the housing problem in a fragmented manner, often

implementing solely infrastructure, and at other times producing only housing units. These policies have not promoted a comprehensive upgrading of precarious settlements and also failed in their mission to integrate poor urban communities into the urban fabric.

During the first Workers Party (PT) Administration<sup>2</sup> in São Paulo, from 1989 to 1992, Mayor Luiza Erundina centralised its housing and slum upgrading efforts under SEHAB’s Social Housing Superintendence (HABI), which saw its workforce double from 350 to 700 people and gained importance within the housing department, representing 58% of SEHAB staff. The Administration’s focus was clearly provision of new housing units for the low-income population, both through contractor-built housing and participatory efforts involving the affected communities, such as self-managed construction or *mutirão em autogestão*. The latter initiative, undertaken through the FUNAPS<sup>3</sup> municipal fund, consisted of producing small and mid-sized housing complexes through community associations.



Mutirão - Jaraguá City

The city’s role in these undertakings usually consisted of land acquisition, infrastructure and land subdivision, while community building associations were responsible for financing, building plans, monitoring works and providing some manual labour in the construction process. Community associations usually hired small firms of architects and engineers, known as *assessorias*, to provide technical guidance and help organise the process. Self-managed construction was considered innovative in that it promoted capacity development in the participating communities and increased transparency in the process of housing production. Another advantage of this system of building was that it not only improved housing standards for the impoverished population, but also strengthened community organisation.

<sup>2</sup> The Workers Party (PT) was founded in 1978 and quickly became Brazil’s most important left-wing force.

<sup>3</sup> FUNAPS is a municipal fund created in 1989 to assist families living in substandard housing.

<sup>4</sup> (LABHAB FAUUSP 2003 data).

<sup>5</sup> PPB, the Brazilian Progressive Party, is a conservative political party that is among Brazil's major political forces.

<sup>6</sup> According to SEHAB data on the Mananciais Programme.

Although the Erundina Administration focused its initiatives in *favelas* on relocation of slum dwellers from high-risk areas, undertakings also included ongoing improvements and comprehensive upgrading programmes. During its four years in office, the administration invested US\$ 150 million in slum upgrading and housing development projects (Maricato 1997). The resources, provided by the municipal budget and the FUNAPS municipal fund, benefited 21,128 families<sup>4</sup>. Despite its poverty focus and innovative approaches, the scale of the Erundina Administration's housing programme was small compared to the city's needs and reached mostly those segments of the population that were organised in housing movements. In the land tenure regularisation front, the Administration's 1990 push to regularise occupation of *favelas* located in 140 public areas was thwarted by the City Council and only came to fruition more than a decade later (see Section 2.3.1).

The Erundina Administration also played a role in developing the Guarapiranga Programme, a partnership between the municipal and state governments. The state and municipality signed a loan agreement with the World Bank in 1992, but the programme only began in 1994 due to political turnover at both government levels. The programme was responsible for upgrading squatter settlements and informal subdivisions in the Guarapiranga basin and was also a component of a broad effort to control pollution in the reservoir. It continued through the subsequent Brazilian Progressive Party (PPB)<sup>5</sup> administrations from 1993–1996 (Paulo Maluf) and 1997–2000 (Celso Pitta).

The original aim of the project was to upgrade 165 *favelas* with some 12,300 families, redirect sewerage systems from the reservoir and improve garbage collection in subdivisions over a five-year period. At its completion in 2000, the effort had directly benefited approximately 11,000 families living in slums and 14,000 families in irregular subdivisions at a cost of US\$ 157.4 million<sup>6</sup>. However, not all the informal settlements in the Guarapiranga basin were upgraded and a series of problems remain to be solved. The programme managed to partially reach its main objective, i.e. improving the quality of the water-source area for public use. Nonetheless sewerage systems in slum areas were not entirely intercepted and some human waste continues to flow into the water basin.

The state government and the World Bank are currently negotiating a second phase of the programme (Upper Tietê Watershed Programme), which will also include the Billings water reservoir, with a view to complementing the actions implemented in the programme's first phase.

In 1993, when PPB Mayor Paulo Maluf took office, the previous Administration's programmes such as self-managed housing production were temporarily interrupted, later to be resumed at a much smaller scale. The new Administration redirected municipal spending on upgrading and housing programmes to



Guarapiranga Programme - Jardim Esmeralda/ Iporanga

the *Favela Verticalisation Programme* (PROVER). Better known as *Projeto Cingapura*, PROVER's objective was to replace precarious housing in squatter settlements with low-rise apartment buildings. Financed by the Inter-American Development Bank (IDB) and with an overall investment of approximately US\$ 220 million<sup>7</sup>, this programme aimed to benefit 30,000 families. However, at its conclusion in 2003, only 14,595 families had benefited.

