

**Housing Provision through Real Estate Development:  
Adopting Public-Private Partnerships for Affordable Housing Delivery in Brazil**

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in partial fulfillment of the requirements for the degree of

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**Abstract**

This dissertation analyzes contemporary transformations in urban policy and space production in Brazil; in particular, those associated with state efforts to attract the private sector to participate in the design, finance, development and long-term management of infrastructure and housing provision systems. While the study's focus is on adoption of the public-private partnership (PPP) mechanism in the affordable housing sector, empirical research is based on the case study analysis of Casa Paulista Program, the first PPP for affordable housing delivery in the country, sponsored by the State Government of São Paulo and implemented in the central districts of the city of São Paulo, the state's capital. Specific questions driving the research are twofold: in the first, I ask what were the characteristics of the Casa Paulista PPP model, and in the second, how public and private agents, including social groups, affected the evolution of the model.

Permeating this analysis is the concern as to how housing provision through PPPs may affect the ability of local populations to access adequate housing and fully participate in city living, as demanded by social housing movements and urban reform advocates and predicted in Brazil's Federal Constitution, and rights-based urban policy at national and local levels. Findings indicate that the Casa Paulista model, while neither leveraging private capital nor scaling up housing production, facilitates rearrangements in the private local housing market, urban policy, and social relationships around housing provision. These efforts are successful only with support of the development and finance industries operating beyond the local scale. I argue that these new rearrangements support a publicly funded, privately managed model to facilitate predominantly residential real estate development projects of large scale and which are debt financed through long term agreements. This dynamic generates risk to society's ability to control urban transformation in the central city area and support preservation of a stock of public and private land where affordable housing development is currently prioritized, an outcome I describe as 'privatizing planning and socializing risk'.



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**General Audience Abstract**

This dissertation analyzes contemporary transformations in urban policy and space production in Brazil. While the study's focus is on adoption of the public-private partnership (PPP) mechanism in the affordable housing sector, empirical research is based on the case study analysis of Casa Paulista Program, the first PPP for affordable housing delivery in the country, sponsored by the State Government of São Paulo and implemented in the central districts of the city of São Paulo, the state's capital. Specific questions driving the research are twofold: in the first, I ask what were the characteristics of the Casa Paulista PPP model, and in the second, how public and private agents, including social groups, affected the evolution of the Casa Paulista model. Findings indicate that the model, while neither leveraging private capital nor substantially increasing housing production, facilitates rearrangements in the private local housing market, urban policy, and social relationships around housing provision. I argue that these new rearrangements support a publicly funded, privately managed model to support predominantly residential real estate development projects of large scale and financed through long term debt agreements. This dynamic generates risk to society's ability to control urban transformation in the central city area and support preservation of a stock of public and private land where affordable housing development is currently prioritized.

For Eudes (in memorium) and Maria,  
for David, Flora and Celina,  
and for those struggling individually and collectively  
for affordable living in downtown São Paulo and beyond

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## **Abbreviations**

APEOP – São Paulo State Association of Public Work Entrepreneurs  
BNH – Brazilian National Housing Bank  
BRL – Brazilian Reais (national currency)  
CDHU – São Paulo State Housing and Urban Development Company  
CEF or Caixa – Brazilian Public Bank for Savings and Real Estate Finance  
CEH – State of São Paulo Social Housing Council  
CEPAC – Certificate of Additional Construction Potential  
CF – Federal Constitution  
CGPPP – São Paulo State PPP Management Board  
CMH – São Paulo Municipal Housing Council  
CMN – National Monetary Council  
COHAB – São Paulo Municipal Housing Agency  
CPP – São Paulo State Partnership Company  
CRI – Certificates of Real Estate Receivables  
DIS – Social Interest Decree  
DSP – São Paulo State Destatization Program  
ECLAC – Economic Commission for Latin America and the Caribbean  
FAR – Residential Lease Fund  
FAT – Worker’s Severance Fund  
FC – The Federal Constitution of 1988  
FGH – State of São Paulo Social Housing Guarantee Fund  
FGTS – Guarantee Fund for Length of Service  
FIPE – Economic Research Institute  
FLM – Frente de Luta por Moradia (local social housing grassroots organization)  
FMH – Municipal Housing Fund  
FNHIS – National Social Housing Fund  
FPHIS – São Paulo State Social Housing Fund  
HIS – Housing for Social Interest  
HMP – Market Affordable Housing  
HUD – United States Department of Housing and Urban Development  
IBGE – Brazilian Institute of Geography and Statistics  
IDB – Inter American Development Bank  
IFC – The World Bank’s International Finance Corporation  
IMF – International Monetary Fund  
IPO – Initial Public Offering  
ISI – Import Substitution Industrialization  
LCI – Real Estate Securities  
MC – Ministry of Cities  
MIP – Manifestation of Private Interest

MMW – Monthly Minimum Wage  
OGU – General Budget  
OPEC – Organization of the Petroleum Exporting Countries  
PAC –Acceleration Growth Program  
PAC-CDHU – Slum Tenement Intervention Program  
PDE – São Paulo Strategic Master Plan  
PEH-SP – State of São Paulo Housing Plan (2012 – 2023)  
PEUC – Compulsory parceling, building or use of property  
PFI – Private Finance Initiative  
PMCMV – My Home My Life Federal Housing Program  
PMH – Municipal Housing Plan  
PPP – Public Private Partnership  
PRIH – Integrated Rehabilitation of the Habitat  
PT – Worker’s Party  
SBPE – Brazilian Savings and Loans System  
SEC – State of São Paulo Department of Economy and Planning  
SECOVI – São Paulo State Real Estate Union  
SEHAB – São Paulo Municipal Housing Department  
SFH – National Housing Finance System  
SFI – Real Estate Finance System  
SINDUSCOM – São Paulo State Construction Industry Union  
SMDU – São Paulo Municipal Urban Development Department  
SNHIS – National Social Housing System  
SPU – Department of Federal Land  
SPE – Specific Purpose Entity  
TIF – Tax Increment Finance Districts  
UPPP – State of São Paulo PPP Office  
URP – Urban Regeneration Partnership  
ZEIS – Zones of Special Social Interest

## Chapter 1. Introduction

On April 16, 2012, the Casa Paulista Program was launched through a request for private proposals of a private-sector led model to design, deliver and maintain, for the duration of a 20-year contract, some 10,000 affordable and market-affordable housing units and associated urban infrastructure within zoning districts that prioritize affordable housing development (i.e., the zones for special social interest, or ZEIS districts in their Portuguese acronym) distributed in six downtown areas.<sup>1</sup> The overarching goal of the program was to scale up affordable housing provision in São Paulo's inner city through construction of mixed-use, mixed-income projects and redevelopment of the local real estate market. Its specific goal was to deliver on a massive scale and maintain, for the duration of a long-term contract, subsidized affordable housing, or housing for social interest as it is locally known (HIS), as well as market affordable housing (HMP) units and associated urban infrastructure within central ZEIS districts (ZEIS 3 according to the city's Strategic Master Plan). The target population consisted of low-waged first-time homebuyers, which, according to state rules, include those with earnings between the equivalent to one and ten local monthly minimum wages (MMW).<sup>2</sup> Those eligible buyers holding formal employment in the central city area were given priority.<sup>3</sup>

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<sup>1</sup> This document presents all acronyms in their Portuguese form, unless otherwise stated. For the purposes of this research, monetary values were converted from Brazilian Reais to US Dollars, according to the exchange rate of the year in which the value or price in Brazilian Reais was issued. In the remainder of the paper, Brazilian Reais will be referred to as BRL, and US Dollars as \$. The yearly exchange rate was considered to be that of the first working day in January of each year, as follows: 2.3 for 2009; 1.7 for 2010; 1.6 for 2011; 1.9 for 2012; 2.0 for 2013; 2.4 for 2014; 2.7 for 2015, and; 3.7 for 2016. Board of Governors of the Federal Reserve System. Foreign Exchange Rates - H.10. Retrieved November 23, 2016 from [http://www.federalreserve.gov/releases/h10/hist/dat00\\_bz.htm](http://www.federalreserve.gov/releases/h10/hist/dat00_bz.htm).

<sup>2</sup> The Brazilian legal minimum wage is a monthly reference, referred to as monthly minimum wage (MMW). The minimum wage was instituted in 1936, according to law 185 from January of 1936 and decree 399 from April 1938. It is readjusted periodically to reflect inflation and facilitate income redistribution. Since the year 2000, according to law 103 from July 14/2000, state governments and the federal district can establish their own minimum wages. In the state of São Paulo the minimum wage varies according to professional category. The values applicable to the Casa Paulista PPP were: BRL 690 (\$ 363) in 2012, BRL 755 (\$ 377.5) in 2013, BRL 810 (\$ 337.5) in 2014, BRL 905 (\$ 335) in 2015, and BRL 1,000 (\$270) in 2016. Values in BRL, retrieved on October 19, 2017 from [br.advfn.com/indicadores/salario-minimo](http://br.advfn.com/indicadores/salario-minimo). The values in US Dollars were calculated based on the annual rates presented above.

A then recently-established not-for-profit planning firm, Urbem, offered a proposal that stood out from the (five) others by presenting a programmatic solution that could be applied to all the six target areas.<sup>4</sup> Drawing primarily from Urbem's model, the state government launched on February 28, 2013, with municipal and federal government's support, a PPP model for the provision of 20,221 units distributed in mixed-use, mixed-income developments. Goals of the Casa Paulista Program also included regenerating the central city's economy and addressing the region's structural mismatch between job and residential location.<sup>5</sup> Eminent domain authority was to be granted to private developers as a way to facilitate land assembly. Amended and submitted to international tender on September 24, 2014, the final model involved construction of 14,124 units distributed in four intervention areas partially matching the original six, with a provision that housing developments could also be located elsewhere within the inner city area. According to the amended model, private partners were granted eminent domain authority to assemble land for development of market-rate affordable housing, while the state assumed responsibility for providing the land for subsidized affordable housing. Ultimately, due to then unfolding investigations over corruption allegations pertaining to federal infrastructure contracts, the large-scale players that exerted greatest influence in the model's design were unable to participate in the Casa Paulista tendering process, and the state government was unable to secure private-sector partnerships for the totality of the program. The Casa Paulista PPP contract, signed on March 23, 2015, entails development of 3,683 housing units. Canopus Holding (Canopus), a local private development company, partnered with the State Government of São Paulo to

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<sup>3</sup> According to Federal Law 11.124/ 2005, the São Paulo State Law 12,801/2008, defines as social interest housing (HIS), provision to the population with earnings equivalent to up to five MMW, as well as those between five and ten MMW, as long as these do not exceed twenty percent of the state's production. Market rate affordable (HMP) refers to housing produced by the private market to the population with earnings equivalent to 10 and 15 MMW.

<sup>4</sup> Revista Construção e Negócios, 2013. Programa Casa Paulista, estimado em R\$ 4,6 bilhões, será a primeira PPP para habitação do País. December 2013. Retrieved on October 20, 2016 from <http://construcaomercado.pini.com.br/negocios-incorporacao-construcao/149/artigo302018-1.aspx>.

<sup>5</sup> It was often argued at public presentations that the Casa Paulista PPP could facilitate a more rational use of space and address a locational mismatch, since São Paulo's city center concentrates 17 percent of the city's employment, and three percent of households. In practice, to address such mismatch the Program favored eligible families with proven employment in the city center. In contrast, this posed a difficulty for candidates with informal jobs in the area, which represent the largest contingent of families of very low income, i.e., with earnings below the equivalent to 3 MMW (field notes).

manage the contract. According to the agreement, specific sites and scope of housing projects (i.e., number of units and combination of uses and different levels of income) would be established throughout the duration of the agreement. Notably, Canopus also counts as a shareholder the International Finance Corporation (IFC), the World Bank's private-sector arm.<sup>6</sup>

**Table 1.1. Scope of Casa Paulista PPP in the Different Phases of the Modelling Process**

Eligible Mortgage Buyers per Income Category (Brazilian Monthly Minimum Wage)	Housing Category	Number of Housing Units per Modelling Phase							
		Public Notice		Original Model		Tender Document		Contract (*)	
		Number	%	Number	%	Number	%	Number	%
1 to 5	Social Interest (HIS)	9,000	90%	12,508	62%	9,000	64%	2,260	61%
5 to 10	Market Affordable (HMP)	1,000	10%	3,159	16%	5,133	36%	1,423	39%
10 to 16	Market Rate	—	—	4,554	23%	—	—	—	—
TOTAL		10,000		20,221		14,133		3,683	

(\*) For final contract the HIS units addressed the population with income equivalent to 1 to 6 monthly MW

Source: Author

## Research Question

This dissertation seeks to understand how does the adoption of PPPs affect the trajectory of housing policy and provision in Brazil and in São Paulo. Two specific questions drive this research: in the first, I ask what are the characteristics of the Casa Paulista PPP model, and in the second, how public and private agents, including social groups, have affected the evolution of the model.

The proposition of a PPP for affordable housing provision, understood as a model that aims at attracting the private sector to play a leading role in the design, finance, development and long-term management of housing provision systems touches the core of the debate on housing

<sup>6</sup> In September 2012, the IFC invested \$60 million in Canopus Holding to expand the firm's operation in the high-income, middle-income, and market affordable housing markets. Source: International Finance Corporation, 2012. A IFC e o Fundo ALAC IFC investem US\$ 60 milhões na expansão da Canopus para aumentar a disponibilidade de habitações no Brasil. Retrieved on October 1, 2016 from <http://ifcext.ifc.org/ifcext/pressroom/IFCPressRoom.nsf/0/58F8769AF21221C685257A7C0063613A>. According to informal interview with an IFC director on September 26, 2015, the financial agency is not a partner on the Casa Paulista PPP. Nonetheless, as a partner of Canopus, the IFC provides a financial backing, guaranteeing access to external credit through fixed exchange rates. According to verbal information from private developers, the absence of this support for most locally owned developers in Brazil keeps them from borrowing in the capital markets.

and urban space production in Brazil, and in downtown São Paulo specifically. Creation of the National Housing Bank (BNH) in 1964, just following a military coup, established for the first time in the country's history a national housing system. Through creation of a provident fund based on compulsory saving from waged workers (the Guarantee Fund for Length of Service – FGTS), and its combination with the Brazilian Savings and Loans System (SBPE), the National Housing System (SFH) was structured in 1967. This system produced, between 1964 and 1986, “4.3 million new housing units, with 2.4 million financed through FGTS for the low wage market and 1.9 million by SBPE to the middle income market (Bonduki 2008, 73, translated by the author). These volumes, albeit impressive, represented only a quarter of the housing produced in the country during that period. Overall, the system privileged the construction industry, offering a “stable financing source for production of new units ready for delivery”, without support for already on-going community efforts to build and maintain their own houses and neighborhoods at the city's peripheral areas (Bonduki 2008, 74, translated by the author). BNH's policy reflected the interests of a developmentalist state (Arretche 1990). This state prioritized economic expansion over redistribution while implementing an import-substitution industrialization (ISI) model (Caldeira and Holston 2006). In particular, it mirrored the workings of the authoritarian regime established in 1964, by setting up a management structure that was rigid and centralized (Bonduki 2008). While developed in a way to support a private system of housing provision, the system that was actually set up is referred to as state-led and privatizing (Arretche 1990), as the state controlled production for the affordable housing sector, while subsidizing the private sector to produce market rate housing. Housing production during this period is characterized by development of massive scale public housing projects in peripheral areas, the disconnection between housing and urban policy, a complete lack of concern for urban and architectural design, and poor consideration for overall quality of living conditions, and inclusion in the city of the population of low income demanding for affordable housing (Bonduki 2008, 74, translated by the author).

The collapse of ISI and BNH occurred as the country transitioned back to democracy in the late 1970's and early 1980's. This process was ‘negotiated,’ as powerful representatives of the authoritarian regime were able to maintain their political power through the transition (Saad-Filho 2012). Social movements struggling for urban reform succeeded, nonetheless, in the democracy wave, to push for legal reform recognizing the right to housing and to the city as

basic rights (Bassul 2010, Fernandes 2007b, Rolnik 2013b). Inclusion, by popular demand, of an urban chapter in the Federal Constitution of 1988 (Articles 182 and 183), recognition of housing as a universal right in 2000 (as an amendment to Article 6 of the Constitution), the passing of Federal Law 10,257 from July 10, 2001, the City Statute, and the creation of a Social Housing System and Fund in 2005, according to the Law 11,124 from July 16, 2005, all promised to transform the way in which housing provision was addressed in the country. In particular, the aim was to democratize the system, adopt localized solutions, and decentralize financing (Bonduki 2008).<sup>7</sup> These developments reflected a broader commitment to comprehensive urban reform, as conceptualized by French sociologist Henry Lefebvre's through the right to the city ideal (Lefebvre 2001), which establishes that urban development should be promoted in a way for property and the city to fulfill a social function, understood as the use of property in a way that addresses the interests of the public, rather than private interests of the state or commercial agents (Friendly 2013, Rodrigues 2004).

Unfolding from this federal regulatory framework at the local level are city master plans such as the City of São Paulo Strategic Master Plan (PDE), which sets a menu of tools for property and the city to fulfill a social function, including, but not limited to, the ZEIS districts that the PPP Casa Paulista targeted.<sup>8</sup> According to the PDE, development of housing for social interest is to be prioritized within ZEIS districts and to happen through public participation, through setting up local resident councils. Notably, the perimeters of central ZEIS districts in which the Casa Paulista PPP unfolded, were delimited in consultation with social movements struggling for affordable housing solutions in the central city area (Tsukumo 2007). Therefore,

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<sup>7</sup> Articles 182 and 183 of the Federal Constitution constitute the urban chapter (Fernandes 2007a), affirming that municipalities are responsible for implementing urban development policy, in a way that the city and urban property fulfill a social function, for the welfare of their citizens. The City Statute regulated the Constitution's urban chapter, setting up parameters for the fulfillment of city and property's social function.

<sup>8</sup> Following the City Statute, the city of São Paulo's strategic master plan (PDE) was approved according to Law 13,430 from September 13, 2002 (PDE 2002), revised twelve years later, according to Law 16,050 from July 31, 2014 (PDE 2014). The Municipal Housing Plan (PMH 2009-2024), indicated measures to increase affordable housing provision in a way that recognized access to housing as a universal right. A new municipal housing plan was put forward for community consultation in 2016 and was not approved until completion of this research.

Retrieved on December 9, 2017 from <http://www.habitasampa.inf.br/files/CadernoPMH.pdf>.



proposing a model that concentrates decision-making within public and private agents, away from local residents and organized housing movements, seems problematic.

Proposition of a tool such as the PPP Casa Paulista, however, is not in isolation. In fact, it fits within the evolution of the country's capitalist regime and its relationship with the infrastructure, housing and real estate sector, in other words, on urban space production processes. Specifically, it relates to gradual liberalization and financialization of the national economy, and adoption of finance-led neoliberalism. These transformations sought originally to address ISI's crisis, which was manifested through continued debt crisis and cyclical hyperinflation during the 1980's and early 1990's. As an outcome of the negotiated transition back to democracy, a neoliberal regime was gradually established in Brazil (Saad Filho 2012), with a structural reform in 1994 that finally managed to control hyper inflation. Through neoliberal reform, fiscal balance was prioritized to attract private investments, through establishment of an environment that was predictable for financial investors (Paulani 2008). Social expenditures were decreased in favor of fiscal balance (Dain 2016). Rules were flexibilized so that tax breaks could be offered to private business groups and financial investors. While the finance industry was developed significantly to facilitate this new regime, "national production systems built during ISI were dismantled" (Saad Filho 2012, 23). Within this finance-led neoliberal paradigm, it was assumed that the private sector would be better able (i.e., more financially capable, more efficient and effective businesswise) to invest in the infrastructure and service sector; hence, a regulatory framework was developed to better regulate a market of infrastructure and services. In this sense, PPPs fit within a menu of tools aiming at attracting the private sector to invest in large scale public projects such as infrastructure and service provision, and for which, it is considered, the public sector alone is not able to address.<sup>9</sup>

Notably, while resulting from this gradual adoption of finance-led neoliberalism in Brazil, also referred to as financialization, the PPP Casa Paulista appears, specifically, during an *inflection* of the regime (Barbosa and Souza 2010 in Morais and Saad-Filho 2012). Neodevelopmentalism occurred between 2005 and 2015 after election, for the first time in

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<sup>9</sup> Critics argued on the other hand that within a finance-led neoliberal paradigm, and particularly by conditioning social investment to fiscal balance, as well as maintaining a high interest rate to maintain the economic environment attractive to foreign investors, there was a subordination of social policy to economic policy in the country (Paulani 2008).

Brazil's history, of a member of the Worker's Party (PT), Luiz Inácio Lula da Silva, to the presidency in 2003. The regime was characterized by an increase in social investment, in order to address the country's historical gap, as represented by investments in social programs, which "grew from 6.9 percent of GDP in 2002 to 8.6 percent in 2008 and 9.3 percent in 2009" (Morais and Saad-Filho 2012, 795). Two federal programs sought to support expansion of the country's urban infrastructure and housing sectors, the Growth and Acceleration Program (PAC) and the federal housing program My Home My Life (PMCMV). Launched in 2007, PAC sought to boost infrastructure development, addressing Brazil's significant gap in the areas of transportation, energy, water and sanitation, telecommunication, and housing. PAC's goal was to invest \$236 billion in three years in national infrastructure by combining public and private investments. In 2008 these resources increased to \$373 billion (Rodrigues and Salvador 2011). However analysis have indicated that PAC had the effect of "indirectly capturing public resources originally dedicated to social policy while offering tax relief to private agents" (Rodrigues and Salvador 2011, 153).

Launched in 2009, PMCMV's goal was to simultaneously expand housing supply and demand through financing of housing construction and home mortgages, functioning as a counter-cyclical response to the effects of the global economic recession of 2007 (Brasil 2013, Cardoso and Aragão 2012), specifically by boosting the construction and real estate industries, creating jobs, and increasing consumption through increase in subsidized affordable housing credits. PMCMV created a threshold for direct subsidy proportional to family income, indexed to the monthly minimum wage, and reduced risk to financial institutions through creation of a 'housing guarantee fund' that "provided funds for payment of benefits in case of default by unemployment and other contingencies" (Cardoso, Aragão, and de Souza Araújo 2013, 3 translated by the author). The program targeted first-time homebuyers divided into three categories: the first category included those earning less than three times the minimum wages, the second category included those earning between three and six times the minimum wage, and the third category included those earning between six and ten times the minimum wage.

The original goal of PMCMV was to build one million housing units. In its second phase, in 2011, PMCMV aimed at delivering 1.2 million housing units to the first category, relying on resources from the general budget (OGU). These were equivalent to full subsidization to affected families. To the second category, the plan was to deliver 600,000 units, funded through OGU

and FGTS, and to the third category, 200,000 units, funded solely by FGTS. These last two categories involved mortgage payments, with subsidies that decreased incrementally inversely related to income. PMCMV delivered over three million housing units and disbursed more than \$35.5 billion (2012 value) from federal housing funds between 2009 and 2012, prioritizing the population of lowest income (i.e., those with earnings equivalent to zero and three monthly minimum wages (Ibid). However, by concentrating funding on the construction and financing industries, PMCMV prioritized private business interests, not unlike the national housing policy of the BNH period (Cardoso, Aragão, and de Souza Araújo 2013).<sup>10</sup> Hence, even though prioritizing investment on the population of lower income, during the developmentalist regime housing policy did not manage to transform the production system as the urban reform agenda had anticipated.

Eloy (2013) demonstrates that federal housing funds (FGTS in particular, which is dedicated to affordable housing finance), while employed in a more progressive or ‘pro-poor’ manner during neodevelopmentalism, was still invested at levels below the fund’s own thresholds, something that, the author argues, was done to privilege financial investments. This was indicated by a gross surplus varying from 4.3 to 6 per cent in FGTS funds between 2001 and 2011 (Eloy 2013, 177). The author also argues that directing greater volumes of FGTS towards the lowest income bracket and in a way that considered local variation could result in policy able to address the country’s housing gap.

It is also argued that massive flows of public capital completed the restructuring of the housing sector in Brazil (Cardoso, Aragão and Amorin 2012, Shimbo 2010), enabling a market-affordable housing sector, more so than addressing the actually existing needs of subsidized affordable housing (Ibid). These changes were enabled through gradual reform of housing policy and finance seeking to facilitate penetration of financial capital in the system (Royer 2009), as well as flexibilization of the real estate sector, for similar purposes (Fix 2011, Sanfelici 2013). Thanks to these reforms, at the time of PMCMV’s launching, real estate development firms that

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<sup>10</sup> Of the total housing contracts celebrated under the first phase of PMCMV, 66 percent were with Brazil’s largest companies or specific purpose agencies formed by them. In the second phase, this was equivalent to 74 percent (Cardoso and Aragão 2012). Only 3.5 percent of production within PMCMV was directed to production by housing cooperatives, another sign of the program’s focus on the country’s large-scale housing and construction complex (Cardoso, Aragão, and de Souza Araújo 2013).

had traditionally operated in the high-income market opened subsidiaries focused on the low cost market. These companies attracted global financial capital, expanding their capital particularly through initial public offerings (IPOs), drastically increasing their land assets, favoring urban sprawl and pushing up land prices, specially in large cities (Fix 2011, Sanfelici 2013).<sup>11</sup>

When launching the PPP Casa Paulista, the state of São Paulo sought to channel funding from PMCMV into the central districts of its capital city.<sup>12</sup> In fact PPP proponents argued the model, applied specifically in São Paulo central city, a region with an abundance of infrastructure and significant urban vacancy that local land use policy sought to mitigate through provision of affordable housing (i.e., through the ZEIS districts), and, with its advanced land use legislation (as represented by the PDE), represented a unique opportunity to implement an urban model that could simultaneously produce social and economic value.

Representatives from the state of São Paulo housing department also argued at the time that Casa Paulista would facilitate private-led housing development inside ZEIS 3, something that the municipality had not been able to do until then.<sup>13</sup> However, it was unclear whether and how such production would occur, in part for the way in which the program was proposed, as a top down model, with planning and development decisions concentrated among the state and private consultants directly involved in the initial design, and for which success depended on the ‘valuation’ of the local environment, so that the project could combine social and economic

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<sup>11</sup> However, Fix (2011) argues that such penetration of global financial capital does not represent, necessarily, investments from international players. Rather, it could represent capital from domestic players that had invested in the financial market.

<sup>12</sup> Initially the rules of PMCMV, which delivered subsidies to income categories according to the cost of housing units and put a cap on the maximum housing price it would subsidize, restricted flow of federal funding to the state of São Paulo, particularly to the capital city, where land prices are among the highest in the country. By adhering to the national social housing system established in 2005, the state created the Casa Paulista Agency, to manage its social housing fund. The first program that Casa Paulista Agency created matched the new social housing funds to federal PMCMV funds, essentially providing a state subsidy to locally produced housing, so that these could qualify for PMCMV funding. This was also the idea of the PPP Casa Paulista; however in this case the state was also looking into leveraging greater amounts of private capital through the transferring of broader development and management roles to private partners.

<sup>13</sup> Casa Paulista Agency, 2015. Proposal for a Housing PPP in São Paulo. Hard Copy.

value. As a policy, Casa Paulista appeared to be strikingly similar to strategies associated with Brazil's traditional development model that had produced urban regions marked by segregation and unevenness. A better understanding of the particular workings of the model was required.

## Research Hypothesis and Argument

When first approaching this research I was interested in understanding what the effects of the Casa Paulista model could be on local urban space production processes (Lefebvre 1991, Gottdiener 1994), and on geographic unevenness (Smith 2008, Soja 2010). In particular, I was concerned with the potential effects of a housing model based on large-scale development of mixed-income housing in São Paulo central city, particularly during a period of real estate market's expansion that was positively associated with rapid sprawling of urban areas and rising property and land prices in the country (Fix 2011, Rufino 2012, Sanfelici 2013, Shimbo 2013). Two main concerns drove my initial inquiry: what type of housing provision would the PPP Casa Paulista enable, and what could be the potential effects of the model in the local urban environment and its population. Given the trajectory of PMCMV in the country until then, there was potential that the PPP would produce large volumes of housing in the central area of São Paulo, and it was not clear who would access that stock. Particularly problematic in this sense was the program's goal of facilitating affordable housing provision through mixed-income development, as well as its single focus on homeownership. There were no mechanisms in place to control potential conversion of subsidized affordable housing into market rate once mortgage contracts were paid off. Based on similar experience of contemporary affordable housing PPPs in the US, I was aware of the potential outcomes on community displacement associated with the development of large-scale infrastructure and housing projects (Fraser and Kick 2007, Hyra 2008).

A rapid turn in the national economic and political scenario slowed down housing and real estate investment in the country significantly. Yet the state continued to invest politically and economically in the model, in spite of the absence of interest of the international and the local real estate sectors, which I was able to gather through participant observation of meetings, and also through news reports. It was evident that other interests beyond land and property valuation in the central area were associated with the Casa Paulista PPP. In addition, during preliminary informational interviews, I noticed that state level officials referred to the PPP as a

contracting mechanism, in a way that was detached from the geography in which the program was going to unfold. There was a need to better understand the PPP model; its logic, including how public and private agents perceived it, and the trade-offs of adopting it.

To better frame the PPP Casa Paulista, I engaged with the broader PPP literature, including normative and critical. Normative literature frames PPPs, in their contemporary form, as contracting or legal tools (Farquharson, de Mästle, and Yescombe 2011) that aim at facilitating private sector participation and address public sector inefficiencies. These are supposed to derive, in particular, from development that occurred during the period immediately following World War II. In these accounts, state-led regimes were the drivers of the public debt crisis experienced in the 1970's and 1980's (Grimsey and Lewis 2007). According to the normative literature, PPPs allow for establishment of risk-sharing contractual agreements and the bundling of numerous projects in a single contract (Ibid). Critical literature on PPP challenges the assumptions of normative analysis, including with regard to the causal relationship between state intervention on development policy and public debt crisis. It is argued that PPPs represent in fact “the foundation of neoliberal governance at the local level” (Hackworth 2007, 61, Harvey 1989b) and help reinforce at the local level a finance-led neoliberal regime that is based on the primacy of private business and financial interests over collective welfare (Hackworth 2007, Lake 2015). Rather than representing new, ‘value-free’ contracting tools, PPPs are framed as enabling privatizing regimes (Moore and Pierre 1988), which prioritize systems of delivery over social distribution (Raco 2014), with important effects on social control over production (Miraftab 2004, Shaoul 2005) and on local democracy (Flinders 2005, Shapely 2013). In this view, PPPs consist of “geographically-specific mechanisms for transforming the relationship between state and markets” (Birch and Siemiatycki 2015). An overarching argument in this sense is that PPPs facilitate the replacement of welfarist policies with laissez faire, market based policies, or what Peck and Tickell (2002) describe as the roll out and roll over of neoliberalism. As follows, the challenge to research is to understand the case-specific relationships and outcomes.

With particular regard to the relationship between PPPs and processes of urban space production, it is argued that PPPs facilitate the commodification of urban land and property, so that integration of the property sector in financial circuits is facilitated. Associated with setting up these urban development schemes is often valuation of land and property prices, the

enhancing of unevenness through geographical concentration of financial resources, the prioritization of economic growth over redistribution, and the establishment of a pro-business environment (Weber 2010, 2002, Hackworth 2007, Lake 2015). These dynamics occur through different and localized strategies. For example, in the city of Chicago, (Weber 2002, 2010) describes how tax increment financing districts, or TIFs, facilitated private property investments based on the sale of city bonds, which are issued according to the expectation of land valuation that will occur as a result of the private property investments. In Brazil, Fix (2004) described how Urban Operations – a type of PPP implemented at the municipal level – while aiming at enabling local government to capture the valuation of land through sale of the right to build above what is permitted through zoning, also contributed to unevenness by stimulating market rate development suited to financial investors in strategic city areas. Associated with the sale of certificates for the extra right to build (CEPACs), urban operations can also stimulate development that prioritizes interests of financial investors over those of the local population (Fix 2004, Pereira 2016, Ferreira 2003). Hackworth (2007) presents similar analysis regarding the establishment of Business Improvement Districts (BIDs) in New York City. Recently in Brazil, PPPs have also been framed as belonging to the adoption of a new paradigm, of ‘city as a business’ (Carlos, Volochko, and Alvarez 2015), which refers to urban transformation where the city is no longer the site of production but also an element of production.<sup>14</sup> .

I also revisited the critical urban literature’s debate on how to investigate contemporary processes of urban space production. Two issues are fundamental in this debate: first, the framing of urban development as a process that is dialectical and path dependent (Gottdiener 2010, Lefebvre 1991), and second, the understanding that institutions also play a role in such production (Ball 1996, Ball 1986). In other words, the built environment cannot be solely reduced to a dispute between exchange value and use value, and research must capture the role of agents in local transformation processes (Fainstein 1994). It is argued that analysis must

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<sup>14</sup> With Casa Paulista, at first, urban transformation of the central city were thought out as a way to attract business investments, which could subsequently trickle down to social investments (i.e., affordable housing) and to the local economy (i.e., generating new businesses and creating jobs, as it was broadly assumed in Casa Paulista’s original private proposals that informed the PPP model). Later, the bundling of infrastructure and housing as a way to create a cross subsidized finance scheme set up a very particular model of housing production that I further describe on Chapter 3.

involve understanding of the workings of the property sector at its multiple scales and dimensions, as well as the role of the state in the unfolding of these policies. Finally, the insurgent citizenship literature (Earle 2012, Holston 2009) investigates social action that “happens through invited and invented spaces” (Miraftab 2009), allowing for observation of social practice that happens outside formal policy structures such as PPPs.

A review of the literature on the right to the city allowed me to frame the regulatory framework supporting urban reform in Brazil as weak and contradictory from a normative perspective, yet containing a clear definition of social function as space production that is facilitated by a state concerned with the protection of collective welfare, and through social participation (Fernandes 2007a). This ‘rights based’ policy framework is associated with the rise of ‘transgressive citizenship’ (Earle 2012), whereby social movements use text law to pressure the state, particularly through organized occupation of vacant land and property, to facilitate access to affordable housing solutions so that the right to housing can be realized. Notwithstanding, analysis of contemporary local development processes also indicate the ability of government action at the regional and local levels to circumvent policy goals (Walker 2015) and erode rights (Freitas 2017).

Based on the literature, I frame the PPP Casa Paulista as state effort to attract the private sector to play a leading role in the design, finance, development and long term management of housing and urban infrastructure development. The general hypothesis of this research is that the Casa Paulista PPP involved transformations in housing provision in a way that went beyond actual production within the program and extended into the political, economic, and social dimensions of housing, which occur at the global, national, regional and local scales. In order to capture and analyze the meaning of these transformations, I approached the model as multiscalar (associated with dynamics occurring at the local, regional, national and global scales) and multidimensional (involving the political, economic, social, and built environments). Through the testing of the research hypothesis, I sought to identify, through exploratory analysis, the specific characteristics of the model, how it evolved in its particular geography (i.e., São Paulo city center), and what early effects could be observed at the various dimensions. In looking at the characteristics of the model, I was particularly interested in identifying whether the PPP was able to leverage private capital and produce housing in scale as it intended; moreover, how it engaged with long term debt financing. Transformations associated with Casa Paulista must be better



understood, particularly when considered in light of Brazil's federal urban policy framework that aims at urban production where collective interests of local populations are to be prioritized over private, profit driven, interests.

Based on the research findings, I argue that in setting up the Casa Paulista PPP the state is acting in a way to enforce in the central city area a publicly funded, privately managed system of housing provision that concentrates decision making in public and private property development agents operating beyond the local scale, reinforces dependence on debt financing, and relies on an obscure process of land disposition. Through the evolution of the PPP model, which happens outside of social control, similarly to PPPs in different national contexts (i.e., Miraftab 2004 and Shaoul 2005), a state-private elite group in control of the model switches the logic of housing provision in the central city to best address its own views of how a housing provision model should operate. Thus, the absence of social control is not by chance, rather, it is an arrangement that facilitates the implementation of a centralized policy model. Similar to other contemporary processes of urban development and infrastructure provision in Brazil, through the PPP Casa Paulista, the state is moving away from the right to the city ideal (Walker 2015, Freitas 2017), as it seeks to return to a model that protects private property interests to the detriment of collective welfare.

## Research Method and Methodologies

When conducting this research, I addressed a concern of the broad critical urban literature, that is, to understand the workings of particular urban models, while at the same time framing these models as part of the evolution of contemporary capitalist regimes (i.e., globalized, finance-led neoliberalism). To do so, it was fundamental to establish a methodology that captures urban transformation as a process, an urban space production process (Gottdiener 2010, Lefebvre 1991) that is dialectical, multiscalar and multidimensional. The framing of urban space production as dialectical stands in opposition to the ecological perspective, which frames it “as a *natural* process flowing from the inexorable pressures for social change produced by technological innovation and the increasing societal scale which that innovation makes possible” (Gottdiener 1994, 70, emphasis in original). By dialectical, it is meant that the production of space must be understood as “tied to its mode of production” (Marx 1964, 78 in Gottdiener 1994, 72). In this sense, urban transformation is path dependent, and associated with the regime of

accumulation to which it is tied. However, this analysis draws from a Lefebvrian interpretation of space production, where it is understood that social praxis, too, interacts with capital and labor to produce the urban space (Lefebvre 1991, Gottdiener 1994). Space is at once the site and a product of the accumulation regime in which it is inserted. Thus the importance to consider scales and dimensions, so that the “specific dynamics of late capitalism” (Lefebvre 1991, 129), or as it has been framed here, finance-led neoliberalism, can be incorporated in the analysis.

The method I employed to carry out this research was the case study, “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”; in other words, when causal relationships are not clear (Yin 2014, 18). Case study can also be described as comprehensive analysis of a particular aspect of some broader phenomena; an investigation to provide general understanding, and which can be extended to other similar situations (George and Bennett 2005). As Yin (2014) highlights, shortcomings of the case study method include absence of formal methodology, lack of formal testing mechanisms, a potentially too comprehensive approach that may result in a generalist report, and finally, analysis limited by the personal subjectivities and biases of the qualitative investigator. In order to address these challenges, I followed a rigorous methodology for collecting and analyzing evidence, and reporting findings. I adopted an ‘inductive-deductive’ approach (Hyra 2008), hypothesizing that Casa Paulista represents a state effort to increase private sector participation in all aspects of housing provision, yet the specific workings of the model I identified through exploratory research. I also drew from Burawoy (1998) extended case research method. He proposes that local manifestations of dynamics associated with the globalized economy are explored “from the ground up,” taking the local environment as a starting point and subsequently drawing from theory to “extend” analysis to other dimensions. The research starts by focusing on the Casa Paulista PPP model and then expands in order to capture the role of public and private agents in the model’s design and the way in which the model further influences housing policy and provision systems at the local, state and national levels. In order to ‘place’ Casa Paulista in its own geography, I drew from contemporary literature on housing and urban space production in Brazil and São Paulo, in particular, the role of the state, public financing, and in the actually existing housing environment in central São Paulo.

I had previous knowledge of the research site, the city of São Paulo where I grew up and had previously conducted extensive research, although not particularly in the downtown area. I also reviewed the literature on urban development and housing policy in Brazil, and on urban transformation in São Paulo. I conducted a small pilot project of the investigation on the PPP Casa Paulista during June and August 2013, first conducting research during a fellowship at the U.S. Department of Housing and Urban Development (HUD), and then in Brazil. This experience helped with the design of the broader research, and assisted in the revision of some original research hypotheses. I created and maintained a research database where I kept all of my research data, primarily in-depth interview reports, and also news reports and policy documents that enabled “triangulation,” or cross checking of evidence (Yin 2014). This in turn increased the internal validity of my study.

Single case studies are justified for their critical importance (Small 2009). Burawoy (1998) argues that single case study is important for “what it tells us about society as a whole rather than about the population of similar cases” (1991, 281 in Small 2009). According to (Altshuler and Luberoff 2003, 45), “theoretically guided, in-depth studies are essential contributors to general theory construction and refinement.” The objective of this study is, indeed, to help explain the significance of adopting PPPs for housing and infrastructure provision in Brazil, and also, to understand how this model fits with the evolution of urban space production in São Paulo and the country. As the first affordable housing PPP in Brazil, implemented in the city of São Paulo, a laboratory for urban models in the country and the state of São Paulo, which is involved in a state-wide process of privatization (i.e., through its destatization program), the effects of Casa Paulista can be significant and deserve careful analysis.

Specifically, this study relies on: (i) primary field data from in-depth, semi-structured and informal interviews with key stakeholders, as well as participant observation of public meetings on affordable housing and real estate development in the context of Casa Paulista and downtown São Paulo more broadly; (ii) content analysis of policy documents and reports, and expert analysis of Casa Paulista, including technical and scholarly articles, blogs, opinion pieces, and newspaper reports. Interview data results from 43 in-depth interviews with public officials, real estate developers and community representatives directly and indirectly involved in Casa Paulista’s modeling. Interviewee selection was non-random, based on ‘a panel of knowledgeable

informants' (Weiss 1995), and occurred between July 2013 and December 2015. Interview sessions lasted between forty and ninety minutes. While taking written notes during the 2013 interviews, I recorded the 2015 interviews. The interviews in July and August 2013 were informative, focused on state and private agents directly involved in the model's design, as well as public and private agents in the US context. A second round of interviews was conducted between December 2014 and December 2015. These included municipal level agents in the public sector, community representatives, as well as private developers, involved or not in the development process, as I framed social participation as insurgency (Holston 2009, Earle 2013), and considered that "whether or not developers actually join partnerships, their markets are still affected" (Ball and Maginn 2005, 21). Analysis of policy documents, land-use plans and records of public meetings support the investigation.

## Research Findings

As the research findings indicate, at the origin of the Casa Paulista model were two processes that eventually became interconnected: the restructuring of the São Paulo State Government and its housing department driving the establishment of housing PPPs in the state's metropolitan areas, and the development of a private proposal addressing urban vacancy in downtown São Paulo in a systematic manner, and which associated the retrofitting of existing structures into affordable housing with a broader transformation of the central city. This second idea was not, at its origin, associated with a PPP model. Rather, it was based on the identification of an opportunity for the State Government to intervene on a stock of underutilized private property (according to the guidelines of São Paulo Municipal Master Plan), and to act upon it in a way to combine affordable housing provision with (re) establishment of mixed uses in the central city area. This original idea, however, did not recognize the role of social movements in the actually existing provision of affordable housing in the central city. When this original idea and establishment of a PPP model became interconnected, then it was determined that housing provision for populations of low income in the central city was to take place through private sector led, large-scale real estate development.

A key study finding is that the Casa Paulista PPP did not leverage private capital as it had intended; public capital is its primary funding source, counting for seventy percent of the capital structure of the first contract. Likewise, the model is unable to scale up affordable housing

provision in a short period as evidenced by the fact that, as this research was being completed, the program had delivered only one apartment complex with 126 apartments.<sup>15</sup> Nonetheless, the state, with support of financial institutions, continues to put forward housing PPPs models that are based on development of large scale real estate projects. Therefore while the Casa Paulista model does not leverage private capital, it inaugurates a new model of housing financing through long-term debt. This system in turn is associated with a particular urban model, of large-scale real estate projects bundled with infrastructure and service provision and long term maintenance. As proposed by Raco (2014), in implementing the PPP, the state and its private partner prioritized the system of provision (i.e., development of debt financed, large scale real estate projects in the central city area) over addressing actually existing needs of the central city's affordable housing sector and the local population.

That the Casa Paulista PPP does not leverage significant amounts of private capital was not by chance. During the modeling process, private PPP specialists pointed to the availability of public capital for infrastructure and housing at subsidized rates as a key facilitator of large-scale housing developments in downtown São Paulo. The idea of PPP specialists was that cheaper financing sources for infrastructure, with annual real interest rates at 3.25 percent, (below estimated inflation rates at 4.5 percent) would subsidize the more expensive housing funding sources, with annual real interest rates at 4.59 percent for subsidized affordable housing (from PMCMV), and at 8.13 percent for market affordable housing (from SFH). Also, revenue from market rate commercial and residential uses could generate more funding for affordable housing provision (Urbem 2012). The novelty of the economic model was to offer a solution for PMCMV resources to flow into the city of São Paulo, which up until then had not been possible due to the cap on funding according to project cost. However, by employing public funds in order to set up a private debt financing system, Casa Paulista maintained a trend in Brazil whereby public capital is employed in the funding of public provision systems in a way that prioritizes the expansion of private market systems that operate with the logic of profit maximization (Arretche 1990, Fix 2011, Royer 2009, Eloy 2013, Shimbo 2010, Cardoso and Aragão 2012).

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<sup>15</sup> The program also delivered a second housing project with 91 housing units on January 24, 2018 at Alameda Glete (Glete Street) in downtown São Paulo (note from the author).

I define as the ‘hollowing out of public participation in housing policy,’ the way in which the Casa Paulista processes enable transformation of the rules and meaning of public participation. As described, according to the City Statute and São Paulo’s PDE, based on the Constitutional principle that property and the city fulfills a social function, participation shall drive urban policy, which is designed and implemented at the local level, to guide urban transformation and implementation of provision systems. With Casa Paulista, however, the state relies on the PPP rules to circumvent local land use policy and diminish the role of public participation. According to the PDE, in ZEIS 3 districts, community councils should be formed to deliberate over design and implementation of urban development projects, particularly housing provision. In this case however, the state government relied on the state PPP law to adopt different rules regarding public participation, and which have diminished its relevance. To be sure, local residents and social movements managed to take part in the process and to achieve some limited ‘gains’. However this outcome was achieved through ad-hoc agreements and open opposition to the program, rather than open and collective debate over possibilities of housing production that reflect the actually existing environment, as it is envisioned in the City Statute and the PDE.

In order to promote the large scale, mixed-use, mixed-income mega project approach that private PPP designers envisioned, the state prioritized negotiations with large scale infrastructure contractors operating at the national scale and with ability to leverage (public) financial capital. In fact, as my analysis demonstrates, institutional role and scale of operation influenced public and private agents’ understanding of the meaning of the PPP, and actual ability to influence the model. The idea that PPPs ‘transfer to private agents the role of provision’ is inaccurate. Rather, it is a small group of players within the private sector that is ultimately able to control the model. This happens through the help of the state, which alters the model according to the specific interests of this group, and in spite of an overall perception of private developers about the model, namely, that it represents a high risk in terms of investment. The fact that Canopus, a mid-sized firm operating regionally, signed a contract is not an indication that the model is suited for this type of player; rather, this occurred only because of the financial backing of IFC. In implementing the PPP, the state and Canopus, with the backing of IFC, are able to implement a model that is not adequate to address affordable housing needs in the city. Rather than inducing local real estate developers and landowners to free up centrally located land for development, or

to lower property prices, the model forces down in the local environment the “subsidized ‘private sector’ outputs coming out of [Casa Paulista’s] projects” (Ball and Maginn 2005).

As follows, a key finding is that *it is land price and structure, and not a lack of (public) funding, which challenge affordable housing provision in downtown São Paulo*. This is demonstrated by the fact that the original PPP model served primarily to combine municipal and state funding to subsidize land in the central city, so that housing projects could qualify for federal funding (through PMCMV), and to allow for cross subsidies, and low-cost infrastructure funds could support land assembly. In the PPP model, adoption of a menu of local tools aimed at facilitating state control over speculation, in particular, through maintenance of vacant property, was not considered. The state argued that this was a local matter. However, as I further describe, this same state exceeded the municipal mandate over land use management when bundling infrastructure and property development through the PPP. Hence, the state selects when to comply with local legislation, and when to circumvent it.

Another important research finding is that when the state assumed the risk of assembling land for provision of HIS, it engaged, with support of its private partner, financial institutions funding the model, as well as the municipality, in an ad-hoc system of land acquisition through expropriation or swap of public property controlled by national, state and municipal agencies, through a process that added significant obscurity to public land management. Maintenance of a stock of land where affordable housing provision is prioritized is considered crucial for maintaining housing affordability in the city. I argue that only by keeping the public away from land allocation decisions, the state and its private partner can dispose of public land in a way that is more beneficial to the program. I refer to this dynamic as the ‘privatization of planning and the socialization of risk’.

## Research Implications

This study offers important contributions to theory and practice. First it is the identification that, not unlike other PPPs and housing programs in the country, public funding is prevalent in the State of São Paulo’s effort to stimulate a private market in São Paulo through Casa Paulista. As empirical findings from the study also show, private agents are not willing to finance public projects; rather, these agents are interested in leveraging public funding to finance their own business interests. Future research should seek to understand the trade offs of adopting

the PPP model in substitution to traditional contracts, both in terms of project cost, as well as governance. As this research describes, a PPP such as Casa Paulista adds not only complexity but also opacity to housing provision in São Paulo. It is very important that research continues to identify the workings of new models unfolding from this first PPP, and to challenge their normative rhetoric.

This study addresses an interest of the international and the Brazilian critical urban literature, namely, to understand the particular workings of contemporary models of urban space provision broadly associated with finance-led neoliberalism. The Casa Paulista model is quite simple in this regard as it does not count on the commercialization of financial instruments such as other PPPs implemented in the country. Casa Paulista, however, stimulates a process of commodification of public and private land previously reserved for provision of affordable housing by the state and the market. Through Casa Paulista, this land stock is incorporated into housing projects for which there are no guarantee of long-term affordability, as units can be commercialized at market value once mortgage contracts are paid off. This study also highlights how Casa Paulista represents a continuation of a process of ‘recentering’ of housing policy established with the federal program PMCMV, and enabling also that the state influences urban policy in a way that is not predicted in the Constitution. Research on PPPs in Brazil must continue to understand what the broader effects are of this recentralization of housing and urban policy to the country’s federalist system, to the housing market, and to social practice.

This research contributes with an analysis of the real estate sector in the central area of São Paulo. As Theurillat, Rérat, and Crevoisier (2014) conceptualized, and Botelho (2007) described in relation to the city of São Paulo as a whole, there are different types of housing agents operating in the housing sector; notably, in São Paulo city center, community agents frame housing not as a market or a commodity, but rather as shelter with use value. My study in particular also highlights how local agents lose space, or political power as the process moves forward. Both social agents and local market players lose power. Indeed, this analysis indicates that the ability to influence the model has less to do with local knowledge and more to do with the ability to access financial capital, in spite of the significant power that the local real estate industry has in São Paulo state and the city. Contrary to common thought, the state, in putting forward the PPP Casa Paulista, *did not* support the local real estate industry, but rather, regional level players with backing from financial institutions whose interests are disconnected from the



local environment. That local agents did not engage in actual contract agreements with the state is not a sign of market efficiency as proponents of the PPP assume, as the state distorted the PPP model significantly in favor of large-scale players in order to secure a private partner. Renewed support of mid sized contractors to new PPPs, in spite of their initial negative perception of Casa Paulista, suggests that state and private agents continue to work to find a model that can suit their private interests. More research is necessary to understand this continued rearrangement, or entanglement, of state and markets.

Finally, this study highlights how the state, through the PPP, conflates the goal of local land use policy designed to promote development for property and the city to fulfill a social function. In this particular case the state conflates the goals of ZEIS 3 districts in downtown São Paulo, where housing provision should be designed and implemented through participatory practices. Instead the state replaced ZEIS' procedures with the more restrictive norms of the PPP law, helping to facilitate the unfolding of a model that best addresses property interests of the state and its development and financial partners. Further research should look at the effects of PPP models such as Casa Paulista on the trajectory of local land use mechanisms design to facilitate urban transformation for property and the city to fulfill a social function.

## Document Outline

This research is divided into six chapters, including this introduction. Chapter 2 elaborates on a theoretical framework to analyze a PPP such as Casa Paulista. Two sections compose this chapter; the first is a review of mainstream and critical theories on the PPP mechanism and its relationship with urban space production. The second is a review of the literature on modernization, urbanization and housing provision in Brazil. Chapter 3 presents the findings from the exploratory analysis of the Casa Paulista PPP model. First it describes the geography in which the PPP is inserted, namely, the central districts of the city of São Paulo. Second it identifies the origins of the model, and then describes the evolution of the model's main components, i.e., the urban, economic and legal, from the original request for private proposals by the state government of São Paulo, until the signing of a contract with Canopus Holding. Chapter 4 identifies the broad set of actors that participate in the PPP, analyzing their interests and actual abilities to influence the model. Chapter 5 presents analysis of the PPP Casa Paulista in light of the goals of the right to the city principle, as it is reflected in the City Statute

and the city of São Paulo's master plan. Chapter 6 concludes with a summary of the study's main findings, points to relevant research implications, and also highlights the study's limitations, main contributions, and questions for further research.

## Chapter 2. A Framework for Analysis of Affordable Housing PPPs

On June 2013, through a bilateral agreement, the governments of the US and Brazil conducted a Policy Learning Exchange to learn about and discuss adoption of ‘place-based’ partnerships in both countries. Although not explicitly defined in official documents, the idea of place-based initiatives reflected a policy shift from programmatic to project-based urban interventions. In the affordable housing sector specifically, these models sought to transform existent neighborhoods or create new neighborhoods where affordable housing was combined with market rate housing and commercial developments (i.e., mixed-income and mixed-use developments)<sup>16</sup>. In the US, these initiatives were already ongoing, particularly through the federal housing program HOPE VI that, between 1992 and 2009, allocated \$6 Billion in federal dollars to replace public housing states with mixed use, mixed income developments in American inner cities, and its follow-up program Choice Neighborhoods, launched in 2011.

