Private–public partnership, the compact city, and social housing: best practice for whom?

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The *Casa Propia* (Own Home) programme of the Buenos Aires City Government (BACG) is an innovative if controversial case of public–private financing of social housing. The programme aims to encourage the private sector to build housing on private land for sale to low-income buyers, who receive 'soft' credits from the state. The *Casa Propia* experience suggests that, in Argentina, the absence of consolidated *redes de contención social* (social contingency networks) has resulted in a housing programme that emphasises financial viability over social and environmental concerns.[1] Negative social and environmental impacts arise from this neglect.

Buenos Aires and its social housing production

The 12 million residents of the Greater Buenos Aires metropolitan region account for 40 per cent of Argentina's population. In the densely populated city of Buenos Aires, home to three million of the metropolitan area's residents, approximately 15 per cent of the population is in need of housing. Of these, some 51 per cent are low-income households (average monthly incomes below US$1000), 34 per cent lower-middle-income households (monthly incomes between US$1000 and US$2000), and 15 per cent middle-income households (monthly incomes between US$2000 and US$3000) (Gobierno de la Ciudad de Buenos Aires 1998).

In response to a severe shortage of land available for public (social) housing, the local government decided to increase population densities in selected areas and new regulations permitting the construction of high-rise buildings have been adopted to facilitate this. The approach being applied to such zones is generating a process of rapid urban renewal, resulting in the more 'compact city' sought by planners. Public or low-income housing schemes have been developed to further this aim. Prominent among them is the *Casa Propia* programme.

Casa Propia: the search for a sustainable housing policy

Casa Propia was the brainchild of Fernando De la Rúa, formerly president of the Republic of Argentina, while he was Head of the Autonomous Government of Buenos Aires in 1996. At that time he established the *Casa Propia* programme with the idea of improving the levels of efficiency and transparency in the management of public funds for social housing, while promoting development in a low-density sector in the southern region of Buenos Aires where land costs had been relatively low. Although created independently of the Municipal Commission for Social Housing (*Comisión Municipal de la Vivienda*, or CMV), the traditional developer and manager of the city's social housing, *Casa Propia* has been integrated into the CMV. From a social housing perspective, however, the two programmes have yet to be integrated. This article describes why this has been difficult to achieve.

The hypothesis of *Casa Propia* is that social housing provided through the market tends to be sustainable and to enhance the conditions of the private market. Private capital and land may thus benefit efforts to implement public policy, and enhance the choices for 'buyers' in the housing market. At the same time, efforts by the BACG to increase densities within the city – which may be perceived as contributing to 'ecological sustainability' – generate a set of competitive advantages for real estate investors. Among these is the possibility of offering lower prices and attracting lower-income buyers into the market. *Casa Propia* proposes that the financial sustainability of the programme be complemented by social and environmental sustainability, by including the lower-income brackets and renewing degraded areas at the same time.

Casa Propia as an example of 'best practice'

As initially proposed, *Casa Propia* was designed to provide subsidised housing to low-income groups through a range of innovative mechanisms and approaches to urban development. The programme drew its inspiration for financing from the World Bank, which in a special mission to the city, urged the local government to develop *Casa Propia* as a model of public–private partnership in order to achieve financial sustainability of a social housing programme. Other principles for best practices in housing, such as those promoted by the United Nations Centre for Human Settlements (UNCHS), especially those relating to social integration, bear comparison with the overriding concern for financial sustainability and accountability of the programme listed below: [2]

- *Public–private partnership*: By combining funds from FONAVI (Fondo Nacional de la Vivienda – National Housing Fund), CMV, and private banks, *Casa Propia* would increase the overall availability of housing in the sector.
- *Impact*: *Casa Propia* was intended to stimulate development in the southern area of Buenos Aires, traditionally less privileged than more central districts.
- *Sustainability*: financial sustainability was expected to result from creating a long-term profitable market for construction companies. By limiting the number of units per building, administrative and operational costs would be kept low for the residents, also enhancing the sustainability of the project. Social sustainability was to be achieved by the use of housing designs that would avoid the stigma usually attached to public housing.
- *Transparency*: a Project Evaluation Committee comprising different organisations ensured that the project met construction regulations, fiduciary responsibility, and regulations imposed specifically by *Casa Propia*, including free selection by purchasers of apartments from among different designs and locations.
- *Leadership*: the potential for replicability of the initiative should lead to new projects and programmes locally and elsewhere.
- *Community empowerment*: the programme envisages the increase of access to housing for disabled people and vulnerable groups.