Overall, beyond its small scale, PROVER's success was limited. On the financial side, the unit cost (per-household) was much higher than that of similar slum upgrading interventions of the same scope, and the default rate among residents of the new apartments reached 64.5% in 2002. Families moving from squatter settlements into public housing units faced a new range of problems and expenses including maintenance and management fees as well as upkeep of common spaces, which often led to conflicts. Furthermore, due to the high construction costs, as many as half of the squatter settlements targeted for intervention received only partial solutions. In those cases, many families continued living in precarious conditions behind the new low-rise apartment complexes<sup>8</sup>. Finally, the programme was criticised for its reliance on a traditional and high-cost model of construction and building management, using large construction companies.

Mayor Celso Pitta's Administration basically gave continuity to the housing policies and programmes of the Maluf Administration, which included apart from the Guarapiranga and Cingapura Programmes, the *Lote Legal* Programme, aimed at upgrading infrastructure and regularising land tenure in informal subdivisions. The continuity of the Guarapiranga Programme was no doubt positive, but again during the Maluf and Pitta administrations the scale of the programmes was small, unit cost was high and little progress was made on the land tenure front.

Overall, a review of the municipal housing policies adopted over the 1990s demonstrates the lack of a comprehensive proposal able to transcend the electoral cycle and be implemented on the necessary scale. The challenge presented to the new municipal Administration in 2001 was, therefore, the development of such a comprehensive and long-term policy. The strategy adopted by the Administration in this respect (through SEHAB) is described in the following section.



Favela Verticalisation Programme - Prover Heliópolis

<sup>7</sup> The total loan operation was US\$ 250 million, for the implementation of the *Favela Verticalisation Programme* and the *Legal Lot Programme*.

<sup>8</sup> (LABHAB FAUUSP 2003 data).

## 1.4. The City's Commitment to Inclusive and Sustainable Urban Development

### 1.4.1. Political Commitment

In 2001, Mayor Marta Suplicy took office proposing the transformation of degraded areas into neighbourhoods through physical recovery, land regularisation and social inclusion. Concurrently, the new administration made a commitment to prevent forced eviction practices from both public and private land, as well as to promote land tenure regularisation for the low-income population. The administration named this set of initiatives aimed at reversing the dismal physical and social conditions of precarious settlements the *Bairro Legal* (or "Nice Neighbourhood") Programme, which was officially launched by SEHAB in 2001.

### 1.4.2. São Paulo's Municipal Housing and Urban Development

#### Department (SEHAB)

SEHAB's main goal is to promote urban and housing policies targeted at low-income families. Its three-pronged approach under the current Administration is to (i) promote urban and legal regularisation of precarious settlements, including their integration into the city; (ii) revitalise the downtown area and attract residents back to the area; and (iii) stimulate housing and land development by the private sector.

In order to implement its policy, SEHAB developed the following programmes:

The *Bairro Legal Programme* is an integrated programme for urban and housing upgrading. Its actions target specific areas predominantly occupied by the low-income population through initiatives for: slum upgrading, land tenure regularisation in squatter settlements and illegal subdivisions; upgrading of existing public housing units and construction of new units. The programme aims to develop its actions in conjunction with the social inclusion policies and social programmes undertaken by other government departments and agencies in an articulated manner and with participatory mechanisms involving civil society.

The *Housing Production Programme* seeks to expand the supply of new housing units for families with incomes below six minimum salaries<sup>9</sup>. It also seeks to find resettlement solutions for families affected by squatter settlement upgrading programmes. Self-managed construction initiatives are included in this programme, allowing community groups formed by future residents to participate and manage the production of new housing units financed by the government.

The *Living Downtown Programme* seeks to consolidate social housing and improve living conditions for residents of downtown areas. It also seeks to attract new residents from different income groups to the region, combining rehabilitation programmes with guarantees against eviction for the low-income population.

The *Administrative Modernisation Programme* seeks to modernise the administration to give more efficiency and transparency to SEHAB's actions.

SEHAB's actions to scale up slum upgrading and land tenure regularisation are concentrated in the *Bairro Legal* Programme. It is for this reason, along with the programme's novel multidisciplinary and inter-institutional approach, that *Bairro Legal* is the subject of this book.