The specific objective of the exchange was for government officials from the Housing Department of the State of São Paulo to present to officials from the US Department of Housing and Urban Development (HUD), local governments, non-governmental organizations and private developers in the US the first affordable housing PPP adopted in Brazil, the original design for which reflected a place-based development plan. Representatives from Brazil used the opportunity to present the program to international investors as well. Casa Paulista was presented as a program that sought to leverage private capital to promote a comprehensive renovation of the city of São Paulo’s central districts that was based on the large scale provision of affordable housing (São Paulo State Government 2013). Its premise was that a mutually beneficial, risk-sharing agreement would direct private capital to downtown São Paulo’s housing sector and urban environment, enabling the scaling up of housing provision and boosting the local economy.<sup>17</sup>

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<sup>16</sup> U.S. Department of Housing and Urban Development. About Place-Based Initiatives. Retrieved on November 21, 2017 from [https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/economic\\_development/place\\_based/about](https://portal.hud.gov/hudportal/HUD?src=/program_offices/economic_development/place_based/about).

<sup>17</sup> As part of my PhD work I was a research fellow at the Office of International Innovation and Philanthropy (IPI) at the US Department of Housing and Urban Development (HUD) between May and August 2013. There, I focused on the analysis of projects associated with this information exchange, particularly with relation to Casa Paulista PPP.

At the time, through neodevelopmentalism, or an inflection in the country's finance led neoliberalism (Saad-Filho 2012), Brazil was experiencing an economic boom, with the country's GDP jumping from \$508 Billion in 2002 to \$2.6 Trillion in 2011 (World Bank).<sup>18</sup> During the same period the minimum wage went up by 70 percent and 21 million new formal jobs were created; in 2010 alone, the GDP expanded by 7.5 percent, "the fastest rate in decades" (Saad-Filho 2016, 2). As described at the introduction of this study, expansion of the infrastructure and property sectors was keen to this regime, both as a way to address historical unevenness, as well as to expand the national economy. The federal programs PAC and PMCMV were also strategic in this regard. While PMCMV delivered housing at large scale and focusing on a population that had been historically underserved, investments privileged the construction and finance industries, enabling completion of a neoliberal restructuring of the housing sector.

Casa Paulista was designed to expand PMCMV into the city of São Paulo's central districts, leveraging private capital and market expertise to all project stages, including long-term maintenance.<sup>19</sup> While informed of PMCMV's shortcomings by their Brazilian counterparts, HUD's government officials assumed that the program's mass scale approach to a place-based partnership model was very innovative and could be effective.<sup>20</sup> Brazilian officials, on the other hand, wanted to better understand housing financing mechanisms and long term housing maintenance models practiced in the US, based on their assumption that the lack of affordable housing provision in Brazil was due to an absence of financial capital due in part to a lack of financial tools.<sup>21</sup>

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<sup>18</sup> The World Bank. Retrieved on May 15, 2017 from <http://data.worldbank.org/country/brazil>.

<sup>19</sup> Public Solicitation no 004/2012, 1. Retrieved on October 1, 2016 from [http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/edital\\_chamamento\\_004\\_12.pdf](http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/edital_chamamento_004_12.pdf).

<sup>20</sup> Field notes from preparatory meetings to policy learning exchange, June 2013.

<sup>21</sup> Housing provision systems in the US and Brazil, however, cannot be directly compared. In the US, formal systems of housing provision have produced "on average more than 1.75 million homes annually since 1975" (Schwartz 2013, 11). The country's housing finance system, created after the great depression of 1929 and which evolved in a secondary mortgage market, underpins this system. Housing affordability is the country's greatest challenge, with "less than 2 percent of all households residing in severely deficient housing and less than 6 percent confronting overcrowded conditions, [but] more than 11 percent spending half or more of their income on housing expenses, including 16 percent of all renters" (Schwartz 2006, 23). The effect of the recent foreclosure crisis, which to critical analysts, has highlighted the limits of a secondary mortgage market as a solution to the universalization of

Representatives from the US and Brazil shared two common beliefs regarding the Casa Paulista PPP: first, that the city of São Paulo's comprehensive land use policies, experienced public officials, and seasoned housing industry would be able to, respectively, guide real estate development, control speculation, and develop innovative housing projects, avoiding the mistakes of PMCMV that had been observed in other parts of the country. Second, that international financial capital could help the program achieve its ambitious goals. US government officials were interested in understanding under which circumstances private developers and investors would be attracted to affordable housing markets in emerging economies such as that of Brazil, thus their interest in the analysis of the Casa Paulista PPP.<sup>22</sup> The federal government in Brazil, on the other hand, was committed to continuing investing in the affordable housing sector, already planning for a third phase of the program PMCMV to better address the needs of large cities such as São Paulo.<sup>23</sup>

At the local level, the PPP was criticized for not reflecting the diversity of housing needs in São Paulo's central districts, or São Paulo's 'actually existing housing conditions' (Lefebvre 1991). Notably, it did not address a significant demand in the area associated with affordable

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private housing provision (Aalbers 2008), has also contributed to the affordability crisis. Finally, the stock of affordable housing, or low-income housing, is actually publicly owned and offered through (social) rent. In Brazil however, as of 2010, 10 percent of the country's total households were either unable to have a home, or lived in inadequate conditions, and 72 percent of this deficit affected the population earning the equivalent of up to three minimum wages (IBGE in Royer 2009). Hence the country's poorest groups are still challenged with lack of housing, as well as lack of financial means to access it. Most of the formal housing production is financed through the national housing finance system (SFH), based on a traditional savings and loans system. This is in spite of efforts to develop a housing finance system similar to the US model, the Real Estate Finance System (SFI), first established in 1997. Finally, the concept of access to housing as a universal right (i.e., right to housing) is recognized in Brazil since the year 2000, while in the US it is not recognized.

<sup>22</sup> This was also an interest of policy research institutions such as the Brookings Institute in the US, under its Global Cities Initiative, and Urban Age in the UK, that had recently conducted conferences in Brazil to explore ways to support the expansion of that market. Brookings's Global Cities' conference in São Paulo. Retrieved on December 6, 2017 from <https://www.brookings.edu/project/global-cities/>. Urban Age's conference in São Paulo. Retrieved on December 6, 2017 from <https://lsecities.net/ua/conferences/2008-sao-paulo/>.

<sup>23</sup> A third phase of PMCMV was launched on March 30, 2016 with the goal to produce another 2 million housing units. Governo do Brasil. Retrieved on December 6, 2017 from <http://www.brasil.gov.br/infraestrutura/2016/03/minha-casa-minha-vida-chega-a-3a-fase-com-2-milhoes-de-novas-moradias-ate-2018>.

rental, expressed in particular by the social housing movements located in the area (José and Silva 2013).<sup>24</sup> Local resident groups in particular were concerned that a large scale urban transformation process could result in their displacement, either to open space for new developments or due to continued increase in property prices.<sup>25</sup> A characteristic of these central districts was a large concentration of urban vacancy, including in the form of empty buildings and lots within the already established urban grid (Silva and Sigolo 2007). Casa Paulista's large-scale development model focused on large lots that required significant work and capital investment in land assembly, thus not taking advantage of the potential for retrofitting existing buildings. Also, it did not offer a solution for controlling the rise of land prices except for granting to the private sector eminent domain authority to facilitate land assembly, an aspect of the program strongly opposed by local residents.

Around the same time that the Casa Paulista PPP was being modeled, there were other large-scale projects under way in the country that also relied on the PPP model, broadly speaking. Examples were the Nova Luz Project in São Paulo, the Porto Maravilha PPP in Rio de Janeiro and the development of a new residential neighborhood, Jardim Mangueiral in the outskirts of Brasília. Nova Luz was proposed for the same geography of Casa Paulista. Moreover, it drew from a similar idea of transferring planning and development responsibilities to private developers, including through the granting of eminent domain authority to private agents to facilitate land assembly. However, Nova Luz was based on the mechanism of urban concession, a tool originally introduced in the 2002 master plan (PDE 2002), according to article 239. The PPP Casa Paulista, on the other hand, was based on the mechanism of administrative concession, according to the PPP state law and federal laws. Moreover, Nova Luz sought complete renovation of a 45-block perimeter with primarily market-rate developments (Gatti 2015), while the PPP Casa Paulista was based on scaling up affordable housing provision. Similar to Casa Paulista, underpinning the Porto Maravilha project was the PPP framework.

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<sup>24</sup> José, Beatriz Kara and Silva, Helena Menna Barreto. September 12, 2013. Carta Maior "A PPP da Casa Paulista: solução ou impasse para a moradia popular no centro de São Paulo?" Retrieved on November 3, 2017 from <http://cartamaior.com.br/?/Editoria/Cidades/A-PPP-da-Casa-Paulista-solucao-ou-impasse-para-a-moradia-popular-no-centro-de-Sao-Paulo-/38/29759>.

<sup>25</sup> Manifestation presented at Casa Paulista PPP's public consultation session. Retrieved on March 13, 2017 from [https://raquelrolnik.files.wordpress.com/2013/06/manifestac3a7c3a3o\\_ppp.pdf](https://raquelrolnik.files.wordpress.com/2013/06/manifestac3a7c3a3o_ppp.pdf).

However, like Nova Luz, it was not focused on affordable housing, but rather on renovation of the city's port area. Moreover, the goal of the Porto Maravilha PPP was to promote market rate, predominantly commercial urban development at a massive scale enabled by the sale of Certificates of Additional Construction Potential, or CEPACs, (Pereira 2016). Finally, the PPP Jardim Mangueiral (Rufino 2015) consisted of a primarily low to middle-income new neighborhood developed at the outskirts of Brasília. There was not a focus on inner city redevelopment or in low cost housing such as in the case of the PPP in São Paulo. The Casa Paulista model was unique; its understanding required further exploratory analysis.

During the international meetings in June 2013, Brazilian officials met with federal and local government counterparts involved in housing and urban development programs, as well as commercial and not-for-profit organizations involved in housing development and management, and research institutions. They also took the opportunity to organize meetings with financial institutions. I was present in the US-organized meetings with government, commercial and non-profit, and academic institutions and had the chance to ask Brazilian developers about the outcomes of meetings with investors. The overall perception was that international investors and developers were reticent about investing in São Paulo's central city real estate market. Political risk due to potential electoral change, lengthy licensing periods, and lack of transparency in the permit process were among the justifications international developers presented for not investing in the area. Moreover, the rate of return on investment that the state was offering, of 9.5 percent, was considered too low to these players, especially given their perception of investment risk. Finally, the program's overall financing scheme and incentives to foreign investor were unclear to US groups. While some of them were quite familiar with Brazil's recent expansion of the real estate market, even taking part in these operations through IPOs, they were not interested in investing in São Paulo's downtown market, considering its level of risk in comparison to other 'global real estate markets.'<sup>26</sup>

Subsequently, during initial interviews with the state of São Paulo's housing officials in July and August 2013, I observed their framing of the PPP mechanism not as a place-based development tool, but as a contractual mechanism; a natural improvement of public management and financing, with the ability of streamlining contracting processes and combining different

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<sup>26</sup> Field notes from meetings with São Paulo state representatives, developers and investors, June 18-20, 2013.

sources of funding and leveraging of private capital to scale up housing and infrastructure provision. These officials were less concerned with the effects of Casa Paulista on space production in the central districts of the capital city and more focused on enabling such a new contracting mechanism to move forward, which, they assumed, would help facilitate expansion of private-led affordable housing provision systems.<sup>27</sup>

The modeling of the PPP Casa Paulista extended a year beyond the original schedule - original plans were to have a contract signed in October 2013 (São Paulo State Government 2013, 14). The actual contract, celebrated in March 23, 2015, represented a little over a quarter of the provision volume that the state had tendered, and which was already down by a third from the original model. Housing development and transformation was not to occur at the pace and scale that was originally envisioned, and which had drawn my interest as a researcher in the first place. Nonetheless, PPP proponents on the government side, particularly in the state of São Paulo, maintained support for the PPP. It was important to understand why, and how exactly the Casa Paulista model affected housing and urban space production at its various scales and dimensions.

In the remainder of this chapter, I review the theories supporting the formulation of a theoretical framework for analysis of a PPP for affordable housing provision such as Casa Paulista. The review is divided in two main parts; the first concerns the worldwide adoption of PPPs in present times and how these relate to transitions in ‘late capitalism,’ more specifically, finance-led neoliberalism. The second concerns the evolution of housing provision during modernization and urbanization in Brazil, and how PPPs relate to this particular scenario.

## **Part I. Understanding PPPs**

I start this first section by looking at federal legislation undergirding the PPP framework in Brazil. Then, I present mainstream and critical approaches to the definition of PPPs to argue that interpretation of PPPs as a simple contract does not capture the mechanism in its entirety. Mainstream literature frames contemporary PPPs as resulting from the evolution of contracting law. While often overoptimistic about development outcomes, these mainstream analyses are often not comprehensive enough to capture the overall transformations that occur through PPPs

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<sup>27</sup> Notes from informational interviews with São Paulo state employees at Casa Paulista Agency, July-August 2013.



(Hodge and Greve 2007). Critical analyses, in contrast, place PPPs within transformations in contemporary capitalism, and rise of finance-led neoliberalism. Studies emphasize associations between PPP agreements and broader processes of state-led privatization that are marked by a prevalence of contract agreements ruling over systems of democratic governance, the strengthening of links between public and private elite agents, and integration between property and the financial sector leading to political, social and economic rearrangements in the process of urban space production (Hackworth 2007, Miraftab 2004, Raco 2014, Shaoul 2005, Weber 2002, 2010).

Subsequently, I review the literature on modernization and urban development in Brazil in order to place the PPP Casa Paulista in the country's evolution of urban development and affordable housing provision. Some key dynamics become evident through this review: the first issue is that, historically, urban and housing policy in Brazil has been designed and implemented in a way to prioritize expansion of construction housing industries, and later the financial industry. This dynamic is positively associated with formation of segregated cities and regions, and concentration of investments in the 'formal city,' often appropriated by the political and economic elites. Historically, the popular struggle has sought to break away from this legacy, through decentralization of policy design and finance, and adoption of local solutions, based on popular practices. This is central to the organized struggle for housing and urban reform in the country. The second issue is that public funding has historically underpinned urban and housing policy in Brazil, in particular, during the country's recent "neodevelopmentalist" period. The claim that lack of public funding is the main cause for affordable housing provision not happening at the scale comparable to the existing needs is not supported in these critical empirical analyses (Bonduki 2008). In fact, I emphasize the argument of critical housing literature in Brazil indicating that, as part of the evolution of the country's finance led neoliberal regime, low-risk funds captured through the traditional savings and loans system – based on compulsory deposits of waged workers – are employed in a way to expand the private financial market, compromising investments of low-cost, low-risk capital on infrastructure and housing (Eloy 2013, Fix 2011, Royer 2009, Sanfelici 2013). As follows, this research seeks to understand the workings of the Casa Paulista model, and at the same time, how it relates to the struggle for appropriation of housing and urban space provision in its particular geography, São Paulo's city center.

## Adoption of the PPP Mechanism in Brazil: Decreasing the Private Sector's Risk

Brazil's regulatory framework defines PPPs as “*a form of provision of public infrastructure and services in which the private party is responsible for project design, financing, construction and the management of assets that are later transferred to the state. The public sector becomes a partner in the sense that it is the main buyer, of the whole or a part, of the services made available. Control of contracts adopts a system of indicators related to the performance of services delivered, rather than physical and financial asset's control*” (Brito and Silveira 2005, 8, translated by the author, emphasis in original). In other words, PPPs are concession agreements where public and private sectors share development risks, with the state reimbursing for part or totality of private investments in installments, through a long term debt-financing contract and upon delivery of agreed services (Ribeiro 2014).

While inspired by the United Kingdom's model, Brazil assumed a narrow definition of the term, with mainstream legal experts framing PPP contracts in Brazil as legal tools that support the regulatory framework underpinning the national infrastructure market (Brito and Silveira 2005). According to this understanding, the PPP law aims at facilitating private sector participation and leveraging private capital in public infrastructure development projects. Prior to Federal Law 11,079/2004, (PPP Law) of December 30, 2004, subsequently modified by Federal Law 12,766 of December 27, 2012, two types of contractual agreement regulated this market: direct contracting (Law 8,666/ 93) and traditional concession (Law 8,987/95). Analysts argue that direct contracting can be too costly to the public sector that, in this modality, is solely responsible for conducting, prior to celebration of a contract, preliminary studies, including environmental assessments, and applying for licenses. In the case of traditional concession, the responsibility for these preliminary efforts is transferred to the private sector. Private agents consider these as ‘project development risks,’ and invest primarily in sectors where risks are low, and returns on investments more clear. For example, the traditional concession model has adapted well for projects that accommodated user fees, such as toll roads and airports. However, it has not been adopted for social service provision. The PPP law filled a gap in the so-called ‘infrastructure market’ by offering a legal framework where public and private sectors share

project risks. State counter payments and user fees are used to compensate private sector investment and long term management.<sup>28</sup>

The PPP law assumes two types of concession: sponsored and administrative. In the former, the public reimburses for part of the private investment while the rest is recovered through user fees. In the later, the state compensates for the totality of the private investments through state counterpayments. PPP contracts are long-term, encompassing “an integrated set of activities (construction, finance, operation and maintenance), with objective allocation of risks and incorporation of long-term fiscal commitments on the side of government” (Radar PPP 2015, 8). PPP contract periods vary between five and 35 years; contract value cannot be below BRL 20 million and the percentage of government’s current net revenue (CRN) on PPPs cannot pass five percent. Federal legislation rules PPP implementation at regional and local levels, although states and municipalities have also enacted their own laws.

Since its inception, the regulatory framework for PPPs in Brazil has been transformed to facilitate private sector participation (Rufino 2015). Reforms include: decree 5977/ 2006, which enables the solicitation of PMIs by the public sector; law 12,431/2011, which reduces taxes on income generated through financial operations performed by SPEs; law 12,766/2012 and the decree 8.428/2015, which sought to stimulate even further the participation of private agents on

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<sup>28</sup> Information provided in the author’s interview with Rafael Vanzella, partner at the law firm Machado Meyer that consulted for the modeling of the PPP Casa Paulista, and legal expert in the area of large-scale infrastructure and urban management contracts. Interview was in July 31, 2015. With specific regard to adoption of the PPP model to the affordable housing sector, Vanzella comented: “there are too many risks in a social housing development project in Brazil that the private sector cannot control. If you start to transfer these risks to the private sector, the cost of private capital will be so high that the business will be infeasible. In other words, the housing units, which now have a value that reflects the market, namely, the land, construction, profit, will also absorb the cost of capital. This makes the project infeasible. So the public sector, it has to somehow participate in this game, simplify this risk matrix and absorb the risks that the private sector cannot absorb.” In Brazil, the Interamerican Development Bank (IDB) “supported both the national and sub-national authorities from the beginning of the early stages of the development of the PPP law that was approved by Congress and through the support to the development of the institutional capacity for PPP project preparation, evaluation and structuring, project financing and co-financing” (Queiroz, Astesiano, and Serebrisky 2014, 11).

preliminary development of infrastructure projects (Castro 2015)<sup>29</sup>. Overall, there has been unequivocal support from the public sector, regardless of its political orientation, for expanding the PPP mechanism in Brazil and stimulating greater participation by the private sector, with the objective of increasing investment capacity in the infrastructure and service sectors.

Prior to the federal PPP law, notwithstanding, local governments in Brazil have relied on place based public private partnerships, the aim of which is to ‘capture value’ resulting from urban development, and reinvest it in the development of infrastructure and services at the local level. Establishment of special zoning districts, i.e., urban operations, and the issuing of certificates that grant special building rights, and which can be traded in the stock exchange, underpin these local level PPPs, as I further describe below.

### **PPPs and Contemporary Processes of Urban Space Production**

Broadly considered, PPPs can be described as “cooperative institutional arrangements between public and private sector actors” (Hodge and Greve 2009). These arrangements are not new, having funded the construction of toll-fee roads (i.e., turnpikes) in England and the US since the 18<sup>th</sup> century (Grimsey and Lewis 2007). What were then relatively small undertakings introduced the concept of ‘user fee,’ or conditioning service provision on the payment of a user fee, in this case road access. It also set up the model for private corporations to take charge of particular systems of infrastructure or service (Ibid).

During the modernization period in the US, PPPs were central to the development of the highway industry. This mechanism also underpinned the post World War II reconstruction of Western European cities, particularly in Great Britain (Shapely 2013). In their contemporary form, PPPs are associated with the crisis of public financing that marked the collapse of interventionist regimes, that is, Fordism-Keynesianism regimes in economies at the center of capitalism and import-substitution industrialization (ISI) regimes in peripheral economies, and subsequent rise of fiscal austerity that followed the post World War II era (Altshuler and

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29 Carvalho, André Castro. July 28, 2015. Observatório de PPPs. Estudo jurídico sobre o Decreto nº 61.371/2015 (o “decreto dos PMIs”) do Estado de São Paulo. Retrieved on October 20, 2016 from <http://www.pppbrasil.com.br/portal/content/artigo-estudo-jur%C3%ADdico-sobre-o-decreto-n%C2%BA-613712015-o-%E2%80%9Cdecreto-dos-pmis%E2%80%9D-do-estado-de-s%C3%A3o-pa>.

Luberoff 2003). However, mainstream and critical analysts hold different views about how to interpret PPPs today.

Framing the PPP mechanism as a contracting tool, mainstream analysts argue its objective is to enhance the production and delivery of public goods and services, particularly large scale infrastructure, addressing government's fiscal and technical constraints, and promote economic growth (WorldBank 2014, 34).<sup>30</sup> Similarly to what is assumed in mainstream analysis of PPPs in Brazil described above, it is assumed that PPPs can facilitate the flow of private capital towards economic sectors in which the private sector alone is not willing to invest (Grimsey and Lewis 2007). Analysts argue that contracts based on risk allocation increase certainty to involved parties. It is also assumed that the bundling or integration of all project related technical and financial responsibilities under a single contract "incentivizes the single party to complete each project function (design, build, operate, maintain) in a way that minimizes total costs." Moreover, it is considered that establishment of a long-term contract with flexibility for incorporating innovations enables private partners to focus on service delivery and performance, and to pursue additional sources of funding to finance particular projects, in a way that the public sector is not able to do (Farquharson, de Mästle, and Yescombe 2011, 31).<sup>31</sup>

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<sup>30</sup> International finance organizations such as the World Bank defend that public-private partnerships can leverage new resources for development of infrastructure necessary to address local needs and support economic growth (WorldBank 2014, 34). This institution has calculated that, in 2010, Sub-Saharan Africa "needed to spend US\$93 billion a year on infrastructure, of which only US\$45 billion was already being met (...) creating a total funding gap of US\$48 billion" that could potentially be raised through the setting up of public-private partnerships. Similarly, the Inter-American Development Bank calculated that, in 2013, "the additional investment needed in infrastructure in Latin America amounted to US\$100 billion per year – 2 percent of regional GDP." Similar calculations are made for more economically developed regions. The general hypothesis supporting these calculations is that the public sector alone cannot design and finance systems of infrastructure and service provision that are comparable to the demand, hence private capital is needed in order to 'bridge the gap.'

<sup>31</sup> According to Grimsey (2004, 176-7), the following principles govern risk allocation in PPP projects: "specified service obligations, payment and price structure, and express contractual provisions adjusting the risk allocation implicit in the basic structure." Usually risk sharing agreements within PPPs include a comprehensive list of project risks, with each risk being associated with the party that is understood as best fit to address it. PPP contracts also offer legally binding guarantee funds in the case that contracts are forfeited.

Hodge and Greve (2009, 33) on the other hand argue PPPs must be understood “as phenomenon rather than a technique; a set of governance tools as well as a set of language games.” These authors challenge the preference of states and financial institutions for the PPP mechanism over other forms of public contracting, suggesting that political popularity has often trumped careful evaluation of this tool. It is argued that in the setting up of PPPs there is often far greater concern with regulating and monitoring the roles, responsibilities and potential benefits to public and private sector actors and much less attention to the outcomes for local citizens (Greve and Hodge 2013). Finally, there is yet need to improve the reliability of research findings.

Critical urban scholars concerned with the effects of contemporary political and economic regime change on the built environment associate the rise of PPPs with the transition from post New Deal and World War II state-interventionism to neoliberalism, framing PPPs as “the foundation of neoliberal governance at the local level” (Hackworth 2007, 61), and “geographically-specific mechanism for transforming the relationship between state and markets” (Musson 2008 and Cumbers 2012 in Birch and Siemiatycki 2015, , 4). It is understood that PPPs facilitate the unfolding of neoliberalism in the local environment (Brenner and Theodore 2005), specifically, through ‘roll-back neoliberalism,’ defined as “active destruction and discreditation of Keynesian-welfarist” (Peck and Tickell 2002, 384), followed by ‘roll-out neoliberalism,’ the “construction and consolidation of neoliberalized state forms, modes of governance and regulatory relations” (Ibid). Critical scholarship aims at understanding the effects of PPPs on the various dimensions of development, in particular, with regard to distribution and to participatory governance. Based on a comprehensive analysis of PPPs’ trajectory in the UK, particularly the Private Finance Initiative (PFI), (Flinders 2005, 234) argues that while “vaunted efficiency savings and risk transfer elements of this tool of governance have been forcefully disputed,” political and democratic costs have been underestimated. PPPs can reinforce association between government and the private sector, acting as the bearers of unwanted neoliberal transformation in the distribution of community services (Miraftab 2004), and shifting focus of attention from systems of public provision to individual [i.e., strategic] projects, compromising social control over public provision systems and enabling the transfer of “resources from the public at large to the financial elite, while at the same time obscuring the distribution issues that were largely missing from the policy debate” (Shaoul 2005, 441). Referring specifically to ‘urban regeneration PPPs,’ (Ball and Maginn 2005) argue that uneven

access to global capital distorts local markets, as local developers have to compete with a subsidized form of development that is able to access global financial capital.

### **Crisis of State-Led Capitalism, Rise of Finance-Led Neoliberalism and Contemporary PPPs**

State-led capitalist regimes were structured to respond to the great depression of 1929. Subsequently, these carried out modernization and post World War II reconstruction efforts in economies at the center of capitalism, through Fordism-Keynesianism, while economies at the periphery of capitalism engaged in import-substitution industrialization (ISI) models. After the great depression, advanced capitalist economies were structured to control market and market failure, notably through monetary policy, according to heterodox economic thought (Minsky 1977).<sup>32</sup>

According to (Minsky 1982, 7), immediately following the great depression in the US, the New Deal period was characterized by financial liquidity and conservatism, and only “gradual and often tentative expansion of debt-financing by households and business firms.” In his view, while liquidity persisted there was also financial tranquility. Then, as “financial institutions increased the ratio of finance to income and of debts to liquid assets (...) the susceptibility of financial structures to disturbance” started to rise. Minsky’s heterodox economy approach assumes that the easing of regulations during the 1950’s and 60’s led to the financial crisis experienced in the 1960’s and 70’s (Minsky 1982). However, reflecting a bias of macro economic analysis, Minsky’s theory lacks understanding of the spatial dimension of Fordism-Keynesianism, and how decisions regarding nature and volume of financial flows towards national infrastructure systems, and the distribution of public goods and services affected local environments.

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<sup>32</sup> Through a heterodox economy perspective, Minsky (1977, 21) framed capitalist societies emerging from the great depression as “monetary economies with sophisticated financial institutions” and money as non-neutral. In these regimes, characterized by expanding financial markets, the cost of money varied according to its original sources, from production (i.e., savings) or through credit (i.e., debt money). Hence, to best avoid recurrent (financial) crisis, the state should be able to maintain its ability to control investment flows and to intervene when necessary, acting as “a lender of last resort.” In other words, the state should have the ability to issue and disburse public capital to avoid bankruptcy of private financial institutions, while at the same time regulating these institutions to avoid risk prone behavior.

Critical urban literature, on the other hand, argues that US Fordism-Keynesianism, while committed to the construction of egalitarian regimes to replace laissez-faire regimes, created its own forms of inequality and unevenness, which are reflected in the built environment (Harvey 1985, Smith 2008, Soja 2010). In the US specifically, this is represented by the geography of suburbanization and abandonment of the inner cities, reflecting the regime's prioritization of a few economic sectors, notably defense, highway and the automobile industries, and the real estate industry (Harvey 1989a). As presented by Hackworth (2007), underpinning early modernization in the US was classical, laissez-faire liberalism, "a philosophical view that encompassed the idea of individual liberty, reliance on markets as the most efficient and effective means for encouraging individual autonomy and ensuring that the simultaneous pursuit of individual pleasure did not devolve into anarchy." The financial crash of 1929 led to the appearance of egalitarian liberalism, where the state acted not only as a protector of individual freedoms and private interests, but also of collective welfare. At the level of production, egalitarian liberalism was enabled by, a contract between state, industrial capital, and labor organizations that kept production and employment benefits high through state support to a system of mass-scale (Fordist) production and consumption via construction of the welfare state (Keynesianism). Development of the financial sector allowed for the issuing of public bonds, by which the state was able to intervene in several fronts: economic stimulation via public subsidies for industrial growth and job creation; market regulation to enforce labor protection and growing wages (i.e., full employment); and social policy to increase public access to health care, education, and housing. Through welfare policy, the state (temporarily) ameliorated the effects of uneven development, manifested through several decades of inner city disinvestment; however, minority groups, particularly African Americans, experienced segregation in sectors such as housing, education, and job markets that restricted their ability to benefit from full employment (Ibid). Meanwhile, public and private landed elites operating locally were able to direct federal dollars in a way to address their own private interests.<sup>33</sup> Harvey (2005) describes

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<sup>33</sup> Internationally, following World War II a new world order was constructed to stabilize international relations, including through the Bretton Woods agreements, with the establishment of fixed exchange rates and creation of multilateral institutions such as the United Nations, the World Bank, the IMF, and the Bank of International Settlements in Basel. This new world order expanded to Western European countries and to Japan a Fordist-Keynesian oriented system, financed with 'cheap' US dollars (Harvey 2005).



the crisis of Keynesianism Fordism happening due to exhaustion of the system, whereby ‘cheap’ dollars financed industrial and urban expansion. Rising rates of unemployment and inflation were effects of the system’s breakdown. The OPEC’s oil embargo of 1973 “facilitated the rise of neoclassical economic thinking, which assumes that the private market has a self-regulating capacity, and led to an ideological rejection of state-interventionism, and the rise of neoliberalism as a new hegemony” (Hackworth 2007, 11).

Neoliberal reform refers to the policy prescription adopted during post-Fordist economic restructuring period, and characterized by fiscal austerity, privatization of state-owned enterprises, liberalization of trade and finance, adoption of floating exchange and interest rates, and securing of property rights. Analyzing contemporary neoliberalism at its early stages, Harvey (1989a) characterized it as a regime of flexible accumulation that had weakened labor conditions, affecting particularly waged workers, due to outsourcing and weakening of labor unions. Spatially, the new regime enabled capital to move more quickly between regions. Associated with the decline of distributive policies and rise of competition for public and private financing, localities relaxed land use and tax policy as a way to attract corporations, gradually shifting the development rationale that had marked Fordism (i.e., land use control), and instituting a new, neoliberal model based on de-regulation and fiscal incentives. From the perspective of governance, (Harvey 1989b) characterized this regime as a shift from managerialism to entrepreneurialism, to emphasize the shift from government’s role as designer and implementer of programs to that of a deal maker, negotiating the moving in of businesses at the local level in exchange for public benefits.

Intrinsic to the rise of neoliberalism is financialization, whereby financial markets, agents and institutions have an elevated standing in the overall economy (Epstein 2005). Although lacking a spatial component, Palley (2013) offers a particularly useful interpretation of financialization, which he describes as the adoption of a new business model that causes economic policy to “shift the distribution of income from labor to capital and undermines aggregate demand conditions (...) creating a structural demand gap.” Similar to Harvey’s earlier propositions, Palley’s empirical analysis of financialization in the US points to “a positive association to weakening labor conditions, asset price inflation, widening income inequality, and rising household and corporate indebtedness” (Palley 2007, 24). His analysis of financialization is measured by the increase in capital’s share over GDP growth, and decrease in wages in

relation to capital gains.<sup>34</sup> Critical urban studies have sought to understand whether and how financialization facilitates the penetration, or flow, of public and private capital through urban environments. It is argued that financialization has reinforced, rather than decreased, imbalances between neighborhoods, localities, and regions, and further enhanced geographical unevenness (Brenner and Theodore 2002, Castells 1996, 2000, Fainstein 1994, Hackworth 2007, Harvey 1989a, Scott and Soja 1996, Soja 2010, Sassen 2011), particularly in the housing sector (Aalbers 2008, Gotham 2009, 2006). Greater reliance on private capital and debt financing has, in turn, altered the rationale for project development, delivery, and maintenance, notably, granting greater decision-making powers to private investors concerned with shareholder value and interested in facilitating the circulation of financial capital through the built environment (Gotham 2014, Harvey 1989a, Weber 2010). PPPs have facilitated these processes at the local level (Hackworth 2007).

### State Role in the Setting Up of PPPs Today

Currently, PPPs are strategic mechanisms in the rearrangement between public and private agents, according to the requirements of finance-led neoliberal regimes. Raco (2014) associated the adoption of PPPs, framed as the preferred system for provision of infrastructure and services for the London Olympics, with a process of *state-led privatization*, marked by “prioritization of delivery over representative democracy” (Ibid, 176), whereby the “hollowing out of traditional forms of state power is compensated for by the expansion of regulatory institutions, rules and practices” (Raco 2014, 178). Characterizing this dynamic is also “an expansion in size and scale of multinational corporations” (Raco 2014, 79) that changes the logic and purpose of public policy. The author highlights how this urban development model, based on strategic mega projects underpinned by PPPs, represent a shift towards “governance through contract,” (Raco 2014, 193) where project implementation depends on, and at the same time

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<sup>34</sup> Between “1973 to 2007, total issued debt rose from 157.2 to 362.6 per cent of GDP. [During the era of financialization] wages and compensation of US production and non-supervisory workers (who constitute approximately 80 per cent of employment) have become detached from productivity growth. From 1959 to 1979 wages grew roughly in line with productivity, but thereafter the two have diverged with wages and compensation essentially flat-lining while productivity has continued growing” (Palley 2013, 22-26).

enables, new institutional and regulatory networks that are more concerned with delivery systems than with the democratic imperatives of localities.

Lake (2015) draws from Jessop (2002) to argue that, when conditioning delivery of urban infrastructure and services to the creation of new markets and market-based mechanisms, states promote urban policy that is subordinated to economic policy, or marked by economic dominance.<sup>35</sup> As follows, programmatic frameworks become “concerned with protecting and growing the economy, and addressing urban and social priorities *so long as these are compatible with the needs of stabilizing and expanding the economy.*” Under finance-led neoliberalism in particular, there is a “repurposing, redesign, and implementation of urban policy as a financial instrument, or an instrument governed by the needs of a finance-based economy rather than practice aimed at addressing social or urban needs” (Lake 2015, 76). In Brazil, Walker (2015) argues that PPPs can facilitate state efforts to circumvent progressive urban policy and shift back to models that prioritize profit seeking property development interests.

### **PPPs and the Unfolding of Finance-led Neoliberalism in the Built Environment**

Hackworth (2007) describes neoliberalism as a state-driven effort to build a market-based economy with growing reliance on the private sector to provide part or the totality of infrastructure and services. From the perspective of urban space production, these efforts are strategic, based on the specific characteristics of a place, and aiming at ‘extracting value’ (Weber 2002) from the built environment and through the process of urban space production, as a way to finance urban development. Weber (2002, 533) frames implementation of tax increment finance (TIF) districts as part of a “resurgence of sub local fiscal enclaves within the city limits that have access to sources of finance beyond the reach of the city as a whole and compete among themselves for the attention of private investment and the bond market.” TIF “create a special taxing jurisdiction around an area targeted for redevelopment and earmarks future property tax revenues to pay for the up-front costs of development” Weber (2002, 534). The “expected

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<sup>35</sup> Jessop (2002, 28-30) qualifies as economic dominance “the capacity of capital to steer the evolution of other institutional orders in line with the demands of capital accumulation, either through sheer structural power or through specific strategic capacities.” Economic dominance involves also “efforts to resolve conflicts between the needs of capital in general and particular capitals by constructing an imagined ‘general economic interest’ that will always and necessarily marginalize some capitalist interests.”

increase in property taxes can be securitized, [so that] the rights to a stream of future property tax revenues are repackaged into fungible bundles and sold to investors as debt instruments” (Weber 2010, 258). By the 1990’s TIF had become the most popular means of financing redevelopment in the US (Briffault 1997 in Weber 2002, 524). The author argued that local government played a key role in the setting up of TIFs, specifically, by framing particular districts as blighted, or unwanted, and working to attract popular support for comprehensive processes of urban transformation.

PPPs can facilitate the circulation of financial capital through the urban environment, as Weber (2002 2010) described through her analysis of TIF districts. Business Improvement Districts (BID), play a similar role, enabling municipalities to fund urban improvement through issuing of public bonds that can also be repackaged and sold in the financial market. By associating local infrastructure financing with property valuation, it is argued that these mechanisms stimulate development that addresses the interests of financial investors, which often does not match needs and interests of the local population and local businesses.

In Brazil, overall integration between the build environment and the financial sector is more limited than in the US (Fix 2007), municipalities rely primarily on state and federal grants and their own funds to stimulate investment. However, there have been experiences of local PPPs that rely on the commercialization of the right to build above the threshold established by law. Urban operations allow local government to commercialize the right to build above the parameters of, and to adopt uses not permitted by, local zoning, through the sale of Certificates of Additional Construction Potential (CEPACs), a financial instrument, for which value is set up according to fluctuations in the stock exchange (Fix 2004). Urban operations were first implemented in the city of São Paulo: originally proposed during the term of Mayor Luiza Erundina (Worker’s Party, 1989 – 1992), to prioritize development of affordable housing and improvement of local infrastructure, and later adopted in the term of Mayor Paulo Maluf (Progressive Party of Brazil, 1993 – 1996), in association to the issuing of CEPACs. Presently, this mechanism is included in the menu of tolls of the City Statute, for enabling local government to capture value from urban development, and reinvest this value on urban improvements, notably, land use regularization and affordable housing provision (Sandroni 2011). Hence it is assumed that cities, fiscally constrained by limited federal transfers and inability to borrow in the financial market, can utilize the revenues originated from the sale of

CEPACs to invest in social projects. Currently, resources generated through the sale of CEPACs are reinvested in the perimeter of urban operations, and according to the urban plans, which are established by law (Pereira 2016). However, critical analysis indicate that urban operations, if successful, can represent a burden to local populations living in conditions of vulnerability, and when not successful, these can represent a significant cost to the public sector (Caldeira and Holston 2005, see also Ferreira 2003). Price fluctuations of CEPACs can constitute a driver of local urban development, as ‘success’ of an urban operation leads to increase in the value of CEPACs, which exerts pressure for developments that continue to increase exchange value of the built environment within the perimeters of the operation. This dynamic, which enhances unevenness at the local level, relies on significant public investment in infrastructure in a way to attract private investments, and which is poorly calculated and considered in mainstream analysis (Fix 2004). Moreover, without a solid real estate financial market at its base, CEPAC’s value depended on the increase in property market value within the perimeter it is attached to. While this relationship tends to shift as the local financial market expands, Fix (2004) identified a tendency for increased development of projects with the perceived potential to yield greater returns (e.g., office space and shopping malls), independently of local needs.<sup>36</sup>

Based on the conceptualization that the urban space involves use and exchange value, Logan and Molotch (2007) qualified as growth machine the alliance of local public and private landed elites, which steer property development in a way to maximize exchange value. It was assumed that these powerful local groups were able to alter policy and direct financing so that infrastructure and property development “aggregated rents and trapped wealth for those in the right position to benefit (Logan and Molotch 1987 2007, 50). It has been recently argued that, under globalized financialization, growth machines have expanded their ability to act globally

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<sup>36</sup> A PPP such as Casa Paulista falls within state PPPs law, and consists of a special type of concession, whereby the state and the private sector share risks associated with project design, implementation and long term management, and the state compensates the market fully by way of a counter payment. The workings of Casa Paulista model therefore are quite different that those of urban operations. Moreover, Casa Paulista specifically does not rely on the sale of CEPACs as a source of funding. Both frameworks, however, are based on the idea that greater levels of private capital and expertise are required to promote development, and therefore offer, through their design, incentives for developers to be part of these schemes. This entrepreneurial rationale (Harvey 1989b) alters the development process, and the challenge to research is to identify, exactly, what these alterations are and how these happen, specifically.

through the formation of networks, whereby grounded elites associate with transnational actors and manage to maintain control of local development processes (Surborg, VanWynsberghe, and Wylie 2008). In their analysis of territorialized or place-based PPPs, Weber (2002), Weber and O'Neill-Kohl (2013), and Fix (2004, 2007) also refer to the role of local agents in influencing development. Weber (2002) and Weber and O'Neill-Kohl (2013) point to a local network of development consultants influential in the design and unfolding of TIFs in Chicago's urban environment. Framing this group as "agents of path dependency" that work as bridges or links between the previous and the new regime, the authors challenge the argument that adoption of 'neoliberal' land use policy represents a rupture with the previous regime. Fix (2004, 2007) speaks of local agents, i.e., the municipality and the local real estate industry forming an alliance to guarantee that their rent seeking interest were addressed through the urban operations she analyzed.

Ball (1996, 1986) offers a different framing of the analysis of the relationship between the property development sector and transformations in the built environment and proposes that property development is understood through analysis of the workings of the agents acting upon the property sector, in his terms, 'the structures of building provision.' Drawing from Ball's proposition, Fainstein (1994) frames the real estate sector as multiscalar, and explores the processes through which property developers operating at local, national and global scales affected (and were affected by) the neoliberal restructuring of London and New York City. Economic restructuring sought to attract global capital to territories experiencing deindustrialization and economic decline, in a way that localities could replace distributive policies with competition for private capital, attracted through development incentives. The author inquired about the role of urban policy, and real estate developers in shaping such restructuring. Fainstein's study identified that large-scale real estate players operating at a global level acted in a way that was different than local developers; specifically, by favoring large scale, high-income projects that were attractive to financial investors, and assuming greater investment risk than local developers without financial leverage. She also concluded that the state's

provision of incentives to developers, coupled with planning deregulation, was a driving force in the real estate boom and bust experienced in London and New York in the 1980's and 90's.<sup>37</sup>

Theurillat, Rérat, and Crevoisier (2014) identify a variety of market agents operating simultaneously in the local environment and establishing their businesses according to their ability to access financial capital. Examining the real estate market in Switzerland through a territorialist and institutionalist approach, these authors argue that, similarly to economies, real estate systems experience different development stages. Their analysis highlights four stages: self-provision, market, real capitalism, and financialized capitalism. It also identifies different types of actors with varied levels of resources associated with each stage. Self-provision involves households, market involves property developers, real capitalism involves institutional investors, and financialized capitalism involves portfolio managers. Also, households and property developers are more closely associated with the local environment and the construction industry, while real and financialized capitalism is more closely associated with the financial sector. When looking at recent urban transformations in Brazil, Sanfelici (2015) also frames the property sector as multidimensional and multiscalar. He argues that national players accessed local markets through partnerships with local players; hence, both national and local players 'profited' from the penetration of global capital in the property sector. These analyses, while not refuting that outcomes of development on the local environment and the local population are often associated with unevenness and the strengthening of landed elite alliances, take as a point of departure the workings of agents and institutions involved in real estate development, and then seek to understand how these dynamics affect the built environment. Similarly, my analysis frames Casa Paulista as resulting from direct and indirect interactions of agents, among themselves and with the local environment, in a way that reflects the interests and abilities of the institutions, and social and economic forces that they represent.

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<sup>37</sup> Fainstein's argument challenges claims that, by design, PPPs naturally help spread investment risk between the public and private sectors and suggests instead that these mechanisms can represent greater risk to both public and private participants, depending on the PPP's policy goals, and on project outcomes. On the other hand, the author assumes that, in democratic societies, (progressive) urban policy can ensure that PPPs deliver public benefits (Fainstein 2010). The shortcoming of Fainstein's theory is to ultimately evaluate PPP's outcomes based on the built environment, and in this way de-emphasizing political processes involved in production of the actual spaces, notably, those related to community action, and that could challenge the notion that infrastructure and service delivery is inherently positive to local communities and to democratic regimes.

## Part II. Modernization without Substantive Citizenship Driving Urbanization in Brazil

Modernization in Brazil occurred extremely fast, as represented by the share of urban population rising from 10 percent in the 1900's to 81.2 percent in the year 2000 (Maricato 2001). This period is characterized as one of 'modernization without substantive citizenship' (Caldeira and Holston 2005, Rolnik 1997), which prioritized economic expansion over redistributive policy in a way that protected private business interests. Between the 1940's and 2000's, the percentage of the population living in cities in Brazil jumped from 26 to 81 (Maricato 2001, 16); also, in the first half of this period the economy grew at around 7 percent per year, and GDP expanded by 8 times, while employment grew by 2.6 times (Sachs 1999). This 'industrialization based on low salaries' (Maricato 2001, 16) or 'immiserizing growth' (Kurien 1978 in Sachs 1990), resulted also in the construction of segregated cities. By the late 1990's, one third of the country's population lived under conditions of insecurity in relation to land tenure, primarily in peripheral areas.

Moreover, this process reinforced social inequalities and geographical unevenness that originated in the colonial period. It is argued that establishment of a land market system to substitute "a feudal landholding system of huge land grants" (Martine and McGranahan 2013, 8-9), through the enactment in 1850 of Imperial Law 601, or the 'land law' (Lei de Terras) (Rolnik 1997), ten years prior to the abolition of slavery and in the same year slave trade was prohibited, prevented access to land by freed slaves, as "land was bought and sold at prices hardly accessible to free workers or former slaves who had bought their freedom" (Fix 2001, 57).<sup>38</sup> Just decades later, the modernization wave would reach a population whose impoverishment was accentuated by its inability to occupy vacant land for its own subsistence. Transformations in space and in distribution systems associated with modernization did not address the country's already existent inequalities and rather drew from it through the exploitation of low-skilled labor by way of very low compensation (Fix 2011, 58). It also set up the conditions for rapid formation of very precarious urban settlements in expanding Brazilian cities, as the only option for socially and economically marginalized populations seeking to enter new urban markets was to move into inner city slum tenement quarters. Precarious peripheral urbanization occurred simultaneously with the construction of modern cities in Brazil, as the low-paid working class

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<sup>38</sup> A law prohibiting slave traffic was also issued in 1850, the same year of the land law (Fix 2011).



self-built peripheral settlements, in informal and precarious conditions with regard to housing, land tenure, employment and mobility (Bonduki 1998, Maricato 1996). In São Paulo, for example, “the urbanized area more than tripled between 1930 and 1954, and doubled again by the 1990s to reach its actual size of 850 km<sup>2</sup>” (Caldeira and Holston 2005).

Investments in Brazil’s modernization were concentrated in the inner city, restricting its benefits to their high and middle income class residents (Villaça 1998). Laws and statutes protecting individual property rights restricted the “legal political powers of municipal governments” to rule over land use (Fernandes 2007b, 178). Through land use law, public and private elite groups were able to control urban development and geographical distribution of low cost housing in the city (Villaça 1998, Rolnik 1997). At the same time, absence of regulation sanctioning speculative land use, and protecting property rights, enabled landowners to maintain urban land idle in expectation of future valuation (Campos Filho 1989).

### **Insurgent and Transgressive Citizenship(s)**

According to Caldeira and Holston (2005, 401), “social inclusion was not one of the objectives of the modernization project; [rather, it was to] govern without generating social equality or turning the masses into active citizens who participated meaningfully in political and electoral decisions.”<sup>39</sup> Indeed, Holston (2009) argues that, differently than the ideal of egalitarian citizenship that marked modernization in democratic contexts, what occurred in Brazil’s authoritarian modernization was ‘differentiated citizenship,’ or “citizenship that manages differences by legalizing them in ways that legitimate and reproduce inequality” (Holston 2009, 4). Holston’s particular contribution to the literature on modernization and uneven development in Brazil is to frame popular response to this condition in terms of a citizenship. He argues that by self-constructing in peripheral areas, low-wage workers and poor urban dwellers were constructing also a new concept of insurgent citizenship “that destabilized the entrenched”. Moreover, this occurred “not primarily through the struggles of labor but through those of the city” (Ibid). The working poor, the author describes, “was forced to reside in precarious and typically illegal conditions in undeveloped hinterlands. There they had to construct their own houses, organize to gain basic services, and struggle to retain their house lots in often violent

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<sup>39</sup> For example, illiterate people were prohibited from voting until 1985. During the military period, popular voting was suspended (Caldeira and Holston 2005).

conflicts over landownership. Nevertheless, within decades they had organized their neighborhoods and improved their living conditions remarkably (...). Thus autoconstruction turned the peripheries into a space of alternative futures, produced in the experiences of becoming propertied, organizing social movements, participating in consumer markets, and making aesthetic judgments about house transformations” (Holston 2009, 8).

Holston’s theory moves away from the dichotomy of state and stateless territories that marked theorization over Brazil’s urbanization, and São Paulo’s in particular. The author also frames citizenship as practice, not a particular action such as compliance or resistance. He argues that these practices are shaped by the inherited “structures of power and their practices” (Holston 2009, 13). Therefore, “the insurgent undoubtedly perpetuates attributes of the historically dominant citizenship, like the significance of property ownership, the practice of legalizing the illegal, and the norm of special treatment rights. Yet it also shows that rather than merely nourish new versions of the hegemonic, the insurgent disrupts: it remains conjoined with the entrenched, but in an unbalanced and corrosive entanglement that unsettles both the state and the society” (Ibid).

Observing urban movements “struggling for a place” in the central city of São Paulo, the geography of Casa Paulista, Earle (2012, 100) identifies a form of citizenship that, she argues, is more radicalized than what Holston saw in peripheral areas. At the peripheries, insurgent citizenship was practiced primarily through self-construction in spite of state law prohibiting it. In the city center, urban movements “demand for equality, to be achieved through their constitutional rights” (Ibid.). In the absence of housing policy, and based on the right to housing, enshrined in the Constitution, organized housing movements occupy vacant buildings in the city center of São Paulo, simultaneously blaming the state for being non-compliant with the law, and producing their own living solutions.” Earle (2012) classifies this practice as ‘transgressive citizenship’. She states: “by critiquing current limited levels of citizenship through transgressive collective action, the movement manages to redirect the finger of blame and apportion criminality to the state. It is through this assertion of the illegality of the state that the movement creates a new relationship between state and society, located in the ambiguous ground between legality and illegality. The movement uses this space to confront entrenched perceptions of the peripheries as the place of the poor in the city, and to challenge the government to live up to its stated commitment to social justice” (Earle 2012, 125). Earle’s theory is relevant for focusing on

the geography of the Casa Paulista PPP, suggesting that permanence of a transgressive citizenship also reflects a continuation of differentiated citizenship. Her writings are less optimistic about the trajectory of insurgency in Brazil than those of Holston. In his view, through the urban struggle, the Brazilian society was transformed, as represented by the election of a Worker's Party leader to the presidency in 2002. Earle describes a reality that is more volatile: unequivocally, transgressive citizenship reflects a population that is able to more openly blame the state for lack of services, however it is unclear if this leads to a path of greater social inclusion.

### **State Intervention in Brazil's Modernization: Developmentalism Period**

Import-substituting industrialization (ISI) supported Brazil's modernization. In the 1940's and 50's, through studies by the Economic Commission for Latin America and the Caribbean (ECLAC), it was generally accepted that the region's heterogeneity, reduced private sector, and significant inequality, called upon the state to drive the development process (Cano 1989). According to Saad-Filho (2012, 5-7), ISI consisted of "a system of accumulation based on the sequenced expansion of the manufacturing industry, with the primary objective of replacing imports." In Brazil specifically, it consisted of "the production of non-durable goods being predominantly undertaken by relatively small family firms owned by domestic capitalists (...), durable and capital goods typically produced, respectively, by foreign transnational corporations and domestic oligopolistic firms, and finally, infrastructure and basic goods (steel, electricity, telecoms, oil, gas, air, road, rail and port links, and so on) were generally supplied by state-owned enterprises, while state-owned banks played an important role in the provision of credit, especially for industrial development and economic diversification."

While authoritarian, the regime was also marked by an "institutionally disarticulated state, unable to articulate different political and economic groups" (which the author divides between populist, nationalist, corporatist and statist), and that allowed short-term profitability interests to drive investment decisions" (Ibid). The ability of this state to promote development varied per sector however. For example, overall it was considered that ISI's domestic financial system was 'fragile and inefficient,' and not able to provide long term financing for industrial development (Studard 1995 in Mollo and Saad-Filho 2006). ECLACs studies suggested that reforms addressing land concentration, urban marginality, industrial and infrastructure

development and international trade were pursued along with the setting up of ISI models. However, these did not succeed. Instead, military coups “displaced the conflicts and covered up the fragility of modernization processes being implemented through ISI” (Saad Filho 2012, 7).

### **Developmentalism and Housing Provision**

I described earlier how the developmentalist state created the National Housing Finance System (SFH) and Housing Bank (BNH) in 1964, following a military coup.<sup>40</sup> FGTS, a provident fund originated through compulsory savings deposits by waged workers, and SBPE, originated from voluntary savings deposits, supported SFH. Although private, SFH resources have been always administered by the State, currently under the Brazilian Public Bank for Savings and Real Estate Finance (CEF or Caixa).<sup>41</sup>

Originally, FGTS funds were for the construction and acquisition of affordable housing by the low-income population, while SBPE funds offered housing credit at higher interest rates, close to that of the market, to the middle class (Sanfelici 2013, 78). The system was designed to be self-sufficient, and the totality of construction costs was transferred to mortgage buyers. Mortgage rates varied, with SBPE operating at a close to market-rate interest rate (i.e. 6 percent) indexed to inflation, and FGTS working at a below-market interest rate. According to (Arretche 1990, 23), SFH’s system reflected a particular model of state intervention in the housing sector: as a regulator of market-rate housing production, “controlling the processes of financing to the production and establishing the conditions for investment by private agents,” and as a promoter of housing for lower-income populations, transferring resources to public agencies that worked in association with private construction companies. In both of these markets, “the state operated with the same logic, that of private enterprises, according to which investment without return would inevitably lead to foreclosure” (Ibid, 24). Hence, according to the author, national housing policy implemented in this period was “state-owned and privatizing” (Ibid). When the domestic economy suffered the impacts of the 1970s international oil crisis, and was particularly affected by the interest rate rise in the US, the SFH first switched its policies to better serve the middle

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<sup>40</sup> According to Bonduki (2008, 72), the measure was “a way to appease popular demand for affordable housing and create a permanent financing system to structure a market based housing construction sector.”