As implemented, *Casa Propia* provides housing for families in the lower end of the middle-income bracket, rather than lower-income groups *per se*: households with a monthly income of less than US$2000 are covered by Programme 001 (version a or b);[3] those with more than that amount are covered by Programme 102. Programme 001 entitles purchasers to receive loans from public sources (FONAVI and CMV) covering, respectively, 80 per cent of the purchase price at a fixed interest rate of 4 per cent over 20 years. The purchaser is responsible for the down payment of 20 per cent. But many *Casa Propia* 001 participants receive a loan equal to 5 per cent of the purchase price to use as part of the down payment. This loan also comes from FONAVI/CMV, with a 4 per cent interest rate. By contrast, *Casa Propia* 102 is financed entirely with private funds, 80 per cent from banks at an average of 13 per cent over 20 years and 20 per cent as a down payment from the buyer. Each operation targets different income groups: the upper price (for construction and plot) for option 102 is US$825/m^2. Option 001 offers two alternatives, US$750/m^2 and US$775/m^2.

In both cases (001 and 102) the interest rates are below the prevailing market rate of 15 per cent. But the difference in interest rate between the two is substantial (compare 4 per cent for 001 and a variable but average rate of 13 per cent for 102). Given that the difference in income of the two eligible groups is in practice only a few pesos, the lack of intermediate interest rates and loan durations is difficult to justify.

Comparative analysis of projects produced by *Casa Propia*, CMV, and the free market

To understand how *Casa Propia* compares with operations managed by the CMV and the free market, we cite four kinds of data: production costs, selling price, monthly mortgage payments, and income levels of target groups.

The selling prices, which reflect the total cost of land, planning, and construction for the different operations within *Casa Propia* are shown in Table 1, column 3. A comparison of the maximum price for 001 apartments to those of 102 reveals a difference of approximately 7 per cent between the selling prices of apartments involving official financing and those without. The difference is even smaller for similar-sized apartments available in the open market.

Columns 5–7 in Table 1 show the important impact of interest rates on finance costs and mortgage payments on apartments with roughly similar purchase prices. Total payments, the sum of the selling price plus interest costs, under *Casa Propia* 001 are some 55 per cent less than those of 102, which are in turn nearly 15 per cent less than payments made on fully open market purchases with prevailing interest rates. The impact of these are seen in column 7, which lists the monthly mortgage payments under each alternative, and column 8, which lists the income levels of which the share of mortgage payments would not exceed 30 per cent, the CMV standard for low-income housing. Thus only the one- and two-room apartments with fully subsidised interest rates are affordable to families with monthly incomes below the US$2000 barrier.

Because *Casa Propia* established no mechanisms to make more of its apartments affordable to lower-income groups, the programme as

Table 1: Relationship between income of purchasers and cost per housing unit*							
Scheme	No. of rooms (area: m²)	Production cost/price	Interest rate (%)	Finance costs	Total (price + interest)	Monthly mortgage payment (30%)	Monthly payment ÷ income
Casa Propia 001a and 001b	1 (35)	33,750 34,875	80%: 4 15%:down payment† 5%: 4	10,800 5568 **16,368**	50,118	417	1392
	2 (42)	45,000 46,500	As above	14,400 7425 **21,825**	66,825	556	1856
	3 (60)	60,000 62,000	As above	19,200 9900 **29,100**	89,100	742	2473
102	1 (35)	37,125	11–13	40,837	77,962	649	2163
	2 (42)	49,550	11–13	54,505	104,055	867	2890
	3 (60)	66,000	11–13	72,600	138,600	1155	3850
CMV	2	–	4	–	–	251	836
	3	–	4	–	–	320	1066
Open market	1 (35)	35,000	15	52,500	87,500	729	2430
	2 (45)	48,000	15	72,000	120,000	1000	3333
	3 (65)	62,000	15	93,000	155,000	1291	4305