However, the Administrative Modernisation Programme is also a pillar of the *Bairro Legal* Programme, especially with respect to facilitating processes of land tenure regularisation. The programme's goals and most significant results are presented in Box 1.

<sup>9</sup> In Brazil, the minimum monthly salary, for a 44-hour workweek, is R\$ 260 or US\$ 95, as opposed to the minimum wage per work hour adopted in other countries.

#### Administrative Modernisation Programme: Goals and Results

##### Box 1

SEHAB is responsible for authorising all real estate undertakings in São Paulo. The Department has a mandate, therefore, to offer a streamlined and transparent permits process not only for low-income settlements, but also for projects in general. This goal has been achieved through the Administrative Modernisation Programme, with IDB funds totalling US\$ 1.2 million.

According to SEHAB data, the most evident result of the Modernisation Programme is the drastic reduction in the permit process. For instance, in 2000, 75% of projects submitted to APROV (Building Approval Department) took over 180 days to receive approval. In 2002, only 48% of the projects faced this long wait, while 23% of them received the green light in less than 90 days. In 2002, APROV also increased the number of projects approved by 23%, as compared to 2000. The department likewise witnessed a 15% increase in the number of permits awarded for renovations. Over 49,600 new housing units in buildings and complexes received SEHAB's go-ahead, 31% of which pertaining to public housing.

PARSOLO (Land Subdivision and Urban Intervention Department) registered a twofold increase in the number of linear metres of streets and avenues approved in the city (from 5,525m in 2000 to 10,860m in 2002). Approval of lot consolidations rose 46% from 340,000m<sup>2</sup> in 2000 to 497,000m<sup>2</sup> in 2002.

Administrative Modernisation also brought positive results to CASE (Sectoral Cadastre Department), which analysed 9% more billboard license requests (37,446 in 2002 against 34,330 in 2000).

CASE cadastral data with information regarding city parcels are now being digitised. According to SEHAB, basic urban information regarding zoning, the city's master plan, Zones of Special Social Interest (ZEIS), heritage buildings, highways, airport zones and other data facilitating land tenure regularisation will soon be available on the Internet.

In order to achieve this level of technological modernisation, SEHAB has invested resources in the acquisition of equipment as well as in renovation and expansion of its existing facilities.

Among its several new initiatives to facilitate housing production, SEHAB implemented the Blue Print On Line Programme, the result of a successful partnership between government, industry organisations in the construction sector and private entities. Funded by these partners, the programme offers an automated system for project approval. This system quickens approval of building permits, makes the approval process more transparent and allows the community-at-large, particularly the technical community, to easily track permit applications. This programme came on stream in 2004. The first results of this successful partnership can already be seen online, where information regarding land use and building codes has been made available to the general public.

SEHAB's modernisation also involves an institutional effort to improve procedures. In this respect, a new department was created in 2002 – Caieps (The Integrated Analysis Committee for Building and Land Subdivision), aiming at improving the permit process for projects that require analysis from more than one department or agency. Projects that in the past were submitted to several different government agencies one by one are now filed and analysed at once by all involved institutions.

Source: SEHAB 2004

### 1.4.2.1. Instruments Supporting SEHAB's Policy

Municipal, state, and federal laws regulating urban land subdivisions, construction norms, and environmental protection provide the legal framework for SEHAB's housing policy. Recently, important advances were made at the municipal and national levels regarding establishment of an urban development framework targeting the city's low-income communities.

The 1988 Brazilian Constitution established the general legal principles for the development of a national urban policy, built around the social function of land. But it was only after the 26<sup>th</sup> Amendment was passed on February 14, 2000, that the country recognised access to housing as a social right (Fernandes 2003).

Further advances in this regard came on July 10, 2001, when another federal law instituted the City Statute, providing a framework for the application of the constitutional principles on urban development. A milestone in Brazil's urban policy, the City Statute is one of the country's most important advancements on the federal level in terms of creating a legal framework for policies targeting the low-income population. The ratification of the City Statute is the result of over a decade of pressure from social movements, academia, and other groups involved in urban development. Notably, the City Statute introduced and/or systematised a series of instruments (described in Chapter 2) that facilitate land tenure regularisation for low-income families, such as: the Urban Usucaption, ZEIS and land use concessions, among others.