<sup>41</sup> Throughout this dissertation, in reference to the Brazilian Public Bank for Savings and Real Estate Finance, I employ the acronym CEF and the term ‘Caixa’ interchangeably.

class, considered a ‘better payer’ (Sanfelici 2013, 78), and eventually collapsed. BNH was dismantled in 1985. Although popular demand was for SFH to be fully reformed to better serve low-wage workers, SFH resources were simply transferred to CEF (Bonduki 2008).<sup>42</sup>

Beyond financing construction of 4.3 million housing units between 1964 and 1985, another 2.2 million units were produced through SFH up until the year 2000 (Bonduki 2008). In addition, there was investment in sanitation through the national sanitation plan (Planasa), which resulted in more than 90 percent of the urban population being served by potable water, also in the 2000’s (Ibid). However, these production volumes did not reflect the speed of urban expansion occurring in Brazilian cities: between 1995 and 2000, Brazil’s population living in cities with more than 20,000 people rose from 11 to 125 million (Ibid). According to the 2000 population census (IBGE), there was a need for 5.4 million housing units in urban areas and 1.2 million in rural areas (Bonduki 2008, 82).<sup>43</sup>

### **Collapse of Developmentalism, Fiscal Crisis and Finance-Led Neoliberalism**

Brazil’s ISI model was exhausted in the 1980’s, following the crisis of Fordism-Keynesianism that had occurred at the center of capitalism in the previous decade and resulted in the rise of neoliberalism. As it happened in societies at the center of capitalism, state-led planning and overreach were to blame for the ISI crisis; that policies were disarticulated so as to address the interests of different private elite groups was de-emphasized. According to Saad Filho (2012, 15), and similarly to what occurred at economies at the center of capitalism, “it became gradually accepted in Brazil that the problems faced during the ISI period, namely,

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<sup>42</sup> Bonduki (2008) lists BNH’s policy’s shortcomings as involving: (i) financing mechanisms were directed solely to the housing production sector, without alternatives for financing individuals; (ii) singular focus on homeownership and cost recovery schemes contributing to low quality of housing production; and (iii) location of housing in poorly developed peripheral areas contributing to social isolation and territorial fragmentation. At the same time, the author criticizes the dismantlement of BNH without a critical analysis of its legacy and mere transfer of funds to a financial institution. Over time, the literature has highlighted SFH’s funding structure as solid: “SFH’s structure has changed on matters of formal guarantees, limits and definition of the adjustment of payments; however, the core of the system has not changed” (UN-Habitat 2010a, 1).

<sup>43</sup> Bonduki (2008) also indicates that, according to data from the population census, the number of vacant properties in cities in 2000 was equivalent to 4.5 million units, which indicated a mismatch between the way in which urban areas are (under)utilized and the necessities of the population living outside of urbanized areas. Such rate of urban vacancy also indicated how unaffordable land was (and still is) to the working class.

inefficiency of the financial sector, continuing industrial backwardness and difficulty to create a dynamic national system of innovation, could be overcome only with a reduction of state size, expenditure cuts, the reform of fiscal, tax and social security systems and privatization of state enterprises (...),” in other words, a neoliberal reform.<sup>44</sup> Collapse of ISI in Brazil represented, too, the end of the military regime. A popular mass movement starting in the late 1970’s demanded return to democracy and political freedom (Bassul 2010, Fernandes 2007a, Rolnik 2013b). However, this shift was negotiated with the military government, through a process that “ruled out the redistribution of economic power” (Saad Filho 2012, 13). While this democratic transition has set up “the most open and stable regime in the history of the Republic” (Ibid), it also enabled the permanence in the government sphere of elite groups involved in the military regime, what Boito and Saad-Filho (2016) describe as the dominant power bloc, that has helped maintain Brazil’s democracy in what they describe as a condition of fragility.

Transition towards neoliberalism in Brazil occurred gradually for about a decade and included liberalization of capital flows and reduction of import restrictions (Saad Filho 2012). In 1994, then finance minister Fernando Henrique Cardoso implemented a structural adjustment reform through the Real Plan, to stabilize the economy and transform the state-led regime into a market-based model able to attract private (financial) capital. These reforms, which deemed public deficit as society’s main economic problem (Biasoto 1999 in Dain 2016, 114) involved “controlling the public deficit and pursuing fiscal equilibrium, abandoning the productive side of the state sector through privatization of state-owned assets and concessions to the private sector, and dismantling the interventionist state, especially institutions aimed at offering credit to the private sector” (Dain 2016, 114). Cardoso would be elected the country’s president twice (1995 – 1998, 1999 – 2002) due to the success of the Real Plan in controlling the country’s inflation.

According to Saad Filho (2012), neoliberal reforms “embedded private sector interests into the policy-making process through the decisive role of finance in the pricing of government securities, determination of interest rates, and financing of the public sector.” By concentrating

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<sup>44</sup> The author continues on to say “it was expected that fiscal reforms would reduce inflation, while financial liberalisation would increase domestic savings and investment. Finally, liberalization of foreign trade and capital inflows, and the resolution of the remaining conflicts with the international financial system, would facilitate the attraction of direct and portfolio investment flows as well as industrial restructuring in those sectors compatible with the country’s comparative advantages.”

efforts on creating an environment attractive to global investors, (Paulani 2008) argues that neoliberal reform based on increasing rate of public debt in relation to the GDP, has turned Brazil into an “international platform of financial valuation,” restraining production by keeping interest rates artificially high as a way to attract foreign investment, while maintaining the national economy vulnerable to international shocks for its dependency on (foreign) debt capital.

### **Citizen’s Constitution and Fiscal Crisis**

While restitution of democracy in Brazil was ultimately negotiated with the “dominant power bloc” (Boito and Saad Filho 2016), popular mobilization demanding social and economic improvements and regime change marked the “reorganization of traditional political parties and the creation of new ones” (Fernandes 2007, 179), notably the Worker’s Party founded in 1980. Moreover, there was “wide understanding for the need of deeper legal and political changes in the country,” (Fernandes 2007, 179) that resulted in the formulation of a new Federal Constitution, enacted in 1988. In spite of the fact that there was not a complete break with the previous regime, the Federal Constitution of 1988, called the Citizen’s Constitution, aimed at the construction in Brazil of a welfare state and marked a significant shift in the approach to urban and property development.

At the level of urban space production, social mobilization for urban improvements and land tenure regularization has occurred since the mid 1970’s (Kowarick 1994 in Fernandes 2007). As part of the popular pressure for political opening “a national Urban Reform Movement emerged, involving social movements, trade unions and academics,” (Fernandes 2007, 179). This movement would be influential in including, by popular demand, an urban chapter in the Constitution (i.e., Articles 182 and 183), with the aim of guiding processes of land development and urban management (Fernandes 2007, 179). Demand for reforms were organized around three main axes: “the recognition of land rights to squatters, the fight against real estate speculation, and the democratization of the decision-making process around urban policy (Rolnik 2013a). According to Fernandes (2007, 211), the Constitution “breaks with civil law tradition that favored protection of individual property rights, conceived land and property almost exclusively as a commodity, and limited local government’s authority to rule land use,” particularly, by overruling the outdated civil code of 1916 that protected private interests of property owners (Ibid). It also set up a regime based on administrative decentralization, with the transferring of

managerial roles from the federal government to state and local governments. Notably, land use policy became a municipal mandate, while infrastructure and housing provision remained under the responsibility of the three spheres.

From a legal perspective, the Federal Constitution and the urban chapter introduced a new model for urban growth and development in Brazil to support construction of a welfare state. In practice however the introduction of a regulatory framework to support an urban reform agenda was a lengthy and contested process, limited in its reach for reasons that included permanence of representatives of the dominant power bloc during authoritarian rule within the democratic regime, and limited investment in public systems of infrastructure and services resulting from a policy of austerity implemented by the neoliberal regime.

### **Urban and Housing Policy under Neoliberalism**

With the dismantling of the National Housing Bank (BNH) in 1985, funds from the national housing finance system (SFH) funds were transferred to Brazil's Public Bank for Savings and Real Estate Finance, Caixa. Until 2003, with the creation of a ministry in charge of carrying out the urban reform agenda foreseen in the Federal Constitution (the Ministry of Cities), there was no integrated national housing policy in place. At the local level, municipal administrations, particularly in large cities, created technical teams that worked in articulation with civil society, guaranteeing the development of innovative programs and actions, particularly in the areas of (place-based) land tenure regularization, participatory planning, involving participatory budgeting, and self-management housing provision (Bonduki 2008). A new framework was developed for design of localized housing and urban development solutions and gradually this framework was transferred to the federal level. However, without significant investment in urban infrastructure systems, most of the growth occurring in the cities, which by then were experiencing very fast urbanization, was informal. Populations living in poverty and segregated in peripheral areas were also impacted by cost and precariousness of the mass transportation systems. As described in Maricato (2001), "in the city of São Paulo, [the country's richest city, then with a GDP greater than a middle income country such as Chile], approximately 20 percent of its citizens live in slums. Of these, 49.3 percent live close to streams, 32.2 percent in flood zones, 29.3 percent in landslide hazard areas, and 0.9 percent within garbage dumps or landfill areas."



With the transfer of SFH to Caixa, “housing credit became a monetary policy tool” under the control of the National Monetary Council (CMN) (Bonduki 2008, 76). There were no investments between 1991 and 1995 due to a spending freeze. Starting in 1996 investments were resumed, marked by a preference of the financial agent, Caixa, to invest in low-risk programs that targeted the middle class. Between 1995 and 2003, “8.47 percent of investments in housing programs were dedicated to the population with earnings below the equivalent of three MMW, while this group represented 83.2 percent of the quantitative deficit in the country (Bonduki 2008, 80). While the population with earnings above five MMW represented 7.4 percent of the housing needs, investments to this group represented 78.84 percent of the total.

In 1997, a private system for real estate finance, the Real Estate Finance System (SFI), was created with the aim of replacing SFH (Royer 2009). SFI was based on a secondary market of real estate and housing mortgage securities, based on the US model (Ibid). Contrasting to SFH, SFI sought to leverage private resources in the capital markets through the use of new financial instruments such as Certificates of Real Estate Receivables (CRI), Real Estate Securities (LCI), and Real Estate Investment Funds, creating a secondary mortgage housing system inspired by the United States’ mortgage market structure and “devoted to transform real estate credit concession in a system marked by liquidity and investment security” (Royer 2009, 15). The system, however, “did not achieve proper relevance, with the market [continuing to] focus mainly on the SFH (UN-Habitat 2010a, 1).

By the late 1990’s neoliberalism was also exhausted, unable to finance industrial development or to address the country’s rising unevenness. While monetary reforms “temporarily controlled inflation”, the new economic model “profoundly depleted” the country in terms of long-term planning and industrial development (Saad Filho 2012). At the levels of urban development, the actual ability of local and state governments under neoliberalism to support urban reform was compromised by the “fragile fiscal base at the local level, and the drastic cuts in federal transfers to urban projects” (Rolnik 2015, 270), contributing to impoverishment and aggravation of the housing crisis (Maricato 2011).

### **Recognizing the Right to the City: the City Statute**

Popular movements organized around land reform, and particularly land tenure regularization, opposed the country’s neoliberal agenda and continued to exert popular pressure

for enactment of federal regulation setting the specific norms and rules of the Federal Constitution's urban chapter. In the early 2000's there were advancements in the national regulatory framework, with the recognition of housing as a universal right in 2000 (Rolnik 2015, 270) and the passing of Federal Law 10,257, the City Statute, in 2001. By then Brazil had a housing deficit equivalent to 6.6 million households, or fifteen per cent of the country's total housing stock. Eighty percent of this deficit was concentrated in urban areas. An equal amount affected the population with earnings equivalent to three monthly minimum wages (MMW) or less. This percentage increased to ninety- two percent when considering the population with earnings equivalent to five MMW or less.<sup>45</sup>

The City Statute provides the regulatory framework for the Federal Constitution's urban chapter, introducing urban and legal rules and mechanisms to be adopted at the local level for property to fulfill its social function, according to the right to the city concept. These instruments were organized in three levels. The first level induced new forms of land use occupation and discouraged land speculation, such as via the collection of progressive property taxes on urban land that did not fulfill a social function, and the transfer of land and real estate for social housing production. The second level dealt with land tenure regularization in precarious settlements and included instruments such as urban usucaption and the concession of public-owned land used for affordable housing. The third level included a set of instruments to incorporate direct citizen participation in decision-making processes through the establishment of public meetings, referees, committees, impact studies, and participatory budgeting (City Statute 2001). Municipal master plans, which the federal benchmark required for all cities with population above 20,000 inhabitants by 2006, were the tools through which federal regulation would transfer to the local level. It was assumed that a bottom-up urban reform process would unfold in the country through the adoption of municipal master plans based on the City Statute's framework (Fernandes 2014).

Chapter two of the City Statute introduces urban policy mechanisms to be adopted at the local level, through the municipal master plans. These include the instrument of compulsory parceling, building or use (Chapter II, Section II), which can be applied to urban land that is

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<sup>45</sup> Fundação João Pinheiro, Centro de Estatística e Informações. Déficit Habitacional no Brasil 2000. Belo Horizonte, 2001.

vacant or underutilized. This must be ruled also by municipal law, which specifies the specific criteria for urban vacancy and for enforcing the mechanism. Also included is the extra-fiscal use of local property tax progressively over time, or progressive IPTU in its Brazilian acronym, (Section III), to be applied to properties that do not fulfill the requirements for compulsory building. In the cases when landowners do not comply, the expropriation sanction with payment in titles of public debt (Section IV) allows for municipal governments to take over property and pay for it with public debt titles. Right of preemption (Section IIIV) grants preference to the municipal government in commercial exchanges over privately owned land. These are mechanisms that aim at enforcing the idea that property fulfills a social function and have the power of sanctioning properties that are not in compliance; however, specific law is required, in addition to the municipal master plan. In addition, the onerous grant of the right to build (Section IX) allows the municipal government to fix areas where the building coefficient can be increased above the zoning rule, through financial compensation. As previously described, Urban Operations (Section X) allow for the municipality to set up specific perimeters where “a set of interventions and measures coordinated by the municipal government, with the participation of landowners, residents, permanent users and private investors, with the goal of achieving structural urban transformation, and social and environmental improvements” (translated by the author). Therefore, these mechanisms enable the municipality to stimulate development in particular areas of the city. The zones for special social interest (ZEIS) are part of a menu of legal and political instruments that the Statute introduces (Chapter II, Section V). There are no specific rules for ZEIS in the Statute, except that if the municipality invests its own resources in urban transformation within ZEIS, these have to be mediated by social control, with the guaranteed participation of local communities, social movements and civil society organizations (translated by the author).

### **Worker’s Party Rise and Setting up the Building Blocks for Comprehensive Urban Reform**

Not long after the passage of the City Statute, in 2002, a Worker’s Party leader, Luiz Inácio Lula da Silva, was elected president with a campaign agenda that included overcoming the country’s housing and infrastructure deficit through a combination of regulatory and financial reforms, including formulation of integrated policy and decentralization of development solutions for design and implementation at the local level and through social participation.

During the electoral campaign, a project was developed, the 'Projeto Moradia,' to address the housing issue in Brazil in a comprehensive way (Projeto Moradia 2000). It was indicated that at the time FGTS contained assets in the order of 80 Billion BRL, with 13 Billion available and 7 Billion BRL in liquid assets; therefore, Projeto Moradia planned to utilize these funds, in the order of 4.5 BRL annually (Bonduki 2008, 91). In addition, there were plans to better utilize SBPE and SFI to finance housing provision to the middle class, so that funding from FGTS could be directed to the population of lowest income, and to increase the number of financial agencies operating housing credit, which were deemed to be too concentrated on Caixa. Central government was to play a coordinating role, while housing councils at the federal, state and municipal levels were to "have a definite role in the design and monitoring of housing policy" (Bonduki 2008, 93).

Fulfilling a campaign promise, Lula's administration created the Ministry of Cities (MC), to implement the urban reform agenda foreseen in the City Statute and the 'Projeto Moradia'. Reflecting the view of a welfarist, federalist state, MC was constituted as "an Executive Secretariat presiding over four national secretariats, namely, housing, environmental sanitation, public transportation and mobility, and land and urban programs" (Fernandes 2007, 183). The Executive Secretariat worked to simultaneously foster federal regulation and develop capacity at the municipal level. In this sense, MC supported municipalities with population above 20,000 inhabitants in developing municipal master plans, as the City Statute required. At the level of housing, efforts began for development of integrated housing policy, culminating with creation in 2005 of a National System for Social Housing (Law 11,124/2005), with a dedicated fund (FNHIS) to promote an articulated housing strategy to be executed through grants to local administrations in coordination with the central and state governments (Cardoso, Aragão, and de Souza Araújo 2013).

Nevertheless, economic policy in the first years of Lula's presidency followed an orthodox neoliberal agenda and restrained the federal budget. In 2003, the MC operated with a "virtual budget" (Fernandes 2007, 184); hence efforts were in designing policy and setting up national conferences aimed at building local capacity. There was not yet funding available for the implementation of programs reflecting the decentralized urban and housing policy frameworks that the MC was envisioning.

## An Inflection on Neoliberalism: Neodevelopmentalism or 'Weak Reform'

Changes in Brazil's economic policy started to occur in the second half of Lula's first term, in 2005, after "dislocation of the neoliberal economic team from positions of power in the Ministries of Finance, Planning and Strategic Affairs due to a succession of corruption scandals that (also) nearly brought down President Lula" and adoption of a neodevelopmentalist approach.<sup>46</sup> Neodevelopmentalism consisted of "the central bank maintaining its neoliberal policy framework based on inflation targeting, floating exchange rates and low fiscal deficits, and, on the other hand, state planned development policies that fostered economic growth and social equity" (Morais and Saad-Filho 2012 792-93).

The Accelerated Growth Program (PAC) underpinned neodevelopmentalism, with the budget managed directly from the President's Cabinet, by then Minister Dilma Rousseff.<sup>47</sup> The regime also extended social provision, particularly through the Bolsa Família program, "which reached 11.4 million households, and social security coverage, which increased from 45 percent of the workforce in 2002 to 51 percent in 2010. The minimum wage rose by 67 percent between 2003 and 2010, and GDP rose by 37 percent in this period. Higher minimum wages raised the floor of the labor market and triggered a simultaneous increase of federal transfers to pensioners, the unemployed, and the disabled. In addition, regulatory shifts supported the rapid expansion of consumer credit" (Morais and Saad Filho 2012, 793). Federal government also supported "the

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<sup>46</sup> Lula's heterodox team argued that resulting from the neoliberal model, "there was significant underutilized potential in Brazil due to unrealized productivity gains that could be captured through economic growth, including economies of scale, higher employment in the formal sector (dislocating lower-productivity workers), state support to private investment and rapid expansion into external markets." (Barbosa Filho in Moraes and Saad Filho 2012, 792). This heterodox approach defended that a strong state could regulate strong markets, which involved both large and small enterprises; in turn this equality of opportunity in market competition required state regulation (Sicsú in Moraes and Saad Filho 2012, 792).

<sup>47</sup> PAC would be fundamental to the completion of what critical urban scholars characterize as a restructuring of the housing sector, as it enabled the creation of a private affordable housing market of very large scale and for which investment interests follow a rationale of profit maximization. In the housing sector PAC combined funds from FNHIS and the general budget. Originally it was dedicated mostly to the upgrading of precarious settlements (slums), particularly in large cities. Centrally coordinated, disbursement of FNHIS "was not conditioned on mechanisms of social control" as originally envisioned (Cardoso, Aragão, and de Souza Araújo 2013, 4). Later these funds would flow into the federal housing program My Home My Life, described below.

emergence of large domestic enterprises at the domestic and global levels, the so called ‘national champions’, so that these could “compete against transnational companies in domestic and external markets.” These Brazilian firms included Odebrecht (construction), Ambev (beverages), Gerdau (steel) and Friboi (processed foods).<sup>48</sup>

Although significant in the first years, public investment in infrastructure, services and social policy was small considering the “30 years of underinvestment” (Morais and Saad-Filho 2012, 793). Moreover, in employing public funds, development programs and even the income transfer program Bolsa Família also allocated significant amounts of public funding to banks to operationalize the programs, “paying interest-bearing capital for the operationalization of these programs” (Silva 2011, 98). In describing the policies of Lula’s term, Singer (2012) contended that neodevelopmentalism, what he called “Lulismo,” opted for gradual and conservative social reform aimed at guaranteeing broad political support to the Worker’s Party by a predominantly conservative political elite, in fact constituting weak reform, with timid outcomes given the radical reform that the Worker’s Party aimed for during its formative years in the late 1970’s. Teixeira and Pinto (2015) contended that Neodevelopmentalism’s social policies were marked by subordination to investment priorities of the global financialized economy, resulting in a continuation of finance-led neoliberalism, a claim Paulani (2013) also makes. According to these views, the regime delivered outcomes that were too timid, and yet too expensive and risky, since public funding was employed, in significant amount, to remunerate interest-bearing capital.

In the housing sector, PMCMV favored centralized planning and privatizing development by concentrating financial decisions within Caixa, which remained almost solely responsible for financing housing developers and mortgage buyers. By concentrating investment in the private construction industry, the regime sought to attract private companies to produce and maintain urban infrastructure and housing. The federal government strategy of creating ‘national champions’ to compete in the global market compromised competition at the domestic level, particularly as financial institutions favored the disbursement of infrastructure and housing

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<sup>48</sup> In 2015, Odebrecht stood as the fourth largest private corporation in Brazil, the country’s largest employer, with \$40 Billion annual earnings. In that same year, Odebrecht would move to the center of the Car Wash investigations involving corruption in the contracts of the state-owned oil company, Petrobrás.

finance to large construction and development companies and their recently opened subsidiaries involved in the development of low-cost housing (Shimbo 2010).

Eventually the political fragility of neodevelopmentalism, sustained by a political coalition between PT and conservative political forces, led to its exhaustion. The regime was interrupted with the impeachment of President Dilma Rousseff on August 31, 2016, twenty months into her second term. While based on allegations that her government's practice of "delaying payments to banks in order to advance money to pay for social programs" (Soto 2015) constituted a crime, her impeachment served the interest of high level politicians involved in federal investigations regarding corruption on massive public contracts.<sup>49</sup> Contributing to the fall of PT from power, and the abrupt interruption of neodevelopmentalism, were lingering effects from the global economic crisis that the regime's 'weak reform' did not address.

### **Neodevelopmentalism and Contemporary Housing Provision in Brazil: PMCMV**

PMCMV's projects were operationalized through the transfer of resources from Brazil's central government to already existing housing funds, namely, the Residential Leasing Fund (FAR) and Social Housing Development Fund (FDS), both managed by the Brazilian Public Bank for Savings and Real Estate Finance (CEF). Funds to FAR originated from Brazil's central budget, and from FGTS. Funds to FDS were dedicated to the construction of housing projects by community-based cooperatives, the so-called 'PMCMC entities'. FAR resources to PMCMV were in the order of \$6.1 billion, and to FSD the equivalent to \$217.4 million (in 2009 value). This demonstrated how the program's central strategy was to leverage the construction sector, "that could have direct access to FAR resources, through presentation of projects to CEF, the agency responsible for evaluating and approving it" (Cardoso, Aragão, and de Souza Araújo 2013, 5 translated by the author).

PMCMV facilitated massive public investments toward the affordable housing sector. Compared to the previous policies of the BNH period, it directed greater volumes of investment to the lower-income population, included provision of funding for subsidized mortgages, and offered a greater level of security to mortgage buyers through provision of mortgage insurance

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<sup>49</sup> Soto, Alonso. August 11, 2015. Fiscal probe for Brazil's Rousseff poses impeachment threat. Reuters. Retrieved February 13, 2017 from <http://www.reuters.com/article/us-brazil-rousseff-impeachment-idUSKCN0QG0BS20150811>.

(Eloy 2013). However, at the level of production, as discussed in the Introduction, it is argued that it reflected business and financial interests, more so than popular demand, thus resembling BNH's privatizing model. Previously characterized by small and medium construction firms operating at the local scale, state-owned agencies and cooperative associations, the market affordable housing sector experienced the entry of subsidiaries of large construction and development firms that had traditionally operated in the high-income housing market (Shimbo 2010). Fix (2011, 141) identified that the launching of PMCMV coincided with the initial public offerings (IPOs) of developers' companies: "and even before construction started, the construction sector led the increase in the stock exchange, featuring the firms dedicated to the economic sector." It is argued that to comply with investor's profit expectations, these companies formed large land banks, contributing to a sharp rise in land prices and to speculative practices across the country (Sanfelici and Halbert 2015). Fix (2011, 141, translated by the author) describes: "companies that wanted to open capital and those already listed on the exchange began to significantly increase their land assets, in part to convince investors that it would be possible to achieve the General Sales Value promised in the stock offerings. As a result, the competition between companies led to the rise in land prices, motivating the search for lands further from the main urban centers or in other municipalities and states." Similarly, Sanfelici (2013) found that to keep costs down and comply with PMCMV's price ceilings, companies focused on purchasing the cheapest available land, and lobbying municipalities to expand their urban boundaries.

Conducting ethnographic analysis of a large construction firm contracting PMCMV projects, Shimbo (2010) found out that PMCMV's rules allowed for the firm to engage in large-scale and rapid housing production in a way that prioritized shareholders expectations of profit maximization, thus working to save in construction costs while giving less consideration to construction quality, and failing to pursue social integration of affected communities through insertion of housing projects in consolidated urban areas. Production innovation was concentrated at the housing financing and firm's managerial level, with limited innovation in architecture, and no significant transformations in the industry's employment structure. Job growth affected, to a large extent, low-skilled temporary labor without long-term contracts and vulnerable to the housing sector's swings. For this reason the program is said to represent a setback in the construction of a national policy agenda based on social participation (Loureiro,



Macário, and Guerra 2013) and which approaches housing as a platform for greater social inclusion (Balbim, Krause, and Lima Neto 2015).

### **Public and Private Funding in the Evolution of Brazil's National Housing Policy**

Central debate around dissemination of PPP's in Brazil regards the state's ability to leverage private financial capital to finance the country's national infrastructure and services' system, notably affordable housing. A review of critical analysis of housing policy and finance in Brazil highlights how, historically, federal funds have supported housing provision and often employed it in a way to protect financial institutions and the private housing industry (Arretche 1990, Royer 2009, Eloy 2013). It is generally assumed in mainstream analysis that absence of public funding prevents federal and local investments in infrastructure and housing provision. However, the experience of PMCMV, which employed the equivalent to 1.2 percent of the country's GDP, plus 0.3 percent of the GDP in tax rebates (Saad Filho 2012, 795), challenged these assumptions.

Since its creation in 1965, SFH, which is based on a traditional system of savings and loans, has remained the most important housing fund in Brazil, with FGTS dedicated to the affordable housing sector (Eloy 2013).<sup>50</sup> As a provident fund based on compulsory deposits, thus reliable, with stability guaranteed due to restrictions to withdraw, FGTS represented “a privileged source of long-term credit” (Eloy 2013). The dismantlement of BNH in 1986, in the midst of a fiscal crisis in Brazil, and the maintenance of SFH until the 1990's in a “state of disarray” (Valença and Bonates 2010, 167) popularized the idea that the country's national housing system, based on traditional savings and loans, was not ideal to fund housing provision. Since then, however, it has been debated that the way in which FGTS is disbursed, both in terms of volume as well as economic sector, depends on decisions taken according to the fund's rules and statutes set by the fund's steering committee; in other words, according to national political and economic priorities. Aguiar (2015) argues that institutional changes are the most important factor defining levels of FGTS funding towards the down market. Therefore, it is not solely the

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<sup>50</sup> As Eloy (2013, 28) describes, BNH was created in 1965, with federal government's contribution of Cr\$1 million, the same year in which FGTS was created. In 1967, BNH received Cr\$600 million from FGTS, “resulting from the collection of 8 percent of company's wage books.” As result, BNH became, in 1970's, the second largest financial institution in Brazil.

situation of the economy but also, and quite significantly, the state's approach towards provision that determines the level of funding available for affordable housing. In fact, Eloy (2013) identifies that FGTS' resources directed to low-income housing provision are historically below the fund's thresholds, and therefore could be increased.<sup>51</sup>

As described in Royer (2009), during the country's neoliberal structural adjustment, FGTS's statutes and rules were changed to attract private capital towards the housing finance system.<sup>52</sup> This was in support of the creation of a private real estate financing system (SFI), based on the development of a secondary mortgage market in Brazil, inspired by the US model. The SFI "sought to relieve the public coffers [and stimulate private real estate financing] without any public investments" (Abecip 1997, 3-9).<sup>53</sup> In spite of these transformations, a secondary real estate mortgage market responsible for the financing of housing development did not unfold in Brazil (Royer 2009, Eloy 2013). SFH remains as the main funding source.<sup>54</sup>

On the other hand, Brazil's neodevelopmentalist regime (2005 – 2015) sought to increase, fast and significantly, funding to infrastructure and housing provision, and for this it relied on the country's SFH and FGTS. By the middle of President Lula's second term, SFH's sources dedicated to the affordable (i.e., subsidized) housing sector went up significantly, indeed, between 2003 and 2008, the total value of SFH's contracts increased eight times, from BRL 5 billion to more than BRL 40 billion (Shimbo 2010). This happened through the establishment of new rules and guidelines by Brazil's Central Bank requiring that private banks increase their

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<sup>51</sup> The author argues that increased resources towards the 'downmarket' combined with diversification in the use of housing funds (i.e., not restricted to the financing of private construction companies for the delivery of new housing units) could stimulate local systems of provision, as envisioned in the national system for social housing policy, SNHIS.

<sup>52</sup> Royer (2009) highlights two important instruments introduced within the SFI framework: that transformed rules concerning production within SFH provision for housing 'lien,' and the possibility to isolate property assets integrated in investors' portfolios from the overall assets of property developers.

<sup>53</sup> Abecip. 1997. SFI: Como funciona o novo Sistema de Financiamento Imobiliário. Retrieved December 6, 2017 from <https://www.google.com/search?client=safari&rls=en&q=SFI+como+funciona+o+novo+sistema+de+financiamento+imobiliario%3F&ie=UTF-8&oe=UTF-8>.

<sup>54</sup> Eloy (2013) argues that these reforms have helped raise investment confidence and facilitate housing credit expansion, including through IPOs. The author argues that enforcing the flow of greater amounts of FGTS' funding to the downmarket could increase housing provision significantly.

resources directed to real estate finance (Shimbo 2010). Changes were also made in the rules of FGTS (i.e., resolution 460 of 2005), increasing volume of federal subsidies based on FGTS resources, “allowing for the federal government to double its housing budget for the year 2005”. Approval of FNHIS in 2005, as well as funds from the general budget, the Worker Severance Fund (FAT), the Residential Lease Fund (FAR), and the Social Development Fund (FDS), increased funding sources by R\$1.3 billion per year (Shimbo 2010). However, through PAC and PMCMV most of these investments were directed towards development of the housing industry.

Evidently, expansion of a provident fund depends on the country’s overall economic environment and employment rate. In the particular case of FGTS, however, funds have been employed in a regressive manner during times of economic expansion and retraction. During Brazil’s developmentalism it favored the construction industry and middle class mortgage buyers (Arretche 1990, Bonduki 1998); during neoliberalism these decreased significantly, through enforcement of fiscal austerity, and then during neodevelopmentalism they were directed at greater levels towards the lowest income brackets but still at lower levels than the fund’s statute permitted (Eloy 2013). Moreover, the almost totality of investment went to the production of new housing units when the largest demand in the country is for improving existing precarious settlements. Therefore, the idea that lack of public funding is the driver of Brazil’s housing gap can be contested through observation of FGTS’ recently spending patterns (Royer 2014, Eloy 2013).

### **Struggling for the Right to the City in the Context of Weak Reform**

It was envisioned that the City Statute would “open a new range of possibilities for the construction and financing of a new urban order which [aimed to be], at once, economically more efficient, politically fairer, and more sensitive to social and environmental questions” (Fernandes 2007b, 213). In actuality there have been significant challenges related to its implementation that point to the need of more nuanced evaluations (Friendly 2013). According to Rodrigues (2004), the fragility of the framework that the City Statute puts forward lies in, first, the reliance on municipalities to set up their own definitions of social function, second, to make it selective rather than mandatory that localities adopt the tools put forward by the Statute, and finally, to combine, and treat as equal, mechanisms that sanction uses that do not fulfill a social function (i.e., the progressive property taxation of idle urban land) and mechanisms that

aim at providing incentives to the market to promote development so that the municipality can benefit from the increase in land value (i.e., the onerous grant of the right to use and the urban operations). The author predicted that municipalities could choose to prioritize adoption of mechanisms that offer development incentives while delaying implementation of mechanisms aiming at sanctioning speculative land use. Finally, differently than the urban and legal components, the Statute did not offer specific rulings for participatory democracy, making this crucial aspect of progressive urban reform particularly fragile (Trindade 2012).

Given limited results of the federal benchmark, it has been argued that achieving the City Statute's goals requires political commitment; the urban reform did not end with the federal benchmark, in fact the federal benchmark was a necessary first step (Fernandes 2014). Other analyses have been less optimistic, for example, by pointing to expansionary policies of the neodevelopmentalist period eroding rights rather than expanding them (Freitas 2017), and threatening the principles of local democracy (Ribeiro and Santos Junior 2017). These accounts stand in opposition to more optimistic views that incremental developments will lead eventually to comprehensive urban reform, and instead put forward the argument that actually existing developments simultaneously reflect and further enhance efforts to move away from frameworks recognizing the right to the city as a collective and towards arrangements that (re) enforce private property rights.<sup>55</sup>

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<sup>55</sup> I discuss this analysis at more length on Chapter 5, including, how this debate in Brazil reflects an international debate on the meaning of the right to the city.

### Chapter 3. A Public-Private Partnership Leveraged with Public Assets

At a presentation at the Rockefeller Foundation on June 20 2013, in the framework of a policy exchange agreement between the United States' Housing and Urban Department (HUD) and Brazil's Ministry of Cities, then Housing Secretary for São Paulo State Government, Silvio Torres, explained that the objective of an affordable-housing PPP in São Paulo was to increase the state's technical and financial capacity to deliver by leveraging private-sector capital and expertise. Statewide, he continued, the housing gap was equivalent to 1.2 million households. Most of this gap affected the lowest income bracket (i.e., those with earnings falling within the equivalent of zero and three monthly minimum wages). The state alone was not able to extend its existing programs to provide housing to the entirety of this population. Therefore, he concluded, the state's involvement in partnerships with the private sector, such as in the case of Casa Paulista, were required.<sup>56</sup>

**Picture 3.1. Casa Paulista Presentation at Rockefeller's Impact Investing Meeting**



Photo Credit: Helena Monteiro, State of São Paulo International Relations Department, courtesy to the author. June 20, 2013

Reinaldo Iapequino, Managing Director of the Casa Paulista Agency, who was tasked with coordinating design of the Casa Paulista PPP model, presented a similar argument when speaking to residents and small business owners in downtown São Paulo. This happened at the association Viva o Centro in mid 2013. There Iapequino explained how the state's housing budget – in 2013 equivalent to \$1.1 billion – was completely compromised by existing programs.

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<sup>56</sup> Author's field notes. The Rockefeller Foundation – Impact Investing Meeting. New York City, June 20, 2013

To invest in new programs, he explained, new sources of private funding were required, and the PPP was the most adequate model to achieve such a goal.<sup>57</sup>

During an interview, then President of São Paulo State Housing Company (CDHU), Marcos Penido, also told me: “since we started the PPPs, something that calls our attention is that, more and more, the government has less to invest. When you realize that costs are increasing, where do you cut your expenses? From investments, of course. So, more and more, when we look at a timeframe of ten, fifteen years, you will see a state that is involved in maintenance, but no longer in new investments. The state will continue to invest in education, health, and security, of course. Now, will this state invest in new roads? Hardly. Will this state have money to invest massively in housing? Hardly. So, the investment capacity of the state is going down. With the new PPP model, [the state] only starts paying when program participants receive their keys. The housing challenge in São Paulo is too big for there to be a single solution. [It requires] a combination of ideas, programs, and resources. So we need to aggregate the resources from the private sector in the PPP, the federal funding from PMCMV, and the resources from the state government with Casa Paulista and CDHU. By adding this all up we will be able to solve, in the long term, the housing challenge in São Paulo.” He completed: “more and more, we started to think about the PPP as a way to pay for the product through debt financing (...), the PPP was doing nothing more than calling upon the private partner and inviting him to build together. Because, you see, if I am going to build ten thousand units, each one at a basic price of one hundred thousand Reais, I am talking about one billion Reais.<sup>58</sup> As CDHU, I have to invest today, in today’s economic reality, eight hundred million Reais. And I cannot do anything else! So we have to sum up efforts.”<sup>59</sup>

On the other hand, the private sector designers of the PPP model associated large scale housing provision with economic ‘regeneration’ of the downtown area. It was assumed that this dynamic would simultaneously produce a more compact and inclusive territory and better insert the city of São Paulo in the global market. At a presentation on large scale intervention in downtown São Paulo at the World Cities Summit in June 2013, Director of Urbem, Phillip Yang,

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<sup>57</sup> Muriana, Fabricio. August 22, 2013. “Full record of debate with Reinaldo Iapequino about PPP Casa Paulista.” Retrieved on June 5, 2017 from <https://www.youtube.com/watch?v=GVIjOr98B7Q>.

<sup>58</sup> In reference to the local currency, Reais, here described as Brazilian Reais or BRLs.

<sup>59</sup> Interview with the author. São Paulo, August 18, 2015.

asserted: “São Paulo started up very late in the process of transition from the industrial to the post-industrial period. Here, we lag far behind, but maybe we can take advantage of our delay to leapfrog forward and restructure ourselves as a society that enters, directly, the digital revolution that is occurring now and is progressing so quickly. The opportunity is huge, but the risk is huge as well. If we make a mistake, we might head down the wrong track. This is not just a local problem. São Paulo represents one fourth of the Brazilian GDP. So if São Paulo gets on the wrong track, this will represent a problem of national scale. This is our opportunity. We have a very serious problem and a limited time to take advantage of this opportunity. At the same time, we are very lucky now to count on the leadership of Silvio Torres and Fernando de Mello Franco, who are thinking broadly for problems of large scale.”<sup>60</sup>

Overlapping some images of the city of São Paulo’s actually existing landscape, and renderings of Urbem’s proposal for the PPP Casa Paulista, Yang explained: “the best expectation we have, at Urbem, is that areas such as this [showing a slide of Favela do Moinho], were transformed into something like this [showing one of Casa Paulista’s rendering of a mixed use neighborhood]. Something that connects work to housing, mixes retail and services, provides ample spaces for the pedestrian, that brings parks close by. Or that melancholic spaces such as this [showing a slide with pictures of abandoned industrial sheds] could be transformed in contexts like this [another rendering of Casa Paulista’s proposal], more alive, more dynamic, more humane, more socially plural, overall, a social fabric that could be configured... without ghettos; without ghettos for the rich, without ghettos for the poor. Or that degraded areas such as this [he shows a picture of Avenida do Estado], could become something like this, with wide public spaces, green sceneries. Spaces that can generate value; economic value and social value too (...) So to summarize, we expect those great changes to be implemented in a way to create a

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<sup>60</sup> Phillip Yang, founder and executive director of Urbem, discussing at the New Cities Summit 2013 about the potential effect of a PPP such as Casa Paulista, framed as a large-scale interventions in São Paulo. Urbem is the not-for profit urban planning firm responsible for the design of the Casa Paulista original model. The New Cities Summit is a worldwide conference organized by the NewCities Foundation and focused on the exchange of new urban trends. Its 2013 meeting took place in São Paulo, June 4-6. Yang referred to the Head of State of São Paulo Housing Department, Silvio Torres, and Head of the city of São Paulo Urban Development Department, Fernando de Mello Franco (note from the author). New Cities Summit 2013. June 4, 2014. Breakout: Sao Paulo- Large Scale Change, organized by the NewCities Foundation. Retrieved October 13, 2017 from <https://www.youtube.com/watch?v=aPZhKM9vbQ&feature=youtu.be> (20’50” to 23’00”).



city with more mixed use, more socially plural, more pedestrian friendly, better for those who use public transportation, and that these changes can be implemented in a way to respect the current reality, as long as this reality is relevant, both in human terms, as well as historic terms.”

**Picture 3.2. Debating Large Scale Transformation in Downtown São Paulo**



Screenshot from New Cities Summit 2013 - Breakout: Sao Paulo- Large Scale Change - 4 June 2013, organized by the NewCities Foundation. Retrieved November 7, 2017 from <https://www.youtube.com/watch?v=aPZhXKM9vbQ>. From left to right: Fernando de Mello Franco, Head of the Municipal Urban Development Department, Phillip Yang, Founding Partner and Executive Director of Urbem, Vera Bradimarte, newspaper editor, Silvio Torres, Head of São Paulo State Housing Department, Marcos Siqueira, Director of Investment from Odebrecht's Real Estate arm

In this chapter, I explore the workings of the Casa Paulista PPP model, first by identifying the processes associated with its appearance, and second, by examining the evolution of the model's main components, i.e., the urban, economic and legal elements, from the original request for private proposals by the state government of São Paulo, until the signing of a contract with Canopus Holding. Prior to this analysis, I describe the geography of the Casa Paulista PPP, the central districts of the city of São Paulo.

Reflected in the excerpts above are two arguments that undergirded Casa Paulista's official narrative. The first pointed to the public sector's lack of financial and technical capacity to address affordable housing provision in the state as a whole and the central city area in particular. The second suggested that downtown São Paulo was 'on the brink;' the PPP was the ideal solution to switch this condition and simultaneously insert the city of São Paulo in the competitive global city's arena. I challenge this narrative by framing the geography of the city center as urban space that is socially produced (Lefebvre 1991, Gottdiener 1994), and arguing



that there is not a single view of São Paulo's historical central districts, neither in terms of housing and housing provision, nor in terms of the local environmental conditions (José 2010, Silva 2006, Silva and Sigolo 2007, Tsukumo 2007). Based on such an approach, Kara-José (2010), based on Villaça (1998) qualifies this area as 'popularized' or characterized by residential and commercial uses devoted to a population of lower income.<sup>61</sup> According to this view, disinvestment in the central area is not simply a result of too restrictive land use rules. Rather, it is argued that private businesses pressured the state to invest in other areas of the city, expanding the local property market, and moving out of the city center (Villaça 1998). Business investment in the central city area did not flow back to the area at significant scale in spite of strategic land use plans proposed for the area since the 1970's (José 2010, Silva and Sigolo 2007, Shimbo 2013).

Also standing in contradiction to the concept that outdated zoning rules in the central city were the main cause for disinvestment in the area are the geographical focus of the Casa Paulista PPP, namely, the ZEIS districts, established in 2002 through the PDE 2002. I review the goals of ZEIS districts and how these fit within the city of São Paulo's land use and housing frameworks. I also challenge the framing of the downtown area as degraded and obsolete. Increase in federal credit to affordable and market affordable housing at both supply and demand, through PMCMV, increased real estate developments in the area. A countrywide real estate upcycle, boosted by the penetration of financial capital in the sector and expansion of domestic companies through formation of land banks led to an increase in land prices, with effects in the city center area. Rules for ZEIS 3 districts offered incentives for development of market affordable and affordable housing. Although housing prices in the city of São Paulo were often too high to qualify to PMCMV subsidy, through adaptation, private developments were starting to increase within the ZEIS 3 districts.<sup>62</sup> However, these addressed the high end of the targeted income bracket, failing to address the groups in greatest need of housing subsidy in the city center, as

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<sup>61</sup> Lefebvre (1991, 2001) frames urban space production as a social process, where the built environment reflects relationships occurring at social, political and economic dimensions, at the local, regional, national and global scales. Also according to this view, a policy proposition to transform an actually existing environment represents an action of the state to impose in the environment its hegemonic view of capitalist production and accumulation.

<sup>62</sup> According to verbal information from Mario Lamberti, Director of Engelux Construction and Real Estate Development, August 5, 2015.

well as the goal of the ZEIS 3 rule (Gatti 2015). The heated up real estate market put pressure on groups living in and demanding affordable housing in the area and also challenged private and public production of affordable housing, due to land prices. Indeed, analysis of already existing models of affordable housing provision in the area indicates that there were solutions in place that were appropriate to the local urban environment, but with very low production volumes, and that addressed primarily the high end of the low-income market (Gatti 2015, Tsukumo 2007).

I also describe the city center as home to the organized housing movement that, through the exercise of ‘transgressive citizenship’ (Earle 2012), demands from government housing policy so that the right to housing and to the city is actually addressed, including through the occupation of vacant property. By focusing on affordable housing provision in São Paulo’s ZEIS 3 districts, the Casa Paulista PPP addressed a demand born out of social struggle, including through the organized occupation of vacant buildings in the central area; however this legacy was not recognized in the program.

Following this analysis of the social production of space and of affordable housing in the city center, I examine the Casa Paulista PPP model, through an evolutionary perspective. In order to do so, first I identify the processes associated with its original proposition, and second, I examine transformations of the model’s main components, i.e., the urban, economic and legal, from the original request for private proposals for a private-led model of housing provision until the signing of a PPP contract. Research findings indicate that, not unlike other PPPs in the country, public funding remains as the major source of finance for the PPP Casa Paulista. The model does not leverage private capital; rather, it directs public funding to a private management entity, the Casa Paulista SPE, under the control of Canopus Holding. Likewise, the model has been unable to scale up affordable housing development, as it had originally intended. Nonetheless, through the Casa Paulista PPP, the state of São Paulo prioritizes a specific system of housing delivery or provision, namely, large scale, predominantly low cost residential real estate development projects that are bundled with infrastructure and service provision, and long-term maintenance. As proposed by Raco (2014) in his theory of state-led privatization, in implementing the PPP the state and his private partner prioritizes the system of provision over actually existing housing in the central city.

### **Background: Casa Paulista's Geography: the City of São Paulo's Central Districts**

Founded in 1554, it would be only at the end of the 19<sup>th</sup> century that the city of São Paulo experienced “continuous and vertiginous growth.” Fueled by an international migration wave, the region grew at 11.6 percent per year between 1886 and 1900. Development of the industrial sector during the country’s modernization period drove the city’s growth in the 1950’s, equivalent to 6.1 percent yearly (Sachs 1999, 48).

According to Villaça (1998), what would become the city of São Paulo first business district concentrated, at the end of the 19<sup>th</sup> century, residences of the local elite, associated with the coffee cycle. With modernization, uses in the central city area diversified. Meanwhile, road expansion and development of the automobile industry facilitated the “growing segregation of high income groups to exclusively residential neighborhoods beyond the city center” (Villaça 1998, 263, translated by the author). Opening of the “Viaduto do Chá” in 1891, transposing the Anhangabaú Valley connected the old city area with a new development frontier in the Southwest. By the 1950’s, “downtown was clearly divided by the Anhangabaú Valley in two parts. To the Southwest, there was established a territory for the elites (...) re-named the new downtown. The old downtown remained on the other side, with the uses gradually transformed to adapt to a population of lower income” (Villaça 1998, 264, translated by the author).

### **Popularization of São Paulo's City Center and Construction of a Redevelopment Discourse**

As part of downtown’s transition was the construction in the 1950’s of high-density commercial and mixed-used buildings and very small residential apartment units (kitchenettes). High-density development in the central area was predominantly residential in the 1940’s up until the late 1950’s (Somekh 1997 in Kara-José 2010). This period coincided with the rise of a middle class in Brazil due to industrialization, and internal and international migration to São Paulo specifically of a low-skilled labor force to work in the construction industry. These groups would settle in working class neighborhoods in and around the downtown area (Frugoli 1995 in Kara-José 2010). The establishment of building codes in 1957 limited building density in the downtown area to standards below what the industry was practicing then (i.e., the equivalent to six times the plot size for commercial use and four times for residential use), established a threshold for population density equivalent to 600 inhabitants/ hectare, as well as a minimum apartment size of 35m<sup>2</sup> (Rolnik 1990 in Kara-José 2010). These rules affected production of the

kitchenettes that were being produced for a population of lower income. At the same time high density development in the city's Southwest axis was facilitated through land use rule (Ibid). According to Villaça (1998), it was a coordinated action of the state and the private real estate sector that slowed down property development in the downtown area. The development sector, however, did not stop but rather expanded into the city's Southwest. Land use control affected primarily the expansion of a market-rate affordable housing sector in the central city area.

José (2010) also characterizes the transformation of São Paulo's city center as a process of popularization: upon migration of business company's headquarters and upscale commercial and service uses towards the Southwest region, land use was gradually transformed by the introduction of retail businesses, predominantly low-paying services (i.e., call centers) and middle- to low-income residents through construction of high density residential high rises. Facilitating popularization was also the expansion of the city's transit system in the 1970's, particularly the subway, with North-South and East-West lines connected in the central district of Sé. Until the 1960's, the downtown area contained the headquarters of large companies located in São Paulo. In the 1970's and 1980's, there was a relocation of these headquarters to a "new downtown" area, Paulista Avenue, at the Southwest vector to which the city's highest valued residential property had relocated decades before. In the 1990's, there was a new move, with the expansion of Faria Lima and Berrini Avenues, facilitated by state action (Fix 2007). In the year 2000 only 5 percent of companies' headquarters were located in the old downtown area (Nobre 2000 in José 2010). Relocation of businesses resulted in a growing number of vacant and underused buildings in the city center, and less use of the urban space (José 2010, 26). Disinvestment was the cause and not a consequence of urban decline in the city center (Villaça 1998, Kara-José 2010).

**Map 3.1. Perimeter of the Expanded City Center in São Paulo**



Source: São Paulo State Government. 2012. Relatório Geral do Programa de Atuação em Cortiços, 17. Retrieved October 22, 2017 from <http://www.cdhu.sp.gov.br/download/manual/RelatorioGeralProgramaCorticos.pdf>.

Starting in the 1970's, state and municipal governments put forward proposals to attract private investments back to the old city center. These occurred at first in a scattered manner and were later associated to the city's municipal master plans (PDE 2002 and PDE 2014) and have achieved their goals only partially, with the development of anchor institutions and the return of local government's headquarters and offices to the area (Kara-José 2010). According to (Silva 2006), two different views orient today's debate around contemporary urban transformation in downtown São Paulo: one which emphasizes conditions in the local urban environment that are associated with decline and abandonment, and that suggests improving it requires significant transformation of the local environment, both in terms of the space and its users. The second recognizes the declining condition of the physical space but "emphasizes the economic vitality of the businesses already located in the area" and proposes improvement of traditional or already existing uses, and the strengthening of the residential use, particularly affordable housing. Historically, the first view has been associated with strategies to articulate public and private

agents, and financial institutions, to redevelop or regenerate the historic downtown districts, with special focus on public open spaces. The second view has focused on repopulating the central area, and narrowing down on the scope of urban interventions, so that these seek to improve existing conditions, more so than radically transform the existing environment, and thus avoiding displacement of the local population. Nonetheless, from the perspective of financing, both of these strategies rely on attracting the private sector to promote the transformation of the downtown area, including, currently, for the provision of affordable housing in the ZEIS 3 districts (Shimbo 2013, Tsukumo 2007).

During the administration of the city's first Worker's Party Mayor, Luiza Erundina (1989-1992), the Urban Operation Anhangabau (Law 11,090/91) was approved. It consisted of a plan to improve the area's roads and sidewalks, and drainage system, through private investments in exchange for development incentives in the perimeter of the Urban Operation, a total of 841,600 m<sup>2</sup> (Kara-José 2010, 94). The activities included increasing construction potential and transferring building potential between plots in exchange for private investment in infrastructure improvement. Overall the plan was not successful (Silva 2006). Also during Mayor Erundina's mandate, at a time of intense debate around the urban reform in the formulation of the Federal Constitution (Chapter 2), organized housing movements that had, until then, concentrated in the city's periphery started to organize around the provision of affordable housing in the city center. Finally, also during this period was the creation of a civil society group that lobbied for a complete reconfiguration of the old city center. The Viva o Centro Association (Viva o Centro) "combined groups that owned land in the city center, including national and international private financial institutions, and public banks, as well as employer's federations and associations" (Kara-José 2010, 29, translated by the author) to advocate for investment in the city center.<sup>63</sup> Six years later, during the administration of Celso Pitta, from the right-wing Progressive Party of Brazil (PPB), the Urban Operation Centro (Law 12,349/97) was

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<sup>63</sup> According to Kara-José (2010), Viva o Centro played a key role in the construction of a discourse that land use law restricting property development led to businesses abandoning the city center, and the area becoming degraded through the introduction of 'undesired' uses such as informal street vendors, the presence of individuals in condition of homelessness, and substance abuse. In this way, absence of private investment in the area in spite of land use law offering incentives to private developers is associated with the presence of these uses that are considered undesirable for the market and the society.

approved. Similar to the previous operation, it proposed the flexibilization of land use rules in exchange for private investments in infrastructure improvements in an area significantly larger than Operação Anahngabaú, i.e., 662.9 hectares. Moreover, the public works to be performed were not established a priori, rather, these should be defined during the plan. While the focus of Operação Urbana Anhangabau was to leverage private finance to a particular set of infrastructure projects, the goal of Operação Urbana Centro was to attract the private real estate sector back to the city center area. Both of these laws failed in their goals (Silva 2004 in Shimbo 2013).