*As the Argentine peso was equivalent in value to the US dollar at the time of data collection, all sums of money apply to either currency.
†Down payments are US$1600, US$2250, and US$3000, respectively, for the three types of Casa Propia apartment.
Sources: documents and publicity brochures for the Casa Propia programme (GCBA1999); brochures, project documents, and reports of the CMV programme, *Terreno, Proyecto y Construcción*; data published in the magazine *Mundo Inmobiliario*.

a whole tends to benefit only those groups occupying the top of the lower-middle-income category, i.e. those just reaching the middle-income category. Because *Casa Propia* operations 001 and 102 were designed and constructed by the private sector on privately owned land, they responded to the incentive to recover the highest costs feasible within the target income groups, i.e. those on either side of the US$2000 per month barrier. This process effectively priced groups with less buying power – even US$1500 per month – out of these operations.

In retrospect, other perverse effects (from the programme designer's perspective, not that of the construction companies) could be seen in a number of the operations in the southern area of the city. There, private developers of *Casa Propia* projects decided not to sell to beneficiaries of FONAVI's soft credits. By excluding buyers such as these, the developers would not be subject to a cap on maximum apartment sizes and purchase prices. This regulation could be circumvented if sales were only to buyers of the fully market-led 102 category of apartments. For the developers, the additional advantage was that the city channelled buyers in sufficient quantity and facilitated their purchases by providing loan guarantees to private lenders. This actually expanded the lower end of the home-buying market, as private banks on their own rarely made loans to this income sector.

In comparison with other low-income housing programmes operated by CMV, mortgage payments under *Casa Propia* 001 are considerably higher (column 8). Yet because CMV housing is limited, *Casa Propia* opens up access to low fixed interest rate loans over a relatively long term that would not otherwise be available, and may even have helped to improve the access of low-income borrowers to better loan terms in the private market. At the same time, CMV and *Casa Propia* target groups do theoretically overlap, creating competition between the two. However, because CMV housing tends to be physically less attractive – and has been stigmatised as 'public housing' – the lower income groups are in practice relegated to CMV housing. *Casa Propia* buyers also have an advantage that CMV buyers do not have: that of choosing their apartment from among all those on offer.[4]

Other factors in the *Casa Propia* social cost-benefit analysis

The preceding section identifies the most important shortcoming of the *Casa Propia* programme, i.e. that it is essentially serving middle-income families, the least vulnerable members of the housing deficit group. The following paragraphs highlight briefly some preliminary observations of the other innovative aspects of the programme that may be considered in the overall evaluation of *Casa Propia*.

While *Casa Propia* does appear to have induced the private sector to produce housing for the non-rich, it has not increased the supply of housing for lower-income groups. Nor has the city proved that the market can serve this sector of the population. The conclusion is that *Casa Propia*, together with the existing CMV housing programmes, including '*Villas de Emergencia*' (emergency housing) for the destitute, reflects the absence of a unified social housing policy. To its credit, however, *Casa Propia*'s use of private land for public housing purposes may help to dampen land speculation in some parts of Buenos Aires.

Casa Propia's impact on the process of urbanisation in Buenos Aires is generally assessed to have been positive inasmuch as it has successfully encouraged construction in the southern area of the city, following the global strategy of increasing densities there. From a design standpoint, *Casa Propia* has avoided the look of 'social housing' but it has not received accolades for improving the cityscape. The finishings within the apartments have been criticised for not exceeding the minimum required by the city's housing code. It needs to be pointed out, however, that the programme has resulted only in one huge housing complex. The remaining building projects, though approved, were suspended soon after the model plans had been exhibited. In other words, although *Casa Propia* was promoted at the highest level and enjoyed much media publicity, the concrete outcomes were very limited.