The Statute also regularised the use of instruments that enable municipalities to induce and/or provide incentives for private real estate development in specific areas of the city. These tools—among which are progressive property taxes on vacant properties and sale and/or transfer of development rights—are intended to reverse the process of urban sprawl and inner city degradation, while facilitating access to centrally-located land and housing for the poor. While some of the instruments created by the City Statute are proving difficult for municipalities to implement due to procedural tangles or impediments created by other laws, SEHAB has been able to use many of the new tools to its advantage.

SEHAB obtained another fundamental instrument for its housing policy when Congress passed a provisional measure<sup>10</sup> authorising the Special Concession for Housing Use of public land for individual or collective housing. This measure proved critical for the regularisation of São Paulo's public areas occupied by low-income settlements.

<sup>10</sup> MP 2220/2001.

On the municipal level a series of laws has helped construct the regulatory basis for local urban policies. One is *Lei da Dação em Pagamento* (Donation en lieu de tax), a law allowing indebted landowners to donate land to the municipality as payment for outstanding property taxes. Two other laws allow for regularisation of 160 squatter settlements located in public areas and regularisation of illegal subdivisions in existence prior to April 2000. The Municipal Strategic Development Plan (PDE) outlines the city's development guidelines for the next twenty years. Notably, it establishes the perimeters for ZEIS, comprised of precarious settlements to be upgraded and vacant urban land to be utilised for future low-income housing development.

Still at the municipal level, SEHAB submitted and had a number of laws passed in the city council that created incentives for production of low-income housing through tax exemptions. In addition, SEHAB revised legislation on low-income and affordable market housing initiatives, adapting existing regulation to the new parameters established by PDE, including those related to the ZEIS. Finally, SEHAB is also working on the revision of the building code, in order to adapt administrative procedures to digitalisation and improve control over building activities.

The transformation of São Paulo's regional administrative offices into sub-mayoral offices, known as *Subprefeituras*, represented a major advance in decentralisation. São Paulo has 31 *Subprefeituras*, autonomous governmental bodies with their own budgets that are responsible for implementation of public programmes and land use control at the local level<sup>11</sup>. According to the PDE, *Subprefeituras* assumed responsibility for developing Regional Strategic Development Plans (PDRs) for their respective areas of jurisdiction. PDRs detail the PDE on the local level, particularly in terms of land use regulations and review of the ZEIS perimeters.

Despite the progress made possible by the new legislation regarding land tenure regularisation, there are still some legal impediments on the state and federal levels. Most of the laws in place that address land subdivision, land development and land use, fail to tackle the needs of low-income families. One such example is the 1979 Federal Law 6766 regulating land subdivisions, which set overly ambitious technical standards on the minimum lot size and percentage of total area designated for public use. This sharply increased the cost of opening legal subdivisions and contributed to the mass spread of informal subdivisions and land invasions witnessed in the 1980s. This is particularly true because implementation of the law was not systematically monitored since it was passed<sup>12</sup>. Another example is the state law for environmentally protected areas, which restricts usage and occupation of areas surrounding water sources, but is also believed to have contributed to the spread of irregular settlements in these areas<sup>13</sup>. Finally, the São Paulo State Constitution<sup>14</sup> prohibits the conversion of public land originally designated for public use into land for social housing. These laws are currently being revised and should eventually be made consistent with the guidelines established –the Federal Constitution, the City Statute and the provisional measure on Special Concession for Housing Use.

<sup>11</sup> To allow a smooth transition from the regional office structure to the *Subprefeitura*, the administration created a temporary structure called *Governo Local* (Local Government), formed by representatives of all municipal secretariats. *Governo Local* discussed municipal development at the local level. With the implementation of the *Subprefeituras* at the end of 2002, the *Governo Local's* structures were dissolved and their recommendations assimilated by the *Subprefeituras*.

<sup>12</sup> With as many as 900,000 families demanding housing every year in urban Brazil, two-thirds of which without any other alternatives but the informal sector, such restrictive land subdivision and environmental protection laws have been impossible to enforce.

<sup>13</sup> The drastic drop in land costs in protected areas, coupled with lack of law enforcement capability on the part of the state and local governments, turned out to be powerful incentives to land invasions and informal land subdivisions in the areas that were "protected" under the law.

<sup>14</sup> Article 180.

### 1.4.2.2. SEHAB's Financial Resources

SEHAB relies on municipal, state, federal, and international funds to implement its housing agenda. Under recent macroeconomic policies to curb public spending, which culminated in the 2000 Fiscal Responsibility Law<sup>15</sup>, however, São Paulo's access to international financing is limited due to its high public debt. Although many of its most important urban development initiatives, such as the Guarapiranga Programme, have used international financing in the past, the city cannot count on the availability of such resources in the immediate future for new project development.