In 2003, under the administration of Worker's Party Mayor Marta Suplicy, the program "Downtown Action" was established, with financing from the Interamerican Development Bank (IDB). Involving a wide range of activities, the program combined the concept of entrepreneurial management with the ideal that social diversity and inclusion were desired in the city center (Shimbo 2013). Between 2005 and 2012 political control over the city's administration shifted back to center-right government represented by a coalition between Mayor José Serra from the Social Democracy Party of Brazil (PSDB) and Vice Mayor Gilberto Kassab from the Liberal Front Party (PFL), now renamed Democrats (DEM). On March 31, 2006, Mayor José Serra left the municipal office to run for State Governor. Winning the next municipal elections, Gilberto Kassab was the mayor of São Paulo until 2012. According to Shimbo (2013), during this period there was an increase in public plans to improve the role of private developers in redeveloping the downtown area, including through the concession of eminent domain authority and stimulation of market rate development. Programs to guarantee social diversity and inclusion in the area, on the other hand, were not proposed (Ibid).<sup>64</sup>

A paradigmatic project during this period was the Nova Luz Program, which sought to reconfigure a forty-five block area in downtown São Paulo, including a central ZEIS 3 district

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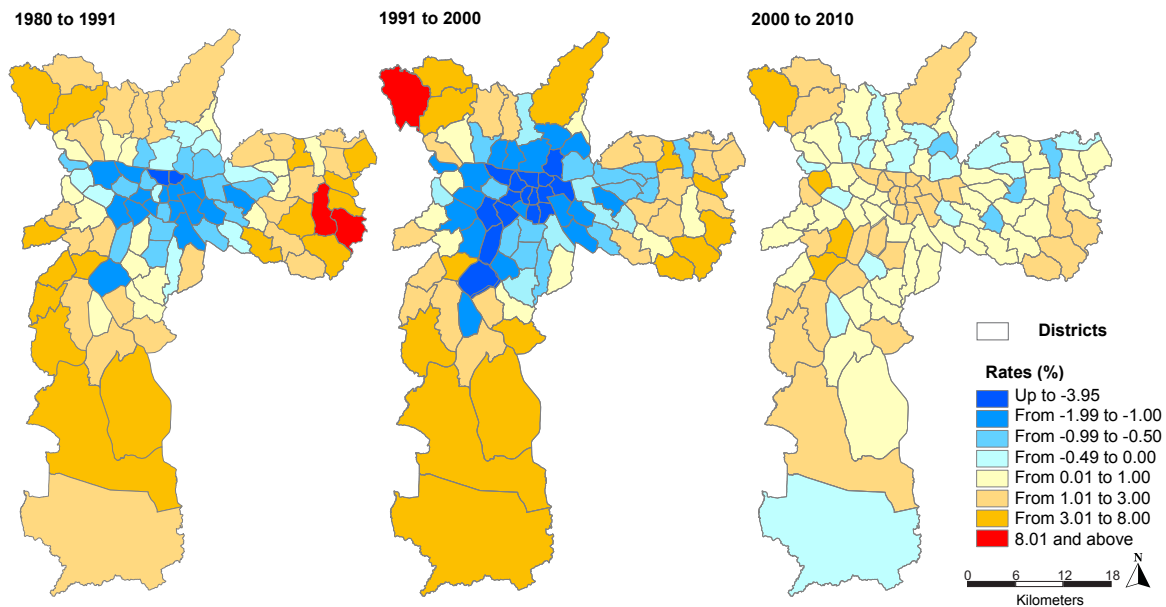
<sup>64</sup> Shimbo (2013, 8) explains that a growing critical urban literature in São Paulo associates the rise of a discourse about the city center's degrading conditions, and the development of initiatives to revitalize the economy and requalify the urban space to the establishment of a population of lower income in the area, and activities (i.e., retail and services) dedicated to this population. According to Kara-José (2010), there had been, between 1997 and 2007 (, a decrease of the population of high income (more than 15 MMW), and an overall increase of low- and middle-income population. Shimbo (2013) hypothesized that an increase in overall income and an increase in housing mortgages allowed for such a population with earnings between 2 and 4 MMW to access housing in the downtown area.

(ZEIS 3 C 016). Nova Luz was modeled as a PPP, combining the development potential of ZEIS 3 districts with the adoption of a local land use instrument known as Urban Concession, which was interpreted as a mechanism that authorized the municipality to transfer to private agents comprehensive development authority, including over eminent domain. According to the plan, developers would be responsible for implementing an urban plan, involving infrastructure development, according to the city's guidelines and, in exchange, would keep the revenues from the sale of property after redevelopment (Shimbo 2013). The Nova Luz Project was challenged in court for not complying with Constitutional ruling demanding social participation in local development projects, in particular, the ZEIS 3 ruling that resident councils were formed for urban development projects concerning ZEIS districts. According to Gatti (2015), creation of a resident council in the ZEIS 3 C 016 was crucial, as the council's actions provided the legal basis for the project being revoked on the basis of a marked absence of social participation during the proposal's design. Mayor Fernando Haddad (2013 – 2016) from the Worker's Party would ultimately revoke the Nova Luz project upon his coming into the office.

Meanwhile, between 1970 and the 2000's, decreasing population and rising urban vacancy characterized the city center's demographic trends. There was a 30 percent decrease in the central city districts between 1980 and 2000 (IBGE), as shown in Map 3.2, below. Then the population census of 2010 registered an increase in the population of the central districts for the 2000 – 2010 period, above the overall municipal rate of 8.1 percent. In the central district of Sé alone, increase was equivalent to 17 percent, at República it was equivalent to 20 percent and other central districts registered increases as high as 29 percent (Shimbo 2013).



**Map. 3.2. Geometric Rates of Annual Population Growth 1980 – 2010**



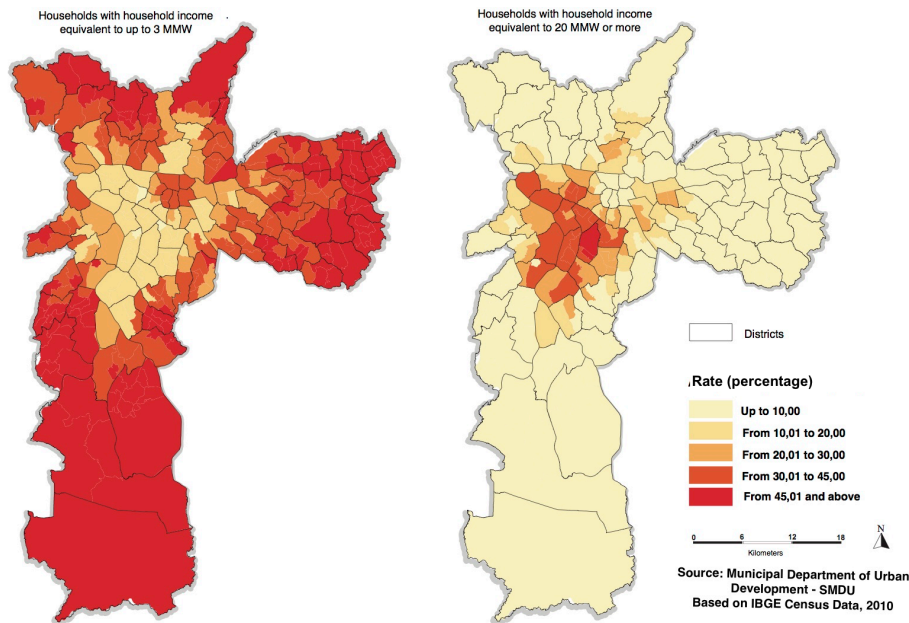
Source: IBGE, Population Census 2010. Preparation: São Paulo Municipality – Urban Development Department. Retrieved October 22, 2017 from [http://smul.prefeitura.sp.gov.br/informes\\_urbanos/pdf/2.pdf](http://smul.prefeitura.sp.gov.br/informes_urbanos/pdf/2.pdf)

### The Social Production of Affordable Housing in Downtown São Paulo

In absolute numbers, most of the ‘housing deficit’ of the city of São Paulo is located at the peripheries of the city. According to the City of São Paulo’s most recent Draft Municipal Housing Plan, from a total of 3.57 million households, 808 thousand households live in conditions of precariousness or deficit (9 percent and 13 percent of total households respectively). These numbers vary significantly per income strata, with over half of the households without income (77,196 in total) living under precariousness or deficit, and 36 percent of the households earning the equivalent of up to three monthly minimum wages living in these conditions.<sup>65</sup> Household condition and income also vary geographically. Households living in conditions of poverty and precariousness are concentrated at the periphery of the city, as presented in Map 3.3. On the other hand, the central districts concentrate formal employment, as shown in Map 3.4.

<sup>65</sup> Municipal Housing Plan, Document for Public Debate, 21. <http://www.habitasampa.inf.br/files/CadernoPMH.pdf>. At the completion of this research the document was undergoing public consultation.

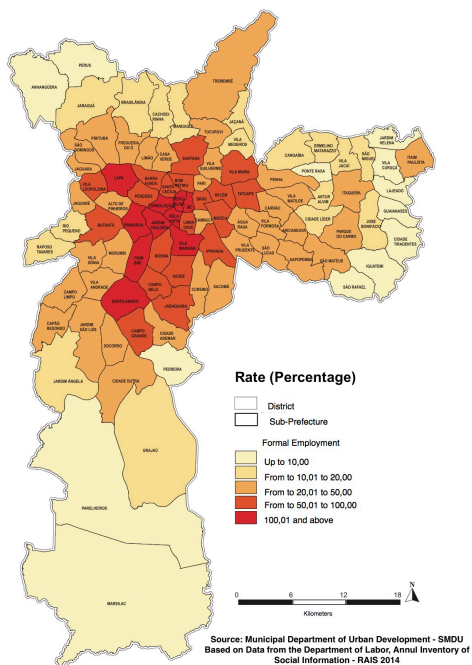
**Map 3.3. Household Distribution by Income Strata, São Paulo City, 2010**



The rates represent the percentage of households falling on specified income over all households.

Source: IBGE, Population Census 2010. Preparation: São Paulo Municipality – Urban Development Department. Retrieved November 7, 2017 from [http://infocidade.prefeitura.sp.gov.br/mapas/13\\_distribuicao\\_dos\\_domicilios\\_segundo\\_faix\\_2010\\_10817.pdf](http://infocidade.prefeitura.sp.gov.br/mapas/13_distribuicao_dos_domicilios_segundo_faix_2010_10817.pdf)

**Map 3.4. Distribution of Formal Employment, Except Public Administration, São Paulo City, 2014**



The rates represent the percentage of households falling on specified income over all households. Source: Ministry of Labor. Annual Social Information Assessment – Rais 2014. Preparation: São Paulo Municipality – Urban Development Department. Retrieved November 7, 2017 from [http://infocidade.prefeitura.sp.gov.br/mapas/18\\_empregos\\_formais\\_no\\_setor\\_privado\\_2014\\_10276.pdf](http://infocidade.prefeitura.sp.gov.br/mapas/18_empregos_formais_no_setor_privado_2014_10276.pdf)

The central city area, notwithstanding, has historically concentrated the city's population living in slum tenements. In 1997 a study by FIPE focused on nine central districts or 'basic intervention areas' with the highest concentration of slum tenements: the districts of Pari, Brás, Belém, Mooca, Cambuci, Liberdade, Bela Vista, Santa Cecília and Barra Funda. It indicated that at Sé, about twenty five percent of the population lived in slum tenements, in the district of Mooca this was equivalent to thirty per cent while in the city as a whole this group comprised six percent of the total population (Silva and Sigolo 2007).

A study carried out by SEADE in 2000 estimated the total number of slum tenements in the city as 24,000, or a 160 thousand families and 596 thousand people, equivalent to six percent of the total population (São Paulo State Government). In the central area 1,861 properties were occupied as slum tenements, with a population of 38,304 people, representing 28 percent of the citywide population living in these conditions.<sup>66</sup> The Municipal Housing Plan of 2011 indicated 11,086 households living in slum tenements in the central area, equivalent to 47 percent of housing needs in the area. Described in Gatti (2015), a survey by Kohara (2011) focused on 104 slum tenements in the central city and 995 resident families, from a total of 5,084 in the center as a whole, as identified by IBGE (2010). Kohara (2011) indicated that the population residing in slum tenements in downtown São Paulo worked primarily in the informal sector, lived on earnings equivalent to one and three MMW (63.9 percent of the total), and depended on the central location to avoid expenses commuting to work. Indeed this population was characterized as living in conditions of great vulnerability and moving constantly due to lack of housing security and affordability, yet subjecting to these living conditions in order to live close to work (Barbosa 2014).

Silva (2006, 207) argues that "search for affordable housing solution in downtown São Paulo originates from social struggle that started in the 1990's." Traditionally, theoretical and policy debate around affordable housing was limited to provision at the periphery of the cities (Tsukumo 2007). It was only in the 1990's that consideration was given to affordable housing provision in central areas. This happened in the context of the social movement's struggle for

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<sup>66</sup> Governo do Estado de São Paulo. Relatório Geral do Programa de Atuação em Cortiços. 2012. Retrieved January 19, 2017 from <http://www.cdhu.sp.gov.br/download/manual/RelatorioGeralProgramaCorticicos.pdf>.

urban reform, the enactment of Federal Constitution of 1988 and the urban chapter, and small scale experiences of affordable housing provision in city centers.

During the administration of Mayor Luiza Erundina, (1989 – 1992), for the first time, a municipal program was designed addressing residents of slum tenements in downtown São Paulo (Silva and Sigolo 2007, 207-208). The program was of very small scale, and involved provision of 227 new units distributed in two buildings in the central area, through a then new model that became known as “self-help and self-management.” Accordingly, program beneficiaries, members of organized housing movement, participated in the construction and management of their own housing projects. The program was interrupted in the next mandate of conservative mayor Paulo Maluf (1993 – 1996); however, social movements were empowered to demand affordable housing provision in the city center (Tsukumo 2007). Between 1997 and 2005, there was systematic occupation of vacant buildings in downtown São Paulo by organized social housing movements, with more than 9,000 families occupying a total of 44 buildings (Tsukumo 2008). The objective of these occupations was to force the state and municipal government, and Caixa (the federal savings bank) to develop solutions for housing provision *for a population that wanted to live close to their employment* (Tsukumo 2007, 208, emphasis added, see also Earle 2012). Resulting from these occupations, social movements, “with support from professional architects, students and researchers, developed projects to negotiate directly with the Federal Savings Bank – Caixa – the state and municipal governments” to finance the refurbishing of these buildings into affordable housing projects (Silva 2006, 207 translated by the author). Based on the studies by FIPE and SEADE, the state government designed the program PAC-CDHU, implemented by the State of São Paulo Housing Company (CDHU), with resources from the state government and IDB. The proposal of the program was for the state to acquire selected buildings within those identified by the program, upgrade them or transfer to the municipality for upgrading and provision to selected families. Organized pressure also influenced the mapping of slum tenements that would inform PAC-CDHU, so that the housing scenario in downtown São Paulo was not only quantified but also territorialized.

Starting in the 2000’s, public plans and programs involving affordable housing provision were developed for the central area by the municipality and also the state, with limited results as described below. Tsukumo (2007) presents the list of interventions in the area in the period 2000 – 2004, involving: the Housing Leasing Program (PAR), resulting from a partnership between

the federal government and the municipality with financing from Caixa, the Slum Tenement Intervention Program (PAC-CDHU), a state program implemented by the state housing company (CDHU), with financing from the Interamerican Development Bank (IDB), and a series of smaller interventions falling under the umbrella of a larger municipal program implemented during the mandate of Mayor Marta Suplicy (2001-2004). These last involved the social rent program, rental assistance program, a planning mechanism known as Perimeter for the Integrated Rehabilitation of the Habitat (PRIH), and the Slum Tenement Program.

The PAR-refurbishing originated from a national housing program, PAR, destined to producing low-cost housing (for the population earning up to 6MMW) to be commercialized through lease with the option to buy. Due to the organized housing movement's pressure, the program was adapted to finance retrofitting in downtown São Paulo (Tsukumo 2007). In 2001, São Paulo municipality became a partner in the program, facilitating project design and approval, speeding up licensing, and indicating demand, while Caixa committed to addressing the population indicated by the municipality and transferring to beneficiaries the municipal subsidy. The operation then involved Caixa contracting a housing developer for the retrofitting under a closed contract. The program set up a price ceiling for the unit cost of the apartments, 40 thousand BRLs in 2008, or \$ 23.5 thousand, which was not a sufficient incentive to private contractors (Tsukumo 2007). From a list of 400 (vacant central) buildings presented to Caixa, 54 had feasibility studies developed, and 6 projects went through until 2004, a total of 624 units. Seven more projects were developed and contracted until 2004 but were not contracted under Mayor Suplicy.

Deriving from the early negotiations between social housing movements and Caixa, PAC-CDHU was designed as a state-level program implemented by CDHU with financing of IDB, to intervene in slum tenements in downtown São Paulo by way of retrofitting or demolishing buildings and offering housing units for commercialization to the population living in the slum tenements. CDHU contracted projects out to private developers and offered the housing units for lease with the option to buy, to families with credit capacity such as to not commit over than 30 percent of their income on rent. Due to these conditions the program was generally not accessible to families of very low income that made up most of the organized housing demand in the central area. Starting in 2005 the municipality joined in the program as one of the promoting agents along with CDHU. However, overall the production was low, 388

units by 2004 (Tsukumo 2007) and 556 units delivered by 2011 (Governo do Estado de São Paulo 2012).

Social rent was a municipal program to address the population of very low income, with a grading scale between income and housing expense. The program sought to build more than 1,600 units; however, only two buildings were built under the program. Units were offered to a population of very low income, with income between 0 and 3 MMW, and high levels of vulnerability, and therefore, high levels of social work were required. When this did not occur, it reflected in the (absence of) building maintenance. During its existence the program produced 981 units, more than PAC CDHU.

The rental assistance program was initially created to offer assistance to families being removed from their original homes. Eventually it became an alternative to the more traditional homeownership solution, with the provision of 30 months' assistance to households with earnings between 1 and 3 MMW. It addressed 4,000 families in the central area and 12,000 in the municipality as a whole until 2011 (Governo do Estado de São Paulo 2012).<sup>67</sup>

The Perimeter for the Integrated Rehabilitation of the Habitat (PRIH) was a local planning initiative put forward during the term of Mayor Suplicy and interrupted at the end of her mandate. The main legacy of PRIH, according to the author, is to have served as a forum through which social movements participated in the demarcation of the central ZEIS districts.

These initial experiences with housing provision in the central area indicated a tendency that, as long as programs were packaged, and particularly if there were financial institutions involved, these became unaffordable to the population of lowest income, with earnings between 0 and 3 MMW. At the local level, there was greater disposition from the PT administrations to address the issue of affordable housing provision in the central area. A lack of political continuity affecting the programs was also evident. There was limited experimentation and debate around social rent solutions; however the social program that the municipality implemented was actually able to provide a greater volume of housing than the state-level program focused on homeownership. Moreover, there was discrepancy in relation to the outcome of individual projects, with those distributed to very vulnerable populations being poorly

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<sup>67</sup> According to Gatti (2015), implemented in an ad hoc manner this program can become a financial burden as it is costly and has no commitment with permanent housing.

maintained (Gatti 2015). This created a stigma around the ability of families demanding housing to manage their own units and collective areas within housing projects once participating in a program. This would justify the assumption of programs such as Casa Paulista, that private agents are necessary to manage an affordable housing stock while it is under state ownership.

As response to the limited state-led provision of housing in the central city area, the organized housing movement has maintained its strategy of occupation.<sup>68</sup> Tsukumo (2007) analyzes housing provision resulting from these initial occupations. From the original 44 occupations, ten buildings were refurbished by 2006 and seven more remained in negotiation, while the remaining ones were subjected to repossession (according to Tsukumo, of these, three remained occupied during the course of her research because state action had not been executed).

#### **Urban Policy for São Paulo City Center: the Strategic Master Plans of 2002 and 2014**

The first strategic master plan (PDE) for the city of São Paulo according to the City Statute was approved in 2002. Law 13,430/2002 (PDE 2002), reflected the municipality's approach to "rationalizing the use of urban infrastructure and democratizing access to land and housing in São Paulo,"<sup>69</sup> and introduced mechanisms for property and the city to fulfill a social function. These involved mechanisms to penalize uses that did not fulfill a social function (thus consisting of speculative uses) through compulsory development of idle land (PEUC), progressive taxation of idle land (progressive IPTU) for property that failed to comply with PEUC, and expropriation sanction with payment in titles of public debt. The PDE 2002 also involved mechanisms to incentivize property development through urban operations and urban concession. It introduced the mechanism of onerous grant of the right to build, which allowed development beyond zoning rules in exchange for financial compensation to the municipality. As described in Friendly (2013), this is premised on the separation between the right to property and

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<sup>68</sup> According to Barbosa (2014), since the late 1990's, more than 200 occupations of vacant property were organized by social housing movements in the central city area. Moreover, over six thousand housing units were produced through partnership between organized housing movements and different levels of government (Ibid), even though, for the most part such production is not in the central city, a criticism that has been increasingly voiced by the organized movement (Earle 2017).

<sup>69</sup> Law 13,430/2002, PDE 2002, Article 8.

the right to build and was conditioned, in the PDE 2002, to local government's investments in social housing and infrastructure that addressed social interest.

The goal of PDE 2002 was to implement urban policy in São Paulo in a way to increase social justice and reduce inequality, promote social inclusion and the right to the city through greater access to infrastructure and services, and to facilitate land use so that property and the city fulfill a social function and enable the local population to benefit from the economic value captured by the municipality from real estate development, through the mechanism of onerous grant to built (PDE 2002, Article 7). Implementation of the law was uneven: while mechanisms aimed at stimulating development through market incentives, such as urban operations, increased, implementation of mechanisms sanctioning urban vacancy stalled or were implemented very slowly. A municipal law required for adoption of progressive IPTU was only approved in 2010, and it was restricted to properties inside the ZEIS districts in the city center (according to Law 15,234 from July 2010). Such unevenness restricted the impact of the law as discussed in the literature critical of the City Statute (Rodrigues 2004).

According to article 171 of PDE 2002, the ZEIS mechanisms sought to address housing needs through regularization of existing precarious settlements that were located primarily at the city's periphery (categories 1 and 2 of ZEIS), stimulation of public and private housing development in centrally-located vacant or underused spaces (ZEIS 3) and addressing urban precariousness in environmentally sensitive areas (ZEIS 4). The ZEIS 3 were marked by a predominance of vacant land and buildings and surrounded by infrastructure, urban services and employment opportunities. Functioning as a zoning layer, ZEIS 3 conditioned new private real-estate projects within its own perimeters on provision of subsidized affordable housing. New development in ZEIS districts should prioritize affordable housing provision (HIS) and market-rate affordable (HMP).<sup>70</sup> Article 175, subsection 1 of the PDE 2002, required creation of local resident councils to participate in and monitor all phases of urban development plans affecting

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<sup>70</sup> In the city of São Paulo the paramenters for HIS and HMP in 2002 were, respectively, households with income equivalent to six or less MMW, and households with income equivalent to sixteen or less MMW. In 2014, with the review of the PDE, these categories changed. There are currently two HIS categories. HIS 1 refers to households with income equivalent to three or less MMW and HIS 2 refers to households with income equivalent to six or less MMW. HMP refers to households with income equivalent to ten or less MMW



ZEIS districts.<sup>71</sup> Implementation of the ZEIS mechanism in São Paulo was paradigmatic in that the perimeters were established through direct participation of social housing movements (Bonduki 2008).<sup>72</sup> The establishment of the ZEIS 3 districts specifically had the participation of social urban movements organized in the “City Plan Popular Front” (Tsukumo 2007 in Gatti 2015), which also mapped underused buildings and slum tenements to be part of the ZEIS 3 districts.<sup>73</sup>

Originally, the ZEIS instrument “sought to have an effect on land tenure issues by combining mechanisms allowing for a decrease in the price of real estate necessary to public provision [of housing] as well as making the production of affordable housing by the private sector viable (LILP/LABHAB 2006, 106 in Kara-José, 2010, 37, translated by the author). However, studies pointed to limited results. Samora and Hirata (2013) point to limited affordable housing development within central ZEIS 3 in the years immediately following approval of the PDE 2002 while Shimbo (2013) highlighted an increase in housing production within central ZEIS 3 perimeters in São Paulo since 2008 (after the launching of PMCMV). By 2005, only 400 units of HIS had been produced by the real estate market inside ZEIS 3 districts, and 1,023 by the state (Caldas 2009 in Shimbo 2013). Gatti (2015) too indicates the appearance of a specialized market-affordable housing niche in the ZEIS 3 districts, however, the production did not address the population of lowest income. This is because the HIS category included a broad income group. Private developments targeted the highest end of the HIS category, while those at the bottom were not served.

In 2014 a review of the master plan substituted PDE 2002, with PDE 2014, law 16,050 from July 31, 2014. Article 45, item III offered the same definition for ZEIS 3 districts. The PDE

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<sup>71</sup> This is also affirmed in a later review of the PDE, according to article 48 of PDE 2014.

<sup>72</sup> In fact the first experiences with land use and land tenure regularization that eventually led to the conceptualization of the ZEIS mechanism occurred during the 1980’s and 90’s, in the municipality of Recife in Pernambuco state, through a land tenure regularization tool named PREZEIS, in the municipality of Belo Horizonte in the State of Minas Gerais through a slum upgrading program named Profavela, and in the municipality of Diadema in the state of São Paulo through a zoning mechanism named AEIS (Rolnik, Cymbalista, and Nakano 2007).

<sup>73</sup> However Gatti (2015) points to inconsistencies in the mapping of ZEIS 3 that resulted in some slum tenements not being marked and becoming vulnerable to eviction.

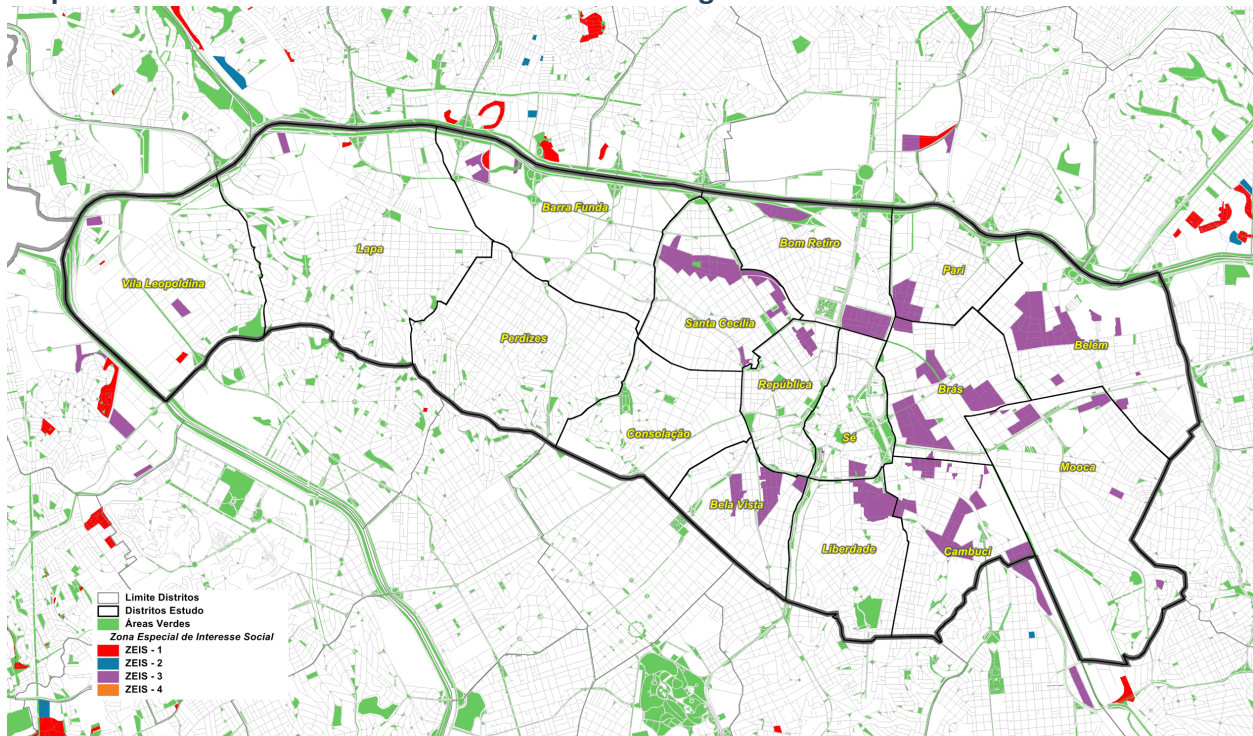
2014 increased the number of ZEIS in the city as a whole. Moreover, it broke up the categories of housing for social interest to better address the populations of lowest income. However, for the central city area specifically, the plan also created a new ZEIS 5 category that replaced the ZEIS 3 districts located in the most consolidated central neighborhoods. ZEIS 5 sought to facilitate entry of private developers into the central affordable-housing market by relaxing development restrictions in these areas in comparison to the remaining ZEIS categories. However, these ZEIS 5 areas can also potentially decrease the interest of private agents to develop in ZEIS 3 districts as long as it is possible for them to develop inside ZEIS 5 districts, where projects can be directed at a population of higher income and therefore their developments can yield more profit. The subdivision of the HIS category in PDE 2014 addressed uneven distribution that was occurring in private-led developments, at the same time, it removed from the ZEIS 3 stock the most centralized perimeters where affordable housing can be produced.

**Table 3.1. Land Use Parameters for ZEIS Districts:**

Percentages Required for HIS and Allowed for HMP and Non-Residential Use							
	PDE 2002			PDE 2014			
	HIS	HMP	Non residential	HIS 1	HIS 2	HMP	Non residential
ZEIS 1	50	30	20	60 (min)	20 (min)	20	
ZEIS 2	40	40	20	60 (min)	20 (min)	20	
ZEIS 3	40	40	20	60 (min)	20 (min)	20	
ZEIS 4	70	30		60 (min)	20 (min)	20	
ZEIS 5	-	-	-	40	20	20	

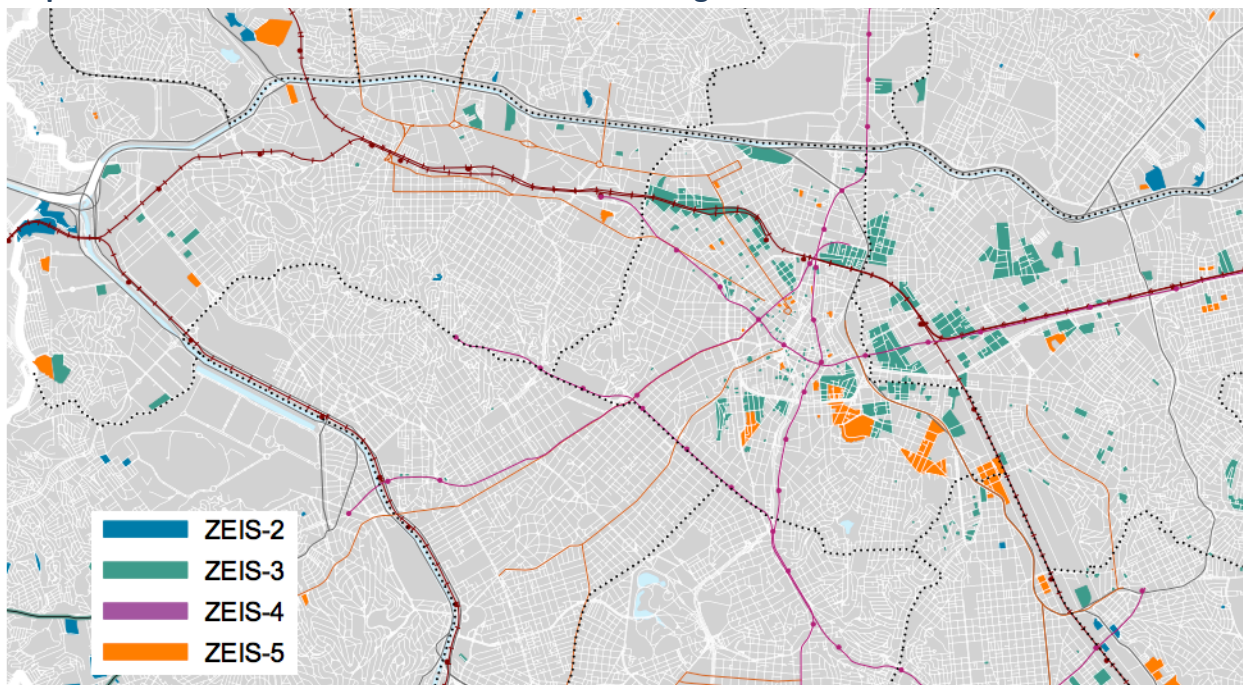
Source: PDE 2002 and PDE 2014

**Map 3.5. ZEIS Districts in Central São Paulo According to PDE 2002**



Source: GeoSecovi, Embrasp and São Paulo Municipality, prepared by Secovi, 2015

**Map 3.6. ZEIS Districts in Central São Paulo According to PDE 2014**



Source: São Paulo Municipality Strategic Master Plan 2014, ZEIS 2-5 Map. Retrieved November 7, 2017 from [http://gestaourbana.prefeitura.sp.gov.br/wp-content/uploads/2015/02/Mapa04A\\_ZEIS2345.pdf](http://gestaourbana.prefeitura.sp.gov.br/wp-content/uploads/2015/02/Mapa04A_ZEIS2345.pdf)

## Land Use Price Variation in Downtown São Paulo during the Real Estate Upcycle

Along with the reverse in the demographic trends in the city center between 2000 and 2010 was also an increase in land prices. According to Secovi, the average square meter price for residential use in São Paulo in 2002 was equivalent to 2.5 thousand BRL, and in 2012 it was equivalent to 7.2 thousand BRL. This is equivalent to a threefold increase, while average inflation rate for the period was 6.5 percent.<sup>74</sup> There was a real issue of increasing lack of affordability in the city center, along with the increase in real estate activities.

Map 3.7 illustrates yearly increase in average square meter price in every district in the city center, during the period 2000 to 2014. Map 3.8 indicates the volume of new releases per district for the same period. The map describes more units being released in the districts surrounding historic downtown. PDE 2002 established limits, or a stock, for the sale of onerous right to build by district. As areas surrounding the city center reached their building potential, there was an expectation that new developments would happen in the historic downtown area (Secovi 2012).<sup>75</sup> Between 2012 and 2013 the number of releases in the downtown districts increased (SECOVI 2012), along with a rise in property prices. Starting in 2014 this trend shifted. The price of new releases decreased by 8.3 percent between 2014 and 2015 (Secovi 2015), reflecting a period of overall recession in the country, and particularly a decrease in the availability of housing credit.<sup>76</sup> There was also a decrease in the number of new releases for the whole year of 2015, compared to 2014, however, land prices did not follow such trend. Based on public data of the market value of plots in the city, Map 3.9 indicates the variation in square meter price of selected plots in the city center area.<sup>77</sup> Although not representative of the entirety of the area, it indicates the upward trend on land prices in spite of the decrease in sales price.

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<sup>74</sup> ADVFN Brasil. Indicadores. IPCA. Retrieved December 9, 2017 from <https://br.advfn.com/indicadores/ipca>.

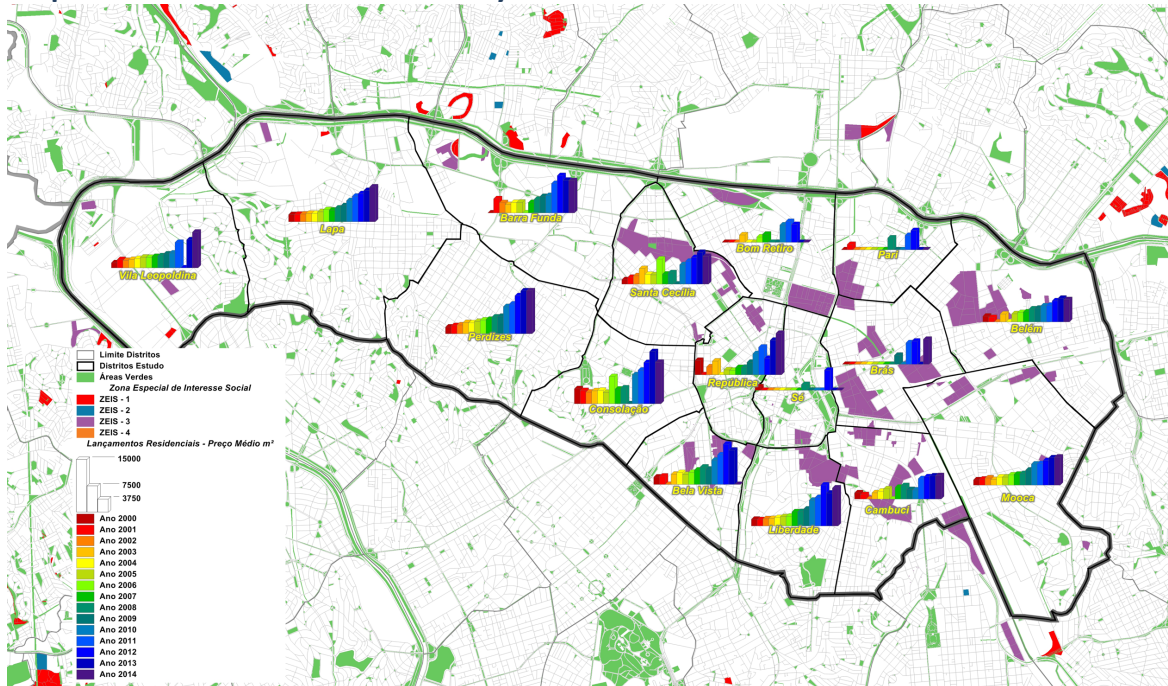
<sup>75</sup> Secovi. 2012. Balanço do Mercado Imobiliário. Retrieved December 9, 2017 from <https://www.secovi.com.br/downloads/pesquisas-e-indices/balaco-mercado-imobiliario-2012pdf.pdf>.

<sup>76</sup> Secovi. 2015. Anuário do Mercado Imobiliário. Retrieved December 9, 2017 from <http://www.secovi.com.br/downloads/Anuario-do-Mercado-Imobiliario-2015/2031>.

<sup>77</sup> In order to produce the map and associated graph, I selected lots in the areas that the PPP Casa Paulista targeted, and which appeared vacant or underutilized. I was given the tax codes for these areas at the São Paulo Municipality. This data is currently public and accessible at < <http://geosampa.prefeitura.sp.gov.br> >. I used public information from the municipality in order to create historic data on the market value of these properties, from 2005 to 2016. The

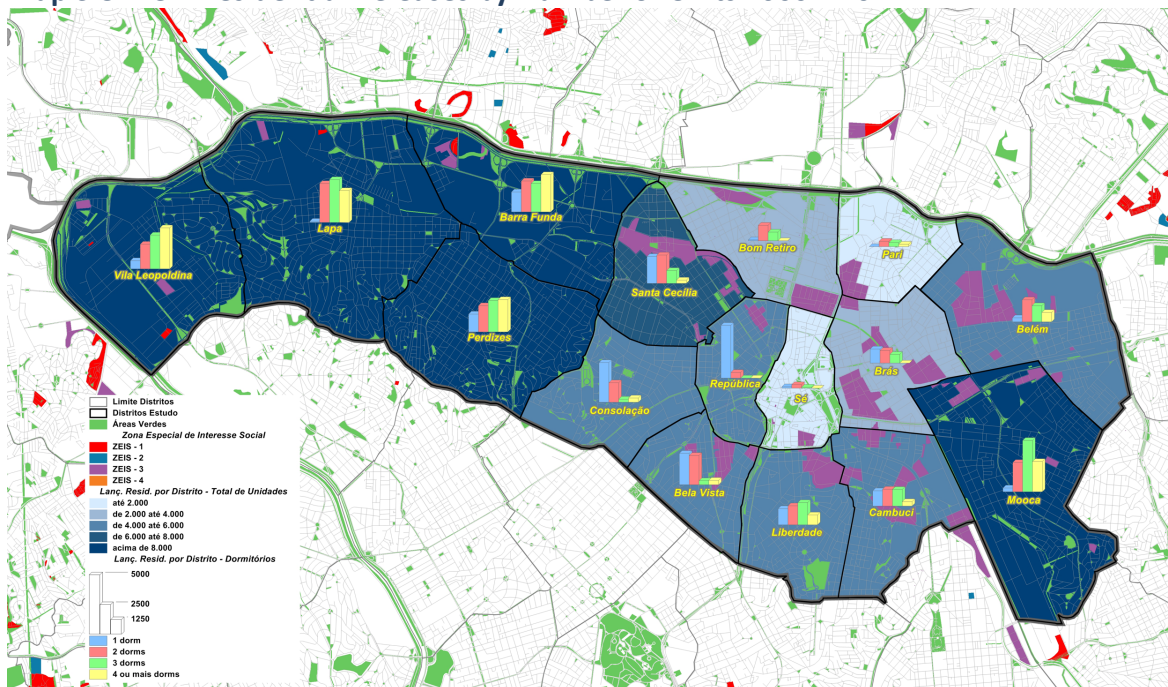


**Map 3.7. New Residential Releases by Price 2000 – 2014**



Source: GeoSecovi, Embrasp and São Paulo Municipality, prepared by Secovi

**Map 3.8. New Residential Releases by Number of Units 2000 – 2014**

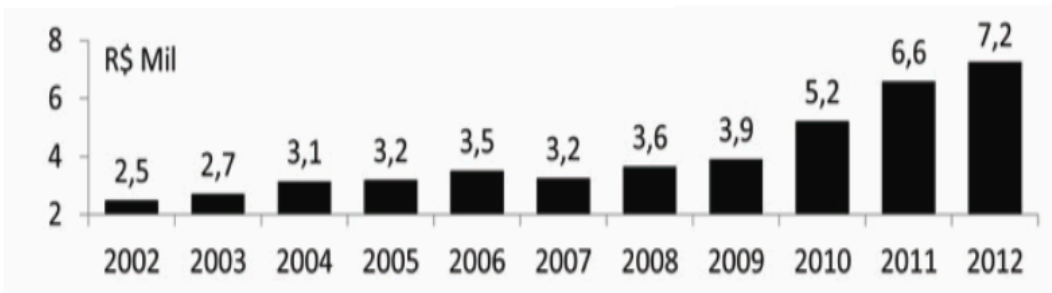


Source: GeoSecovi, Embrasp and São Paulo Municipality, prepared by Secovi, 2015

information is available at: [http://www3.prefeitura.sp.gov.br/tvm/frm\\_tvm\\_consulta\\_valor.aspx](http://www3.prefeitura.sp.gov.br/tvm/frm_tvm_consulta_valor.aspx). I am thankful to Tomas Wissenbach, Director of Information, Urban Development Department at São Paulo Municipality, for suggesting this methodology.

### Graph 3.1. Property Price Variation in São Paulo, new releases, 2002 - 2012

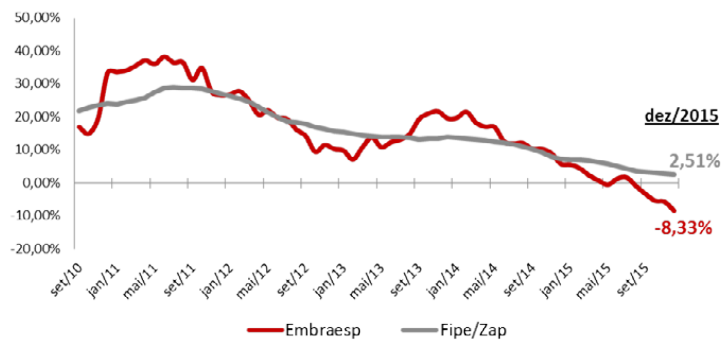
Average Square Meter Price per Year  
New Residential Apartments in the City of São Paulo



Source: Embraesp/ Prepared by Secovi. Secovi 2012, Balanço do Mercado Imobiliário, 26. Retrieved February 28, 2018 from <https://www.secovi.com.br/downloads/pesquisas-e-indices/balanco-mercado-imobiliario-2012pdf.pdf>.

### Graph 3.2. Property Price Variation in São Paulo, new releases, 2010 - 2015

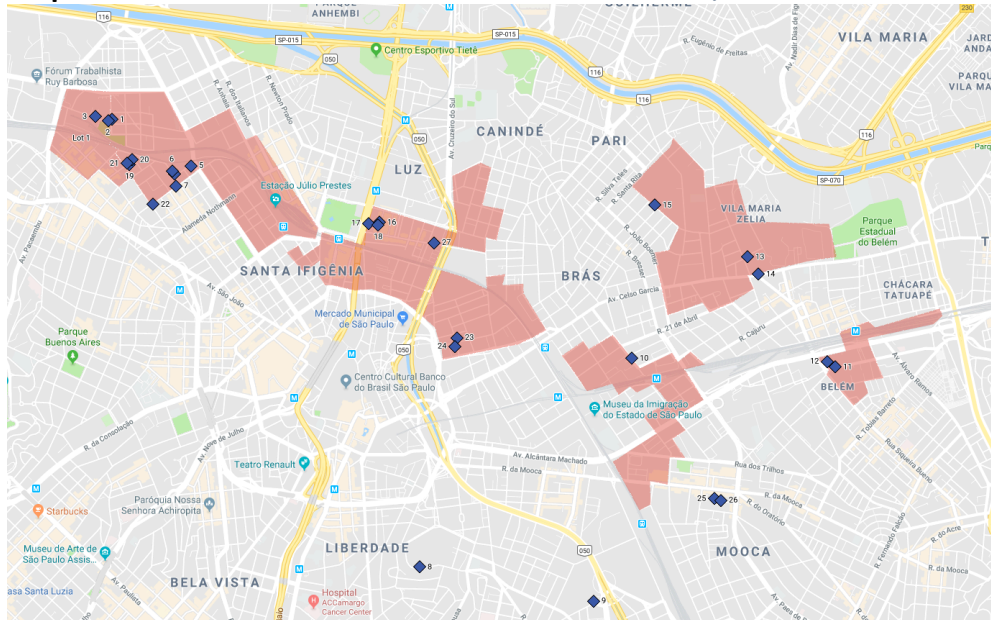
Variation Average Square Meter Price New Residential Apartments in the City of São Paulo 2010 - 2015



Source: Embraesp and Fipe/ Prepared by Secovi-SP

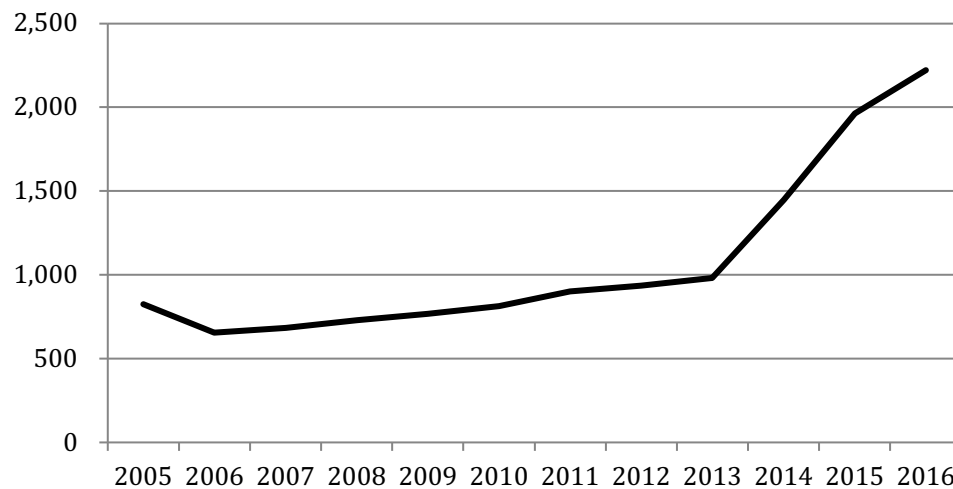
Source: Embraesp and Fipe/ Prepared by Secovi. Secovi 2015, Anuário do Mercado Imobiliário, 31. Retrieved February 28, 2018 from <http://www.secovi.com.br/downloads/Anuario-do-Mercado-Imobiliario-2015/2031>.

**Map 3.9. Selected Plots in São Paulo Downtown Area; 2005 – 2016**



Source: Prepared by the author over Google Maps

**Graph 3.3. Price Variation (BRL/m<sup>2</sup>) in Selected Plots in São Paulo Downtown; 2005 – 2016**



Source: Prepared by the author based on property value data from São Paulo Municipality. Raw data retrieved March 23, 2016 from [http://www3.prefeitura.sp.gov.br/tvm/fm\\_tvm\\_consulta\\_valor.aspx](http://www3.prefeitura.sp.gov.br/tvm/fm_tvm_consulta_valor.aspx).

## The Origins of Casa Paulista

Interaction of two independent processes originated Casa Paulista. The first was the restructuring of São Paulo State Housing Department and creation of the Casa Paulista Agency, one of the goals of which was to adopt the PPP model to the housing sector. The second was the updating of a list of vacant buildings in the city center of São Paulo in the context of the PAC

CDHU program by a local architecture and urban planning consultant firm (Piratininga Architects Associated - Piratininga). The methodology Piratininga created in the context of this contract provided the input for the State Housing Department to elaborate the terms of reference for a request for private proposals of a housing PPP in the central city area.

Prior to the federal government, the state government of São Paulo passed its own PPP legislation in 2004 (State Law 11.688/2004), assuming the narrow interpretation of PPPs that would later be adopted in the federal legislation.<sup>78</sup> It also associated the PPP framework with the Destatization Program (DSP), launched in 1996 according to Law 9,361 from July 5, 1996 to “restructure the state in order to enable the private sector to take on economic activities usually developed by the state.”<sup>79</sup>

Restructuring at the State Housing Department led to creation of the Casa Paulista Agency in 2011 (according to State Decree 57,370/ 2011) to operate in parallel with the Housing and Urban Development Agency (CDHU). A mixed capital company in existence since 1967, CDHU is responsible for direct production (through contracting with private housing contractors) of affordable housing for commercialization at subsidized rates to families with

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<sup>78</sup> Currently São Paulo is the leading state in active PPPs in Brazil, with ten active contracts (Radar PPP 2015 22) and over \$30 billion (in 2015 value) in PPP contracts. State of São Paulo Partnerships Digital Platform. Retrieved October 30, 2016 from <https://www.parcerias.sp.gov.br/Parcerias/>.

<sup>79</sup> São Paulo State Assembly. Retrieved on October 20, 2016 from <http://www.al.sp.gov.br/repositorio/legislacao/lei/1996/lei-9361-05.07.1996.html>. In 2015, the state government integrated DSP and the PPP Program, directly linking the already existing PPP Management Board (CGPPP in its Portuguese acronym) to the Governor’s office. The CGPPP coordinates the state’s PPP’s management structure, including São Paulo’s Partnership Company (CPP), responsible for managing the state PPP guarantee fund. CGPPP also manages the (i) Units of Public-Private Partnerships (UPPP) and (iii) the PPP Contracts Monitoring Committee (PPPCMC). In 2013, the state of São Paulo approved law allowing for the increase of the CPP’s asset stock, including through the sales of state-owned property. Mendonça (2017) found that a significant proportion of these properties, which are auctioned to capitalize the PPP fund, were located within the city of São Paulo’s central district, in particular, within the perimeter of the urban operation Água Espraiada. The author argues this is a contradictory action of the state, namely, to sell public land to promote the PPP, which also requires land assembly. Moreover, part of the land stock being privatized to capitalize the PPP fund is currently occupied; therefore its commercialization leads to eviction. In addition to capitalizing the PPP fund, the sale of public land that is occupied transfers the issue of eviction from public to private agents, creating yet another rearrangement around the role of state and market players in relationship to housing provision.



earnings falling between the equivalent to one and 10 minimum wages.<sup>80</sup> CDHU's model favors the construction and development industries by focusing on large scale housing production by private agents limiting investments in less costly solutions such as urban subdivisions and upgrading of precarious settlements (ROYER 2002, Sachs 1999). As presented at the beginning of this chapter, state representatives have recently argued that CDHU's production capacity is not comparable to the size of the state of São Paulo's housing needs. This has been used as justification for the state adopting mechanisms to attract greater private investment in housing provision, rather than to diversify solutions as critical analysts had proposed (Sachs 1999, Royer 2000, see also Bonduki 1998 and 2008).

In 2007, the state adhered to the national social housing fund (SNHIS) created through federal law 11,124/2005 (Chapter 2). State law 12,801/ 2008 and Decree 53,823/2008 created the state-level social housing council (CEH), social housing fund (FPHIS) and guarantee fund (FGH), creating the structures required by the national social housing law (São Paulo State Housing Plan 2011, 5). As part of the adherence to SNHIS, São Paulo state housing department developed a comprehensive housing plan for the period 2012-2023, the PEH-SP (approved on December 13, 2011). The plan highlighted the size of the state's housing gap, and reinforced the concept that the state alone was unable to address this gap; rather, private capital was required. The state level social housing fund, then, was employed in a way to pursue this goal.<sup>81</sup>

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<sup>80</sup> According to official data, the company has constructed and commercialized over 500,000 new housing units, affecting 2.2 million people, in almost all the state's municipalities (i.e., 626 of a total of 654). Until 1989, funds from CDHU originated from SFH's transfers. Law 6,556/1989 ruled that, yearly; one percent of resources originated in the state's sale tax (ICMS) were made available to CDHU; however as of 1997 this law was not renewed and tax transfers have become a prerogative of the executive power. Nonetheless, the largest part of CDHU's production results from these transfers, e.g., representing, between the period of 1995 and 2007, 87.11 percent of the company's investments. Mortgage payment during the same period represented 12 percent of the investment. Retrieved on October 20, 2016 from [http://www.cdhu.sp.gov.br/a\\_empresa/escala-atuacao-cdhu.asp](http://www.cdhu.sp.gov.br/a_empresa/escala-atuacao-cdhu.asp), data for 2016.

<sup>81</sup> The PEH indicated a state housing deficit equivalent to 1.2 million units (10.4 percent of all existing households); moreover, 2.7 million units (23 percent of all existing households) were considered to be inadequate and required some type of improvements (PEH 2012, 131). Most of these needs were in the state's metropolitan regions, where land prices are the highest, and among the population of lowest earnings, i.e., those with earnings between the equivalent to zero and three MMW (which were at least twice as large as the next income bracket or those with earnings equivalent to three and five MMW), thus requiring high level of public subsidies. Based on this aggregate

## The Casa Paulista Agency

Casa Paulista was created using resources from the newly created FPHIS, to manage the fund's resources and promote housing programs. The first program of the Casa Paulista Agency consisted of providing BRL 20,000 (\$ 10,526 in 2012 value) in matching funds to the federal program PMCMV, thus increasing by 26 percent the price ceiling of PMCMV and allowing for these funds to be utilized in the state of São Paulo. Strictly speaking, Casa Paulista Agency facilitated the combination of two public funding sources, FGTS and FPHIS, something that CDHU could not accomplish by statutory law. However, to public and private development agents, this was seen as a demonstration of Casa Paulista's more entrepreneurial and advanced management approach, as affirmed during an interview with Celso Petrucci, Director of the Economy Department at Secovi.

“The idea of connecting the PPP mechanism with housing provision in the state of São Paulo was originally associated with a reform of the state housing provision system. The state government had a housing company, CDHU, which took practically all the resources that they had. CDHU became a very large company, with more than one thousand employees that did everything; the only thing it did not do was building. But we (i.e., Secovi) thought that there were inefficiencies associated with CDHU. Then Reinaldo Iapequino (an associate of SECOVI and personal friend of Petrucci, and who would eventually become the Managing Director for the Casa Paulista Agency) started working there (...) to transform CDHU into much more of a promoting agency than a housing company and he set up the entire regulatory framework for this transformation to happen. When Silvio Torres assumed the State Housing Department, he invited

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data it was estimated that, considering CDHU's current production costs and yearly expenditures, addressing these needs would require \$62.5 billion and take fifty years. This rationale gave the state of São Paulo the argument for adopting the PPP mechanism in the housing sector. (Source: Proposal for Housing PPP in São Paulo, Presentation, Casa Paulista Agency). It was argued that only through private investments would the housing gap be lowered. Based on the idea that state resources (i.e. CDHU's) were not sufficient to address São Paulo's housing deficit, the state started to shift its policy approach to housing development – from direct provision to promotion, through which the state would facilitate the allocation of funding for affordable housing development, without involvement in direct production. It is noticeable how this view also did not consider the possibility of the state diversifying its housing programs to address a range of housing needs. Rather, it single focused on attracting the private sector to produce new housing units, as CDHU has traditionally done.

Reinaldo Iapequino to work as a Director at CDHU.<sup>82</sup> There they created something that had never been done in the country before, which was to combine federal and state funding to promote housing programs. Before, funds always worked separately. Because PMCMV was progressing at full speed, what did they think about doing at Casa Paulista, as their first initiative? If we cannot produce HIS, and we are producing in a much more expensive way than PMCMV, let us see if, with a small part of what we invest, we can use these federal resources. And this was the best thing that we have done for our state, because we were able, between 2011-12 until 2014, with the partnership between PMCMV and Casa Paulista, to build more than 100 thousand units.”<sup>83</sup>

As represented in the images below, the state put forward the idea that a new model could best address a housing provision system that was contradictory; however, according to the state’s view, the contradiction was at the level of financing, i.e., there was a significant population without means to acquire mortgage contracts to access a private home. In contrast, affordable housing advocates in the city center of São Paulo, particularly social movements, demand for centrally located affordable housing, and not for homeownership, so as to stay in proximity to work. Another contradiction the state’s scheme does not address is that 73 percent of the housing deficit in the state is associated with inadequate housing; however in planning strategically for future interventions the state focuses on provision only, which represents the remaining 27 percent of the demand.

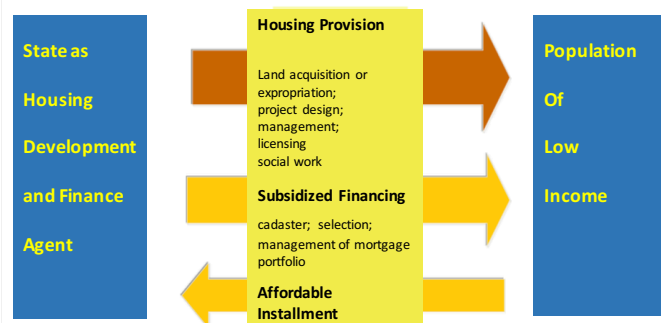
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<sup>82</sup> Silvio Torres was the head of the State of São Paulo Housing Department from January 3, 2011 to April 4, 2014.

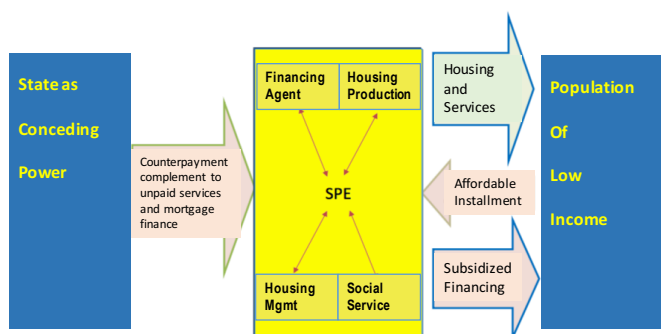
<sup>83</sup> Interview with the author. São Paulo, August 11, 2015.

**Picture 3.3. The State's Framing of the Housing Issue in São Paulo**

State's conventional model of social housing provision – outside of market rules of demand and supply



Overcoming State's conventional model



Source: São Paulo State Government. Casa Paulista Agency. Retrieved on November 7, 2017 from <https://www.slideshare.net/associacaocohabs/apresentao-ppp-habitacional-63135264>, slides 3 and 5 (translated by the author)

**Table 3.2. State level institutional processes influencing a housing PPP**

Framework	Outcome
State Law 11.688, (May 19, 2004) regulated by State Decree 48.867, August 10, 2004 (1)	<p>Establishes the Public-Private Partnership Program at the state level to “promote, coordinate, regulate and inspect private sector activities that, in collaboration with the State Government, work towards implementation of public policies aiming at the development of the State, and the collective welfare” (Article 1);</p> <p>Creates the PPP Management Council, responsible for approving and monitoring PPPs (Article 3);</p> <p>Interprets PPPs as mechanisms for collaboration between state and the private sector, reimbursed according to performance criteria, according to the schedule of installment estate counter payments (Article 5);</p> <p>Stresses that private agents have the duty to allow public sector’s control over the project, and to grant access to project facilities, and information about the contract documents (Article 7);</p> <p>Establishes that payment to the private sector can happen through the use in isolation or in combination, of the following alternatives: user’s fees, payment through state budget,</p>

	<p>transfer of state credit, transfer of exploration rights, transfer of state assets, state bonds, and other complementary revenues (Article 9);</p> <p>Authorizes the state to constitute specific purpose entities (SPEs) to implement PPP contracts (Article 12)</p>
State Decree n° 57.289, from August 30, 2011 (2)	Regulates the “Manifestation of Private Sector Interest – MIP,” a mechanism that allows private individuals and organizations to present proposals, studies and surveys for the creation of new PPPs (altering decree 48.867/ 2004)
State Decree no 61.035, from January 1 <sup>st</sup> , 2015 (3)	Re-structures the state administration and transfers the PPP unit from the Planning and Management Department to the Government Secretariat, to increase the adoption of PPPs, “deemed as able and appropriate to increase the supply of public goods through investments in infrastructure and public services”
State Decree n° 61.371, from July 21, 2015 (4)	<p>Institutes the procedures to be adopted by the Public Administration towards analysis and use of studies prepared by either private parties, or government agencies, with the goal of supporting PPP proposal.</p> <p>The legislation grants more flexibility to the MIP instrument, effectively eliminating the difference between processes initiated within the public or private sectors. Overall, the decree sought to stimulate the market of PPPs (PPP Brazil).</p>
State Law n° 12.801, regulated by State Decree n° 53.823/2008	<p>Established implementing conditions for State Housing Policy by the following (created in December 2010): State Housing Council (CEH), São Paulo Fund for Housing of Social Interest (FPHIS), and the Housing Guarantee Fund (FGH)</p> <p>FPHIS enabled the State of São Paulo to adhere to the National Social Housing System (SNHIS), and to attract funds from the National Fund for Social Housing Interest. Along with the FGH, FPHIS establishes conditions for the contribution of subsidies combined with the federal resources, articulates the application of the public investments in housing and foments the participation of the private actors.</p> <p>The State Housing Council (CEH) is responsible for facilitating the formulation of the state level social housing policy, promoting and coordinating the activities associated with this policy. The fund guarantees that a fourth of delegates are from the civil society; however, this share includes representatives of the real estate sector</p> <p>FGH offers guarantees for credit risk and performance associated with housing projects, equalizes interest rates and supports financial operations</p>
State Housing Plan, approved on December 13, 2011 for the period 2012-2023.	<p>Estimated housing needs and investment costs for the state of São Paulo, indicating 1.2 million households without housing, and 3.2 million households in condition of housing inadequacy</p> <p>Concentration of lack of housing in the state’s metropolitan regions, including that involving the city of São Paulo (RMSP). Together the metropolitan region concentrated 65 percent of the state’s lack of housing, and 63 percent of the state’s housing inadequacy, thus, 740 thousand units and 2 million households, respectively. It also estimated that 86 percent of the lack of housing is concentrated amongst households with income equivalent to 5 monthly minimum wages</p> <p>Estimated that, based on current budget and level of provision, it would take fifty years for the state to address the <i>present</i> housing needs of the population with earnings equivalent to one and five minimum wages. Argued for the need to increase private investments and private sector participation in this provision</p>

State Decree 57,370/September 27, 2011	Creates Casa Paulista Agency, to act as the manager of FPHIS' funds, promoting and executing affordable housing programs approved by the Management Councils of the São Paulo Fund for Housing of Social Interest (FPHIS), and the Housing Guarantee Fund (FGH)  Goal of "stimulating participation of private developers in provision of housing for social interest; overcoming a model that has the public sector as the almost exclusive provider of housing for low income population in the state"
Approval by PPP Management Commission on October 31, 2011	Approved preliminary proposal for housing PPP in São Paulo's metropolitan area, goal of providing 50,000 new housing units in the metro regions, priority to: eradicating situation of risk, housing for the sustainable development of the state's North Coast, and housing in the central districts of the city of São Paulo

Prepared by the author

Retrieved on January 27, 2017 from (1) <http://www.al.sp.gov.br/repositorio/legislacao/lei/2004/lei-11688-19.05.2004.html>; (2) <http://www.al.sp.gov.br/repositorio/legislacao/decreto/2011/decreto-57289-30.08.2011.html>; (3) [http://www.al.sp.gov.br/spl/2016/02/Acessorio/1302215\\_50303500\\_](http://www.al.sp.gov.br/spl/2016/02/Acessorio/1302215_50303500_); (4) <http://www.pppbrasil.com.br/portal/>. Last visited on January 27, 2017.

### The Case for a Housing PPP in Downtown São Paulo

Concurrent with the restructuring of the public housing provision system in the state of São Paulo was the debate about state intervention in affordable housing provision in the central territories of its capital city, São Paulo. As presented, there was increased pressure from social movements for converting vacant and underused property into affordable housing solutions. In addition to occupation of vacant property, the organized housing movement's strategy involved presentation, to different levels of government and to Caixa, inventories of vacant buildings that could be converted. With the availability of federal funding through PMCMV, the challenge in central São Paulo to access these funds was primarily due to land cost.

Under the framework of PAC-CDHU, an assessment had been done in 2006 by a local architecture firm, Piratininga Architects Associated (Piratininga), under the coordination of Architect José Armênio de Brito Cruz, a founding partner. Piratininga's task was to update the program's inventory of vacant and underused buildings in the central districts that could be object of intervention. However, under Cruz's direction it became an analysis of typologies of urban vacancy in São Paulo's central region (interview). The study involved the identification of the different typologies, analysis of their geographical distribution and estimate of average cost, per typology, for converting vacant land and structures into predominantly affordable housing developments. The analysis estimated the average square meter cost to retrofit vacant buildings in the central districts, according to construction type (i.e., single housing unit, housing building

with or without elevator, or empty plot). It also pointed to multistory buildings and industrial sheds as the most adequate typologies for intervention.<sup>84</sup>

As Cruz explained, “the initial goal of the contract was to assess on-going social housing condition in downtown São Paulo, looking specifically at the districts that PCA-CDHU covered. We proposed something broader, which was to understand the central area’s building estate, and the opportunities of using this estate for social housing. The state government was interested at the time in buying property in the central area to develop for social housing. We looked at the built in environment in downtown, taking also in consideration the current and past zoning regulations. We inquired about the type of zoning laws that led to the current estate. We established the different typologies through fieldwork, noting year of construction, type of use, placement, dimensions, etc. All of this was registered. We noted whether buildings were vacant or not. The goal was to identify the typology, so that we could draw a cost analysis, according to typology. We considered the square meter cost of state intervention, based on costs from Sinduscom, so that we could define the most appropriate intervention for the state.<sup>85</sup> Considering that there was a process of population loss from downtown, up to three hundred thousand people per year, we calculated that we could attract up to six hundred thousand people back to the center [while maintaining the same level of infrastructure]. So the assessment established specific intervention perimeters, and their transformation potential. (...) So the urban issue arose as a structuring element of the housing intervention. It is not exclusively housing development, but rather housing intervention in a given territory, defined by characteristics demanded by the territory. One territory would need a greater environmental approach, another would require a greater approach towards urban fabric integration, and another a greater approach from the point of view of heritage, another from the point of view of, the use of public facilities, and so on and so forth.”<sup>86</sup>

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<sup>84</sup> Retrieved on December 12, 2017 from <http://www.archplus.net/home/news/7,1-4851,1,0.html?referer=109>.

<sup>85</sup> Sinduscom is the state of São Paulo construction industry union.

<sup>86</sup> José Armênio de Brito Cruz, partner at Piratininga. Interview with the author. São Paulo, August 12, 2015. See Cruz, José Armênio de Brito. *Ocupação e Desocupação na região central da Cidade de São Paulo - uma Visão além*. <http://www.archplus.net/home/news/7,1-4851,1,0.html?referer=109>. December 12, 2008 for further explanation of the study and images of the different typologies of urban vacancy in downtown São Paulo.

At the time of this assessment, *in 2006*, the study indicated that, due to the relatively low cost of downtown real estate in comparison to other districts neighboring the central area, it could be economically efficient to retrofit vacant structures in the central region, building centrally located affordable housing and making use of existing infrastructure and services. Also based on the price of land in the central city at the time, a 2008 study by São Paulo's Department of Economy and Planning (SEC) considered the cost of delivering infrastructure in peripheral areas higher than reusing the already existing centrally-located infrastructure and proposed formulation of an articulated policy approach to the central area, where "the provision of affordable housing contributed to democratizing access to the city, thus optimizing the use of already existing infrastructure and public services."<sup>87</sup>

Through a review of its original assessment in 2010, Piratininga's study recommended that a development strategy based on the occupation of vacant areas and retrofitting of existing structures and that considered the place-specific characteristics of the territory, should drive a comprehensive restructuring of the central area into a mixed-use and mixed-income city center. The 2010 assessment, however, had already identified a process of downtown land price increase, challenging production of centrally located affordable housing, due to the increase in land prices in the downtown area. Meanwhile, state officials working at the Casa Paulista Agency were developing an executive plan for producing 50,000 housing units in São Paulo's metropolitan areas through the PPP mechanism, as recommended in the state housing plan. Piratininga's proposal was incorporated to the state's plan for a housing PPP, with planning for about 10,000 housing units in the downtown area.

The rationale was to indicate a square meter price by typology for retrofitting vacant structures into predominantly affordable-residential, mixed used developments. In terms of how affordable housing became the focus of a downtown redevelopment strategy, Cruz explained: "now, urban regeneration must happen through housing. The state has already produced cultural facilities; it has done a lot already. Now it is time to focus on housing, which will really regenerate downtown São Paulo. There is a disposition of the state to do this now. We can see

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<sup>87</sup> According to that study, the cost of providing housing, transportation infrastructure and education facilities at the periphery of the city was 3.5 times more expensive than in the central areas (\$1.76 billion to provide 40 percent subsidized housing, transportation and education facilities to 100 thousand families in the downtown area, and \$ 6.20 billion at the periphery). Source: Proposal for Housing PPP in São Paulo, Presentation, Casa Paulista Agency.



that there was this disposition in Casa Paulista. Today, the city is on the agenda, and this is something new. Ten years ago it was not this way. There is a more consolidated thought about the city, and Casa Paulista is situated in this...the understanding of the public administrator, in this case the state government, who saw our study and understood that it was important to connect housing to urban regeneration, which was also our perspective. The governor of São Paulo wanted to build thirty thousand housing units. The state government also wanted to do a PPP. It was Silvio Torres who had the sense to understand this project. He convinced the governor, who said, let's do it!" In fact, Casa Paulista's Executive Director, Reinaldo Iapequino, and his team realized that Piratininga's could be adapted to a PPP model, to be set up in São Paulo's central districts. They presented the study to then state housing secretary, Silvio Torres, and Governor Geraldo Alckmin, who quickly approved the idea.

**Table 3.3. Recent land use assessments in São Paulo's central area**

Slum Tenement Action Program ( <i>Programa de Atuação em Cortiços – PAC CDHU</i> )	
	<p>Loan agreement between São Paulo State Government and the Inter-American Development Bank (1354/OC-BR; June 2002 – December 2010), executed by São Paulo State Housing and Urban Development Company - CDHU.</p> <p>Offered credit and subsidies to secure land tenure and improve housing conditions for families living in centrally located districts, in buildings irregularly converted into slum tenements. Concrete results:</p> <p>The program marked a shift on São Paulo State Government's approach to addressing families living in centrally located, precarious housing, with investment in upgrading as an alternative to eviction and relocation in city fringe areas (evictions continued to occur, but the program helped disseminate the idea of retrofitting and conversion into affordable housing)</p>
Technical report consisting of a methodology for evaluating building structures that could be retrofitted into affordable residential units in the central area of São Paulo, 2006	
	<p>Contracted out to Piratininga Architects Associated, within the scope of the PAC-CDHU program, the report aimed at "classifying the typologies of vacant structures in the central districts of São Paulo, and the potential for conversion into affordable housing units."<sup>88</sup></p> <p>Outcomes from the report included:</p> <p>Defining a typology of centrally located vacant buildings, with their spatial distribution (13 typologies distributed around the nine central districts);</p> <p>Estimating the cost for retrofitting, according to typology (in 2008, conversion cost varied between BRL 575 and BRL 712 per square meter)</p>

<sup>88</sup> Cruz, José Armênio de Brito. December 12, 2008. Ocupação e Desocupação na região central da Cidade de São Paulo - uma Visão além. Retrieved January 27, 2017 from <http://www.archplus.net/home/news/7,1-4851,1,0.html?referer=109>.

Housing Report, São Paulo State Department of Economy and Planning, 2008	
	<p>Indicated that “it was not in the public interest to have a decrease in population of central city areas (i.e., served by infrastructure) and the increase of predominantly low income population in peripheral areas not served by infrastructure and distant from employment centers”<sup>89</sup></p> <p>Simulated the cost of transportation, education and housing provision in centrally located and peripheral districts in the metropolitan region of São Paulo.<sup>90</sup></p> <p>Report argued that, from an investment perspective, it was advantageous to the state administration to stimulate the development of centrally located low cost housing and the adaptation of existing facilities, rather than developing new housing and facilities in peripheral areas without infrastructure</p> <p>Based on state level data, calculated the cost of providing transportation and education infrastructure, and housing to 100,000 households to be three times more expensive in peripheral than in central regions, given that in central regions the transportation cost (the most expensive item) was considered to be zero. Housing cost in peripheral area was considered to be equivalent to sixty percent of centrally located housing.</p> <p>The document proposed that the central area of São Paulo be the object of an articulated policy, stimulating the implementation of housing programs, democratizing access to the city, optimizing the use of infrastructure and services already existent</p> <p>Drawing from state level housing data, report estimated that housing necessities were equivalent to 4.7 million households in total, being 879,000 equivalent to lack of housing, and 3.8 million equivalent to inadequacy. In the metropolitan region those numbers were, respectively, 617,000 households, and 2.3 million. The report estimated the public investments required to provide housing to 100,000 families, or 310,000 people.</p> <p>Cost parameters involved the following: (i) for transportation, equivalent to the cost of cost of building São Paulo Subway Line 5, or BRL 400 million/km; (ii) for education, equivalent to building school classes in the central area of São Paulo, BRL 270, 17; (iii) for housing, equivalent to the average building cost for CDHU, BRL 75,000; in peripheral areas it was considered an average cost of BRL 60,665.74. Hence, the total investment cost for provision in the periphery: BRL 10.9 Billion</p> <p>Central area considered the existence of 25,000 empty properties; extra capacity in schools in the order of 40 percent, or 27,520 seats. No transportation costs were considered in centrally located affordable housing provision. Investment cost estimated to be BRL 3.086 Billion, or 28 percent of the investments required in peripheral areas</p>
Update on the analysis of the geographical distribution of urban vacancy in the central area of São Paulo, Piratininga Associated Architects, 2011	
	<p>Updated previous study, identified a significant rise in the prices of centrally located property, as well as rising interest of private developers in the area</p>

Prepared by the Author

<sup>89</sup> Source: Governo do Estado de São Paulo. Secretaria de Economia e Planejamento, Diretoria de Estruturação de Projetos. Retrieved January 27, 2017 from [http://webcache.googleusercontent.com/search?q=cache:c4Hz7pW46REJ:www.habitacao.sp.gov.br/casapaulista/downloads/ppp/insumos\\_casa\\_paulista/estudo\\_spdr\\_habitacao\\_no\\_centro.doc+&cd=2&hl=en&ct=clnk](http://webcache.googleusercontent.com/search?q=cache:c4Hz7pW46REJ:www.habitacao.sp.gov.br/casapaulista/downloads/ppp/insumos_casa_paulista/estudo_spdr_habitacao_no_centro.doc+&cd=2&hl=en&ct=clnk)

<sup>90</sup> For transportation, it considered the cost of subway construction, the most expensive mass transit model, thus pushing transportation costs up. Then, it considered zero transportation costs for the central area, thus inflating the overall price for housing at the periphery.

## Casa Paulista's Chronology: from Request for Private Proposals to First Contract

On October 31, 2011, São Paulo's PPP Management Committee (CGPPP), in its 41's meeting, "approved a preliminary proposal for a housing PPP, with the aim of providing 50,000 new housing units in São Paulo's three metropolitan regions." In addition to eradicating situation of risk, and promoting housing for the sustainable development of the state's North Coast, priority areas included the city of São Paulo's central districts, with construction of 10,000 new housing units. The state envisioned a PPP model involving three agents: the state, the population without access to adequate housing, and the private sector, as a way to allow for better coordination of activities which, the proposal stated, usually happened in a fragmented manner. These activities consisted of housing development and commercialization, finance and administration, which usually fell under the public company's responsibility, as well as social work associated with pre- and post- occupation, and environmental preservation, which were usually contracted out.<sup>91</sup> The Casa Paulista Agency was responsible for managing the PPP from the public sector's side.

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<sup>91</sup> Accordingly, public sector responsibilities on the PPP would be: "to define the characteristics, maximum price, geographic location, and infrastructure and service requirements for the housing provision; define the interest rate, pay back period and system, maximum percentage of income commitment with housing, percentage of the housing value to be financed, subsidy policy, and contract guarantees; specify the long-term housing management activities, and, finally; offer subsidies and guarantee to the private sector the payment of state counter payment. The responsibilities of the private sector were: to leverage new sources of capital, make investments in project, public works, services and urban planning and infrastructure when necessary; offer the services associated with the cadaster of targeted population, housing mortgage financing, administration of the mortgage portfolio, social work before and after project, housing management, and management of commercial buildings; regularization of areas under risk as defined by the public partner; expropriation of land for project development, and; real estate development (Public Solicitation no 004/2012. Retrieved on October 20, 2016 from [http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/edital\\_chamamento\\_004\\_12.pdf](http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/edital_chamamento_004_12.pdf).

**Table 3.4. The Original Request for Proposal**

Scope:	<ul style="list-style-type: none"> <li>• Design and construction of social housing units (HIS) in the central area of the city of São Paulo;</li> <li>• Design and construction of associated infrastructure, social facilities and services;</li> <li>• Finance for social interest housing;</li> <li>• Management of mortgage holders;</li> <li>• Housing complex management</li> <li>• Social work, including for creation of building management association</li> </ul>
Specific objectives:	<ul style="list-style-type: none"> <li>• Work in the improvement of the historic downtown area by geographically focusing action on specific districts (intervention districts) and by way of provision of housing for social interest.</li> <li>• Improve the surrounding urban space</li> <li>• Accelerate the process of population return to the central area of the city</li> <li>• Contribute to the process of social inclusion</li> <li>• Optimize the use of infrastructure, facilities and public assets that exist in the central area</li> <li>• Bring together housing supply and job markets</li> <li>• Optimize the public transportation system</li> </ul>
Strategies:	<ul style="list-style-type: none"> <li>• Maximize use of properties inside ZEIS districts;</li> <li>• Identify opportunities for intervention dedicated to the provision of housing, in addition to improvements to the quality of public spaces, social facilities, and optimization of the supply of public transportation;</li> <li>• Consider the railway line as the structural axis of intervention</li> </ul>

Prepared by the Author. Source: Casa Paulista Agency. PPP Habitacional. Centro da Cidade de São Paulo. Audiência Pública. March 25, 2013. Retrieved November 7, 2017 from [http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/audiencia\\_publica\\_apresentacao\\_ppp\\_habitacional\\_25mar2013.pdf](http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/audiencia_publica_apresentacao_ppp_habitacional_25mar2013.pdf)

### The State of São Paulo's Request for Expressions of Private-Sector Interest

On April 16, 2012, São Paulo's CGPPP issued a public solicitation for interested private-sector agents to develop technical studies and PPP models for affordable housing provision, to be submitted to the Housing Department of São Paulo state government and its housing agency, Casa Paulista.<sup>92</sup> The scope of work involved the provision of 10,000 affordable and market affordable housing units in São Paulo's central districts, for the population earning the equivalent to one and 10 monthly minimum wages and allocating 90 percent of the housing units to the population with income of less than five minimum wages. It focused on areas located within ZEIS 3, and was distributed in six special perimeters. The document detailed all studies required from the private agent and included a provision to transfer the power of eminent domain to the private agent as a way to facilitate land assembly.

<sup>92</sup> Public Solicitation no 004/2012, 1. Retrieved on March 2015 from [http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/edital\\_chamamento\\_004\\_12.pdf](http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/edital_chamamento_004_12.pdf).

**Picture 3.4. São Paulo State Governor Geraldo Alckmin launches PPP Casa Paulista**



Photo Credit: Du Amorin. Source: <http://www.saopaulo.sp.gov.br/spnoticias/multimedia/audios/governo-do-estado-lanca-a-primeira-ppp-para-habitacao-social-do-brasil/>. From left to right: São Paulo Governor Geraldo Alckmin, Piratininga's founding partner, Architect José Armênio de Brito Cruz, State Housing Secretary Silvio Torres, Vice Governor Guilherme Afif Domingos, Mayor of São Paulo, Gilberto Kassab, and Casa Paulista Director Reinaldo Iapequino on the far right.

**Picture 3.5. Governor Geraldo Alckmin and Housing Secretary Silvio Torres at Casa Paulista Launching**



Photo Credit: Du Amorin. Source: <http://www.saopaulo.sp.gov.br/spnoticias/multimedia/audios/governo-do-estado-lanca-a-primeira-ppp-para-habitacao-social-do-brasil/>

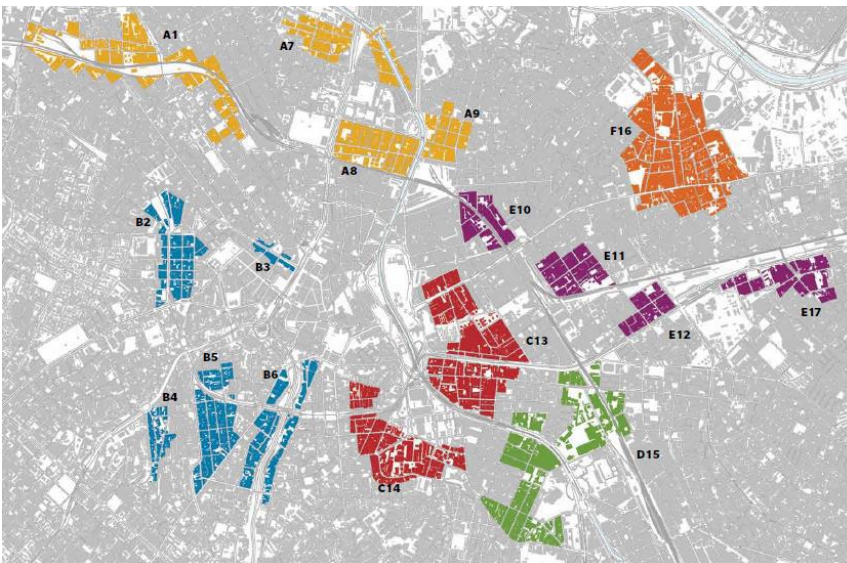


**Picture 3.6. Casa Paulista Intervention Districts**



Source: State Housing Department Casa Paulista Agency. PPP Habitacional. Centro da Cidade de São Paulo. Audiência Pública. March 25, 2013. Retrieved November 7, 2017 from [http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/audiencia\\_publica\\_apresentacao\\_ppp\\_habitacional\\_25mar2013.pdf](http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/audiencia_publica_apresentacao_ppp_habitacional_25mar2013.pdf)

**Picture 3.7. Casa Paulista Intervention Sector**



Source: State Housing Department Casa Paulista Agency. PPP Habitacional. Centro da Cidade de São Paulo. Audiência Pública. March 25, 2013. Retrieved November 7, 2017 from [http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/audiencia\\_publica\\_apresentacao\\_ppp\\_habitacional\\_25mar2013.pdf](http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/audiencia_publica_apresentacao_ppp_habitacional_25mar2013.pdf)

Thirty-two companies registered to submit proposals and five were delivered in October 2012.<sup>93</sup> Among them, the recently created Urbem was a local urban design and planning not-for-

<sup>93</sup> The individual companies and consortiums involved were Bairro Novo Real Estate Development S/A and Pedro Taddei Architect and Associates Ltd; Brookfield Affordable Development S/A and Concremat Engineering and Technology S/A; CITTAD-Development Ltd; Consortium Reviva São Paulo, and; URBEM- Institute of Urban

profit, directed by Phillip Yang, a former diplomat and entrepreneur from Brazil's oil industry. Urbem's goal was to "promote large-scale urban projects in the city of São Paulo and other urban centers of similar scale."<sup>94</sup> Urbem's expertise with PPPs derived from the technical expertise of its senior staff members, in particular, from working with transportation PPPs. Indeed, the Casa Paulista PPP model was adapted from toll road PPP models.<sup>95</sup>

It was Piratininga's director, Architect José Armênio de Brito Cruz, who invited Urbem to develop a bid for Casa Paulista's tender. Once the state decided to use Piratininga's study to request private studies for design of a PPP model, Cruz explained, "I asked them, what am I, public or private? Because I wanted to continue working in the project!" State officials thought that Cruz's participation as a private partner could help raise the interest of the market. "And so I did it, because the PPP allows for this. I spoke with Fernando de Mello Franco, who was also working as the curator of Urbem, which had just opened."<sup>96</sup> One day he brought [Urbem's team] to my office, I presented to them and Phillip said – this interests me," explained Cruz.<sup>97</sup> Urbem perceived at the time that the state's proposition was innovative. The fact that the state government presented the terms of reference along with the call for private interest not only set the basic guidelines for the proposal, but also indicated that the state "knew what it was doing." Moreover, (through the CGPPP and the guarantee fund) the state had the institutional structure already set up to underpin the PPP, particularly, with the ability of offering financial guarantees.<sup>98</sup>

Urbem adapted Piratininga's original proposition, namely, combining housing with mixed-use redevelopment of the existing built in structure to launch a broader process of urban and economic transformation of the city center to a PPP rationale. From an urban and local

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Development and Studies for the Metropolis. Revista Construção e Negócios, 2013. Programa Casa Paulista, estimado em R\$ 4,6 bilhões, será a primeira PPP para habitação do País. December 2013. Retrieved October 20, 2016 from <http://construcaomercado.pini.com.br/negocios-incorporacao-construcao/149/artigo302018-1.aspx>.

<sup>94</sup> Urbem. Casa Paulista Project. Retrieved October 23, 2015 from <http://www.urbem.org.br/>.

<sup>95</sup> As explained by Homero Neves, Director at Urbem. Interview with the author, August 10, 2013.

<sup>96</sup> Architect Fernando de Mello Franco is also founding partner of the architectural firm MMBV.

<sup>97</sup> Cruz was referring to Phillip Yang, Urbem's founder and executive director. Interview with the author. São Paulo, August 12, 2015.

<sup>98</sup> Neves, Homero. 2015. Casa Paulista e o Urbem. Aspectos do Modelo de Negócios proposto no Procedimento de Manifestação de Interesse – Casa Paulista. Author's notes from presentation at PPP Seminar on September 2015.

economic planning perspective, the proposal involved construction of large-scale, mixed-use and mixed-income apartment blocks with commercial ground floors opened to the sidewalk, as a way to integrate the development with the rest of the neighborhood, stimulate economic activity, and generate cultural and economic diversity.<sup>99</sup> From a financial perspective, the model relied on existing funding sources at the federal and state levels for production and commercialization of affordable and market affordable units, commercial units, and infrastructure. State counter payment was employed to cover the difference between private sector's housing and mortgage price, and individual families' mortgage payments.

Similar to what the Casa Paulista Agency had done when combining federal and state housing funding, Urbem's model combined funding for infrastructure and services with affordable housing with state subsidy to land assembly. Underpinning Urbem's proposal was the availability of federal funding, particularly through the federal program PMCMV, as well as state funding in the form of the newly created FPHIS. Accordingly, sources of finance for housing supply and to potential homebuyers included the existing PMCMV funding for subsidized housing (HIS), funds from the national housing finance system (SFH), as well as from commercial banks, for market rate affordability. Finance for public facilities was based on funding from BNDS Finem (funding for education, health, social assistance and security). Cheaper public funding helped subsidize housing loans, financed at higher interest rates.<sup>100</sup> Cheaper financing sources for infrastructure, with annual real interest rates at 3.25 percent, below estimated inflation rates at 4.5 percent) would subsidize the more expensive housing funding sources, with annual real interest rates at 4.59 percent for subsidized affordable housing (from PMCMV), and at 8.13 percent for market affordable housing (from SFH). Revenues from sale of market-rate affordable housing units and rent from commercial units were aimed at cross subsidizing the cost of development and long-term maintenance of the affordable units, which required higher subsidy levels (Urbem 2012).

According to Urbem's study: "the basic business model is based on an administrative Public-Private Partnership (PPP), with counterpayment from the state government [the

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<sup>99</sup> With regard to the housing projects, the proposal focused on vacant lots and buildings that could be demolished so that high-rise buildings could be erected. In this sense, these were predominantly mixed-use and mixed-income mega-projects.

<sup>100</sup> As explained by Homero Neves, Director at Urbem. Interview with the Author. São Paulo, June 1, 2015.



conceding power as defined in the contract]. *The model considered the mechanisms of subsidies and incentives to investments in housing projects [that are offered by] the State Government of São Paulo, and the Federal Government (system of My Home My Life Program), as well as the real estate financial system operating in the country.*”<sup>101</sup>

Combined with control of land prices through the mechanism of eminent domain (to be transferred to private developers), Urbem’s framework based on cross-subsidies enabled a significant increase in project scale. Urbem’s proposal doubled the number of housing units originally suggested in the public calling, increased the number of HIS units by 40 percent, tripling the number of HMP originally proposed (from 1,000 to 3,159) and creating a new HMP category for families earning the equivalent of 10 to 15 minimum wages, for which 4,554 units would be offered.<sup>102</sup>

**Picture 3.8. Rendering of Casa Paulista Urban Model’s streetscape**



Source: Urbem, 2015. Retrieved November 7, 2017 from <http://www.urbem.org.br/casa-paulista>

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<sup>101</sup> Urbem, 2012, 164. Translated by the author, emphasis by the author.

<sup>102</sup> Construção Mercado. December 2013. Programa Casa Paulista, estimado em R\$ 4,6 bilhões, será a primeira PPP para habitação do País. Retrieved March 23, 2015 from <http://construcaomercado.pini.com.br/negocios-incorporacao-construcao/149/artigo302018-2.aspx>.

**Picture 3.9 Rendering of Casa Paulista Urban Model's urban landscape**



Source: Urbem, 2015. Retrieved November 7, 2017 from <http://www.urbem.org.br/casa-paulista>

When describing the Casa Paulista Model at Wilson Center's Brazil Institute in Washington DC, Urbem's Director Phillip Yang explained how the PPP model that Urbem had developed made use of Brazil's own housing finance mechanisms and adapted it to a PPP framework.<sup>103</sup> In other words, it combined different funding sources (which Yang called a "complex mechanism") to lower the cost of capital to the state. According to Yang this strategy, which won over all other proposals, could be applied in different areas of the country. Overall, the PPP model proposed by Urbem was not in line with the state's main alleged goal of leveraging private capital as it relied primarily on the use of traditional housing funding sources and infrastructure funding. The idea was indeed to enable the flow of those low cost, low risk funds to the affordable housing sector in the city of São Paulo.<sup>104</sup>

Crucial to Urbem's model, particularly in São Paulo's heated real estate market, was the state's ability to facilitate land acquisition through the mechanism of land expropriation, as a way also to contain a continued rise in land prices. Urbem's proposal stated: "in order to make possible the implementation of the proposed model in a consolidated region of the city, special attention was given to the issue relative to access and acquisition of areas necessary to the development of projects. In this aspect of the model, *it will be critical to rely on the authority*

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<sup>103</sup> Notes from presentation "The Reinvention of Brazil's Largest City," organized by the Wilson Center's Brazil Institute, Washington DC, on June 18, 2013.

<sup>104</sup> Interview with Ana Claudia Rosbach, international housing specialist and consultant to Urbem's proposal. August 8, 2013.



*and leadership of the conceding power, which will have to work in partnership with the concession agency in order to contain speculation and exert its eminent domain authority for social interest purposes.”*<sup>105</sup>

**Picture 3.10. Presentation of Casa Paulista PPP at Woodrow Wilson Institute, Washington DC**



Right Photo, left to right, founding director of Urbem, Phillip Yang; State of São Paulo Housing Secretary, Silvio Torres; Director of Woodrow Wilson’s Brazil Institute, Paulo Sotero; Executive Director of PPP Casa Paulista at Urbem, Homero Neves and Executive Director of Casa Paulista Agency, Reinaldo Iapequino. Photo Credit: Helena Monteiro, State of São Paulo International Relations Department, June 18, 2013

**Picture 3.11. Urbem’s Proposal for Casa Paulista, Before and After**



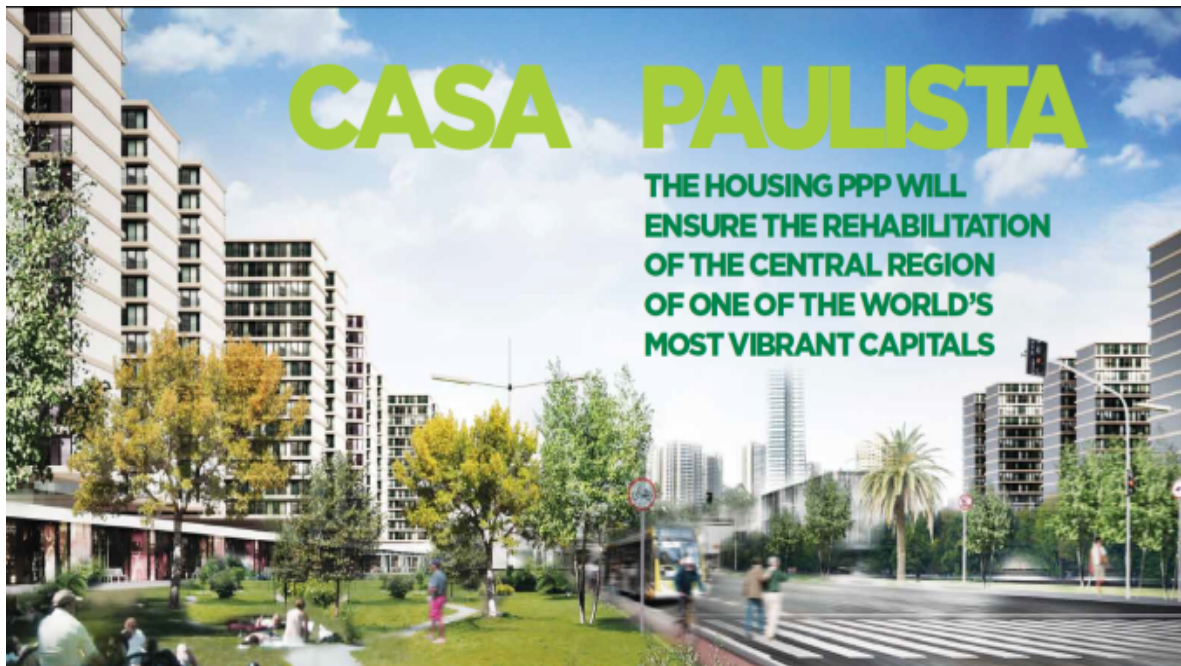
Source: URBEM. Retrieved November 7, 2017 from <https://www.slideshare.net/Eraikune/presentacin-ppp-casa-paulista-ingles>. Slides 30 and 31

<sup>105</sup> Urbem, 2012, 164. Translated by the author, emphasis by the author.

### The Original Casa Paulista PPP Model

Following the public calling, a working group created within the CGPPP worked on the development of the final PPP model, which was based primarily on Urbem's study. The model involved construction of 20,221 housing units to be distributed in São Paulo's central districts and had an estimated budget of \$2.4 billion, of which \$1.2 billion was to be from new sources of private capital. It involved construction of 20,221 housing units to be distributed in São Paulo's central districts. To facilitate land assembly, the policy included indeed the provision for the state to transfer eminent domain authority to the private sector.<sup>106</sup>

**Picture 3.12. Casa Paulista Promotion Folder**



Source: São Paulo State Government. Casa Paulista Promotional Folder. Retrieved November 7, 2017 from [http://www.saopauloglobal.sp.gov.br/relacoes\\_inter/publica/folder\\_casa\\_paulista.pdf](http://www.saopauloglobal.sp.gov.br/relacoes_inter/publica/folder_casa_paulista.pdf).

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<sup>106</sup> Proposal for Housing PPP in São Paulo, Presentation, Casa Paulista Agency.

**Table 3.5. The Casa Paulista Original Model**

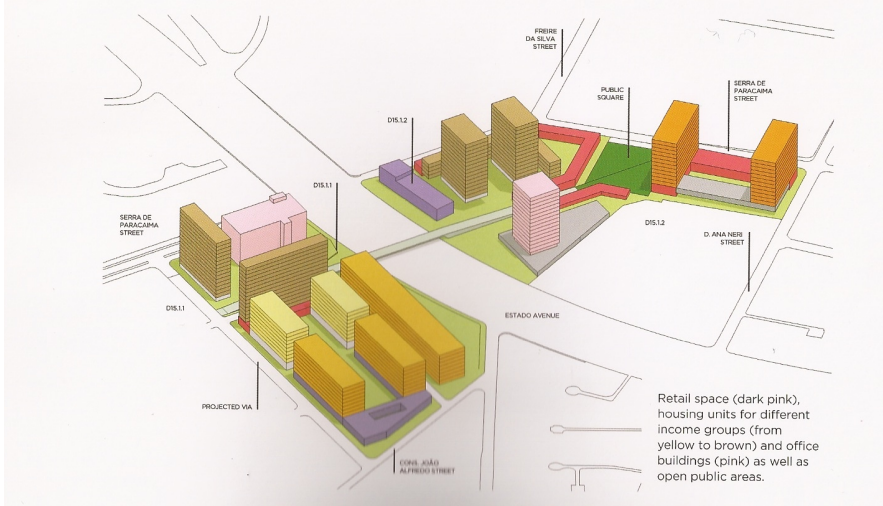
Responsibilities of Private Agent	Design and projects for supply of 20,221 housing for social interest (HIS) in the central area of the city of São Paulo Design and implementation of infrastructure, public facilities and services Housing finance for HIS Management of mortgage contracts, with a maximum period of 300 months and monthly payments that increased according to income level Housing project management Social work before and after delivery of keys, including capacity building for building management and other services required to building maintenance
Housing Financing Conditions	Mortgage plan with timeline for housing mortgage contracts set in a maximum period of three hundred months Mortgage guarantee in the form of fiduciary lien, according to the law 9,514/97 and amendments To compensate private agent for what families could not pay for through state counterpayment
Target population	Families with earnings equivalent to between one and ten São Paulo state monthly minimum wages; preference to the population with proven employment in the central area

Source: State Housing Secretariat. Casa Paulista. Housing PPP. Metropolis Initiative. April 25, 2013.

**Picture 3.13. Urbem's Proposal to the Casa Paulista PPP: the Urban Model**

## URBAN MODEL

The Casa Paulista model privileges spaces that allow for wide pedestrian areas and buildings close to pedestrian access as in cities such as Barcelona, New York or Paris. The project envisages buildings close to pedestrian access offering retail on the ground floor, as well as housing and office space in the buildings, wide pedestrian pathways and green areas.



Source: São Paulo State Government. Casa Paulista Promotional Folder. Retrieved November 7, 2017 from [http://www.saopauloglobal.sp.gov.br/relacoes\\_inter/publica/folder\\_casa\\_paulista.pdf](http://www.saopauloglobal.sp.gov.br/relacoes_inter/publica/folder_casa_paulista.pdf).



Meanwhile, at the municipal level, there was transition at the mayor's office, with Gilberto Kassab (2005-2008 as vice mayor and elected for the term 2009-2012) leaving office, and Fernando Haddad (2013-2016) taking office. Kassab's administration was marked by expansion of private-led, market rate mega project propositions in São Paulo, including Nova Luz in the downtown area (Shimbo 2013). Upon entering office, Mayor Haddad revoked Nova Luz, while at the same time expressing great interest in the Casa Paulista PPP model.<sup>107</sup> Haddad invited Fernando de Mello Franco, one of the lead architects of Urbem's proposal, to be the head of the city's Urban Development Department (SMDU). On September 22, 2014, the municipal and state governments celebrated a covenant (document number 2014-0.005.877-1) in which the municipality committed to match state funds up to BRL 20,000 (\$ 8,335 in 2014 value) per housing unit produced, or allocate land towards the program.

### Challenges to the Casa Paulista PPP Original Model

As the state worked on communicating to the public and the private sector about the Casa Paulista PPP and looked for financial investors to partner with, these groups challenged some of the model's original premises. Two issues were key in this phase: first, how the state approached and managed the issue of land, and its allocation to the PPP, and second, how it managed public input on the project.

It was highlighted in the feasibility studies supporting the Casa Paulista PPP that the total cost of housing and infrastructure development in peripheral areas was greater than similar provision in central city, where infrastructure already existed. However, by the time the PPP was proposed, land prices were already rising due to a nationwide trend. As described by Piratininga's director, Cruz: "in the second phase of our study, we found out that the market was already entering into these areas; the market was already entering downtown, and land prices were already going up. In 2006, buildings of approximately three thousand square meters, eight levels, were selling for approximately three thousand per square meter. In 2010, these buildings were no longer there. Also, there were about ten thousand housing units being built in the downtown." It was also felt that with the proposition of new public investments for the area,

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<sup>107</sup> As a member of the Finance Department in President Lula's first administration, Fernando Haddad was the author of the Federal law 11,079/2004 (PPP law) that supported the PPP initiatives at the state and municipal levels.

which were indicative of new market opportunities for the real estate sector, prices were likely to rise even more quickly.<sup>108</sup> Under the justification that such a rise in land prices, due to speculation, should be controlled, and following recommendation of Urbem's model, the São Paulo government issued State Social Interest Decree (DIS) 59.273 on June 7, 2013, with a list of 900 properties to be expropriated within the Casa Paulista perimeter (José and Silva 2013).<sup>109</sup>

According to Casa Paulista's proponents, this decree was a way to control the cost of land within the affected perimeters. Architect Milton Braga, partner at MMBV and also coordinating the architectural projects for Casa Paulista at Urbem, explained: "So, we indicated the plots, and the state government said, 'well, the city is very dynamic, so rather than declaring social interest only over the mapped plots, let us increase the area so that it covers the whole block where these plots are located. Also, sometimes the original plot no longer works but another one close by with similar characteristics does, so we should give more flexibility for the future development of the project.' That's what was done. And at the time I did not think the idea absurd, I saw it as a kind of zoning. In addition to the ZEIS, which is a zoning layer, now there would be a social interest decree for certain blocks where this program would primarily be developed."<sup>110</sup>

To public and private agents directly involved in the PPP, the decree sought to "function as another zoning layer and control land prices," and not as an explicit demarcation of properties to be expropriated.<sup>111</sup> However to the local population who was not informed about the Casa Paulista Program and its alleged rationale, and happening just after revoking of the Nova Luz project, the decree appeared as a threat of immediate removal. At a public meeting at the state assembly with Carlos Giannazi, a state legislator from Socialism and Freedom Party (PSOL), opposition to the government, a resident alluded to a lack of information that had characterized

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<sup>108</sup> This effect of public propositions on land prices was presented in interviews with Architect José Armenio de Britto Cruz, Casa Paulista Executive Director Reinaldo Iapequino, and Housing Specialist at Casa Paulista, Antonio Marcio da Costa.

<sup>109</sup> José, Beatriz Kara and Silva, Helena Menna Barreto. September 12, 2013. Carta Maior "A PPP da Casa Paulista: solução ou impasse para a moradia popular no centro de São Paulo?" Retrieved on November 3, 2017 from <http://cartamaior.com.br/?/Editoria/Cidades/A-PPP-da-Casa-Paulista-solucao-ou-impasse-para-a-moradia-popular-no-centro-de-Sao-Paulo-/38/29759>.

<sup>110</sup> Verbal information from Milton Braga during interview with the author on July 15, 2015.

<sup>111</sup> Verbal information from Milton Braga during interview with the author on July 15, 2015.

the PPP process so far. “I can’t understand what the concept of social that they use is, because there are several people that live there, who create jobs, because there are various industries in the area where this decree affects, and, it is like taking one family to put another. Also, we just found out about this through lawyers. We, the residents, the local entrepreneurs, we were not informed about this at all. And they will evict us, and put us where? How much will they pay? Where are we going? And who are the others that will come in to live here? The secretary explains, the sub secretary explains, but no one knows really.”<sup>112</sup>

The DIS 59.273 was challenged in court under the argument that most properties were occupied and functional. This process caused both the Casa Paulista model and involved agents to lose credibility among local community and affordable housing advocacy groups (interviews, newspaper reports). “At the time, you must remember, that lady who was there fifty years ago came up to speak, so how are they going to take my house to set up another house, this is not fair.... but it was not her plot that was indicated, it was the neighbor’s. Only hers got into the larger DIS map. There was a lot of noise, much confusion, we were accused of having made a survey by Google maps, of doing work without seriousness, and the government was accused of contracting a bad job. And from there the solution was to revoke the decree and to remove any kind of political confusion, the government became responsible for the provision of land. That is, the project was going to use government owned land.”<sup>113</sup>

State officials neither denied nor confirmed the idea that revoking DIS 59.273 was due to popular pressure. According to Milton Braga, the decision to let responsibility for land allocation fall to the public sector was also reinforced by the fact that the municipality, which had joined the state government in the program, committed to providing resources (for the PPP) in the form of land. “So, there was already land from the municipality. Besides all this confusion, it became clear to everyone that the government should take care of providing the land for the project and take this risk out of the market. In the economic models being developed, this risk increased the cost of the project. It was too expensive to leave this risk of land assembly to the market.”

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<sup>112</sup> Giannazi, Carlos. September 4, 2013. Giannazi e população afetada pelo Decreto 59.273 agendam protocolo de documentação. Retrieved on December 12, 2017 from <https://www.youtube.com/watch?v=fDxMRZYFK6M>.

<sup>113</sup> Verbal information from Milton Braga during interview with the author on July 15, 2015.



During an interview, legal expert Rafael Vanzella argued that allocating the responsibility for land assembly for affordable housing development under the private sector would have made projects infeasible as “plots in the city center are either too expensive or full of legal problems.”<sup>114</sup> In his view the most straightforward strategy was indeed expropriation. However, this should be carried out by the public sector. “When the public sector declares an area passive to expropriation through a decree of social interest, you have a process of real estate speculation. Prices go up because now you have a market where you did not have one before; you have a buyer, so there is variation in price. It is not possible for the private sector to absorb this change in price, from the time the DIS is issued until it takes possession of land. Remember that it is the most expensive form of capital, or equity capital that finances expropriation, and not capital from the financial market. This generates inefficiency and the public can absorb this risk with more efficiency. The private agent can be more efficient, quicker, in negotiating with landowners. He can use the DIS to pressure landowners to sell their land. The concessionaire can also indicate the areas that should be expropriated so the project can move forward. In other words, the concessionaire can do the executive acts related to expropriation, but the risk for it should be within the public sector. Also, I cannot convince myself that a legal department of a concessionaire knows more about expropriation than the state’s attorney office, which is created for this purpose. This is what attorneys do; it is their bread and butter. We at the private sector, we do not have this specialty. Attorneys are much more fit to do this.” Private developers were unanimous that risk associated to land assembly for affordable housing development should remain under the public sector (Interviews). Expropriation was the only mechanism that the state envisioned to facilitate land assembly. Therefore, the revoking of the social interest decree the state lost the ability to control land price rise affecting the PPP Casa Paulista and to facilitate land assembly.