In the absence of international credit, the city must rely on its own budget resources and leverage scarce state and federal funds to finance its upgrading and regularisation programmes. Cost recovery on such operations has been very low, relying almost entirely on revenues from utility tariffs. On average, the municipal budget has been allocating 3% of its resources annually to SEHAB - about US\$ 100 million. Housing construction and finance programmes are funded by the Federal Savings and Loan Bank (CAIXA) using Workers Severance Fund (FGTS) resources, the São Paulo State Housing Company (CDHU) using state sales tax revenue, and the Municipal Housing Fund (FMH)<sup>16</sup>. Still at the municipal level, SEHAB can rely on resources from the sale of development rights, as regulated by PDE. The Urban Development Fund (FUNDURB) is responsible for raising funds from such operations, which can be used to pay for public works for slum upgrading.

- 340,923 households living in squatter settlements (projection for 2012);
- 376,242 families living in informal subdivisions whose incomes are below five minimum salaries;
- 30,000 households residing in *cortiços*;
- 24,000 units of currently deteriorated public housing units; and
- Construction of over 99,000 new public housing units.

<sup>17</sup> Resources from Brazil's massive FGTS Workers Severance Fund are generally targeted at conventional housing finance such as mortgage loans, catering to middle income segments and above.



Under the Municipal Housing Plan, in order to address São Paulo's housing emergency, SEHAB would require an annual budget of approximately US\$ 330 million, or an increase of 330% over annual allocations since 2001. The Municipal Housing Plan advocates the use of funding from the three levels of government in a complementary manner to address the housing issue. In this respect, the plan indicates available funding sources by type and source (for both subsidies and finance), but concludes that although the total amount of funds could be sufficient to meet demand, they would not be enough to meet demand by type. In other words, FGTS resources are abundant but they are designated for housing finance<sup>17</sup>, while resources to subsidise slum upgrading and housing programmes targeting low-income families are scarce, especially for those households earning below three minimum salaries, which make up most of the demand. This means that resources for slum upgrading must come from other funding sources.

Table 1.3 shows a scenario of financial needs by funding category in order to tackle the demand for low-income housing by 2012, based on the allocation of available funds.

<sup>15</sup> Passed in 2000, the *Lei da Responsabilidade Fiscal* (LRF) or Fiscal Responsibility Law is the central element in a series of fiscal adjustment reforms implemented by the federal government. Under the law, the three levels of government are subject to limits on payroll expenditures (60% of net income for states and municipalities) and indebtedness. São Paulo is prohibited from contracting new international loans until 2010.

<sup>16</sup> FMH is a special fund dedicated to implementation of the city's low-income housing policy. COHAB operates FMH, as directed by the Municipal Housing Council (CMH), a tripartite body created in 2002 that includes representatives from civil society, the government and the private sector.

### 1.4.2.3. The Municipal Housing Plan

The municipal government recently issued the Municipal Housing Plan. Based on annual growth projections for the housing deficit (including new units and upgrading), the plan envisages the need for US\$ 2.96 billion in total investments through 2012 to tackle São Paulo's emergency demands for housing.

The amount would benefit a total of 870,215 households, subdivided as follows:

### Distribution of Financial Needs According to Intervention and Funding (in US\$ million)

Type of Intervention	Households	Total Need	Possible Types of Resources	
			For subsidies	For Housing Mortgages
New housing units provided	90,019	1,093	492	601
Upgrading of squatter settlements	340,920	1,411	1,119	291
Upgrading of informal subdivisions	375,874	401	281	120
Renovation of public housing units	24,000	17	17	-
Renovation of degraded tenements	30,000	41	-	41
<b>Total</b>	<b>860,813</b>	<b>2,963</b>	<b>1,909</b>	<b>1,054</b>

Source: PMSP 2003.

The table shows that even if fully utilising mortgage credit and subsidies, SEHAB will still face a funding shortfall and should, therefore, continue to invest in the development of a comprehensive and diversified financing strategy that is compatible with its objectives for upgrading and land tenure regularisation. This issue will be addressed in more detail in the final chapter of this book.