### Changes to the Model

In October 2014, over a year after the original schedule, an international tender document for project development and construction proposals was issued, with important changes in relation to the original model. First, the state took responsibility for allocating land for subsidized affordable housing provision. It established that subsidized affordable housing would be

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<sup>114</sup> Interview with the author, July 31, 2015.

developed on public land, belonging to the federal, state and municipal governments and adjacent to the rail line that crosses the downtown area.<sup>115</sup> Second, and consequently, the proposed target geographic areas for intervention were altered.<sup>116</sup> Third, a provision was included allowing for projects to be located outside the intervention perimeter. It was stated that this would grant more flexibility to development projects, decreasing risk to private developers.<sup>117</sup> Finally, the number of units to be constructed decreased to a total of 14,124 units. The document maintained provision for the transferring of eminent domain powers to the private sector for development of market rate affordable housing.<sup>118</sup> According to the document, the project's value to be derived to the PPP was estimated at \$2.83 billion, and the estimated cost to the private sector was \$1.36 billion (2014 value).<sup>119</sup>

This new strategy for land assembly, while not directly addressing the challenge to affordable housing provision represented by rising land prices, also created a new set of challenges to the model. When the public sector assumed responsibility for assembling land, it shifted its own original approach, which focused on housing provision through intervention on the existing vacant and underused property, to identifying already existing public land to be transferred to the private partner. Architect Milton Braga described this new arrangement as increasing project uncertainty: “when specific lots were removed from the model, all of our studies, which gave objective guidelines to measure and develop economic models that could be then monitored by the state, disappeared. Without lots, there were no feasibility studies. Also,

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<sup>115</sup> Estado de São Paulo. Falta de Terrenos reduz PPP da Habitação.

<sup>116</sup> Participation of São Paulo's municipal government was crucial in this regard. The municipality reiterated its support for the project through land allocation, the speeding up of building licenses, and guaranteeing that the projects were in agreement with on-going review of the PDE 2002 and formulation of PDE 2014 (interview with then Municipal Housing Secretary, Floriano de Azevedo Marques Neto, January 2015). This included a review of the location of the ZEIS 3 districts and creation of a new category, the ZEIS 5 districts, covering the most central ZEIS districts that concentrated small plots and vacant buildings.

<sup>117</sup> Information from Reinaldo Iapequino during interview with the author on December 14, 2014.

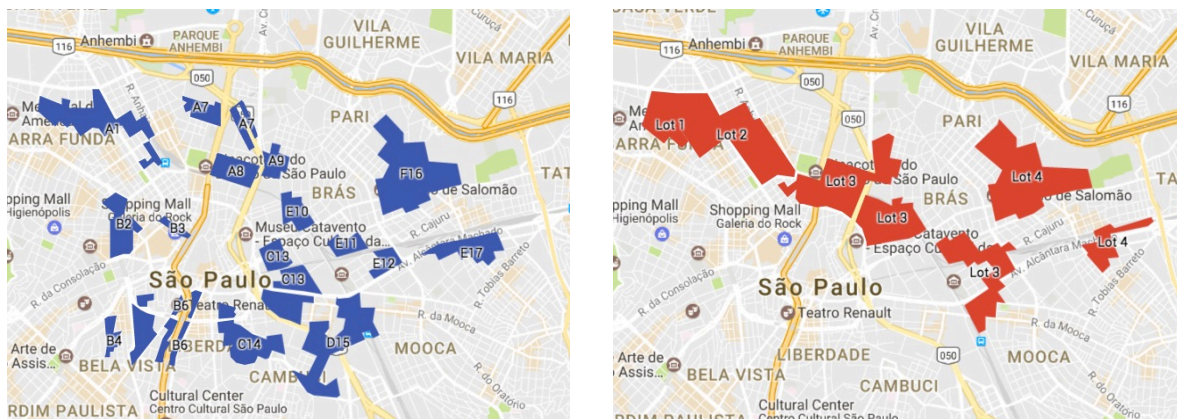
<sup>118</sup> As a Casa Paulista Agency representative explained, this provision guaranteed a level of flexibility that was crucial for Casa Paulista's model, and which allowed for the private partners to identify and acquire properties at any stage of the development process, much like a property development initiative carried out in the private market. The eminent domain instrument in this case would seek to facilitate land assembly (interview, December 2014).

<sup>119</sup> International Bidding No. 001/2014. São Paulo Housing Department. Retrieved October 20, 2016 from <http://app.habitacao.sp.gov.br/CadastroPPP/Downloads/EDITAL.pdf>.

without the lots, the way in which our model worked, as a plan, as a systemic proposal, where different projects were seen as a single intervention, became impossible. I thought it was absurd to no longer have projects to go out for tendering. How can you bid on a proposal without a project? So I think it is good for everyone to have the lots defined. The lots and the projects, with a thematic approach already defined. We made a tremendous effort to, without the lots, offer precise guidelines. I think this was one of the greatest changes in the model that went for tender.”<sup>120</sup>

The shifting of Casa Paulista’s geographical focus addressed the local private market interest to preserve at the heart of the city center a stock of vacant land that could be developed without the restrictions of the ZEIS 3 districts, as, represented by the creation of the ZEIS 5 districts. Areas B4, C14 and D15 of the original model were converted into ZEIS 5 districts and eliminated from the amended model.

**Picture 3.14. Casa Paulista Sectors, Public Notice and Tender Document**



Source: Prepared by the Author over Google Maps

### The Tendering Process

Only one firm, Canopus Holding S.A. (Canopus) presented a proposal for one of the new perimeters (Plot 1, in the Barra Funda District). Initially the absence of large players in the tendering process was considered to reflect an absence of interest in the model. Soon it became evident that involvement of these large players in then unfolding federal corruption investigation

<sup>120</sup> Interview with the author, July 2015.

know as ‘Car Wash,’ involving billionaire contracts between Brazil’s state owned oil company, Petrobrás, prevented their participation in any procurement process during the course of investigation.<sup>121</sup> On December 20, 2014, the bidding process was approved and Plot 1 awarded to Canopus. During the public meeting, it was discussed that Canopus was not very knowledgeable of the downtown São Paulo market, but was nonetheless very eager to build projects there. The company was also very eager to develop the PPP model in the housing sector for the first time as there was much interest in this model in other parts of the country.<sup>122</sup>

### Casa Paulista Contract

On March 23, 2015, the first Casa Paulista contract was signed between the state of São Paulo and Canopus for the provision of 3,638 housing units, with 62 percent to be dedicated to families earning the equivalent of between one and six minimum wages, and the remainder to those earning the equivalent of between six and 10 minimum wages. Notably, between the initial call for private proposals in 2012 to the signing of a contract, the percentage of housing units produced in the program and dedicated to categories RF1 and RF2 decreased from 50 percent to 30 percent of the total. If discounted RF 6, not included in the original calling, this percentage increases to 38 percent, still below the original calling, as described on Table 3.7. Of the provision planned in the contract, 80 percent are for families working in the city center but living at the periphery of the city, and 20 percent for local residents. As defined in the tendering document, state and municipal governments are responsible for providing land for the construction of affordable housing, while Canopus is responsible for incorporating land for production of the market affordable units, and also construction and commercialization of all units. Total investments related to this project were estimated to be \$277 million (2015 value), to be put forward by Canopus. Roughly 50 percent of the original investment will be reimbursed by the state over the course of 20 years. In the capital structure of Canopus’s PPP, 70 percent of the financing obtained is from public sources, as highlighted in the company’s bid for the project.

Inherent to the PPP is the provision of guarantees that the state will fulfill its obligation and pay the private sector for its investment. In the Casa Paulista PPP there are two guarantees, a

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<sup>121</sup> The operation resulted in the arrest of a number of executive directors, including the head of Odebrecht, Marcelo Odebrecht.

<sup>122</sup> Field notes. Casa Paulista public meeting. December 20, 2014.

primary and a secondary. The primary is offered by the state owned CPP, the enterprise that the São Paulo State Government has created to offer guarantees to PPP contracts, including through the sale of public land in the city of São Paulo. Banco do Brasil administers CPP's funds. To offer guarantees, CPP transforms its liquid assets, or cash, in public debt securities that are pledged over to concessionaires. If the State of São Paulo does not fulfill its payment obligations, the public securities are auctioned to pay the concessionaire. The secondary guarantee is over the receivables that CDHU has over its mortgage payers. If the guarantees offered by CPP are exhausted, the concessionaire has the right to demand payment by CDHU.

Table 3.6 presents the Casa Paulista PPP timeline. Table 3.7 describes the evolution of the model, highlighting the most important changes between phases. Table 3.8 describes the variations in absolute volumes of provision, and in distribution by different categories of income. Table 3.9 describes the variation in project cost, and investment share by the public and private sector, and Table 3.10 describes the sources of credit for the original model and the actual contract.

**Table 3.6. Casa Paulista Timeline**

Public Calling 004/2012, from April 16, 2012	October 2012	February 2013	April 2013	05/08/2013 and 06/10/2013	Issuing of Social Interest Decree (DIS) no. 59,273/2013 June 7, 2013	State of São Paulo Justice Court suspends the PPP (the PPP was later reestablished)	Approval of new PPP model, August 2014	Publication of tender document 001/2014 in September 2014	December 2014	April 2015
Invited private agents to develop studies and models for provision of 10,000 housing units in São Paulo's central districts. First time homebuyers with earnings between the equivalent to one and ten minimum wages, preference to those with employment in the central districts	32 companies applied to participate in the project, but only Five companies and consortiums presented proposals	Based primarily on the proposal by URBEM, CGPPP approved PPP model to build 20,221 housing units; 12,508 HIS, in addition to 7,713 HMP and promote commercial development	Public meeting to present the PPP to the civil society at large	Public consultation period (to participate in the public consultation, individuals were required to write up their suggestions and submit them to the electronic site of the Casa Paulista Agency) (Source: PPP Brasil)	Allowed for the expropriation of over 900 properties, or 509,000 m2 located inside the PPP Casa Paulista Perimeter	Suspension was due to the "absence of effective participation from the population and civil society associations in the formulation, execution and follow up of plans associated with the PPP." (Source: PPP Brasil)	For construction of 14,124 housing units, distributed in four perimeters, which also involved new areas in comparison to the original model	PPP, administrative concession, for provision of 14,124 housing units	One proposal submitted and approved, for one lot (lot A) and construction of 3.682 housing units	Signature of first PPP contract for Lot 1

Prepared by the Author

**Table 3.7. Evolution of the Casa Paulista Model – Project Scope**

Phase/ Document	Main Elements	Change
State of São Paulo's request for private proposals ("Public Calling" 004/2012), April 16, 2012	<p>Highlighted the existence of significant urban vacancy in downtown São Paulo (RATES), represented by empty buildings and plots (RATES); local land use legislation incentivizing private-led housing provision (i.e., ZEIS districts, according to Municipal Master Plan, PDE 2002);</p> <p>Argued for social and economic interest in providing centrally located affordable housing: increasing access to infrastructure and services, addressing job-location mismatch, saving public resources by allocating a third of what would be invested in new affordable housing and infrastructure in peripheral areas;</p> <p>Requested proposals for private sector led models of affordable housing provision in São Paulo's central area;</p> <p>Project size: ten thousand housing units, nine thousand housing for social interest and one thousand market rate affordable</p> <p>Geographical distribution: seventeen areas in six different downtown districts, zoned as ZEIS 3 (predominantly affordable housing, special community councils for participatory local planning)</p> <p>The public calling provided an assessment of the existing conditions and challenges of each particular district, as well as an assessment of the typologies of urban vacancy, as it was prepared in 2011 by the company Piratininga Architects Associated</p> <p>Distribution of housing units according to family income as follows: RF1 – 25 percent; RF2 – 25 percent, RF 3 – 20 percent; RF4 – 20 percent; RF 5 – 10 percent</p>	—
PIAC Casa Paulista, URBEM	<p>Argued that the central region of São Paulo required comprehensive urban transformation to improve housing provision, location mismatch, and the local economy;</p> <p>Proposed development of a series of mixed-use, mixed-income mega projects to repopulate the area, attract private investments and "generate economic value."</p> <p>Proposed, inclusion of commercial development and a new class of market based housing (HMP to income level equivalent to earnings between ten and sixteen MMW), to increase diversity and create a system of cross subsidy</p> <p>Project size: fifteen thousand, six hundred housing units, with nine thousand, six hundred units for social</p>	<p>Rather than presenting a proposition for individual housing projects, proposed a model for systemic treatment of downtown São Paulo's territory, through the development of large scale, mixed-use, mixed-income real estate projects</p> <p>Contrary to the calling's premise, namely, the absence of public funding, the proposal highlighted the existence of, traditional housing and infrastructure funds – thanks to federal policy that had significantly increased those investments. As such, these were the best available solutions for the PPP, since these were the cheapest available credit lines</p>

	<p>interest and six thousand for market rate affordable</p> <p>Relied on existing federal and state credit sources, namely: My Home My Life Partnership; housing finance system, infrastructure credit line by the BNDS</p> <p>Targeted population: families with earnings equivalent to between one and ten monthly minimum wages (state of São Paulo), plus ten to 16 minimum wages for a new class of HMP</p> <p>The project relied on cross subsidies to pay for HIS; originated from the rent of commercial property and from HMP</p>	<p>Highlighted the public sector's unique institutional role and authority to facilitate land assembly, including by way of expropriation decree</p> <p>Increased numbers of HIS through cross subsidies of HMP and commercial projects to cover up costs above the funds available through PMCMV Partnership (i.e., BRL 95,000.00)</p>
<p>Casa Paulista Original Model, Casa Paulista Agency, 2013</p>	<p>Proposes development of up to 20,221 housing units, or provision of 12,508 HIS, in addition to 7,713 HMP, in the same districts it had indicated in the original calling</p> <p>Project estimates:</p> <p>Project value: 4.6 billion</p> <p>Private investment: 2.6 billion</p> <p>Investment from Municipality: 404 million</p> <p>State Counter-payment: 1.6 Billion</p> <p>Federal government would participate with funds from PMCMV, although it was not clear whether these funds would be used for production, housing mortgages, or both</p> <p>Private sector responsible for land assembly for both HIS and HMP</p> <p>Areas: (mostly) private lots in ZEIS 3</p>	<p>Increases project size;</p> <p>Includes in the project scope the development of market based affordable housing (category ten to sixteen monthly minimum wages) and commercial uses</p>
<p>Casa Paulista second model, Casa Paulista Agency</p>	<p>Proposes development of up to 14,124 housing units, or provision of 9,000 HIS, and development of 5,124 HMP.</p> <p>Project estimates:</p> <p>Project value: 3.5 billion</p> <p>Private investment: 1.32 Billion</p> <p>Investment from Municipality: 280 million</p> <p>State Counter-payment: 1.9 Billion</p>	<p>Decreases project volume form original model, maintains increase from original calling</p> <p>Maintains guideline for development of mixed use, mixed income, but no longer mandatory, thus giving more flexibility to developers</p> <p>Transfers to the public sector the responsibility for land assembly</p> <p>Alters location of Casa Paulista perimeters</p> <p>Allows that specific housing plots are outside of designated Casa Paulista perimeters, as long as these are within the expanded center area (item 3.4.5)</p>

Prepared by the Author



**Table 3.8. Variations in Casa Paulista Model: Affected Families by Income Bracket (BRL)**

Project Phase			Public calling (2012)			Original Model 1 (2013)			Tender Document (2014)			Contract		
Housing Category		Level MMW (**)	Income (BRL) Units			Income (BRL) Units			Income (BRL) Units			Income (BRL) Units		
RF 1	HIS	1 and 2	622	1,244	2,500	755	1,510	3,261	810	1,620	2,263	810	1,620	559
RF 2	HIS	2 and 3	1,244	1,866	2,500	1,510	2,265	3,299	1,620	2,430	2,320	1,620	2,430	547
RF 3	HIS	3 and 4	1,866	2,488	2,000	2,265	3,020	2,974	2,430	3,240	2,210	2,430	3,240	576
RF 4 (*)	HIS	4 and 5	2,488	3,110	2,000	3,020	3,775	2,974	3,240	4,344	2,207	3,240	4,344	578
RF 5 (*)	HMP	5 and 10	3,110	6,220	1,000	3,775	7,550	3,159	4,344	5,792		4,344	5,792	659
RF 6 (*)	HMP	10 and 16				7,550	10,848	4,554	5,792	8,100	5,124	5,792	8,100	764
<b>TOTAL</b>			<b>10,000</b>			<b>20,221</b>			<b>14,124</b>			<b>3,683</b>		

Prepared by the Author

(\*) General reference not valid for bidding document and contract. In these documents, RF4 ranges between 4 and 5.35 MMW; RF 5 5.35 and 7.15, RF 6, 7.15 and 10 MMW

(\*\*) Monthly Minimum Wages, adjusted annually

**Table 3.9. Casa Paulista Cost composition (Billion BRL)**

	Project Value (*)	Private Investment	Municipal Investment	State Counterpart Payment
Model 1 (1)	<b>4.6</b>	<b>2.6</b>	<b>0.4</b>	<b>1.6</b>
Tender Document (2)	<b>7.3</b>	<b>3.5</b>	<b>0.3</b>	<b>3.5 (estimate)</b>
Contract (3)	<b>1.857</b>			

Prepared by the Author, based on (1) State Housing Secretariat. Casa Paulista. Housing PPP. Metropolis Initiative. April 25, 2013 (\*) Values are presented in BRL to best allow for comparison, although these were not adjusted to inflation

**Table 3.10. Casa Paulista's Sources of Credit: Original Model and First Contract**

Model	Credit Source (to project)
URBEM's Study (1)	HIS – PMCMV
	HMP – SFH
	BNDS
CANOPUS' Proposal (2)	Own resources – 27 percent
	External resources
	Short term – 3 percent
	Long term – public – 70 percent
	Long term – private - 0
	Capitalized interest – 9 percent

Prepared by the Author, based on (1) Urbem's Proposal (Urbem 2012), (2) Canopus Economic Proposal

### The First Casa Paulista Project at São Caetano Street

On September 1, 2015 the first Casa Paulista PPP was launched at the site at São Caetano Street in the Bom Retiro neighborhood, for the construction of 126 apartment units. Land to the first project was transferred from the municipal housing company, COHAB, to the Casa Paulista SPE. COHAB had already designed a project for that site and negotiated distribution of the housing units to members of the organized housing movement. According to the director of Canopus, direct contracting of the project by COHAB was delayed for the company's lack of financial resources. The municipality offered to transfer the site at São Caetano Street to Casa Paulista, however, this required approval from the city of São Paulo housing council (CMH). The creation of municipal housing councils was a requirement of the Federal Law for Social Interest Housing. In order for federal funding (from SNHIS) to be transferred to localities housing councils should be created. These councils include members from civil society and government. Donaghy (2011, 84) argues that in Brazil, "municipal councils lead to more resources dedicated to housing provision for the poor." Participating in São Paulo's CMH are organized housing groups demanding, specifically, for centrally located affordable housing provision (Donaghy 2011), through inclusion in existing programs.

**Picture 3.15. Casa Paulista Executive Director Reinaldo Iapequino Meets with Municipal Housing Council Working Group, December 2, 2014**



Source: São Paulo Municipal Government. PPP para Habitação no Centro é apresentada ao Grupo de Trabalho do Conselho Municipal de Habitação. Retrieved November 7, 2017, from <http://www.prefeitura.sp.gov.br/cidade/secretarias/habitacao/noticias/?p=186450>

According to municipal records, the municipality conditioned the transferring of the site at São Caetano Street from (municipal) COHAB to Casa Paulista as indicated in amendment to item 2.2.1 of the covenant between the state and the municipality (field notes). This was to honor agreement already sealed between COHAB and organized families that had been removed due to road construction in 2013. At an extraordinary meeting on August 27, 2015, CMH unanimously approved the transfer.<sup>123</sup>

So far, housing production volumes have been low to justify a PPP, which is referred to as a model that is more complex and expensive. During an interview, Rodrigo Garcia, the current head of the State of São Paulo Housing Department argued that PPPs decrease the construction time, from three to one years.<sup>124</sup> However, this argument does not consider the time for modelling the PPP, which in the case of Casa Paulista was over three years, thus not representing a significant difference. In contrast, there are considerable transformations on the decision-making processes concerning policy design and project assemblage, which I discuss below.

**Picture 3.16. Drawings of First Casa Paulista Project at Rua São Caetano**



Source: São Paulo State Government. São Paulo inicia obras da primeira PPP de Habitação Social do país. Retrieved November 7, 2017, from <http://www.saopaulo.sp.gov.br/spnoticias/ultimas-noticias/sao-paulo-inicia-obras-da-primeira-ppp-de-habitacao-social-do-pais-1/>

<sup>123</sup> Diário Oficial da Cidade de São Paulo. September 24, 2015. Retrieved on January 10, 2017 from [http://www.prefeitura.sp.gov.br/cidade/secretarias/upload/habitacao/ATA\\_1\\_REUNIAO\\_EXTRAORDINARIA\\_CEC\\_MHDOC2495pg\\_007.pdf](http://www.prefeitura.sp.gov.br/cidade/secretarias/upload/habitacao/ATA_1_REUNIAO_EXTRAORDINARIA_CEC_MHDOC2495pg_007.pdf)

<sup>124</sup> 'PPP da Habitação é nova oportunidade de negócio', diz secretário. Retrieved on December 10, 2017 from <http://sao-paulo.estadao.com.br/noticias/geral/com-as-ppps--queremos-reduzir-construcao-de-moradias-para-um-ano--diz-rodrico-garcia,10000026730>

**Picture 3.17. Launching of First Casa Paulista Project at Rua São Caetano**



Photo Credit: Fábio Arantes/SECOM. Source: São Paulo Municipal Government. Começam as obras no primeiro condomínio da PPP de habitação no Centro. Retrieved November 7, 2017, from <http://www.capital.sp.gov.br/noticia/comecam-as-obras-no-primeiro-condominio-da-ppp-de>

**Picture 3.18. Housing PPP at São Caetano Street, December 2016**



Source: Author



## A PPP Leveraged by Public Funding

As presented by the state of São Paulo, a housing PPP was aimed at leveraging private capital and expertise towards the public system of housing provision. In contradiction with this claim, Urbem's model highlighted the existence of public funding, which, it recommended, should be directed to the program as these represented lower cost and risk to the PPP partners than those represented by private funds. By combining federal and state funds and securing land through the use of eminent domain, Urbem's model relied on public finance and the institutional power of the state to facilitate the model. In fact, Urbem's proposal was aligned with a neodevelopmentalist approach to state and state policy, where strong state action oriented and stimulated market efficiency (Sicsú, Paula, and Michel 2007).

According to Urbem's model, private funds were indeed required for the new proposed categories of market-rate affordable housing, and commercial developments. These in turn would help feed the system of cross subsidies for provision of affordable housing units, enabling large scale development. The model also indicated the possibility of directing PMCMV's funding to downtown São Paulo through state subsidy to land assembly. However, strictly speaking, this could take place on a small scale, without involving a PPP model. Urbem was also committed, according to its own statutes, to development of large-scale solutions. It was indeed the scale of Urbem's proposal that led to the firm recommending the PPP model, something to be expected given that Urbem's technical team had expertise in PPPs. The large size of individual projects, and the fact that these included multiple elements, suggested the need for a PPP like model. Unique to Casa Paulista PPP's modeling process was the rapid and significant change in the country's political and economic scenario. The real estate sector went from boom to bust, thanks to the sharp decrease in availability of federal funds to infrastructure and housing. In this scenario, without significant public investment the PPP model would not move forward. Thus Casa Paulista consists of a model where rate of public to private funding is 2.3, and which depends on provision of public land. The first Casa Paulista contract reflected a model different from that envisaged by Urbem's proposition. As Architects Cruz and Braga commented, the idea of a systemic intervention was lost. Yet common between the two models is the prevalence of public assets in relation to private investments. In the Casa Paulista contract, this is reflected in the PPP's capital structure and the allocation of public land to the development of HIS.

## Housing Provision through the PPP Model: Recent Developments

After launching of the São Caetano site, other developments associated to Casa Paulista and other housing PPPs in the state went forward. It was not the aim of this research to do a comparative analysis of Casa Paulista and other similar PPPs, given that for its novelty the original model deserves unique focus. Nonetheless, the projects presented below clearly indicate the approach that the state has for housing provision through PPPs, namely, as large-scale, predominantly residential, real estate developments. Notably, a model takes about two years between government agents issuing a request for proposal, until the issuing of a tender.

In the following months after inauguration of the first construction site at São Caetano Street, another small plot at Helvetia Street was allocated to PPP Casa Paulista, for the construction of another 91 units.<sup>125</sup> Architectural plans were also being designed for a larger-scale project at the site of the city of São Paulo's old central bus terminal and close to downtown's main train terminal, the Luz terminal. In January 2017 this project was launched, named PPP Julio Prestes, consisting of eight buildings, with 1,130 units dedicated to HIS and 72 units for HMP. The project would also include the municipal school of music. After these two projects are completed, less than half of the production allowed in the first PPP contract will have been delivered, thus hardly 'making a dent' on the local housing deficit, as government officials usually commented when referring to small scale interventions. Nonetheless support from state and other development agents remains high, particularly as projects more in the spirit of the PPP, combining housing provision and real estate development, such as the Julio Prestes project, become more noticeable.

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<sup>125</sup> <http://www.capital.sp.gov.br/noticia/complexo-julio-prestes-requalifica-regiao-central-com-habitacao-e-cultura>

**Picture 3.19. Launching of Julio Prestes Project**



Photo Credit: Ciete Silvério. Source: São Paulo State Government. Terreno da antiga rodoviária da capital será usado em PPP de moradia popular do Governo do Estado. Retrieved November 7, 2017, from <http://www.saopaulo.sp.gov.br/sala-de-imprensa/release/terreno-da-antiga-rodoviaria-da-capital-sera-usado-em-ppp-de-moradia-popular-do-governo-do-estado-1/>

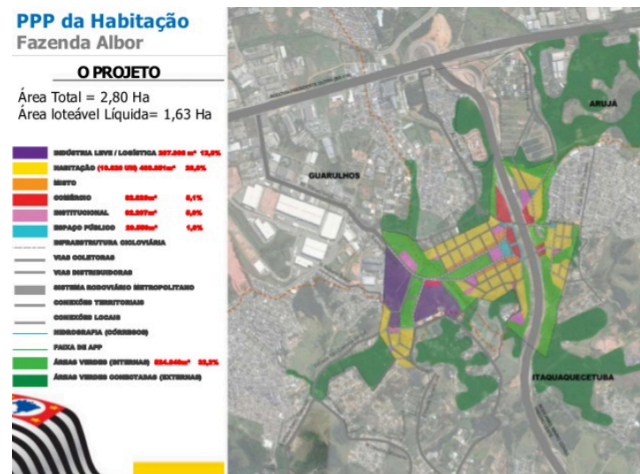
**Picture 3.20. Rendering for Julio Prestes Project at the Luz Neighborhood**



Photo Credit: Ciete Silvério. Source: São Paulo State Government. Terreno da antiga rodoviária da capital será usado em PPP de moradia popular do Governo do Estado. Retrieved November 7, 2017, from <http://www.saopaulo.sp.gov.br/sala-de-imprensa/release/terreno-da-antiga-rodoviaria-da-capital-sera-usado-em-ppp-de-moradia-popular-do-governo-do-estado-1/>

On July 2015 a call for private proposals was issued for development of a housing PPP in the metropolitan area of São Paulo, for development of 10,000 housing units, the PPP Fazenda Albor. Resulting from that call, the state is planning a PPP for the development of 11,130

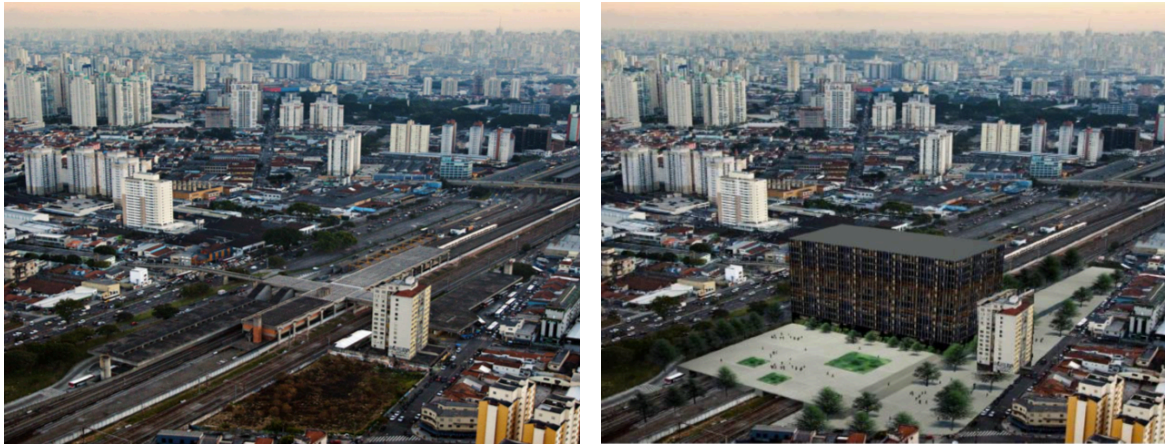
housing units (9,130 HIS and 2,000 HMP), presented by the governor as “as true new city, strategically developed in the metropolitan area of São Paulo” (translated by the author)<sup>126</sup>. On April 5, 2017 the project was put out for international tender. This project refers to the state’s main goal of developing 50,000 housing units through the PPP model. Is it not accurate to imply that this proposition goes against the goal of the state as it is not being produced in the city center of São Paulo, as the goal of the state is to produce PPPs throughout the state’s metropolitan regions, with the PPP Casa Paulista being the one located in the downtown São Paulo area.



A third PPP was planned also for the city center, called PPP Lot 2, to develop 7,000 units on land that belongs to the State Company of Metropolitan Trains and Metro. The proposal in this model was to exploit air rights, inspired by large-scale projects developed over the rail line such as the Penn Station in New York and Broad Street Railway Station in London, listed as examples on which the proposition was based. The plan also follows the city of São Paulo's new zoning law that prioritizes densification in structural areas of the city, in proximity to mass transit. This PPP plans for the development of 7,000 new units above three metro stations (Bresser, Belém and Brás).



**Picture 3.22. PPP over Railroad Track**



Source: São Paulo State Government. PPP da Habitação – Lote 2 – Centro Expandido. Retrieved November 7, 2017 from [http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/rodrigo\\_garcia\\_ppp\\_lote2\\_22\\_02\\_2016.pdf](http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/rodrigo_garcia_ppp_lote2_22_02_2016.pdf)

Finally, a PPP was proposed for an area in the East Region of the city, Tiquatira, at Penha neighborhood (outside the city center). There the proposition was for construction of 2,000 housing units in an area of 60.3 thousand m<sup>2</sup>, with 1,424 HIS and 608 HMP, as well as a shopping mall and an elevated square. This area was supposed to receive a metro station in 2019.<sup>127</sup> Request for private proposals for the PPPs over and close to metro stations have not yet been sent out to tender.

**Picture 3.23. PPP Tiquatira**



Source: São Paulo State Government. Apresentação PPP Habitacional. Retrieved November 7, 2017 from <https://www.slideshare.net/associacaocohabs/apresentao-ppp-habitacional-63135264>

<sup>127</sup> Construção Mercado, 2016. Governo de São Paulo apresenta projeto para nova PPP de habitação na região do Tiquatira, na Penha. Retrieved on November 14, 2017 from <http://construcaomercado.pini.com.br/negocios-incorporacao-construcao/negocios/governo-de-sao-paulo-apresenta-projeto-para-nova-ppp-de-370102-1.aspx>.

## **Chapter 4. Public and Private Interests in Partnership Agreements for Housing Provision**

On February 28, 2013, the governor of São Paulo, Geraldo Alckmin and then newly elected mayor of São Paulo, Fernando Haddad, launched the tendering process of the Casa Paulista PPP, alluding to the initiative, which represented “the greatest concentrated housing investment in São Paulo in the last 30 years” as the best possible solution for investing in the central area. It was estimated that developments in infrastructure and services resulting from the PPP would be the largest yet in the country. It was also considered that through the leveraging of private capital and private sector’s expertise, the PPP would “reach historic demand for the development and regeneration of the central areas of the city, promote social inclusion and improve the quality of life of the people working in the area, through greater supply of houses close to their jobs.” According to Mayor Haddad, this program was, finally “beginning to fix a severe lack of equilibrium in the city of São Paulo that had kept the working class away from its employment, causing so much discomfort, especially in terms of mobility”.<sup>128</sup> It was expected that between 20 and 40 thousand workers would be able to stop having to commute everyday between the city’s periphery and the central areas. São Paulo State Governor, Geraldo Alckmin, highlighted that the program was enabled through agreements between the state, municipality and the federal government, thus moving beyond partisan politics. According to public officials, while the PPP required greater investment in housing than a program located in peripheral areas, fewer investments would be required for transportation and public facilities, since these already existed in the downtown area. Moreover, construction of affordable housing in the central area would ‘democratize the city.’

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<sup>128</sup> Prefeitura de São Paulo. February 28, 2013. Haddad e Alckmin anunciam a construção de 20,000 moradias no Centro. Retrieved on December, 2017 from <http://www.prefeitura.sp.gov.br/cidade/secretarias/comunicacao/releases/?p=143577>, translated by the author.

**Picture 4.1. Governor Alckmin and Mayor Haddad declare their intention to partner in the development of affordable housing projects in the central city**



Photo Credit: Fábio Arantes/Secom. São Paulo Municipal Government. Haddad e Alckmin anunciam a construção de 20 mil moradias no Centro. Retrieved November 7, 2017 from <http://www.prefeitura.sp.gov.br/cidade/secretarias/comunicacao/releases/?p=143577>. Left to right: Mayor Fernando Haddad, State Housing Secretary Silvio Torres, Vice Governor Guilherme Afif Domingos, Governor Geraldo Alckmin, and Municipal Housing Secretary José Floriano de Azevedo Marques

**Picture 4.2. Signing a protocol of intentions affirmed City Hall's support to the State PPP**



Photo Credit: Fábio Arantes/Secom. São Paulo Municipal Government. Haddad e Alckmin anunciam a construção de 20 mil moradias no Centro. Retrieved November 7, 2017 from <http://www.prefeitura.sp.gov.br/cidade/secretarias/comunicacao/releases/?p=143577>.



It was announced during the PPP's launching in 2013 that the governor was starting the bidding process and that the life of the project, from the contracting of private developers to the delivering of keys would involve between two and six years.<sup>129</sup> Two years later, during the signature of the Casa Paulista PPP first contract, on March 23 2015, Mayor Haddad reaffirmed that Casa Paulista was “the most intelligent way to repopulate São Paulo central city area, a region that already has employment, transportation, and services.” Governor Alckmin reiterated that the PPP would bring the population close to their employment.<sup>130</sup> Officially, public and private agents involved in the setting up of Casa Paulista maintained that the PPP model was the best possible solution for the central area, reframing this original program as a paradigm change, and a pilot experience that could be improved, replicated and expanded in the future.<sup>131</sup>

**Picture 4.3. Celebrating the First Affordable Housing PPP Contract in the Country**



Photo Credit: Edson Lopes Jr. São Paulo State Government. Governo de SP assina primeira PPP de habitação social do país. Retrieved November 7, 2017 from <http://www.saopaulo.sp.gov.br/spnoticias/ultimas-noticias/governo-de-sp-assina-primeira-ppp-de-habitacao-social-do-pais-1/>. Left to Right: Marcos Penido, President of CDHU, Rodrigo Garcia, State Housing Secretary, Mayor Fernando Haddad, Ely Biasoli Dias, Director of Canopus Holding, and Governor Geraldo Alckmin

<sup>129</sup> São Paulo Municipality. Haddad e Alckmin anunciam a construção de 20 mil moradias no Centro. Retrieved on August 23, 2015 from <http://www.prefeitura.sp.gov.br/cidade/secretarias/comunicacao/releases/?p=143577>

<sup>130</sup> Prefeitura de São Paulo, “Começam as obras no primeiro condomínio da PPP de habitação no Centro,” September 01, 2015. Retrived on October 4, 2016 from <http://capital.sp.gov.br/noticia/comecam-as-obras-no-primeiro-condominio-da-ppp-de>. Eventually the municipality proposed its own PPP and Mayor Haddad perceived a significant difference between the state and municipal programs, namely, the municipality’s focus on social rent.

<sup>131</sup> According to verbal information from state housing officials at CDHU and Casa Paulista Agency, July 2015.

**Picture 4.4. Governor Alckmin Signs the Casa Paulista Contract**



Photo Credit: Edson Lopes Jr. São Paulo State Government. Governo de SP assina primeira PPP de habitação social do país. Retrieved November 7, 2017 from <http://www.saopaulo.sp.gov.br/spnoticias/ultimas-noticias/governo-de-sp-assina-primeira-ppp-de-habitacao-social-do-pais-1/>.

In its website Urbem asserted: “this is a huge step forward. Urban sprawl and removal of central areas’ dwellings constitute problems that affect all the global metropolises and São Paulo proceeds with a model that reverses this tendency, bringing the houses back to the center, in a mixed-use context. With the signing of the contract, by a company that spontaneously attended the competition, a cycle is closed and it is proved that it is possible to generate social and economic value, converging government, market forces and public interest.”<sup>132</sup> Urbem’s lead architect, Milton Braga, presented similar ideas during an interview: “*we were very happy that one lot went forward, right, because more than becoming a developer, Urbem is an NGO committed to designing innovative projects that help Brazil move forward and not backwards, drawing from this belief that it is possible to reconcile economic value with social value, or public good.*”<sup>133</sup>

However, by listening to public and private agents that did not participate in the model, it is possible to verify that the PPP Casa Paulista did not represent a convergence of broad forces,

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<sup>132</sup> Urbem, 2015. Casa Paulista Project. Retrieved December 17, 2016 from <http://www.urbem.org.br/casa-paulista>.

<sup>133</sup> Interview with the author, July 15, 2015.

but rather the consolidation of very specific interests. “When URBEM presented its work to the state government (...) it filled the eyes of the state; they thought it was a great idea. And so a big effort to ‘sell’ this idea to the private real estate market started. And this process also received the support of Secovi.”<sup>134</sup> “However, ultimately to us from the real estate sector, to real estate developers, this process did not attract”, the Director of the Economy Department at Secovi, Celso Petrucci, explained. In his view, a PPP model such as Casa Paulista was not attractive to traditional real estate developers for their inability to control the production process, something that they rely on in order to realize profit. Petrucci explained that developers hold on to their products and release them when the market conditions appear favorable. With this regard the PPP Casa Paulista maintained a logic of direct contracting, similar to what is practiced by the state housing company CDHU and Casa Paulista Agency’s first program. In these projects, once a contract is signed, the state controls location, volume, and final cost of the affordable housing units to be commercialized. “This is what contractors are used to doing,” explained. Petrucci. “Developers, on the other hand, want to be able to govern their own projects.” Petrucci continued on explaining: “the appeal of PPPs, if you imagine that the public sector is offering you land, the possibility of expropriating land for development of market rate housing, the demand for income categories 1 and 2 (i.e., the public for which HIS is developed), and saying, for the rest, you can explore the market. You ask me, why didn’t they participate? They did not participate because they did not have control over the project’s governance. ‘Classic’ developers operate with a lot of freedom in what they want to do. They are not used to being told... you will come to this region, you will build units to a specific type of demand, you will build x number of units, and then you can develop what you want for the market. A developer might be more interested in looking for land himself, and doing whatever he wants. I think this is why the development sector was not interested.”

According to Petrucci, while inability to govern the project appeared unattractive, the bundling of various activities in a single project was perceived as too risky. “Since this request involves activities that are not part of real estate development per se, and involved expropriation and infrastructure development, real estate developers ended up not being attracted to this process. The developers are used to looking for funding for a number of projects, then going to

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<sup>134</sup> Secovi is the State of São Paulo Real Estate Union.

the market, as well as public and private financial institutions, in order to develop their projects. Developers are not used to seeking funding for other project components (such as infrastructure and public facilities).”

Ronaldo Cury is the Director of Cury Engenharia, a housing contractor with capacity to produce in large scale since a joint venture with Cyrella, a national developer specializing in the market rate sector. In 2014, Cury Engenharia produced 30,000 housing units for the market affordable sector through PMCMV funding. As a housing contractor, the company was interested in participating in the Casa Paulista PPP; however, the conditions were not attractive indeed. During an interview, Cury explained: “we are good at delivering on time, according to a fixed price, and with reasonable quality, [but] the state wanted to transfer to us the responsibility for other aspects of the project for which we have no familiarity. I am good at construction. I will try to improve the quality of the project, within my own competency. I cannot guarantee the financial model, the legal model, and long-term management. All of these elements attributed to the private agent brought too much insecurity to us from Secovi, Apeop, and Sinduscom. Perhaps to large infrastructure contractors, to planning firms, this model made sense, but to us it did not. Cury expressed concern that while initiatives such as the PPP Casa Paulista did not enable housing provision at scale; production levels in 2015 would be below those of 2014. “We have capacity to do more, and we are building less, in 2015, we will build only 20,000 units [down by 50 percent from 2014]. This is really terrible to us; we have proved technical capacity, but we cannot reach production levels according to this capacity. And the demand is there; it is gigantic. This is what is surreal!”<sup>135</sup>

Residents of the city center expressed the idea of a disjoint between programmatic solutions and actually existing conditions, as did social movements demanding for centrally located affordable housing. During presentation of the Casa Paulista model at the Association Viva o Centro, a representative of a housing group from the downtown area expressed views of local residents that were feeling threatened with the possibility of being evicted to open space for the PPP Casa Paulista, and who resented a lack of participation in the program. “We know that this program should have three Ps but the last P is missing, the one for participation.” He then asked: “how is it that this program, the goal of which is to provide popular housing, evicts people

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<sup>135</sup> Interview with the author, July 31, 2015.

that have been living in the area for decades, so that new people can be brought it? This makes no sense at all!” he concluded.

A community leader at *Frente de Luta Pela Moradia* (FLM), one of the social housing organizations operating in downtown São Paulo, Carmem Ferreira da Silva did not believe a program such as Casa Paulista would increase housing provision in a way that addressed their own needs. “It is clear to us that the PPP is not an inclusive program; it is a selective program. We disagree with the program transferring land from the public to the private sector to produce housing. We don’t agree because by doing this, the program will never reach the population of very low income, the ones earning less than one thousand and six hundred Reais. The PPP will serve the middle class and the high-income class.”<sup>136</sup>

To expand understanding of the Casa Paulista model, and how it interacts with the social, political and economic dimensions of housing provision in its various scales, this chapter focuses on public and private agents directly and indirectly involved in the PPP. Specifically, I ask: what was the broad set of actors associated with Casa Paulista’s design? What were their interests and motivations in relation to the PPP? Finally, what resources did they have available to participate in the model?

Analysis indicates that the institutional role and scale of operation influences public and private agents’ understanding of the meaning of the PPP, and actual ability to influence the model, as proposed by Fainstein (1994) and Theurillat, Rérat, and Crevoisier (2014). A small group of players within each of the sectors ultimately controlled design of the Casa Paulista model and distorted it in their favor. These agents in control of the PPP Casa Paulista operate beyond the local level. Differently than Sanfelici (2015), who identified that PMVMC enabled partnerships between large firms operating nationally and local firms, I identify that local developers and housing contractors are not able to compete in the market of PPPs such as Casa Paulista. Sanfelici’s findings are associated to a period when massive flows of federal funding

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<sup>136</sup> Carmem Ferreira da Silva. Interview with the author, August 17, 2015. The interviewee was highlighting two of the organized movement’s main criticisms to the PPP: first, it did not address the population with earnings below one monthly minimum wage, and second, it was solely focused on homeownership. The state offered thirty percent of the housing units to be delivered in the first Casa Paulista contract, a total of 1,106 units, to the population with earnings between the equivalent of one and three MMW. Not included in the program were the households earning less than the equivalent to one MMW.



were directed to the housing sector, while my findings relate to a period of diminishing funds. Also, the program that Sanfelici looks at, PMCMV, funded housing exclusively, while the Casa Paulista PPP bundles housing and infrastructure development. The bundling of project activities and the long-term contract agreement resulted in the model not being attractive to local level players. These were the players that the State Government of São Paulo had sought to attract when putting forward the model. As Petrucci described, through Secovi this group had indeed lobbied the State Government to model a housing PPP, however the model that was ultimately approved did not suit the interests of this group.

Public and private agents operating beyond the local sphere and with the ability to access financial capital ultimately determined Casa Paulista's design, prioritizing the financing of large-scale residential real estate development projects in the central area, and conditioning affordable housing provision in the city center to expansion of a predominantly low-cost residential real estate development market. This goal became more important than facilitating a broad process of urban and economic transformation as urban designers and consultants had originally envisioned, or matching public funds to better address the existing housing demand as social movements demanded for, and even enabling short term property development through employment of public funds through traditional contracting, as the local real estate industry lobbied for.

### **Perceptions, Motivations and Resources of Public and Private Agents**

A variety of interests among public and private agents according to their institutional role, and scale of operation could be verified through this analysis. Broadly considered, the public sector looked at Casa Paulista as a way to leverage private capital and market expertise for housing provision, relieving the state and municipality from engaging in new short-term debt. The private sector on the other hand considered PPPs a new source of subsidized funding and a tool to facilitate development processes (i.e., flexibilization of land-use rules and accelerating licensing processes) to expand their operations to the city center. Finally, social groups were primarily concerned with limited participation during the planning process and the effects of this dynamic on PPP's outcomes. Specifically, social groups were concerned with their physical displacement resulting from eviction associated with land assembly for the project, economic displacement resulting from rising land and housing prices, and a deviation of housing policy

from the goal of providing centrally located housing to the population of lowest income, and which required the highest levels of public subsidies.

**Table 4.1. Overall Perceptions of Casa Paulista PPP's Agents**

Domain	Perception			
	PPP's Goals	State Role	Public Fund	Risk
Public Sector	Leverage private funding, expand market-based model of infrastructure and service provision	Promoter and Regulator	Enable private funding	Risk-sharing agreements attracting private investors and developers
Private sector	Direct public funding to deregulated, market-rate affordable housing sector	Financial Agent	Main source	Novelty, complexity, scale and length of operation perceived as too risky
Civil Society	Facilitate full redevelopment of the central area	Property Developer	Main Source	Uncertainty regarding long-term permanence in central districts

Source: Author's interviews

### **The Public Sector: Between Regulated Market Expansion and Laissez-faire Privatization**

Based on the approved model, public agents envisioned that federal PMCMV funds would be matched with state, municipal and private-sector resources to be directed to Casa Paulista.<sup>137</sup> The federal government also supported the PPP's dissemination by facilitating conferences with academics, and business and financial groups, notably, the policy exchange with housing officials in the US, and the international conference, City Summits, held in São Paulo in June 2013. As the main public promoter of Casa Paulista, the state government approached it as a way to further privatize its own system of affordable housing provision. Government representatives referred to the state's managerial inefficiencies, growing housing deficit, and fiscal constraints, suggesting that PPPs would help address these challenges. Establishment of the Casa Paulista Agency in 2011 to work in parallel with CDHU was an important step in this regard, as discussed in Chapter 3.

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<sup>137</sup> Urbem. (2012). Housing in the Central Area of São Paulo. Setor A, Ferrovia Oeste. Volume II. Proposal. Hard Copy.

Summing up political efforts and increasing the city's financial capacity also drove the mayor, Fernando Haddad (2013 – 2016), to support Casa Paulista. The municipality's support was fundamental to getting Casa Paulista off the ground, through the speeding up of licensing processes and allocation of public land, as agreed according to Covenant 2014-0.005.877-1 (Chapter 3). During an interview, then Housing Secretary José Floriano de Azevedo Marques reiterated the importance of jurisdictions overcoming ideological differences when planning for public investments, and maintained that it was no longer possible to think about housing policy in an isolated manner. Rather, different levels of government had to collaborate.<sup>138</sup>

In fact, this research has identified that the PPP Casa Paulista lost its clout with the municipality. Once considered “the local level strategy for affordable housing provision in downtown São Paulo” (Gatti 2015), its portfolio was eventually moved from the Municipal Urban Development Department (SMDU) to the Municipal Housing Department (SEHAB).<sup>139</sup> There, efforts concerning the PPP were limited to land allocation and the acceleration of licensing agreements (interviews with local government officials).<sup>140</sup> Indeed, while São Paulo Mayor supported the PPP Casa Paulista publicly, his technical team identified inconsistencies in the program. Deeper analysis of the PPP model by the municipality's legal department led to the understanding that it overstepped the city's Constitutional mandate over land use regulation. “When the PPP moved beyond a building contract within a specific lot, and covered a larger area, with bundling of more elements (i.e., infrastructure and facilities), it changed its nature. It was not clear to us that the project was in accordance to the Constitutional mandate that municipalities regulate over land use” an anonymous source told me.<sup>141</sup>

In December 2015 there was a change in leadership at SEHAB, with appointment of new Head, João Sette Whitaker Ferreira. Ferreira was critical of the adoption of a property-led strategy to address the gap in infrastructure and housing provision due to the possibility that land

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<sup>138</sup> Interview with the author. São Paulo, June 3, 2015.

<sup>139</sup> While conducting the field work, I requested an interview with Fernando de Mello Franco, Department Head at SMDU and the leading architect in the development of Urbem's model, and Tereza Herling, Assistant Secretary at SMDU and also a consultant in the original model. Both interviews were turned down due to the fact that the PPP portfolio was no longer under SMDU, but rather under SEHAB.

<sup>140</sup> According to verbal information provided by municipal officials at the Housing Department, June-July 2015.

<sup>141</sup> Article 182 of the Federal Constitution of 1988 establishes land use planning as a local mandate.

valuation resulting from the intervention could threaten long term permanence of a population that the policy aimed at addressing. A new municipal PPP program was drafted, the goal of which was to assure the long-term permanence of the population of low income in the central regions by financing the development of public buildings, to be rented to families in need of subsidized rental housing.<sup>142</sup> This marked a difference on how these administrations came to interpret the PPP (see table 2, below). While the administration of Governor Alckmin saw it as a way to privatize its system of affordable housing provision, the local administration of Mayor Haddad came to see it as a way to leverage private funding to build up a permanent stock of public housing in the central area. Nonetheless, the municipality's support to the PPP through land allocation enabled the unfolding of Casa Paulista in the central city area.<sup>143</sup>

**Table 4.2. Public Sector's Perceptions towards Casa Paulista PPP**

Scale (*)	Interest and Resources	Tensions and Contradictions (*)
Federal Government	Scale up infrastructure and housing provision through expansion of private debt financing market through distribution of federal subsidies (i.e., Federal Housing Program My Home My Life)	Limited understanding of characteristics and limitations of local markets contributes to funding of programs that poorly address local needs
State Government	Privatize state-led model of housing provision by combining private funds with federal, state and municipal fiscal sources and assets, including land	Focus on financing precludes attention to other policy shortcomings, i.e., single policy solution based on commercialization of private market provided new housing units
Municipal Government	Increase municipal capacity to address demand for affordable housing through adoption of market based policies and combination of federal, state and local resources, including land	By contributing with key resources (i.e., land), municipality ultimately supports model that circumvents municipal mandate over land use, participatory planning practices

Source: Author's interviews, (\*) this scalar analysis draws from Sanfelici (2015)

<sup>142</sup> "There is a large public investment made in the expropriation, rehabilitation and commercialization of property for affordable housing. Due to market pressure and land valuation, central buildings where housing policy focuses on commercialization very quickly sees the property value going up, doubling or even quadrupling," affirmed João Sette Whitaker Ferreira. Source: Melo, Daniel. 2016. EBC Agência Brasil. "Haddad diz que programa de PPPs para moradia está pronto para implementação." Retrieved on May 30, 2017 from <http://agenciabrasil.ebc.com.br/geral/noticia/2016-11/haddad-diz-que-programa-de-ppps-para-moradia-esta-pronto-para-implementacao>

<sup>143</sup> The municipal PPP program was presented in the last months of Mayor Haddad's term. On January 1, 2017, João Dória from the PSDB assumed the mayoral office, with an agenda favorable to privatization, making it unlikely that a PPP aimed at creating a stock of municipally owned affordable housing for social rent would be launched.

## Private Sector: Different Scales, Business Models and Development Interests

### Project Designers

Two distinct groups, namely, local urban designers, and national PPP specialists, worked on the original Casa Paulista model. Both of these groups were interested in the redevelopment and repopulation of São Paulo's central area, but they approached the issue differently. The former had in-depth knowledge of the downtown property market and recommended adoption of mixed-use and mixed solutions through a series of small-scale interventions based primarily on retrofitting existing buildings.<sup>144</sup> PPP specialists brought expertise on financing and resources available to the newly created national PPP market. This group centered design decisions on the financial model, and preferred bundled solutions that employed (low-cost, public) debt-financing capital available to infrastructure and housing contractors, allowing for the use of cross subsidies.<sup>145</sup>

### Contractors and Developers

In addition to project designers, three groups from the private sector were interested in Casa Paulista, all from the domestic market: large-scale infrastructure contractors, large and mid-sized housing contractors, and developers, mostly mid-sized. At the same time, international investors and developers considered the investment too risky due to lack of liquidity of São Paulo's downtown real estate market, slow and inefficient licensing process, political uncertainties, particularly around the guarantees that the project would be maintained in spite of electoral change, and a rate of return on investments (9.5 percent according to São Paulo state government) that was regarded as too low.<sup>146</sup>

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<sup>144</sup> Interview with Architect José Armênio de Brito Cruz, partner at Piratininga Architects Associate, a local architect and urban design firm that participated in the Casa Paulista model, on August 12, 2015.