#### 1.4.2.4. Technical Assistance Agreements

SEHAB recently signed a number of important technical assistance agreements, the first of which was with the Brazilian Bar Association (*Ordem dos Advogados do Brasil – São Paulo Chapter*) for provision of free legal assistance to low-income families living in precarious and irregular settlements and involved in land tenure regularisation processes (see Chapter 2). The second was with the Engineering and Architecture Council (CREA – SP) as well as Engineers' and Architects' Unions for free technical assistance related to planning and development of low-income housing construction and upgrading, as well as with the preparation of technical studies to guide land tenure regularisation. Finally, the technical assistance agreement with the Cities Alliance has given SEHAB support in designing a comprehensive framework for urban upgrading, the *Bairro Legal* Programme (see Chapter 3), a wide-ranging urban development and housing programme focused on the needs of the poorest.

#### 1.4.2.5. Results of SEHAB's Current Housing Policy

During the 2001-2004 mayoral term of office, SEHAB achieved the following results through its programmes (HABITASAMPA 2004):

- Completion of designs and initiation of upgrading works in 35 squatter settlements;
- Urban and Environmental upgrading through the Water Source Programme, benefiting a total of 10,083 families (3,523 living in slums and 6,560 living in illegal subdivisions). The interventions involved the relocation of 818 families to housing complexes built by CDHU;
- Land regularisation and issuance of property deeds underway for 45,000 families living in 160 public areas (see Chapter 2);
- Upgrading and land regularisation of 69 informal subdivisions underway, benefiting 50,000 families who occupy 38,500 lots (see Chapter 2);
- Conflict resolution regarding occupation of private land, in order to avoid forced eviction of some 24,000 families (see Chapter 2);
- Renovation and land regularisation of 84 COHAB housing complexes, improving the living conditions of over 530,000 residents (in execution) (see Box 2);
- Delivery of property deeds to 51,000 residents of COHAB's housing complexes;
- Completion of 14,888 self-managed housing units (including 7,000 units initiated under the previous administration) and start-up of 34 new developments;
- Improving living conditions for downtown residents through rehabilitation of vacant buildings, such as the Rizkallah Jorge Building, turned into a residential development for 167 families;
- Streamlining the project approval and permits processes (see Box 1).

## Improvement of Existing Public Housing Complexes: The *Viver Melhor* Programme

### Box 2

Approximately 530,000 people live in public housing complexes developed by COHAB in São Paulo. The majority of these complexes were built under a public policy focused on mass production of housing in the outskirts of the city, areas that are poorly served by basic services and public transportation. Consequently, most of these housing complexes present critical socio-economic indicators and high levels of social exclusion<sup>18</sup>. In addition, many housing projects were built on land that did not have a regular title deed and many residents who have lived in their units for years still lack a property deed. This problem is often compounded by delinquency in repayment of COHAB loans.

The **Viver Melhor** (Better Living) Programme, implemented by COHAB, aims to reverse the current situation of social and economic exclusion that prevails in public housing complexes. Notably, it promotes the renovation of run-down housing complexes and regularisation of tenure. It also fosters creation of commercial areas within the housing complexes and the implementation of community centres such as the Telecentros, which provide free computer classes and Internet access to local communities.

Through **Viver Melhor**, COHAB has also developed a registry of the areas it owns throughout the municipality. The programme identified areas suitable for housing development and offered the remaining areas to other municipal departments for the construction of social facilities, such as public schools and health care centres.

Finally, through the **Novação** sub-programme *Viver Melhor* has reviewed and renegotiated the monthly instalments of COHAB's borrowers, enabling the projected delivery of 51,000 property deeds by the end of the current mayor's term on December 31, 2004.

<sup>18</sup> According to the "*Viver Melhor*" Programme brochure.

## 1.5. Conclusion

It is clear that São Paulo's typical development model has led to the segregation of its poor citizens in ill-developed fringes of the city. This process has occurred simultaneously with significant migration from the urban centre to the periphery. The result, which is clearly unsustainable, is a city that is under-occupied in the best-equipped areas and over-occupied in the areas lacking access to infrastructure and services and which are also characterised by social exclusion, environmental vulnerability and higher levels of urban violence.

The lack of a long-term housing policy apt to withstand the shock of political turnover has prevented São Paulo from correcting its uneven urban development model and has, in turn, been responsible for public interventions that were fragmented and have had little impact on the city as a whole. A long-term housing policy that is inclusive, focused on poor citizens, and comprehensive enough to contemplate the diversity and complexity of São Paulo's low-income housing scenario is critical to reversing the city's current pattern of spatial segregation and urban sprawl.

Through SEHAB and its *Bairro Legal* Programme, São Paulo's Administration is committed to a comprehensive policy framework capable of scaling up slum upgrading and pro-poor urban development. The next chapters detail SEHAB's efforts towards such objectives and the challenges that lie ahead.