<sup>145</sup> Interview with Homero Neves da Silva, Director at URBEM, Instituto de Urbanismo e Estudos para a Metrópole, August 16, 2015.

<sup>146</sup> Field notes from presentation "The Reinvention of Brazil's Largest City," organized by the Wilson Center's Brazil Institute, Washington DC, on June 18, 2013; and presentation by Casa Paulista representatives to international developers at the NYU Furman Center and the Rockefeller Foundation, New York City, July 18 and 19, 2013, respectively.

Large infrastructure contractors were interested in creating a new, large-scale business of low-cost housing construction and long-term maintenance. These players lobbied with the state government that mixed-use and mixed-income designs were recommended, but not required in the contract. Moreover, should developers be unable to commercialize market-rate housing, the government should buy units back for commercialization at affordable-rate levels. The players also requested that the public, rather than the private, sector take responsibility for allocating land for the project.<sup>147</sup> However, as described, ultimately these large players did not participate in the bidding process due to their involvement in the then unfolding federal corruption investigation known as ‘Car Wash.’

An anonymous interviewee from a large construction company affirmed that, from the perspective of housing provision, the PPP Casa Paulista was sound. Indeed, the idea of combining infrastructure development with production of centrally located affordable housing in massive scale in an area already served by facilities and mobility “was brilliant.” Responsibility for building maintenance for twenty years offered to contractors a new line of business, while at the same time it guaranteed to the public sector the sustainability of the housing stock. It also represented an incentive for the adoption of long-lasting materials that would enable savings with operational costs, a condition deemed as advantageous for the public sector and the society as well. That the state was transferring to the private sector the responsibility for financing the program was also a great idea in his view. For a large scale company, it was possible to access different types of federal funding, i.e., infrastructure and housing, thus enabling a capital structure where low cost infrastructure capital helped cover the initial cost of housing development. On the other hand, the company saw risks in assuming responsibility for the development of facilities and even market-affordable housing prior to a detailed market study based on the actual project sites. In the company’s view, it was possible that, for certain sites, there would be “no business vocation.” Moreover, it was also deemed possible that “families of higher income would not be attracted to mixed-income housing projects.” For this reason, they lobbied the state government that choice for single or mixed-use developments and rate of affordable to market affordable units be contingent upon specification of project location.

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<sup>147</sup> Interview with an anonymous source. These requests were accepted and included in the PPP’s final model (Casa Paulista contract).

Housing contractors operating regionally were too interested in exploring the housing construction business. With the market expansion experienced in the previous years, through public funding disbursed by PMCMV, these players had acquired the capacity to produce the volume of units that Casa Paulista required. Developers, meanwhile, were interested in exploring a new wave of mixed-use and mixed-income projects in downtown São Paulo. However, to both players the combination of infrastructure and housing development presented business and financial risks, as these firms were not experienced in developing infrastructure and facilities or engaging in long-term contracts.<sup>148</sup> While presenting requests similar to those of large contractors as far as the speeding up of licenses, public provision of land for development, and flexibility regarding combination of uses and income levels in single projects, these firms also lobbied the government for the project scope to be simplified (i.e., ‘de-bundling of contracts,’ with different agreements for individual project elements), and shortened (i.e., from 20 years to seven or eight-year periods). However, differently than with the large firms, the state did not incorporate these requests (Casa Paulista contract).<sup>149</sup>

#### **A Developer with Financial Backing**

Canopus Holding, a mid-sized development firm established in 1971 and with headquarters in the city of Belo Horizonte, Minas Gerais, branched into the affordable housing sector with the subsidiary Emcasa in 1996. In 2009 it expanded into the affordable housing sector with PMCMV funding, producing over twenty thousand low cost housing units throughout Brazil. In 2012, IFC became a shareholder in the company.<sup>150</sup> “There was euphoria in the market at the time, and Canopus was interested in expanding into the market in São Paulo. However, we realized that, due to the limitations in the stock of onerous grant of the right to build, there was not much area available in the city, the market to be exploited was in the downtown area indeed. As suggested by IFC, we studied PPP models internationally and were inspired by the inner city development projects of Paris and New York. The difference between Canopus and other players of similar scale is that we are, in our genesis, developers. So we were interested when we saw the Casa Paulista tender. Due to the requirements in the tender

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<sup>148</sup> Interviews with housing contractors, São Paulo, July 2015.

<sup>149</sup> Interviews with developers, São Paulo, July 2015.

<sup>150</sup> Canopus. Retrieved on May 30, 2017 from <http://www.canopus.com.br/sobre-canopus/>.



document, and the size of the projects, smaller firms were not able to compete. So the PPP was really for large firms but these were involved with the Car Wash scandal, and could not participate.”<sup>151</sup>

As a mid-size developer, Canopus, too, would have likely perceived the project as too risky, as did all of the firm’s counterparts. The fact that it was unfamiliar with the market in downtown São Paulo would have likely increased its perception of risk in relationship to the project (Theurillat et al 2014). In fact, Canopus’ lack of familiarity with the local market contributed to it underestimating problems of land assembly that continue to occur along the project. The particularity of Canopus was having IFC as a shareholder, and this enabled the firm to partner in the model and remain in the contract in spite of the uncertainties that marked the first months after signature of the contract. This arrangement helps disseminate a ‘subsidized housing provision model’ (Ball and Maginn 2005) in the city of São Paulo that is risky not only to social groups demanding affordable housing (Chapter 3), but also to private agents. Even though IFC does not have a share in the Casa Paulista PPP, the international finance agency has a vested interest in the PPP market, as does the World Bank, to which IFC is attached. The World Bank is the financial agency supporting the state of São Paulo destatization program, the goal of which includes expanding the PPP mechanism throughout the state level contracts (Chapter 3). Thanks to the backing of these international financing institutions, Canopus was able to operate according to the logic of a large developer, less concerned with the characteristics of the local environment or the short-term risks of the project.

### **Local Social Agents: Residents and Affordable Housing Advocates**

As presented in Chapter 3, two social groups, local communities and affordable housing grassroots groups, were associated to the PPP Casa Paulista, but felt that were not included in the design of the project. These groups resented not being informed about the PPP during the early design stages. While local residents were concerned that Casa Paulista’s implementation would result in the eviction of long time residents and businesses, so that the projects associated with Casa Paulista could be developed, members of the organized housing movement felt that the state and the municipality were not focusing on their needs when proposing the Casa Paulista

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<sup>151</sup> Interview with Ely Biasoli Dias, Director at Canopus Holding for the Casa Paulista contract. São Paulo, July 28, 2015.

PPP; instead they were prioritizing housing development for a population of higher income. For example, FLM coordinator Carmem Ferreira da Silva commented in reference to the PPP:

“Downtown São Paulo is underused, and the city needs to be compact. The [already] urbanized areas in São Paulo need to fit all citizens, all of them, without being selective. Obviously there is already selection within buildings. There are buildings for the middle and high-income class and buildings for low-wage workers. Now you cannot divide a city by social class. You cannot do this with the city center also. How can I go to downtown São Paulo and say, in the central area of the city only rich will live, in the periphery, only the poor? This will not work. We have to stop with this model and not encourage it.”<sup>152</sup>

Still, these groups were able to publicly express opposition to the model and to exert pressure for change through political processes and at political spaces that were not directly associated with the PPP. With support from an opposition leader, local residents exerted political pressure by appealing to the judicial courts to judge the constitutionality of the PPP. The organized housing movement used its leverage in the municipal housing council to affect the PPP’s outcome, albeit in a limited manner. This dynamic resonates with Earle’s (2013) theory on transgressive citizenship, which proposes that legal channels created in Brazil under the framework of the right to the city support the action of social movements in their struggle for the right to housing and to the city. At the same time, as the author points out indeed, that these strategies must continue to be employed are a sign of the limited achievements of this population struggling for affordable housing, particularly a contested geography such as that of São Paulo city center.

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<sup>152</sup> Interview with the author, August 17, 2015

**Table 4.3. Interests and Resources of Real Estate Agents according to Their Operational Scale**

Scale (*)	Agent	Role	Interest and Resources	Influence on the Model
Global	International development and financial agents	Finance, technical Expertise	Expand the PPP market. Provide financial leverage and hedge to private domestic agents	High - Gave to Canopus Holding technical expertise on PPP market, financial hedge, “brand name”
	Private investors and real estate developers	Investment in project, participation in development	Absence of interest due to risks associated with São Paulo’s illiquid real estate market	High - Regarding adoption of mixed-use and mixed-income design; Low - regarding actual financial model
National	National Commercial Banks (1)	Finance, development guidelines	Directing resources to private sector’s infrastructure and service provision financing (1)	High - Controls levels and sets conditions for directing resources to infrastructure and affordable housing sector
	Infrastructure contractors with open capital	Development, private financing	Develop market for integrated infrastructure and housing solutions or mixed-use solutions. Finance investment through credit from national public and private banks	High - Convinced state to allocate its own land to project; Revoked requirement that developments were mixed-use
	Housing contractors and developers with open capital	Development, private financing	Expand large-scale housing development business to the central districts of São Paulo. Fund operation with public funding and short-term credit from national bank.	Low - model “did not stick”
	PPP designers/ consultants	Design, assessment of existing urban, legal, financial tools and resources	Expand PPP market by applying rationale of infrastructure PPPs to housing sector. Use low-risk public funding to expand private debt financing market. Scale up private provision of low-cost housing development and long-term management.	High - Operationalized the combination of long-term infrastructure and housing funding with cross-subsidies
Local	Urban designers/ consultants	Design, assessment of existing infrastructure and housing conditions	Promote “affordable housing-focused” redevelopment of downtown São Paulo. Set up basic model for development of place-based plans to guide property-led developments.	Decreasing overtime, - With the state prioritizing identification of public land to allocate to PPP projects/ less priority to the insertion of housing development operations into neighborhood plans
	Local Developers and Housing Contractors	Development	Expand market rate real estate business in the central districts of the city of São Paulo. Have increased access to public funding and more flexibility to development rules	Decreasing overtime, very influential for adopting PPP to housing sector, this group was unable to compete in the long term debt-financed, infrastructure and property integrated PPP market
	Local Residents	Living/ Use value	Permanence in original neighborhood	Low but strategic, pressured state government to revoke expropriation decree
	Local groups organized around demand for affordable housing	Living/ house security	Permanence or access to centrally located affordable housing	Low but disruptive, occurring through strategic and often uninvited spaces; i.e., state and municipal housing councils

Source: Author’s interviews (\*) This scalar analysis draws from Sanfelici’s (2015)

## Broken Links of Non-Financial Players

Surborg, VanWynsberghe and Wyly (2008) speak of a growth machine diaspora in the developments associated with the 2010 Winter Olympics in Vancouver. The authors highlight the existence of a network of growth machines, including grounded elites and transnational actors, which is able to control the development process. Weber and O'Neill (2013) describe the dissemination of Tax Increment Financing (TIF) districts, or local property-led development mechanisms, as influenced by regional economic development consultants operating in conjunction with local property developers, with the former acting as bridges, or links between the old (i.e., interventionist) and the new regime (i.e., neoliberal), or as “agents of path dependency.” These authors argue that local players with knowledge of the local market and urban policy are able to maintain control over land use in the hands of local elite groups, while adapting to regime change. In the case of the PPP Casa Paulista, the local development sector represented by urban designers and the otherwise powerful local real estate union, also interacted very closely with the state when the PPP mechanism was first adapted to the affordable housing sector. However, ultimately it was the national construction companies, i.e., infrastructure contractors, which dominated the design process on the private sector side, because these firms had access to long-term sources of public financial capital – which the local development industry did not. Based on the example of the PPP Casa Paulista, I argue that the local development industry’s ability to maintain control over land use development in peripheral finance-led capitalism systems is limited by their lack of access long-term financial capital, as compared to regional and national (i.e., de-localized) players. While national and global financial institutions are weary of the risks involved in providing fund to the local development industry, their funding to developers that already have access to financial capital imposes an extra burden on the local market, which is forced to compete with subsidized players operating in the national and even global markets.<sup>153</sup>

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<sup>153</sup> As I further discuss on Chapter 5 (p. 184 and 185), to a large extent, the local development industry in São Paulo is able to control the production process, speculating with land as a way to maximize profits. The PPP model, however, does not challenge this sector to promote development that addresses actual housing needs, and to quit speculative practices, rather, it supports a very large sector of the construction industry that is also able to control the production process.

The process by which the Casa Paulista PPP becomes “a business for the banks and large contractors” as described by the director of a local contracting firm,<sup>154</sup> is gradual and not fully under the control of the urban designers and PPP developers working at Urbem and advising the state government. Urbem’s director Phillip Yang described that, while studying the model, developers approached Urbem in order to better understand it. Through these interactions Urbem’s directors decided to bid for the contract as well.<sup>155</sup> As Urbem’s directors spoke to financial institutions, they were advised to partner with large contractors, as a partnership between Urbem and small contractors seemed too risky for these institutions to finance.<sup>156</sup> Yang approached Odebrecht, at the time working in the Porto Maravilha Project, to form a consortium. Marcelo Odebrecht, then the company’s director, agreed to take part in the project as long as Urbem had a financial stake in it as well.<sup>157</sup> Then Urbem’s lead architect, Milton Braga, explained, “as an NGO, not for profit, and wanting to be more than a think tank but a do tank, we thought that it was possible for a PPP designer to create a very consistent structure for the PPP, and then the market and the public sector, in this convergence, could maintain what was structured by us. However, in our experience with Casa Paulista, eventually it became clear that investors did not trust a group that designs a PPP and is not willing to invest in it as well.”<sup>158</sup>

Eventually the involvement of Odebrecht in the Car Wash investigation surfaced. The company dropped out of the bid, and so Urbem did not participate in the next tendering. However, Odebrecht’s negotiations with the state during the tendering process influenced the proposal’s design and also the state’s changes to the model, particularly in the way in which it managed the issue of land, once the expropriation decree (DIS 59.273) was off the table. There was pressure on the government from developers of the caliber of Odebrecht to alter the model in a way to give more flexibility to private agents to decide when to build mixed-use or strictly residential, and whether to develop commercial buildings at all. There was also pressure to

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<sup>154</sup> Interview with anonymous source, August 20, 2015.

<sup>155</sup> Author’s notes from Phillip Yang’s oral presentation at seminar “Public Private Partnerships in large urban projects: regulatory framework, tools and modeling.” São Paulo. FAU USP. September 30, 2015

<sup>156</sup> This was a concept that Rafael Vanzella also presented, as described in Chapter 3.

<sup>157</sup> Author’s notes from Phillip Yang’s oral presentation at seminar “Public Private Partnerships in large urban projects: regulatory framework, tools and modeling.” São Paulo. FAU USP. September 30, 2015

<sup>158</sup> Interview with the author. São Paulo, July 2015.

transfer to the public sector the responsibility for land assembly, thus moving away from the idea of intervening in small-size underused or vacant private property (Chapter 3). Particularly to large construction contractors, there was no interest in working with the retrofitting of existing structures. Rather, these players favored developing vacant lots, already existing or resulting from demolition of existing buildings.<sup>159</sup>

With the introduction of ZEIS 5 districts in the PDE 2014 (Chapter 3), Casa Paulista districts switched from ZEIS 3 districts containing a large number of vacant and underused buildings to ZEIS 3 districts characterized by large vacant plots, close to the railroad track. This changed the nature of urban intervention that was originally envisioned by Piratininga. The architecture firm had conceptualized an urban intervention focused on retrofitting of the existing building stock, particularly, underused and vacant buildings and small plots, so that density in the central districts was increased. Intervening on large empty lots bordering the downtown area, the model was not going to have this same effect, but served the interests of large developers more interested in the business of housing development and long-term maintenance than redevelopment of the inner city area.

Architect Milton Braga argued that to Odebrecht the business interest was in developing and maintaining a large stock of affordable housing, more so than developing commercial real estate, which to him demonstrated the large developers were not interested in intervening in the area for developing real estate only ‘for the highest and best use,’ but rather interested in the production of affordable housing. “It was the construction arm, and not the real estate arm of Odebrecht that was interested in the Casa Paulista Program. So to Odebrecht, the most interesting business was the construction contract and the services. Because this was a concession, in addition to developing these services, there would be the state counterpayment and so on, and this attracted Odebrecht, this is what interested them. So much so that in the simulations of the model, returns from the rent of commercial buildings were to be shared with the public sector, because it was not believed these would yield much return.”<sup>160</sup>

Hence at this point, to large-scale contractors and to Odebrecht in particular, the goal with the PPP Casa Paulista was to massively build and maintain for a 20-year period low-cost

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<sup>159</sup> Interview with anonymous source. August 25, 2015.

<sup>160</sup> Interview with the author on July 15, 2015.

housing in large scale in downtown São Paulo. This was also different from Urbem's original idea of producing mixed-use and mixed-income developments in downtown São Paulo. Urbem's idea was received with suspicion from local communities and affordable housing advocates concerned with eviction to open way for mega real estate projects, as well as with the possibility of economic displacement from land valuation resulting from the new developments. The model as envisaged by a company such as Odebrecht would not have this immediate effect, as the idea was to "flood downtown with affordable housing," although as a model based on homeownership provision, there was no guarantee that housing prices would remain affordable at the project's completion.<sup>161</sup> Notwithstanding, the ideal of developing massive, exclusively residential projects repeated the approach PMCMV had reinstalled in other areas of the country, and which was something that urban and PPP designers, and even the state government, had wanted to avoid all along. Therefore, there was uncertainty at that point about the type of project the PPP could lead to, given the flexibility granted to the model with regard to land allocation and combination of uses. "It was a mistake to partner with Odebrecht", affirmed Architect José Armênio de Brito Cruz. "The model was distorted, it was distorted a lot. I believe in the project. I think that the project can transform the urban environment. But there was a big loss in this particular process. I think that the distortion occurred in the second phase. It is not at the origin; it happened in the second phase when the large developer had a participation that was greater than it should have had."<sup>162</sup>

Indeed, the original objectives of Piratininga's proposal were distorted, but it is my conclusion, based on this analysis, that this happened earlier than in the partnership with Odebrecht. Rather, it happened when the concept of increasing affordable housing provision in São Paulo central area was associated with the PPP model as it is defined in federal and state legislation; hence, when Urbem turned Piratininga's original idea into a PPP. This meant that the intervention was to rely on debt financing, which in turn required participation of large

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<sup>161</sup> I discussed the (absence) of state control over housing price with Executive Director of Casa Paulista Agency, Reinaldo Iapequino, and Urbem's Director, Homero Neves during informational interviews between June and August 2013. While there is a concern with maintaining housing affordability in the city center, there is also an understanding that once subsidized housing is fully paid for, it is an option of the homeowner whether to live in it or sell and profit from the increase in property value.

<sup>162</sup> Interview with the author, August 12, 2015.

companies that imposed their own business model to determine the production system. To the extent that urban and PPP specialists working under Urbem's umbrella could not control the financial component of the PPP Casa Paulista, their ability to influence the model diminished significantly.<sup>163</sup>

### The Issue of Scale Examined

During a talk at the New Cities Summit 2013 Conference, Phillip Yang described the goals of his organization, Urbem: "we founded Urbem exactly two years ago. Our objective is to promote large-scale projects here in São Paulo. At Urbem, we are not against small-scale interventions. Simply, we understand that large-scale interventions are necessary and urgent because of the size of the challenges we have, because of the historical delay that exists in organizing the city's territory. Therefore, the large scale imposes itself, almost as a natural demand, given the delay in reorganizing this space that is so valuable to us, which is the central area of São Paulo."<sup>164</sup> In contrast, when commenting about the final model of Casa Paulista, Architect José Armênio de Brito Cruz commented: "the challenge of this PPP was to attract companies that have their own capital to participate in this model. For example, the reason why Secovi did not participate in the PPP is that it was over dimensioned. There are plenty of good, important actors at Secovi, and who were not able to participate, because of the sheer size of the

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<sup>163</sup> During an interview, Celso Petrucci expressed how, during a time of crisis, developers could possibly be more inclined to comply with the state government's conditions for PPP development. Without other lower risk projects available for development, local agents might be more willing to engage in PPP agreements. Signaling that such a scenario might indeed be possible in the future, developers that have expressed criticism to the model have recently indicated support. Director of Cury Engenharia, Ronaldo Cury, explains on advertisement of the PPP model by the state government that "the model is here to stay," and it is up to the development sector to study this 'sound proposal' and find ways in which to participate. In the same advertisement, the new director of Canopus Holding, Hebert de Carvalho, praises the PPP model for being innovative, creative and forward thinking. CDHU – PPP da Habitação. Retrieved on December 7, 2017 from <https://www.youtube.com/watch?v=zKPM9CIYPxI>.

<sup>164</sup> Source: New Cities Summit 2013. June 4, 2013. Breakout: Sao Paulo- Large Scale Change, organized by the NewCities Foundation, 9'30" to 10'25". Retrieved on October 13, 2017 from <https://www.youtube.com/watch?v=aPZhKM9vbQ&feature=youtu.be>.



project. They are not experienced with the PPP, but they could have entered it if the project was not so large.”<sup>165</sup>

In the PPP modeling, it is noticeable that, urban designers, PPP designers, and developers address the issue of scale differently. Overall, these agents spoke of ‘scaling up’ affordable housing provision in downtown São Paulo, but there was not a common understanding of what this ‘scaling up’ meant. Surfacing from the interviews I conducted were three meanings of the concept of scale: systemic approach, individual project size, and production volume. The first meaning of scale, defended by urban designers such as Cruz, was to intervene in downtown São Paulo through a systematic approach, namely, an affordable housing based intervention strategy. Scale in this sense was to extend a similar strategy to the whole territory, and to enable a large number of developments; however, there was no implication that individual development should be in large scale. In fact, these urban designers were concerned about projects being too large. The second meaning of scale, defended by PPP designers and large-scale contractors, referred to the size of individual interventions. Accordingly, large scale, or mega projects, were required to generate a broader process of economic transformation aimed at affecting the wider downtown territory. However, there was variation in this view: PPP designers defended that single projects should involve mixed-use and mixed-income developments, while large contractors defended that large-scale housing production was also a way to promote development of the local economy, particularly through job creation.<sup>166</sup> The third meaning of scale, defended indeed by infrastructure and housing companies, referred to the volume of housing units to be produced in a single contract. Production capacity increased along with company’s size; however, participation in the PPP depended also on a firm’s ability to access financial capital, as we have seen. The state government, meanwhile, supported, conceptually, large-scale mixed use and mixed-income real estate projects, while enabling, politically, large companies interested mostly in increasing scale of housing production.

It was indeed consensual among private agents that the PPP’s, project scope, financial terms, and complexity were more fit to large firms with ability to access financial capital (i.e., large scale infrastructure contractors) than to mid-sized and even large firms with closed capital.

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<sup>165</sup> Interview with the author, August 12, 2015.

<sup>166</sup> Interview with anonymous source. August 25, 2015.

As an anonymous source from a large contractor commented, “there are very few players in Brazil that could assume a project like this. This type of project is for large players, because the financial values are too large.” The state government however saw this differently. State officials considered that small and mid-sized firms organized in consortiums were equally likely to succeed in the model as large firms. During an interview, Marcos Penido, then President of the State of São Paulo Housing and Urban Development Company (CDHU), affirmed, “You can have a Specific Purpose Entity (SPE) joining ten companies through a consortium, I do not see any problem with that. São Paulo has a large selection of mid-sized firms with significant operational capacity. Usually there is reference only to the five major companies, right; there is this myth of ‘the big five.’ These companies are fantastic indeed. But here in São Paulo you have Secovi, Apeop, Sinduscom, with their affiliates, or mid-sized firms with capacity to produce these 10,000 units easily.” Penido cited mid-sized firms with contracts with the state of São Paulo in the order of 8,000 and 18,000 units, which to him demonstrated that the companies had the scale to operate in the Casa Paulista PPP.<sup>167</sup>

Most small and mid-sized private agents disagreed, as expressed above through the view of Ronaldo Cury, director of the construction company Cury, a mid-sized housing contractor turned large scale through a joint venture with a large scale developer of market-rate real estate, the company Cyrella. Similarly, to their large-scale counterparts, small and mid-sized developers and contractors had the ability to build housing in large scale (once land was provided). To them, it was the size and ‘complexity’ of single projects, i.e., integrated housing and infrastructure bundled in a single project and financed through a long-term contract – as proposed by PPP developers – and not the volume of housing production per se, that prevented them from participating. During an interview, Ronaldo Cury, explained: “we considered creating a consortium with companies that specialized in infrastructure, but then we realized this was not the ideal model. A PPP model that absorbs small, mid-size and large firms, independent of consortiums, with pre-established rules, without surprises is best (...) An issue that raises great concern is the project length, of 20 years. Our company is 50 years old, but in general it is rare to find companies older than 10 years. How can a company so young offer a guarantee for 20 years? This is not attractive to us! Unfortunately, for the Brazilian entrepreneur, this is too risky.

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<sup>167</sup> Interview with the author. São Paulo, August 18, 2015.

In addition, there is too much of a planning role being transferred to the private sector at once. Planning for maintenance, social services, project management, for 20 years, it is too much.”<sup>168</sup>

Production by local small and mid-size developers was aligned with the view of local urban designers for an intervention downtown, in scale. According to the understanding of local urban designers, the PPP would offer clear planning rules, developed by the state, in a way to better orient private developments through a combination of public and private funding. Canopus’ interpretation of scale, on the other hand, is similar to that of (de-localized) large contractors. According to Dias: “when you can concentrate production, and this is true not only for the real estate sector but also agribusiness, manufacturing, you have savings due to scale. Everyone thought that, due to the cost of housing for social interest, production costs were high compared to sales cost. We would have a surplus if we could work in scale. When you spread out projects, then these gains obviously also spread, and so the production value increases. But that is not all. If I start to pick up small plots, spread throughout the city, and build 50 units here, 100 there, you are losing the principle upon which the PPP is being built, which is to aggregate value, and improve the quality of life around the São Paulo city center. You will agree with me that if I gave you a single area to develop the whole project, it would be fantastic, right, you would get that balance between form, space, concept. But I will only be able to consider this concept when I identify the plots that I am working with.”<sup>169</sup>

Local urban designers did not share this view that Dias exposes, and which reflects the interests of large developers. As described by Braga, indeed, “a spread out project, smaller scale, does not interest large developers. These projects required more site-specific work and may diminish economies of mass scale production. *These can be better for the neighborhood, but are not attractive to large developers.*” Because the state was keen on partnering with large developers, as financial institutions had indicated they should do, interests of small and mid-sized development firms were given less consideration than those of large construction firms. “From an urban point of view, the smaller scale, spread out model generates something that it is very difficult to create with a model developed by a single agency, in large lots. I am always afraid that this concentration, and repetition, will create a stamp, and the large model can become

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<sup>168</sup> Interview with the author. São Paulo, July 31, 2015.

<sup>169</sup> Interview with the author. São Paulo, July 28, 2015.

that. I think that a spread out model is better, but it is more expensive. I think, too, that we need to convince the capital market that the model is possible, and the capital market does not believe in it,” Braga explained. “But in the end the capital market thinks that the PPP needs to be a large animal, because they are used to stadiums, airports, and roads, and this PPP, I think that people automatically think that it is a complex project, full of risks, long term, but perhaps the small scale project, with smaller scale warranties, could also be viable,” Braga concluded.<sup>170</sup>

This PPP model was suited to national infrastructure contractors involved in the expanding infrastructure market, but not to housing contractors and local and regional real estate developers. These players deemed the program too risky for its large scale, complexity, with the contract involving multiple elements and activities, and length, with a 20-year payback period. On the other hand, some large infrastructure contractors such as Odebrecht established housing subsidiaries to implement PMCMV projects, in which case they even had the advantage of combining experience in long-term financing and housing provision.

PPP designers did not differentiate between contractors’ type of business and scale of operation. Hence, the PPP model that was pushed forward compromised the original urban model, as infrastructure contractors were neither familiar with nor interested in engaging with small-scale development and retrofitting. State agents, for their part, did not differentiate between infrastructure and housing contractors, or between contractors and developers as the industry did. They therefore engaged in negotiations with national-level contractors, working to mitigate the risks these large players perceived, but not those highlighted exclusively by housing companies and developers. In this way the state government favored a model suited only for a small number of contractors operating on a national scale, and also prioritized these negotiations with private developers over community participation in planning and management, as further discussed in the next chapter.

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<sup>170</sup> Interview with the author. São Paulo, July 15, 2015.

## Chapter 5. Casa Paulista and the Right to the City

Carmem Ferreira da Silva, FLM Coordinator, told me during an interview that the greatest challenge for social housing movements working in downtown São Paulo is to include families living in the area and who require large amounts of subsidies to participate in already existing housing programs.<sup>171</sup> “We fight for families to be included in the available public programs, preferably in the city center, but there are no programs available here for families with very little earnings. Carmem also expressed frustration with the state’s approach to affordable housing provision: “it is such a discrepancy! We have two hundred and ninety thousand empty properties in the city and a housing demand equivalent to one hundred and thirty-five thousand families. If there was this good will to build affordable housing here, it would have been built already. When will this PPP be done and where? At the back of the woods? At the periphery of the periphery? For that we don’t need a PPP. If it is to build at the periphery, then we can join the archaic projects of CDHU, devoted to a population that is living in high risk areas, people who do not hold jobs, who are not organized.”

Combining state and private sector’s efforts to expand the state’s model of housing provision (i.e., large scale housing development for commercialization) is what then president of CDHU, Marcos Penido, considered fundamental for the state government to better address its ever-growing housing gap. A long-time public official, with experience in the municipal and state administration, Penido reflects in his views the state’s traditional approach to affordable housing, namely, a complex issue that is usually assessed quantitatively (i.e., number of families in need of housing, public budget available to invest in existing programs, etc.) and best addressed through increased financing, leveraged through partnerships between state and private sector. “We need to build up efforts. If I manage to build excellent housing in the interior of the state with 88,000 Reais, in the south coast I cannot do it for less than 130,000 Reais. So I need to have partners in order to do this. So, in these big centers, the focus is on setting up partnerships. We will take the land that we have, throw into the model, land is part of our state counterpayment, then we call the market, we attract foreign capital, and we do it together. We will improve this (the downtown area). So, with partnerships, with PMCMV, and with the PPP,

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<sup>171</sup> Interview with the author. August 17, 2015.

which is the new model because I can let you go ahead and do it, and pay you only when the affected family receives the keys to a new apartment.”

Penido also commented on the state’s new approach to affordable housing provision through mixed use, mixed income real estate development projects, suggesting the challenge to this model, presently, had to do with the inability of affordable housing mortgage buyers to live and maintain these new developments. “Of course in the future I want all of this to be in the same building. Today it is not possible. It is difficult in particular because of housing management. You have to deal with this in a special way, you have to hold hands [this is in reference to the state having to provide assistance to new homebuyers] and teach them how to live in community. It is not easy. If you take someone who has been always deprived of everything... you think about someone that was living virtually above a stream, in a condition that, I mean, each asset this person has conquered, a television, a table, it has been a struggle. So she has that thing ingrained in her, that sense of individual property because there was never anything available. So the person has this sense of ownership and when they come into a building, the learning how to live in community, understand that the corridor lights need to be divided by everyone, it is a challenge.”

Marilia, now in her mid to late forties, moved from the state of Bahia with her husband and two small children, now already adults. They were living at the Occupation Hotel Cambridge for two years at the time of this interview. Before that she lived in Itaquaquecetuba, a municipality in the northeast area of the great São Paulo metropolitan region. There she lived at a CDHU project, in an apartment she and her husband had bought ‘off the books’ (through a contrato de gaveta). “That was a very difficult year,” she explains. The daily commute to São Paulo was very long, an hour and forty minutes’ bus ride for her to downtown São Paulo and for her husband there was still a train to catch and take him to his job in the neighborhood of Lapa. “Also, we did not know anyone in Itaquaquecetuba and felt very isolated.” Marilia’s decision to leave her apartment and move back to São Paulo was very sudden. “One day I was passing by this building and saw a lot of people by the front door. They are occupying this building, I thought.” Marilia mentions that she had seen street signs by social housing movements, calling on people that could no longer afford rent to join them in their campaign. “I decided to go back there later. I went back the next day. I met a woman inside and asked if there was space for my family and me. She said if I came back the same day I could get an apartment. She told me what

to bring: four lamps, four sockets, one hundred meters of electric cable. She told me I was going to stay on the tenth floor. I went back to Itaquaquecetuba, called a truck, packed my things, went to the construction store and came back. We actually moved into an apartment on the twenty first floor.” Marilia also recalls when the Hotel Cambridge was first occupied. “The building was very dirty and dilapidated. There was so much trash and rats, animals would get in and die here because they could not get out. We cleaned up everything. Then we pulled up water and electricity installations for every apartment. The original electric wires had already been removed from the building to be sold as scrap when we arrived, otherwise it would have been easier to wire the apartments.” Eventually Marilia became one of Hotel Cambridge’s assistant administrators, coordinating the use and maintenance of the building, controlling resident’s payment of monthly maintenance fees, who gets in and out of the building as there is often pressure from other individuals and families without a home to move in, as well as social activities for the local residents, and a cooperative bakery on the first floor. “There are all sorts of problems that we have to deal with.” Marilia explains that the coordinators work in association with the municipal social assistants to address some of the problems that they identify with the families that come to live in the occupation. There are also issues of maintenance that they have to address. As a temporary solution, each apartment has its own water connection, and each resident is responsible for doing it. “One day the manager from the next door building called us to say his office was flooded because of some leak here. We found the leak and asked the resident to fix it, but he said he would fix it only on a month’s time. So I said, fine, I will cut your water until you solve it then. You know, we have a bad reputation already, people look at us in a bad way, and they are here doing their job also, we have to consider that too.” When I interviewed her, she was expecting to become a permanent resident of the Occupation Hotel Cambridge, as negotiations with Caixa to refurbish the building were already under way.<sup>172</sup>

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<sup>172</sup> Interview with the author, December 14, 2014. The interviewee’s name was changed to protect her identity. In April 2015, COHAB revealed plans for retrofitting the Hotel Cambridge, already owned by the municipality, through a PPP. It was proposed that in exchange for a private developer paying for the retrofitting, 48 units remained under municipal ownership, and the remaining 73 units could be commercialized by the developer. This proposition was presented at the meeting of the municipal housing council and turned down by the members, however, it was interpreted as a sign of strong commitment of the public sector in facilitating real estate businesses (Amore et al 2015, Source: <https://observasp.wordpress.com/2015/06/24/hotel-cambridge-por-que-nao-e-possivel-construir->

Penido's views of the housing challenge in São Paulo central city do not match Carmem's views. Also, Marilia does not fit his description of a typical subsidized housing 'beneficiary.' While Carmem and Marilia do not fully represent the population living in the central region and in need of affordable housing, their perceptions reflect the interests and strategies of the organized housing movement struggling for adequate and affordable living in São Paulo central area.<sup>173</sup> Indeed to this population, right to the city involves the right to live in the city center (Earle 2017, 61), and yet their struggle is not recognized in the program. How can an evaluation of the Casa Paulista model address this discrepancy?

### **A Political Evaluation of the Casa Paulista PPP**

An overarching hypothesis of this research is that the Casa Paulista PPP, as a neodevelopmentalist tool, involves transformations in housing policy and provision, and on urban space production at multiple scales. In this chapter, I inquire about the specific strategies that state and private sector agents have employed for such transformations to take place. Drawing from Walker (2015), who speaks of the neoliberal state's strategic approach to conflate the goals of participatory institutions in Brazil, I argue that the proponents of Casa Paulista were strategic when addressing the ZEIS 3 districts, stressing the development incentives this mechanism offered, while not recognizing the need for public participation through formation of resident councils, as the ZEIS ruling in São Paulo requires. Also, that the program did not recognize social struggle for affordable housing in the city facilitated a shift in the focus of development within ZEIS 3 districts: away from social participation and appropriation of urban transformation processes and towards design of a private-led system of provision. In this way, Casa Paulista enables the hollowing out of participation in housing policy, adds obscurity to the allocation of public land to affordable housing developments, and shifts focus from the main impediment to affordable housing provision in central São Paulo, namely, rising land costs.

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habitacao-de-interesse-social-no-centro-de-sao-paulo/). It is also illustrative of the level of fragility in relationship to housing security that members of the organized housing movement experience in the city center, even when negotiations with the public and financial institutions are already under way.

<sup>173</sup> Moreover, their comments reveal, too, their own entrenchment (Holston 2009, Earle 2013), here represented by the way in which they perceive other groups in need of affordable housing, or their own position as occupiers of the city center.



## Right to the City as Citizens' Struggle for the Production of the Urban Space

Along with a discussion over the right to the city in Brazil, related specifically to the way in which this concept is put forward through the City Statute, was an international debate as, “over the past decade the right to the city has become one of the most talked-about concepts in urban studies” (Purcell 2014). At the international level, interpretation of this principle has taken two main forms: as a bundle of rights, as it is indeed interpreted in Brazil’s City Statute, and as inherently associated with social struggle (Marcuse 2009, Purcell 2002). International development agencies, particularly the UN, “conceptualize the city as part of a broader agenda for human rights, encouraging urban policies that promote justice, sustainability, and inclusion in cities” (Purcell 2014, 141). Critics of the ‘universal rights’ based approach suggest it homogenizes urban citizens, covers up differences and facilitates the adoption of market-based policies so that programmatic solutions based on universal provision can be implemented (Earle 2017). Mayer (2009 in Earle 2017, 45) argues that such a rights-based approach “fails to challenge underlying structural inequalities of the present system and thus it is not authentically a claim to the right to the city in a Lefebvrian sense.” Contesting such criticisms, Earle (2017) argues that even if interpreted as a bundle of rights, the enshrining of the right to the city ideal in Brazil’s City Statute has proven emancipatory for a population that has been deprived of basic rights. Drawing from Marcuse (2009), Earle (2017) argues that interpretation of the right to the city can vary according to the actual nature and level of needs of local environments, involving concerns with production that reflects (use) values, as opposed to processes that seek the maximization of profit or exchange value, as well as a cry that access to basic living conditions are achieved. Earle’s (2012, 2017) empirical analysis indicates, indeed, the ability of organized movements to demand housing provision from the state in a way that was not possible decades ago, prior to the enshrining of the right to housing and to the city in federal legislation. However, as the author indicates, and Rolnik (2013b, 62) also points out, this outcome also indicates that, so far, “this safeguard has been more useful to avoid or block the violation of rights than to promote affirmative action and urban conflict resolution.” Indeed, analysis of recent developments in Brazil speak of an erosion of urban rights (Freitas 2017), whereby urban transformation can be framed as addressing a basic right (i.e., right to mobility) while actually leading to the eviction of local communities.

Purcell (2014, 142) emphasizes Lefebvre's framing of the right to the city as political struggle "against property rights of owners". In this view, right to the city, although a deeply geographical process, is less associated to actual service and space provision and more with struggle for 'autogestion', to "de-alienate urban space and reintegrate it into the web of social connections" (Purcell 2014, 149). Accordingly, right to the city is associated to "*participation in the management of the production of the urban space*" (Purcell 2014, 149, emphasis added).

In fact, the City Statute, while interpreting right to the city as a bundle of rights, also incorporates the (Lefebvrian) interpretation of citizen's right to appropriate the process of urban space production. This is reflected in the requirement on Article 2, item II of the City Statute that for property and the city to fulfill a social function, urban transformation must occur through local participation, facilitated by a state that is committed to the protection of collective welfare over individual property interest. Moreover, while conceptualized according to Lefebvre's writings, this ideal reflects the actual practice of the impoverished urban class in Brazil who built their own peripheral neighborhoods and, in the process, constructed, through urban struggle, insurgent citizenship (Holston 2009). This is not to argue that social participation alone can guarantee the right to the city, rather, that avoidance of social participation in urban policy in Brazil is strategic; an outcome that is possible due to the weaknesses and contradictions of the City Statute (Friendly 2013, Rodrigues 2004, Trindade 2012), but by no means mandatory.

### **Conflating the Goals of ZEIS 3 Districts**

Walker (2015) speaks of participatory institutions in Brazil that were originally set up to facilitate development where property and the city fulfills a social function being vulnerable to partisan politics and market forces. The author focuses on the political transitions occurring within the Participatory Budget, a mechanism designed to address geographical and economic unbalances and originally adopted in the city of Porto Alegre in the state of Rio Grande do Sul, South of Brazil. Participatory Budget is a process by which "decision making regarding the allocation of municipal capital investments shifted from the Porto Alegre City Council to the general public gathered in public assemblies" (Walker 2015, 169). In Porto Alegre it mobilized 8 percent of the city's population to participate in debates and deliberate about budget allocations, with several authors arguing it "reduced opportunities for clientelism [as city council members] could no longer discretionally allocate public works in exchange for political support and votes"

(Ibid). According to Walker (2015), the Participatory Budget process has been gradually co-opted to enable adoption of local developments mechanisms that decrease public participation and oversight in decision-making. She bases her argument on the analysis of the approval process of a PPP to develop a working class mall for street hawkers in Porto Alegre's downtown area, which happened during a Participatory Budget cycle. Through the PPP, control of the street hawkers over business location, and costs associated with maintaining their slots have decreased. The author also describes how political ideologies that were originally contrary to the Participatory Budget, for the way in which it took away control from legislative and executive local powers, ultimately realized the need to co-opt a process that was already ingrained in local politics, something the author refers to as "the Porto Alegre Way" of decision-making. Such a co-optation involved, first, removing the Participatory Budget from the executive office and into a department in charge of strategic planning for the city (the Local Solidarity Governance office); second, associating the mechanism with a broad idea of "changing Porto Alegre for the better," and finally; placing it in parallel with other "lesser known participatory enterprises," (Walker 2015, 173), eventually allowing for a popular vote on the PPP within the framework of the Participatory Budget process.

Similar to the Participatory Budget in Porto Alegre, implementation of the ZEIS mechanism in São Paulo is paradigmatic.<sup>174</sup> In particular, the establishment of the ZEIS 3 districts, in the context of PDE 2002, had the participation of social urban movements organized in the "City Plan Popular Front" (Tsukumo 2009 in Gatti 2015). Thus, established through the input of social housing movements, ZEIS 3 districts simultaneously reflect the popular struggle for affordable housing in São Paulo's central area, and the ability of these movements to influence local land use management. How, then, were ZEIS 3 districts approached in the Casa Paulista PPP?

Casa Paulista's original document, the public calling, makes no reference to ZEIS 3 districts as the territories of intervention. Item 2.1 of the public calling states that the PPP's

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<sup>174</sup> The first experiences with land use and land tenure regularization that eventually led to the conceptualization of the ZEIS mechanism occurred during the 1980's and 90's, in the municipality of Recife in Pernambuco state, through a land tenure regularization tool named PREZEIS, in the municipality of Belo Horizonte in the State of Minas Gerais through a slum upgrading program named Profavela, and in the municipality of Diadema in the state of São Paulo through a zoning mechanism named AEIS (Rolnik, Cymbalista, and Nakano 2007).

policy goals are to “make possible the provision of housing for social interest in São Paulo’s central neighborhoods, considering the large number of vacant properties in the area.” Then, in item 2.4.1, it makes reference to implementation happening through interventions districts. There is no specific mention of Casa Paulista’s districts overlapping ZEIS 3 districts, and how such an overlapping affects land use and planning rules pertaining the proposed PPP.<sup>175</sup>

Reference to ZEIS districts is made only in the annex to the calling (item 3.3.1).<sup>176</sup> There this tool is described as “a true opportunity for intervention from the public sector and its private partners.” It is also stated: “the main advantage of this zoning tool is to increase the density allowance to four times the lot size for new construction, without extra cost to the developer” (translated by the author). This coefficient is equivalent to 2 or 2.5 in other mixed-use areas distributed in the city, the document explains. Development of affordable housing is described as “the compensation for construction or retrofitting in these areas.” In this item there is also reference to development of an urban plan of the PPP, according to the guidelines of the municipality. However, this is discussed only in reference to the negotiations around construction coefficients alone (according to Article 176 of PDE 2002). In contrast, no reference is made to ZEIS 3 reflecting the demand from social movements for centrally-located housing, or to the rules regarding public participation in decision making (further described below).

That the program does not recognize social struggle for affordable housing in the city facilitates a shift in the focus of development within ZEIS 3 districts: away from social participation and control in urban transformation processes and towards design of a system that best fits the (privatizing) interests of developers and the state. This is an incremental process. Below I describe how the absence of participation in policy design is followed by a complete lack of public access to the decision-making process occurring within the SPE, and which involves allocation of crucial resources, notably, land.

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<sup>175</sup> Public Solicitation no 004/2012, 25. Retrieved on October 22, 2016 from

[http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/edital\\_chamamento\\_004\\_12.pdf](http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/edital_chamamento_004_12.pdf).

<sup>176</sup> Governo do Estado de São Paulo, 2012. Anexo 01, Apresentação, Desafios e Diretrizes da Intervenção na Área Central. PPP Habitacional para a Área Central da cidade de São Paulo. Retrieved on January 9, 2017 from

[http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/insumos\\_casa\\_paulista/anexo\\_01\\_apresentacao\\_desafios\\_diretrizes\\_intervencao\\_area\\_central.docx](http://www.habitacao.sp.gov.br/casapaulista/downloads/ppp/insumos_casa_paulista/anexo_01_apresentacao_desafios_diretrizes_intervencao_area_central.docx).

## Hollowing Out of Public Participation in Housing Policy and Provision

At least in the short term the PPP Casa Paulista did not increase scale of housing provision or leverage private capital (Chapter 3). In contrast, the role of public participation on affordable housing development was diminished and transformed in the PPP Casa Paulista, with no communication between public officials and the local community prior to proposition of the first model. Casa Paulista followed the PPP state law with regard to community consultation. Article 21 of the State PPP Law establishes that “public-private partnership projects will be subject to public consultation, at least 30 (thirty) days prior to the publication of the public notice of the respective bid, by publication of a notice in the official press, in newspapers of great circulation and by electronic means, in which the reasons for the contract, the identification of the object, the duration of the contract and its estimated value, and a deadline for the submission of suggestions, which shall expire at least seven days prior to the date scheduled for publication of the tender document” (translated by the author).<sup>177</sup> Also according to Article 21, it is expected that suggestions address specific elements of the tender document, contract or annexes to be altered, possibly, with a suggestion of the text to substitute the original one. Therefore, the law puts forward no requirements that significant public participation drives project design. On the contrary, it sets the conditions for public participation to be reactive to an already established project, with an associated budget. Electronic consultation was organized in the Casa Paulista PPP, its main purpose was to inform and clarify questions from developers (field notes).

That the Casa Paulista PPP was not developed in partnership with local communities and organized social groups, stood in sharp contrast with the rules of ZEIS 3 districts where the housing projects were to be developed. PDE’s Article 175 requires that “there should be constituted in all ZEIS, Management Councils composed of representatives of current and future residents and the Executive Power, who shall participate in all phases of the development of the Urban Plan, as well as its implementation” (translated by the author). As Gatti (2015) argued for the case of Nova Luz, the timing for the establishment of a resident’s council affected their ability to deliberate over the project. The latest the council is set up, the lower its ability to provide input in the actual conceptualization of the project. There was one Casa Paulista public

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<sup>177</sup> Source: Assembléia Legislativa do Estado de São Paulo. Law 11,688 from May 19, 2004. Retrieved on January 9, 2017 from <http://www.al.sp.gov.br/repositorio/legislacao/lei/2004/lei-11688-19.05.2004.html>.

hearing on March 25, 2013; this was the date when the participants of the public calling were informed about the extent to which their project ideas were to be incorporated in the model that the state would develop. The justification for the state not to consider local community councils in the PPP Casa Paulista was that this was a local land use matter (Interviews). However, São Paulo's Justice Court temporarily suspended the development of the Casa Paulista PPP for interpreting that the process had been marked by "an absence of effective participation of the local community and associations in the urban development plans, programs and projects related to the PPP"<sup>178</sup>

Even though the state did not stimulate the formation of ZEIS councils, there were interactions between state representatives of the Casa Paulista agency at the public at presentations to professional and neighborhood development organizations. Through observation of one of these meetings, which was video recorded, it was possible to verify how the state representative was strategic in presenting the project to local residents, even willing to engage in one to one negotiations in a way to address individual concerns in exchange for support to the PPP. The debate, specifically, was over the expropriation decree, DIS 59.273. The presentation was used as (uninvited) space (Miraftab 2014) for residents to demand guarantees from the state representative on the (verbal) promise that their houses and small businesses would not be affected by the decree. At the same time the state representative suggested that Casa Paulista represented a unique opportunity for investments to flow into the area.

State representative: I want to assure you that it is not the intention of the project to remove anyone. It is to bring new people indeed, but not to replace the existing population.

Resident: Okay, so there is one property empty, and one occupied, what will happen?

State representative: We will intervene in the vacant one

Resident 1: I am not going to have to leave my house, are you sure?

State representative: No, mam, you are not going to leave, for sure.

Resident 4: No one will leave? The bakery will not leave?

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<sup>178</sup> PPP Brasil. Retrieved on October 22, 2016 from <http://www.pppbrasil.com.br/portal/content/judici%C3%A1rio-suspende-tramita%C3%A7%C3%A3o-de-ppp-do-estado-de-s%C3%A3o-paulo-para-implanta%C3%A7%C3%A3o-de-moradias-de>.

State representative: Absolutely not, the project...

Resident 2: It is being recorded...

State representative: Let me conclude and I will give you back the floor... the bakery, the businesses,

Resident 1: My house...

State representative: Your house, you live there, I can see you live there,

Resident 1: I am ill because of this

State representative: The bakery, the bakery we want it to stay and improve, this is what we want, you can rest assured

Resident 2: But is there anything... can you make this public?

Resident 3: You all need to publish this in the Diário Oficial, when is this going to be published?

State representative: As I said, there are requests that are legitimate and those that are illegitimate. We are working with a state owned enterprise called CPOS and it is verifying all of this. Everything that is this situation that you are talking about we will exclude from the decree. We will not rule according to...

Resident 2: But we need a guarantee, we need something concrete, unfortunately we cannot rely on your words

Moderator interrupts

(...)

State representative: You have an activity in the area... we are not going to touch this

Resident 4: Yes, we have two bakeries, with 40 employers; it belongs to the same family

State representative: You can rest assured that we will not touch your bakery. This is the type of use we want to strengthen; it gives sustainability to the project

Resident 4: I hope so, my whole family is sick because of this

State representative: You can rest assured; I am telling you that... if you want...

Moderator: Okay, the question is answered already

Resident 5: Hey, wait; let him finish our case here, sir

Resident 4: There are two bakeries; it is guaranteed that they will not be touched?

State representative: It is guaranteed; we are not going to touch it

Resident 4: And what else do we need to do now?

State representative: You need to wait until we conclude the assessment and we will exclude these properties. All of you who are here, you can leave me with your address, and I can even put this is the pile of documents we are analyzing.

Representative of Viva o Centro: Okay, secretary, you are saying that we should do a list, we will pass a list around here, what information would you like?

State representative: The taxpayer number

Resident 6: Are you kidding me? I don't have this here! Can't we give the address?

State representative: I will leave my email here; you can give me the taxpayer number

Resident 7: Let me tell you one thing, I wrote ten emails to Casa Paulista and never got a response

State representative: What is your name sir?

Resident 7, telling his name: I sent ten emails there, never got an answer.

State representative: Okay [he checks again his name]... I will check what is going on, I will give my email, from my work.

Everyone takes notes.

State representative: I will respond personally to these emails.

It is also possible to observe that the objective of public discussion over Casa Paulista was to inform the public about the program's goals, and not ask for their input. In fact, the state official made clear that the greatest uncertainty in the project was whether a private agent would be interested and willing to invest in it. In addition, it highlighted how the PPP was associated to the goals of the ZEIS 3 rule, even though the PPP process did not fully follow what was established for ZEIS 3 districts according to city master plan.

State representative: There are areas inside ZEIS that are being occupied with projects for a population that... I, with my salary of a public officer, I could not buy property there. What we have seen is that... I have nothing against the market but if we leave only the logic of the market to prevail, the population of lowest income will be expelled from the city.

Residents interject (in surprise as they are expressing that the PPP is going to cause their eviction, either to open up space for the construction, or for an excessive valuation of the area)



State representative: These ZEIS areas will be taken by another type of use, not the use that the law is determining. If the law is fair or unfair, we have to discuss like you are doing here, more than with legitimacy, right, it is very legitimate, we have this consideration, and we know that this [what we are doing] is not a favor, perhaps we should have discussed this more, but we discussed, with the social movements, right, but the issue is that, we declared a territory greater than the one that we want to intervene exactly.

It is noticeable how in this case the state representative resorts to the letter of the law in reference to the uses that are allowed in the ZEIS area. This same state, however, disrespects the spirit of the law, when it comes to the rules regarding community participation. With particular reference to the debate of the PPP Casa Paulista with social housing movements, it is indeed described that there has not been debates about the PPP specifically, as these happen under the PPP management council, whereas the debates around affordable housing policy provision happen within the State and Municipal Housing Councils. Therefore, there can be information about the PPPs at the housing councils and deliberations over elements of it, as happened with the Municipal Housing Council's approval of the transfer of the first Casa Paulista plot, at Rua São Caetano. This gives some ability of organized housing movements to affect outcomes, but it is different than having ample participation in policy making and delivery, which is in principle the aim of the state in adopting the ZEIS mechanism. In fact, when describing the movement's participation in the PPP debate, Carmem Ferreira da Silva explains: "we participate, we participate quite a bit, in the municipal housing council, the state housing council, but the PPPs, we know nothing about them, there are projects being developed and all of a sudden we find out it is a PPP."<sup>179</sup>

The state alludes to the plan as one driven by logic of rationality and (economic) efficiency. In particular, it brings up the possibility of populating the central area and overcoming a locational mismatch between residence and employment. This is an abstract concept, and one with which it is hard to disagree.

State Representative: So we are conscious that, if we do not intervene for the population of lowest income they will be expelled (from the downtown area), and it is expensive to

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<sup>179</sup> Interview with the author. August 17, 2015.

us, to all of us, to have to put this population at the periphery and then bring them the services there, the services that are already here in great condition. So we want to bring them to the center, and we want to strengthen the activities here.

Nevertheless, PPP proponents speak openly in their presentations, about how the project is designed to address the interests of private developers. In fact, it is acknowledged that uncertainties to the population are created so that developers can be granted flexibility. This is revealed in the explanation below, where the logic is presented for declaring the social interest decree over an area larger than the specific buildings that the Casa Paulista PPP would affect. At the same time a threat is presented to the residents that if the conditions are not accepted, it is likely that the project will not get buy in from developers, in which case public investments will not flow into the region.

State Representative: I would like to start by explaining this issue of expropriation. First, when we established the program we established a perimeter, so that, if we identified a property that we could not intervene for one reason or another, there would be more flexibility to work with some of the neighboring properties. The decree is a declaration that is broader; the declaration does not mean that the state will expropriate everything. We have already received various requests for exemption from the decree, and we are examining them one by one. We have been working on this very carefully, it has been requested to us that we are very careful and we do not intend on evicting anyone. (...) I want to reassure you that no one will evict residents. The project's idea is to use vacant land. There are plenty of lots that are vacant or underutilized, such as with parking lots and we will want to use these areas indeed. It is not in the plan to remove a family who is living in the area

Resident in the audience: Yes, it is in the plan, it is in your project!

State Representative: What I am trying to explain is that, for us to intervene in the area and give flexibility, exactly, to avoid this situation... because you see if I establish that it is this single lot and tomorrow it is unfeasible, I have a much longer process and I have to do this inside the tendering process, leave it all very clear, what are the alternatives and what is the territory that this private company that wins the bid – if it wins, this process has not even started, we don't know if any company will participate in the tendering

process. But we need to offer a broader territory so that the company can have flexibility to avoid this type of situation that we are discussing here.

(...)

State Representative: So, will you take down the project, take down the social interest decree? As I said, we have other things to do. We have this state budget that is there, for us to use. If this project does not move forward, it is a pity, because the city loses, we lose.

In the interactions above, it is explained: the budget that was available would be directed to affordable housing provision in downtown São Paulo, and to infrastructure improvements in the area – which was of most interest to the local population in addition to guarantee the project would not lead to their eviction – as long as this population could agree with the project that the state had already developed. Through these examples, then, it is possible to identify a narrative that is consistent and which is associated to top down policy, and to a model of state that concentrates decision making among public and private development agents, without sharing the political space with residents and grassroots groups; a privatizing state. These interactions captured in this one public meeting are illustrative of a development process that has been criticized as top-down and not in agreement with the type of development that was planned for the ZEIS 3 districts, according to PDE 2002 and PDE 2014.

A participant in the design of the PPP model also indicated that the state was more willing to negotiate with the private sector than with social groups, and assumed this was to save time for the project: “sometimes the government was more afraid of social groups than the private sector, right, that public participation would delay the project, make them not viable, like many projects that did not go forward due to community’s resistance.” However, absence of public participation, too, did not guarantee that the projects were developed quickly. It did facilitate, however, that decisions over resource allocation, land in particular, were made away from the public.

### **Obscure Process of Land Allocation**

While relying primarily on public funding, decisions over land allocation have been taken away from public control and are being decided by the private agent, Canopus, in direct negotiation with municipal and state level housing agents. "The two major difficulties in any

housing PPP are the identification of areas, because private developers cannot absorb the cost of purchasing land and execute the contract within the limits that the government has established. Casa Paulista, State Government and, consequently, the State Housing Department, and Municipal Housing Department, I don't think they knew the dimension of the problems that involved these areas that had been previously identified and that would be offered to the winning companies of the four lots. They all have problems. And they are realizing that it can take a very long time before these areas can be offered to us. We are still within the deadlines foreseen in the contract for the government to get these issues settled, regularize all this and deliver the lots. But this is much more complicated than it was initially considered.”<sup>180</sup>

According to Ely Biasoli Dias, Director at Canopus for the Casa Paulista PPP, uncertainties related to land allocation compromised the project schedule and added risk to the project. Also, the actual land allocation process to the PPP has revealed an underestimation of the complexity and risks associated with this operation. “I think that at first the state did not realize the problems that involved the areas that were made available to the PPP. All areas have an owner. Even though these belong to the state, these may be allocated to a department, or an institute. At the state level there are areas that belong to CDHU, to Metro. In the municipality you have areas that belong to COHAB, SPTrans, the Department of Culture. There is also federal land, and each titleholder of these areas has a different set of rules. So, for example, you have federal land that is transferred, through decree, to the municipality, and in this process there are adjustments to be made, which have not yet been fulfilled. Therefore, the legal impediments of developing over these areas have not yet been overcome; on the contrary, these processes have not even started. So for example, I see an area that will be given to us, and which has been widely publicized, the Asphalt Plant. This area is currently occupied. We also know that this area is contaminated. So the municipality needs to stop the industrial activities going on there, remove the plant, transfer it to the state government, which then decontaminates it and cedes the area to me.

Another plot, a small project that they had already approved, was there at COHAB. It should be passed on to us, but it is still being evaluated [this was the site of São Caetano Street,

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<sup>180</sup> Ely Biasoli Dias, Director at Canopus Holding for the Casa Paulista contract, during an interview by the author, July 28, 2015.

which generated the first – and so far only - PPP project). There are 126 units that can be built there. But it has problems, because this area had been offered to CDHU, so it was destined to CDHU, but CDHU did not develop a project there. So there are documents ceding the area to CDHU, but there are no documents of the CDHU receiving the area. Then there are two small plots at Gusmões Street, called Republica A and B. They are occupied plots that allow for, at the most, 50 units on each one of them. These are areas that are proving unviable today because, between the idea of ceding these to us and the current moment, zoning has changed. These plots were included in a ZEIS 3, the area surrounding these plots are protected due to their historical value; therefore there are also limitations in terms of how much you can build there. And, as if all this was not enough, the area is occupied. So all of this is a social problem for the city hall and for Casa Paulista, for the State. There is an area that is outside our perimeter, but the attorney's office has already declared that we can use it; it is in the vicinity of our perimeter. It belongs to the Fire Department. It is being negotiated and it seems that there is already an ordinance from the government for the Fire Department to cede the area to the PPP. But the legal format of this transfer is still being discussed. So you see that all the areas that were considered back there, as viable, today these have problems.

Below the Asphalt Plant, there is a very large area, and this is one of the areas that Reinaldo Iapequino judged as one of the best for the PPP. It belongs to the Department of Federal Land (*Secretaria de Patrimônio da União – SPU*). SPU has an agreement with the municipality. And the municipality was, due to this agreement, planning to transfer this land to the PPP. However, this area has other problems. It has, at one of its edges, a public square. It is used as a square but it is not in the municipality's official map. So Reinaldo's idea, also, was to switch this square to the other side, and free up this area for us. There is another area to the side of the square that the municipality has already committed to associations within the organized housing movements, so, you see, this area will not come because there was already a formal commitment assumed by the Mayor and Floriano to cede these areas to housing entities. This area, in addition to the problem of the square, which is easily solvable, has another facility, so I am not sure if this area will come. In summary, I will tell you that this is not a problem with an easy solution. The government, in the beginning, believed in a large supply of areas that would be enough to supply all four of the Casa Paulista districts. I tell you that if there were bids for all

four areas, the state would have now a big problem, along with the municipality. These areas would not be available.”

According to Dias, Canopus would not search for plots to develop market rate housing within the framework of the Casa Paulista PPP as long as the location of the affordable housing units was determined. “It is not yet defined, until this moment, where the properties are that we will receive. This is a problem. Because of uncertainties around the guarantees and the allocation of land for subsidized affordable housing, we at Canopus have not yet focused on the acquisition of land for development of market affordable housing. I intend to buy areas to develop the market affordable, in the neighborhood, around the areas where we will develop subsidized housing, but I have not done the necessary studies yet and will do so once the land for HIS development is secured.”<sup>181</sup> Overall, significant obscurity has been added to the disposition of public land in the central city area for affordable housing provision as a direct result of the Casa Paulista PPP.

### **Flexibility in Practice**

As Dias also expressed, Casa Paulista’s developments are established through everyday decisions, or through practice: “one thing is what the law or the tender document establishes, the other is our reality. This is not a regular tender, conventional, where all the parameters are previously established and I comply with it. No, we have to build this relationship, day after day. I will only be able to define what I am building specifically when I have the land. I will only be able to interconnect the projects when I have the actual plots.”

Through everyday decisions, Canopus and the state continue to mold the Casa Paulista program. This decision-making process takes place within the realm of the SPE, completely outside of social control. In the excerpt below, Dias discusses about the selection of project sites once public land is made available to the PPP. It happens in such a way that the SPE seeks land that best suits the goals of the Casa Paulista PPP; however these goals, as Dias recognizes, are not set in stone, rather, they are defined through daily practice. Therefore both state and the private partner can be selective about when to resort to the guidelines set up in the contract, and when to ask for an exception. As Dias explains: “the municipality offered an area that is

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<sup>181</sup> Interview with the author. São Paulo, July 28, 2015.

reminiscent of a larger project from the municipal housing company. The Attorney's office approved, then the municipality realized there was an agreement filed with the residents of Favela do Moinho to relocate residents there after a fire incident. So when the municipality presented this to Casa Paulista, it declared that about one thousand units could be developed in the area, but about seven hundred were for Favela do Moinho's residents, because of the agreement these residents already had with the Mayor, and with Floriano. So Casa Paulista did not accept, first, because it is too far away from the perimeter, although the City and the State Attorneys allowed it. But the main issue is that the municipality could not go back on its agreement, and then you start to distort the concept of the PPP. Because then there will be segregation. If you are going to have there, seven hundred units for the residents of Favela do Moinho, there will be three hundred units remaining, how am I going to adapt the PPP concept to this? Seven hundred units are more than the limit for HIS, in fact there are around 500 units for each category of HIS, 1 and 2. If you consider only the demand from the municipality, for the residents of Favela do Moinho, it goes above the units in the PPP for HIS 1. And what about the demand from Casa Paulista? Casa Paulista also has a number of units to deliver. So the project moves away from the Casa Paulista spirit. The land parcel at Ponte dos Remédios became impossible, due to this issue of the agreement between the municipality and the residents of Favela do Moinho. So, we are still looking for the areas that we need, and only after identifying these areas, can we, effectively, start to develop the studies, to try to adapt the production of these units, respecting the parameters for each category of income, to the PPP concept set up in the beginning."<sup>182</sup>

### **Land Price, Structure and Actual Limits to Housing Provision**

Also according to Dias, Canopus' director, "land price in São Paulo is just too expensive". This makes it very challenging for affordable housing to be developed. As follows, private developers do not want to take responsibility for assembling land for affordable housing and instead encourage the public sector to do so. Landowners, individuals and corporations, keep land prices high in expectation for future profits. The state, rather than using local land use tools enabling the sanctioning of speculative land use, employs eminent domain power to expropriate

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<sup>182</sup> Ely Biasoly Dias, interview with the author, São Paulo, July 28, 2015.

land, which can later be distributed to private developers. Consequently, state and private developers help ‘naturalize’ speculative land use and continued land price increase.

In reference to land price variation in Brazil and São Paulo in particular, a local developer affirmed: "if there is one thing that is true it is that, in Brazil, land prices do not go down. There is no way. Those who buy land do it for profiting from the increase in land value, speculating, you name it, it does not matter. People buy land and hold on to it. Someone may set up a parking lot; he will do what he needs to do but he will not lower his price. Even in ZEIS, where there is the *direito de preempção* [meaning, priority to the municipal government in commercial exchanges over privately owned land] you cannot get prices to go down. I think that the municipality must start using these mechanisms, to change the culture, but I don't know if the municipality will really use it.

We are facing a challenge that is systemic. Real estate production is lowering significantly. We have had studies showing that production has fallen 30 percent, others 40 percent. São Paulo had sold 40 thousand properties in one year; now it has fallen to 28 thousand and the tendency is that it will fall to 22 thousand. In my opinion, this is because land values are too high. We have an unaddressed demand that is very large in the country; this is a fact. This demand is primarily in the lower income, but you can see it in other income strata as well. During the real estate boom in 2007, 2008, with the penetration of financial capital from investment funds, with the opening of the capital of these companies, these companies were selling, in reality, expectations of new developments, and expectations of results. And they were too ambitious in these expectations. So, what happened? An explosion.

Real estate agents have made many mistakes. People went out to buy land without much care for what they were doing. If you see the portfolio of the large companies and developers, you will see the number of wrong acquisitions they made; it is too much, too much. In terms of location, in terms of restrictions, they even bought land with environmental restrictions. [Hence, what happened was that] not only the prices continued going up, but also the companies kept on accumulating an inventory that was getting bigger and bigger, with expensive assets, making the actual real estate operation unfeasible. Today, the big ones are practically paralyzed. They have a very large stock, about thirty percent of their inventory, of units that were sold on the plan, and that were later returned. Developers are looking for ways to put these units back in the market.



The real estate boom is cyclical. But in Brazil it is difficult. Companies in general will try to preserve the value of their assets because, after all, that represents a profit. The small builder, if he sees that the situation is not favorable, he either sells the land, or lowers the price. Now the large ones, they hold on to their products until they can put them back into the market. If there is a price decrease, it is very small indeed, not enough to stimulate the market.

I think that today the market is operating above the demand. In other words, the market values are above what the demand can pay. And I am not talking about the low-income class; I am talking about all classes. I think that it is inadmissible that you put a product in the market today in São Paulo at the price of 20,000 per square meter. The demand for this is very small. And we have lots of products in this bracket. Today, basically, we work in São Paulo with an average price very close to 10,000 per square meter. And this is high for the demand that we have. Is there demand? Yes, there is, but not at this price. Today we should be operating at an average price of 6,000 per square meter. It will be difficult for the market to adapt to this. The investment funds entered the market, leveraging this increment in the real estate sector, and then lots of them retreated. Today investors are more realistic, but still, it is a big fight, we have to fight with landowners to lower down prices, while at the same time we create systems of cross subsidizing.”<sup>183</sup>

The Casa Paulista PPP does not address this problem, moreover, it stimulates land price increase as state and private proponents recognize. Meanwhile, local agents in the social and private sectors argue that the land structure in downtown São Paulo, marked by and the existence of vacant buildings, suggest that a housing strategy that is spread through smaller projects inserted in the already existing environment would be more adequate, even financially. As Architect José Armênio de Britto Cruz affirmed: “reconstruction is cheaper. The only reason why it is not cheaper is because government is not considering the cost of leaving urban land vacant and idle.”<sup>184</sup>

A decrease in real estate activity did not result in land prices going down in the central city area (Chapter 3). As explained by the local developer, once land prices go up it is very difficult to bring them down. This dynamic is not a result of market forces but rather speculation.

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<sup>183</sup> Interview with the author in July 2015.

<sup>184</sup> Interview with the author, August 12, 2015.

While developers and even their employer's union, Secovi, recognize the detrimental effect of land price rise on the industry. For example, it is explained that the downtown and the East region were the areas that experienced an increase in the number of releases between 2014 and 2015, because land was cheaper in those areas (Secovi 2015). However, there is no official recognition of the role of developers in this dynamic. Instead it is argued that federal policy, which at first stimulated the property market through PMCMV, later contributed to its collapse by continuing to offer subsidized credit to the infrastructure sector when the economy was already retracting (Secovi 2015). Local land use regulation is also considered a major driver of property investment and prices, and it is argued that new rules established by the PDE 2014, restricting development outside of transportation corridors where high density is stimulated, will have a negative effect on the local market and cause prices to increase even more in the city of São Paulo (Secovi 2015).

Also unrecognized is that by developing property primarily for investors' consumption and in spite of the demand for land in the city, the real estate sector contributes to a disjoint between the space that the market produces and the space that the local population demands. Since inception of the federal housing program, there has been an increase in development of property for categories 2 and 3 of PMCMV by commercial developers. This was equivalent to, for the state, 11 percent in 2014 and 25 percent in 2015, and for the city, 5 percent in 2014 and 8 percent in 2015. On the other hand, in 2014 and 2015, most of the production was for property costing between BRL 225 and 500 thousand, above the threshold of PMCMV, and mostly dedicated to investors.<sup>185</sup> In the city of São Paulo, production for properties with value between 225 and 500 thousand was 43 percent in 2014 and 45 percent in 2015.

Because the public sector seeks to attract private partners to develop affordable housing PPPs, there is a lack of willingness to further control these agents. It is assumed that land use restrictions are the main element preventing private investment. However, as the Casa Paulista case demonstrates, absence of private investment has also to do with the financing conditions. In reference to PPP finance, legal specialist Vanzella explained: "In Brazil there is still the idea that projects can be developed without the agreement of the financial market. When they go talk to the banks, the financial market asks two small questions: risk matrix and cost of capital. Then the conversations do not move forward, and projects die. The financial market has to be involved in

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<sup>185</sup> As explained by Celso Petrucci in interview with the author on August 11, 2015.

the beginning of these infrastructure projects. They depend on such a large amount of capital, that if you do not have a partnership with the financial market in the beginning they will not move.” Vanzella also revealed how PPPs were not in fact designed to address affordable housing provision, as housing projects *relied predominantly on subsidized credit* (from SFH). In his view, PPPs seek to address, in the housing sector, rising land prices. Developers alone have the expertise to build projects. However, the state needs to subsidize the operation (through the state counterpayment) so that housing prices can be “artificially lowered in a way to become eligible for provision of subsidized federal housing mortgages.” If the concessionaire passes all production costs to homebuyers, products will be too expensive so the state provides a subsidy in the form of counterpayments. Families are subsidized by the federal government through subsidized mortgages and by the state through state counterpayments. Through payment for service provision (i.e., the state counterpayment), the state pays to the concessionaire the difference between production price and the set rate for affordable housing development according to federal guidelines, since the production of these units goes beyond the rates allowed due to land price. However, that the state offers counterpayment to the private sector in exchange for the purchasing of land does not make sense when the land provided is public. In this case the state is actually compensating the private developer for construction cost, in a way that is also very obscure, since agreements are made outside of the public realm. Moreover, small-scale housing development does not require necessarily massive amounts of capital, but large-scale projects such as Casa Paulista do. Thus the model creates a dependency on financial capital that is due to the size of individual projects, not to an increase in the production of affordable housing provision per se.

### Privatizing Planning while Socializing Risk

The PPP Casa Paulista was built on the idea of economic efficiency (Chapter 3). Due to the prevalence of land vacancy in central São Paulo, and land price in the area being relatively lower than other areas of the expanded center, it was considered more efficient to provide affordable housing in the area, instead than in the city’s periphery as it had been traditionally done.<sup>186</sup> Social inclusion, it was assumed, would follow naturally, through provision of high

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<sup>186</sup> This outcome, namely, increased accessibility of centrally located affordable housing can, however, be reversed if subsidized units are commercialized at market value once mortgage contracts are paid off.

quality urban design that enabled greater proximity and exchange between different income classes, and the trickle down of financial revenues that would occur in the area as result of urban transformation and economic integration. Casa Paulista's original terms of reference acknowledged that pressure for growth in the city center was a threat to affordable housing. However, undergirding the PPP model was a strong ideology, which has been constructed in the last twenty years, that bureaucratic state institutions and outdated land-use laws were the main barriers for establishment of an efficient and competitive urban market in the central city area. It was assumed that by granting more flexibility to developers, real estate would expand in the area, increasing the housing supply and moving the local economy. This approach reflects a paradigm for urban development that has been characterized as "city as a business" (Carlos, Volochko, and Alvarez 2015) and which stands in contrast with the understanding of right to the city as appropriation of the urban space and the processes associated with such production.

As theorized by Walker (2015), to implement its own project the state engages in a (long term) process of conflating urban policy designed to move towards the right to the city ideal. In the case she described, it was through conflating the goals of Participatory Budgeting. In this case, it is by strategically approaching ZEIS 3 perimeters, selectively addressing the aspects of the regulation that support the state's goals of attracting private developers to take a leading role in housing provision in the city center (i.e., that these areas represent development opportunities, that property can be development above limits without payment of onerous grant of the right to build). Then, by limiting social control, the debate over affordable housing provision can more easily turn (back) into a platform where the public and private sector deliberate over the best ways to finance a private system. As Dias' statement reveals, the logic of Casa Paulista is turned into one of 'identifying sites where previously defined interests of the state and the private sectors can be addressed,' rather than, 'addressing the local needs that are revealed in everyday living.' At the core of this approach is that the state is unwilling to put forward a model where local residents deliberate over land use and urban transformation in São Paulo's historic downtown, one of the city's new expansion fronts for the real estate sector. Problematic to this state is that part of these residents include occupiers of vacant property, who exercise transgressive citizenship and are able to "redirect the finger of blame and apportion criminality to the state" for not delivering housing solutions, and in this way "create a new relationship between state and society" (Earle 2013, 125). Hence, to invest in participatory processes of

housing production in the city center at scale is to give in to the idea that other models of urban production process, not contingent upon private profit, are possible.

Approval of legislation, such as the City Statute, and consolidation of the idea that the city and property must fulfill a social function in Brazil results from popular pressure, of a citizenship that rose through struggle, most particularly, around the construction of their own neighborhoods and their living environment. A disconnect is evident in the discourse of public and private property developers about the requirements of ‘the city,’ and the possible role of the population that live in it from being part of ‘a solution,’ and how the population that lives in the city sees it and practices it every day, through insurgency and entrenchment. Analyzing the discourse of Casa Paulista’s proponents, it is also noticeable how the state and private agents mystify the population that will acquire the housing units to be produced by the PPP Casa Paulista. When speaking of the program, state and private agents refer to a population that lives far away (in peripheral areas) and works downtown (in formal employments as required by the program) and will benefit from living closer to their job. When speaking of the need for private developers to manage the housing projects and providing assistance to the “population that will live in the apartments,” this group is referred to as unable and deprived. Who are these actually existing families that work and want to live in downtown and need affordable housing? How do they currently live? What are their specific needs? These are questions that the program did not address directly. Thus if the principle of the right to the city is to promote land uses where property and the city fulfill a social function, through public participation in planning and implementation decisions, to move away from it is to suppress social participation in decisions around public provision systems so that the primacy of the market is not questioned; instead, it is taken as a given, and the subordination of social function to private profit follows. This is a perverse effect that can be observed in the PPP Casa Paulista.

## Chapter 6. PPPs and Housing Provision Through Real Estate Development

Since return to democracy in late 1980's, urban and housing reform were gradually enacted in Brazil to address, if not overcome, a legacy of social and geographical unevenness reinforced during modernization. With particular regard to housing, the aim was to enable greater flexibility, decentralization and diversity (Bonduki 2008), as well as to improve distribution of national housing funds to the population of lowest income (Eloy 2013). In spite of a progressive regulatory framework, housing financing was subsequently concentrated in a single program, PMCMV, which has become, effectively, the country's new housing policy. This phenomenon reflects the gradual adoption in the country of urban space production 'as a business,' a dynamic that is associated to the evolution of finance-led neoliberalism worldwide. In Brazil, it is associated with the progressive transition, since modernization based on state-led import industrialization, to neoliberalism, and its inflection – neodevelopmentalism – which collapsed after 2015. Neoliberalism prioritized development of the finance industry while at the same time facilitating dismantling of national production systems built during ISI (Saad Filho 2012, 23). Particularly through financial austerity and lack of coordination in housing policy, this regime is associated with deepening the country's urban and housing crisis (Bonduki 2008, Maricato 2001). Neodevelopmentalism was based on the premise that (strong) state and markets could work in complementarity towards a development model that addressed the State's goal of protecting the public interest and collective welfare at the domestic level, while also enabling private sector agents to realize profit through international competition (Sicsú, Paula, and Michel 2007). In fact, the regime juxtaposed neoliberal and neodevelopmentalist policy, maintaining, in particular, "central bank policy largely unaffected by policy change, [except for temporary accommodation to] government's coordinated countercyclical policies implemented in the aftermath of the global financial crisis" (Morais and Saad-Filho 2012, 792). Such a juxtaposition marked federal housing policy during the regime, with PMCMV prioritizing housing assistance to the populations of lowest income (i.e., in the zero to three MMW income bracket), however maintaining a conservative approach to FGTS' disbursements to housing programs for this income bracket (Eloy 2013), and prioritizing expansion of the private, low and middle income housing industry (Shimbo 2010).

It had been predicted that delivery, in Brazil, of fast and massive housing credit at a time of economic expansion (i.e., during the 2005 – 2015 neodevelopmentalism period), into regions

that were long disinvested due to debt crisis followed by national policy of financial austerity, could lead to a real estate boom, pushing up land prices and placing a new burden on systems of affordable housing provision and the populations that demanded these (Bonduki 2008). PMCMV also represented a recentering of housing policy, with concentration of political and economic power among the state, public and private financial institutions, and the large scale private infrastructure and property development sectors.

Following PMCMV, the Casa Paulista PPP unfolds in a scenario of political and economic crisis marked by the collapse of neodevelopmentalism and removal of President Dilma Rousseff through an impeachment on August 31, 2016. The dwindling of federal housing funds did not result in private developers taking over housing provision, but rather, a decrease in the volume of the program and disposition of public land, with the state taking over responsibility for land assembly. Political and economic change, with housing developers experiencing a decrease in their annual production, did not alter the views of the state and private PPP designers regarding scale of housing provision in the central city. This view continued to be associated to large scale, bundled interventions. This is a provision model with which a limited pool of ‘players’ can engage, and which tends to marginalize community groups; local residents and organized housing movements.

As I have described in this study, the PPP Casa Paulista employs public resources to facilitate large-scale real estate development projects that are predominantly low and middle income residential in the short term, but that do not guarantee housing affordability in the long term. The PPP is based on long-term debt financing and disposition of public land without clear notification to, and consent by, the society as a whole. As such the PPP does not represent a model that moves towards the right to the city ideal, rather it facilitates a shifting back towards a model of state that prioritizes business interests over collective welfare.

### **Implications for Theory and Practice**

PPPs can be generally described as collaborations between public and private agents. In the case of Casa Paulista, based on São Paulo State PPP Law 11,688/2004, the goal of this collaboration is quite narrow, namely, to leverage private capital to finance large-scale real estate developments that are predominantly residential. However, with public resources counting for 70 percent of the SPE’s capital structure, the model is not able to leverage private capital at a

significant rate. The model is not adequate, particularly in the central area of the city of São Paulo. Small lots characterize the land structure of downtown São Paulo – as with the central districts of most Brazilian cities. Interventions based on retrofitting could adapt the existing structures to new residential uses while causing limited impact. In contrast, land assembly for large-scale real estate projects, as promoted through the PPP often require demolition, which in turn leads to eviction. Finally, the bundling of housing and infrastructure contracts restricts partnership with a small number of large-scale infrastructure contractors in Brazil. While these players can exert significant control over the modeling, there is a lack of knowledge about the local environment. As inherently large-scale property development operations, PPPs such as Casa Paulista become high-cost real estate developments driven by non-local players, with poor systems of accountability and for which the production of affordable housing is restricted. Housing provision is not only turned into a business, but also a ‘risky business’ (Hodge 2004).

Because of its focus on the provision system (Raco 2014), the Casa Paulista PPP does not address the needs and characteristics of São Paulo’s downtown environment. This is a ‘popularized’ area (Kara-José 2010), where a population ranging from low to low-middle class benefits from affordable rents and business activities. Moreover, a specific population whose livelihood depends on their central location, and which experiences a high level of vulnerability in order to maintain such central location, can indeed be evicted to peripheral areas of the city because of a project such as Casa Paulista. The understanding that the Casa Paulista PPP does not address the population living in the city center and in need of affordable housing, but rather, *the built environment*, is critical. Similar PPPs are being reproduced in the state, and are likely to expand to the country. By producing large-scale real estate developments with low income units that can be converted into market rate units upon payment of the contract, the state is not addressing affordable housing needs but rather engaging in the business of real estate development.

I argue in this analysis that the national goal with regard to the provision of affordable housing is to establish systems that reflect the diversity of already existing local solutions. Through the Casa Paulista PPP and the PPPs following from it is likely that such goal will not be addressed. A reflection of that is that the State Government of São Paulo and the Municipal Government did not properly adopt local land use legislation that is better suited to address central São Paulo’s local environment and ‘real estate system’ (Theurillat et al 2014). The PDE



2014, particularly, with its tools to sanction speculative land use, offer such a framework; however these are not being utilized in Casa Paulista. If PPPs are to stay as strategic place-based and housing development mechanisms, these tools must be employed so that populations already living in centrally located buildings can upgrade and regularize their situation. The scale and scope of contracts must diminish, including with relation to the length of repayment from the state to the private sector. Public land, as well as the stock of affordable housing produced through the PPP, must remain public. This is in fact the ‘spirit of the PPP law’, to have public and private agents collaborating for the provision of a societal goal. In contrast, with full privatization of housing at project completion, there are limited public benefits resulting from this program.

This research also identifies a tendency in Casa Paulista for developments to decrease the volume of subsidized affordable housing (HIS) in relation to market affordable housing (HMP), in an attempt to increase revenue for individual projects. This is ‘justifiable’ within the PPP framework, as revenues from the program can theoretically assist with the funding of future programs. However this idea that current projects can help subsidize future developments is fragile as it is subject to electoral change and political ideology. Therefore, in the short term, Casa Paulista’s housing provision model tends to widen the gap between the product that the state subsidizes and actually existing demand for affordable housing, which is concentrated in the lowest income brackets, those with earnings between zero and three monthly minimum wages. This is not a problem exclusive to Brazil, indeed internationally, the re-investment of private profit resulting from real estate operations and for the purpose of promoting developments perceived as less profitable is hard to occur.

### **Study Limitations and Questions for Further Research**

Focus on a single case study prevents broad generalizations. I sought to address this limitation by looking at the evolution of the Casa Paulista model, from the original call for manifestation of private interest issued in 2012 to the first contract signed in 2015. Looking at recent developments, although not as deeply as I did with the analysis of the model, increased the possibility of generalizing findings. Single focus on the Casa Paulista PPP also aimed for deep understanding of a housing PPP model as it was first proposed in Brazil, in this sense the case is paradigmatic.

A characteristic of this research is that focus on an on-going process poses a challenge for full understanding of the case, and my ability as a researcher to separate actual phenomenon from the local context. However this analysis of development ‘as it is happening’ also offers important contributions, in particular, to register the negotiations and arrangements that occur through the evolution of urban models. In this particular case, I was able to identify how the local real estate industry perceives the PPP model as representing a high risk to the sector.

The timing of this research did not allow for thorough analysis of Casa Paulista’s actual provision. Likewise, it was not possible to evaluate the financial implications of the PPP model, as compared to housing projects developed through traditional contracts. It is important that further research verifies project costs, how they vary in PPP contracts as compared to traditional contracts, and for which specific elements; moreover, it is important to verify how transparent are housing provision processes occurring through PPPs. It was my experience that, once project development procedures were transferred to the SPE managing the PPP, information was more difficult to gather (i.e., it was more difficult to schedule interviews with representatives of Canopus than state and municipal representatives, and these public sector representatives were not willing to share information regarding project funding and cost as these were under the management of Canopus). It is important that future research is also aware of the level of information that is made available due to the transition of project management to SPEs. Finally, the analysis of urban space production processes is inherently local, and conducting such a research from afar was a challenging exercise. I addressed this challenge by relying on in-depth interviews (Weiss 1994), and by remaining connected with interviewees during the many field trips I did.

From the perspective of research, it is important that housing PPPs continue to be scrutinized. The first two projects developed for the first Casa Paulista contract were of small scale – in fact better fitted to the actually existing environment of the downtown area, although developed at unnecessarily high costs, complexity and opacity because of their association with a PPP contract. The third project, the Julio Prestes site is reflective of the original goals of the PPP. The project encompasses the innovative features that were associated with Casa Paulista in the first place, involving a mixture of uses and income levels. The municipal school of music sits in the middle of the project site, as proof and iconic symbol that the model can simultaneously produce social and economic value. It is very likely that the Julio Prestes project will lead to the

appearance of similar projects in the surroundings, facilitated through the support of the municipal government. Further research should investigate the new PPP models being put forward, seeking to understand how these differ from Casa Paulista and identifying what model of production is being proposed, what transformations happen during the modeling stage, what type of production actually occurs, and how it is funded.

It is also necessary to understand the particularities of the new models unfolding from the first PPP. How are small level players relating to these new models? Are there new vehicles of social participation, and what are those? In particular, how do PPPs approach already existing vehicles of social participation, specifically, the municipal and state housing councils? How is the Municipal Government approaching the State Government's actual role as a manager of the territory? Is this occurring in an ad hoc manner, away from the local land use rules or are the state level PPPs being scrutinized at the municipal level? What municipal agencies are involved in this coordination and what are the outcomes? What are the effects of this model for Brazil's Federalism? These are issues that must be further understood, even more so if "PPPs came to stay" as a developer put it.

## Closing Thoughts

PPPs are increasingly adopted worldwide as a way to facilitate provision of infrastructure and services. This happens while such systems and their provision are reframed, from public goods and services to urban markets. Support for PPP-like mechanisms is broad and across political ideologies, however, national rules can be quite narrow as is the case with federal and state PPP law in Brazil, which currently associate PPPs to concession agreements for infrastructure development and it is, consequently, biased towards large scale contract arrangements with infrastructure contractors. These are nuances that international agencies supporting the expansion of PPPs must be aware of.

As a program dedicated to affordable housing provision, the PPP Casa Paulista generates a model that I have qualified as 'unfit' for the city center; it does not address the actually existing housing needs and it demands large-scale intervention and associated demolitions, evictions, as well as long term indebtedness. Moreover, the program does not allow for an incremental adaptation of the already existing building structures, which is an approach that has historically been considered more likely to enable local populations to remain and continue to appropriate

the transformation of the city center, as well as the rest of the city (Bonduki 2008, José 2010, Silva and Sigolo 2007). This critical evaluation of Casa Paulista as ‘unfit,’ is significant, considering that the State Government of São Paulo, through its housing department, is quite invested in the model, with new PPPs currently being launched in the central city and in the São Paulo metropolitan region.

Finally, this study shows the limits to progressive urban policy agendas in a context of advancing finance-led neoliberalism, a central issue to the literature on right to the city and insurgent citizenship in Brazil and internationally. This study corroborates the argument of other recent analysis in Brazil indicating that states are able to conflate the goals of urban policy developed so that property and the city can fulfill a social function (Walker 2015) and implement infrastructure projects that can actually result in a ‘erosion of rights’ (Freitas 2017). These findings, which are based on empirical evaluation of recent or on-going developments, are crucial to the international literature, and to practitioners defending a universalizing approach to the right to the city that does not consider the intrinsic connection between the original formulations of this term and social struggle (Purcell 2014). At the heart in this debate is whether the political and economic agents acting upon the urban environment perceive developments as addressing structural inequalities, or as enhancing economic integration and competition, as the ‘mainstream’ discourse on the right to the city suggest.

During the first decade of the 21<sup>st</sup> century, the idea prevailed among international development agencies that (‘pro-poor’) urban policy focused on populations of very low income, based on expansionary, mass scale, debt-financed production, would enable urban transformation towards more inclusive cities. Reports overemphasized a need for institutional reform and coordination, while not directly addressing the relationship between individual property right protection and persistent unevenness (i.e., Un-habitat 2010b). In the housing sector specifically, funding was directed towards large scale models that did not alter and in fact enhanced the role of public and private development and finance agents on urban production, as exemplified with PMCMV. Meanwhile, outcomes from these developments are revealing that long fought goals of progressive policy and urban rights are being eroded as, in setting up large scale, integrated systems based on land privatization, these public and private elite groups are able to concentrate decision making authority, financing and wealth, particularly land.

## **Appendix A. Recruiting, Interview Consent and Protocol Forms Approved by the Institutional Review Board**

### **Recruiting Materials:**

1. Template e-mail to government officials, officers at investment organizations and financial agencies, urban experts, real estate developers and social movement representatives involved in the affordable housing sector in São Paulo in general and Casa Paulista PPP in particular.

Dear \_\_\_\_\_,

My name is Priscila Izar and I am a PhD candidate in Urban Affairs and Planning from Virginia Tech University. I am conducting research about the Casa Paulista Program in São Paulo. I am interested in understanding how does Casa Paulista relate to São Paulo's affordable housing issues, and what were the motivations related to the transformations that occurred in this policy over its two-year design period. Based on your work associated to affordable housing and Casa Paulista, I would like to talk to you about your perception on these issues. I may also ask that you name other individuals that I should interview.

This study is part of my doctoral research work, which draws on the case study analysis of Casa Paulista in order to explore the relationships between contemporary urban and economic development policy, finance capital, the real estate sector and social actors, and how these affect contemporary models of urban planning and finance.

If you need any clarification regarding this request, please do not hesitate in contacting me.

I appreciate your time and consideration and look forward to hearing from you.

Best regards,

Priscila Izar

Ph.D. Candidate

Virginia Tech

## 2. Template guidelines for scheduling an interview with neighborhood resident

- I. Have public official or NGO representative explain to resident, when first contacting them, that investigator (Priscila Izar) is working on a study about the PPP Casa Paulista, which seeks to understand the limits and opportunities of this program in addressing the issue of affordable housing in São Paulo. This study will contribute to the investigator's on-going doctoral research work.
- II. Have the public official or NGO representative invite resident to participate on the interview; explain that the time commitment is of 45 minutes; that the interview is voluntary and confidential, and; that participant must be 18 years or older.
- III. Have a public official or NGO representative explain to resident that I will be contacting him.
- IV. Perform initial contact with resident; explain once more the purpose of the study and inquiry about his interest in participating on an interview.
  - a. If answer is negative, ask if resident would agree to indicate another neighbor
    - i. If answer is negative, accept and assure resident that he or she will not be contacted again.
    - ii. If answer is positive, take notes of name and contact information, thank resident and assure that he or she will not be contacted again.
    - iii. Call new contact and repeat procedure.
  - b. If answer is positive, discuss with residents about interview consent and procedures (see i and ii below), and schedule a later date (one or two days later) for an interview.
    - i. Tell resident about the consent process and consent form. Explain that consent for will be presented to him prior to the conversation in case of a phone interview, and at the moment of the conversation in case of the in-person interview. In both cases, I will seek for a verbal consent prior to the start of the interview.
    - ii. Tell resident about the interview process: that it will take about 45 minutes and that he or she can interrupt it at any time. The interview will be recorded if the interviewee grants his permission. Schedule an interview

date that is convenient to interviewee, about one or two days after this initial contact, if possible.

### 3. Template guidelines CI's identification during public meetings

I expect to attend small public meetings (i.e., up to twenty participants) and large public meetings (i.e., more than fifty participants) as an investigator for this project.

When attending small meetings, I will say my name, affiliation and the purpose of my presence at the meeting. I will also ask for verbal consent to record the meeting. The consent scrip will be as follows:

“My name s Priscila Izar, I am originally from São Paulo city and currently a doctoral candidate in Urban Affairs and Planning at Virginia Tech University, in the United States. I am studying the Casa Paulista PPP in order to understand how new mechanisms for affordable housing provision that count on greater private sector participation are being implemented in São Paulo and Brazil. Great part of my research is based on data from interviews and public meetings such as this one. If no one here opposes to it, I would like to record this meeting so that I can have a full record of the issues that will be discussed today. Am I authorized to record the meeting? [I will wait for a positive or negative answer and act accordingly] Thank you.”

For public meetings that are too large (e.g., over fifty participants) I would like to request a waiver of consent so that consent is not required to record the meeting. When using the recorded materials from these large public meetings I will not reveal the identity of the participants.

## **Informed Consent**

### **I. Purpose of this Research/Project**

This study seeks to understand how the public private partnership (PPP) mechanism is being adapted to the affordable housing sector in Brazil and São Paulo in particular, as well as to investigate challenges and opportunities related to this mechanism. It does so through the case study analysis of a PPP for affordable housing and urban regeneration in the central region of the city of São Paulo, Brazil: the Casa Paulista Program, the first of its kind in Brazil.

### **II. Procedures**

Through an interview of about forty-five minutes, you will be asked to discuss about your experience working in the affordable housing sector in São Paulo. In addition, you will be asked about your views on the Casa Paulista PPP. If applicable, you will also be asked about your direct or indirect participation on the setting up of the Casa Paulista Program. Written notes about your answers will be taken during the interview. Upon your verbal consent, this interview will also be recorded. The researcher might contact you again for a follow up interview.

### **III. Risks**

If you so wish, you may refuse to answer any of the questions posed to you. You may also interrupt the interview and leave at any time.

### **IV. Benefits**

This research will inform doctoral research work that aims at contributing to the further understanding about the scope and limitations of the PPP instrument when applied to the affordable housing sector in the context of São Paulo and Brazil. The researcher has made you no promises in exchange for your participation in this study. Upon your request, the researcher will present you the results of this investigation in and around May 2016.

### **V. Extent of Anonymity and Confidentiality**

At no time will the researchers release the results of the study to anyone other than individuals



working on the project without your written consent. Your name will not appear in the final paper unless you authorize the researcher to do so. If necessary, a false name will be used to protect your identity. Interview records will be destroyed three years after this project is completed.

## **VI. Compensation**

There will be no compensation for your participation in this project.

## **VII. Freedom to Withdraw**

Please feel free to withdraw from the study at any time.

## **VIII. Subject's Responsibilities**

I voluntarily agree to participate in this study. I have the following responsibilities:

- Verbally consent to be interviewed at the beginning of this interview.
- Remain physically present or stay on the phone-line during the duration of this interview unless I decide to withdraw from it.

Should I have any pertinent questions about this research or its conduct, and research subjects' rights, and whom to contact in the event of a research-related injury to the subject, I may contact:

Priscila Izar (+001-703) 862-6806, [izarpris@vt.edu](mailto:izarpris@vt.edu)

Investigator

Giselle Datz (+001-703) 706-8112, [gdatz@vt.edu](mailto:gdatz@vt.edu)

Faculty Co-advisor

Should you have any questions or concerns about the study's conduct or your rights as a research subject, or need to report a research-related injury or event, you may contact the VT IRB Chair, Dr. David M. Moore at [moored@vt.edu](mailto:moored@vt.edu) or (540) 231-4991.

**Questionnaire A.** Directed to government officials except those directly related to Casa Paulista's implementation

**I. Individual or organization's background**

1. Please tell me about your organization. When was it created? What are its mission and goals?
2. Is your organization involved in urban development and/or affordable housing in São Paulo? How so?

**II. Urban development and housing affordability in São Paulo's downtown region**

3. What is your perception of the affordable housing issue in São Paulo as a whole? What are the major challenges and opportunities related to this sector today?
4. What about the downtown area? What are, in your opinion, the major obstacles and opportunities related to development of an affordable housing market in São Paulo's central districts? Is there a particular area within the downtown region that you would like to highlight?

**III. Intentions, resources and expectations in relation to Casa Paulista**

5. Are there specific ways in which your organization is invested in Casa Paulista? How so?
  - a. Participation in design, at any stage? If so, please describe
  - b. Participation in funding, at any stage? If so, please describe
  - c. Participation in "implementation," at any stage? If so, please describe
6. How do you or your organization see the PPP Casa Paulista (i.e., what are the most important characteristics of this program, what are opportunities and challenges)?
7. In your view, are there risks associated with Casa Paulista? If so, what risks?
8. How do you see Casa Paulista in comparison to other programs? Is it different, the same and in which ways?

**Questionnaire B.** Directed to government officials directly involved in Casa Paulista

**I. Urban development and housing affordability in São Paulo's downtown region**

1. What is your perception of the affordable housing issue in São Paulo as a whole? What are the major challenges and opportunities related to this sector today?

2. What about the downtown area? What are, in your opinion, the major obstacles and opportunities related to development of an affordable housing market in São Paulo's central districts? Is there a particular area within the downtown region that you would like to highlight?

## **II. Casa Paulista's operation and mechanisms**

3. Could you tell me about the creation of Casa Paulista? How is it different from other housing programs?
4. What are Casa Paulista Agency's funding sources? How do they work?
5. Where does Casa Paulista SPE fit within Casa Paulista Agency's structure?
6. Who participates in Casa Paulista's SPE? What are their roles?
7. What are Casa Paulista SPE funding sources? How do they work?
8. Can Casa Paulista SPE operate in the financial market? How so?
9. Is Casa Paulista SPE likely to operate in the financial market? Why?
10. In your opinion, what are Casa Paulista's most important aspects? Opportunities?
11. In your view, are there risks associated with Casa Paulista? If so, what risks?

## **II. The Casa Paulista Barra Funda Project**

12. What is the current state of Casa Paulista's project in the district of Barra Funda?
13. What is the business model for Casa Paulista-Barra Funda? What are the funding sources?
14. How was the process of land allocation? How was it financed?
15. What is the project's specific location?
16. What will be the criteria for selecting Casa Paulista's beneficiaries?
17. What are the sources of funding available to Casa Paulista's housing buyers?
18. What are the plans for development of the commercial units?
19. What are the funding sources for the commercial units?
20. What are the long term management plans for the residential and commercial units?

**Questionnaire C.** Directed to Canopus Holding directors, private developer company involved in the Casa Paulista PPP

## **I. Individual or organization's background**

1. Please tell me about Canopus' history from foundation to present.

## **II. Canopus' entry in affordable housing market**

2. When did Canopus enter the affordable housing market? What specific events led to this decision?
3. What about the partnership with IFC? How did it affect Canopus' operations?
4. What does the affordable housing market represent to Canopus today?

## **II. Canopus approach to housing affordability in São Paulo/ downtown region**

3. What is your perception of São Paulo's housing sector (market rate and affordable)?  
What are the major challenges and opportunities related to this sector today?
4. What about the downtown region specifically? What are, in your opinion, the major obstacles and opportunities related to housing provision in the region?

## **III. Partnership with Casa Paulista**

5. What attracted Canopus Holding to become a partner in the Casa Paulista Program?
6. What is Casa Paulista's finance model and funding sources?
7. What is Canopus' role in the Casa Paulista SPE?
8. In your view, are there benefits associated to Casa Paulista (in comparison to other housing projects)? If so, what benefits?
9. In your view, are there potential risks associated with Casa Paulista? If so, what risks?

## **IV. The Casa Paulista Barra Funda Project**

10. In developing Canopus proposal, what were the criteria for selecting the Barra Funda district over other Casa Paulista districts?
11. Can you tell me about Casa Paulista's economic and financial plan?
12. What were the criteria for selection of Casa Paulista's specific location and land?
13. What will be the criteria for selecting Casa Paulista's beneficiaries?
14. How will affordable, market housing and commercial units be combined in the project?
15. What are the long term plans for management of the affordable housing portfolio?
16. What are the long term plans for the commercial units?
17. What is Canopus Holding capital share in Casa Paulista? What type of capital is it?

18. How does Canopus seek to recover its investment?

**Questionnaire D. Directed to Developers**

**I. Individual or organization's background**

1. How are you (or the group that you represent) involved in the housing sector in São Paulo? Tell me about your history (or the history of your organization, agency, or program).

**II. Housing development in São Paulo/ downtown region**

2. What is your perception of the housing market in São Paulo? What are the major challenges and opportunities related to this sector today?
3. What about the downtown region specifically? What are, in your opinion, the major obstacles and opportunities related to housing in the region? Is there a particular area within the downtown region that you would like to highlight?
4. What about the affordable housing sector?
5. Are you aware of Casa Paulista PPP?

**III. Perceptions on Casa Paulista: appearance and effects (if relevant)**

6. For you, what were the main factors leading to a policy such as Casa Paulista at this time for São Paulo's central region?
7. How is Casa Paulista different from other housing programs?
8. Does Casa Paulista affect your business plans? How so?
9. In your view, are there benefits associated to Casa Paulista? If so, what benefits?
10. In your view, are there potential risks associated with Casa Paulista? If so, what risks?

**Questionnaire E. Directed to Community and Social Housing Movement Representatives**

**I. Individual or organization's background**

1. How are you (or the group that you represent) involved in the affordable housing sector in São Paulo? Tell me about your history (or the history of your organization, agency, or program).

## **II. Housing affordability in São Paulo/ downtown region**

2. What is your perception of the affordable housing issue in São Paulo? What are the major challenges and opportunities related to this sector today?
3. What about the downtown region specifically? What are, in your opinion, the major obstacles and opportunities related to affordable housing in the region? Is there a particular area within the downtown region that you would like to highlight?
4. How do you or your organization usually address these challenges?

## **III. Perceptions on Casa Paulista: appearance and effects**

5. For you, what were the main factors leading to a policy such as Casa Paulista at this time for São Paulo's central region?
6. How is Casa Paulista different from other housing programs?
7. Does Casa Paulista have an effect on your organization's plans related to affordable housing in the central region?
8. In your view, are there benefits associated to Casa Paulista? If so, what benefits?
9. In your view, are there potential risks associated with Casa Paulista? If so, what risks?

## Appendix B. List of Participants

	Participant	Role	Date (Month/Year)
Informational Interviews			
1	Reinaldo Iapequino	Executive Director, Casa Paulista Social Housing Agency, São Paulo State Government	August 2013
2	Antônio Marcio Costa	Advisor, Casa Paulista Social Housing Agency, São Paulo State Government	August 2013
3	Philip Yang	Founding Director, URBEM - Instituto de Urbanismo e Estudos para a Metrópole	August 2013
4	Homero Neves da Silva	Director, PPP Specialist, URBEM	August 2013
5	Milton Braga	Director, Architect, URBEM ; Partner at MMBB Architects Ltda	August 2013
6	Ana Claudia Rosbach	Housing Specialist Consultant for URBEM's PPP model, Advisor Cities Alliance,	August 2013
In Depth Interviews			
7	Reinaldo Iapequino	Executive Director, Casa Paulista Social Housing Agency, São Paulo State Government	December 2014
8	Antônio Marcio Costa	Advisor, Casa Paulista Social Housing Agency, São Paulo State Government	December 2015
9	Ademir Marin	Advisor, Casa Paulista Social Housing Agency, São Paulo State Government	May 2015, August 2015
10	Marcos Penido	President, Housing and Urban Development Company (CDHU), São Paulo State Government	August 2015
11	José Floriano de Azevedo Marques Neto	Municipal Housing Secretary, Housing Department, São Paulo Municipal Government	June and July 2015
12	Renata Milanesi	Municipal Housing Company (COHAB), São Paulo Municipal Government	Dec 2014, August 2015
13	Marcia Terlizi	Technical Advisor, Housing Department, São Paulo Municipal Government	July 2015
14	Andre Kwak	Advisor, Department of Government, São Paulo Municipal Government	August 2015
15	Gustavo Partezani	Executive Design Officer, SP Urbanismo, São Paulo Municipal Government	August 2015
16	João Abukater Neto	President, Housing Company (COHAB), São Paulo Municipal Government	December 2014
17	Carolina Heldt D'Almeida	Chief Research Advisor, Urban Development Department, São Paulo Municipal Government	December 2014
18	Tais Jamra Tsukumo	Research Advisor, Urban Development Department, São Paulo Municipal Government	December 2014

19	Higor Rafael Caarvalho	Advisor for Urban Policy, Metropolitan and Environment Issues, São Paulo City Council	December 2014
20	Celso Santos Carvalho	Advisor, Department of Government, São Paulo Municipal Government	May 2015
21	Anonimous Informant #1	São Paulo Municipal Government	August 2015
22	Anonimous Informant #2	São Paulo Municipal Government	October 2015
23	Anonimous Informant #3	Development Company	August 2015
24	Marilia Campos (false name )	Community Representative, Frente de Luta Pela Moradia (FLM)	December 2014
25	Carmem Ferreira da Silva	Community Leader, Frente de Luta Pela Moradia (FLM)	August 2015
26	Luiz Kohara	Gaspar Garcia Human Rights Center	December 2014
27	Ely Biasoli Dias	Director of Real Estate Development, Canopus Construções e Incorporações SA (Canopus Holding)	June and July 2015
28	Milton Braga	Director, URBEM ; Partner at MMBB Architects Ltda	July 2015
29	Homero Neves	Director, PPP Specialist, URBEM - Instituto de Urbanismo e Estudos para a Metrópole	July 2015
30	José Armênio de Brito Cruz	Founding Partner, Piratininga Architects Associated	August 2015
31	Rafael Vanzella	Partner at Machado, Meyer, Sendacz e Opice Advogados	July 2015
32	Celso Luiz Petrucci	Director, Economy Department, State of São Paulo Real Estate Union (SECOVI-SP)	August 2015
33	Eduardo Della Manna	Executive Coordinator, Legal Affairs and Metro Develop, SECOVI-SP	December 2014
34	Hamilton Leite	Vice President Latin America Real Estate Society (LARES), Vice-Dean at SECOVI University	August 2015
35	Abelardo Campoy Diaz	Director, SECOVI-SP	August 2015
36	Mauro Esteves	Managing Director, Karvas Investing S/A, SECOVI Associate	August 2015
37	Carlos Eduardo Moura Pedersolli	New Business Manager, Brookfield Empreendimentos Imobiliários S.A	July 2015
38	Ronaldo Cury de Capua	Director, Cury Construction Company/ Director for Market Affordable Housing, Secovi	July 2015



39	Eduardo Ferreira Lafraia	Director, Sebel Engeneering, Ltda, Secovi Associate	July 2015
40	Mario Lamberti Junior	Director, Engelux Real Estate Development	August 2015
41	Alcides Alves dos Santos Junior	Director, Kallas Engeneering Ltda.	August 2015
42	Nicolau Sarquis	Director, Kallas Engeneering Ltda.	August 2015
43	Joseph W. Williams	International Real Estate Investment Specialist	December 2014

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