Residents of the neighbourhoods where *Casa Propia* buildings have been constructed tend to have a more critical view of their new neighbours. *Casa Propia*'s tall buildings tower over the low-rise housing surrounding them, blocking sunlight and breezes, saturating the infrastructure, bringing increased car traffic and the privatisation of public space. The higher-income neighbours have brought with them security systems, guards, and a desire to segregate themselves from the local community. The renovation of the area stimulated by *Casa Propia* has increased land prices and rent in the neighbouring areas, forcing the lowest-income inhabitants to move from the area to cheaper locations. This suggests the need to consider whether *Casa Propia* or other forms of 'social housing' are the proper means for increasing the density of low-income settlements.

The management of *Casa Propia* has received mixed reviews. On the one hand, it has proved itself to be substantially more efficient at delivering housing than CMV/FONAVI, whose poor co-ordination in the execution of plans has left many projects stalled. Over the 1996–1999 period, FONAVI was able to use only one fifth of the funding allotted to it. In contrast, *Casa Propia* managed to build 520 of its planned 1148 units before construction was halted by a disagreement between the city and the programme's private lenders. This has tarnished the original claim that *Casa Propia* would be managed competently and transparently through a board broadly representing all the important stakeholders. The cause for concern is business practices that have occurred under the board's supervision. For example, in some of the buildings containing both 001 and 102 apartments, the construction companies included additional amenities such as swimming pools and saunas that increased both construction and maintenance prices, making the apartments in those buildings less affordable to some lower- and middle-class families.[5] Indeed, charges of malfeasance of this kind lie behind the BACG's refusal to deposit a loan guarantee (*fondo fiduiciario*) with its lenders, resulting in the litigation that has stalled the project. Problems such as these appear to reflect a deeper problem of public–private co-operation in housing development.

Conclusion

The implementation of sustainable development in cities of the South requires local governments with the capacity to review proposals to achieve this goal critically. Governments without this capacity may be more susceptible than others to 'solutions that have been proven elsewhere'. The use of best practices to disseminate innovations highlights the risk of importing models from different cultural contexts. If certain norms and social policies that have been historically consolidated are crucial to the validity of a model, then it makes little sense to adopt the same model where those conditions do not exist. Before importing *Casa Propia* as a model of best practice, it would be important first to know where, when, and how free market principles have helped a country like Argentina today accomplish the social and environmental objectives set forth by the Mayor of Buenos Aires in 1996.

Because it is not being implemented within a broad strategy to substantially reduce Buenos Aires' housing deficit, *Casa Propia* operates in an isolated manner, supplying housing for the less vulnerable groups in deficit. Over time, and with the insertion of *Casa Propia* into a consolidated social policy framework, it may induce private investors to join schemes that allow lower-income groups better access to housing, while releasing public funds for other uses.

Today, the contradiction the programme represents is the failure to predict that better-off social groups would be the main beneficiaries of the projects and that the free market *per se* is not sufficient to induce investments to generate adequate housing that is affordable to lower-income sectors. More important now is to establish a state subsidy system founded on social equity rather than entirely on our current understandings of financial sustainability.

On the other hand, urban densification under highly permissive standards tends to create conflicts within the urban community. These are often expressed in demands for less drastic social and environmental changes in the urban landscape. High-rise projects like *Casa Propia* are often counter-productive to improving living conditions for the population already settled in the areas chosen for 'renewal'.

Such contradictions should lead to a consideration of sustainable development from the perspective of its target population. It is necessary to work with more than one single paradigm of sustainability. For middle-income groups, this is often 'weak sustainability' or economic sustainability, where the emphasis is upon maintaining the status quo in the allocation of resources, levels of consumption, and financial value. *Casa Propia* embodies this kind of thinking. Were it to be expected to reach low-income groups, *Casa Propia* would need to apply the concept of 'strong sustainability', in which there is little, if any, consideration of the financial or other costs of attaining a city where healthy, sustainable housing was available for all (Bell and Morse 1999). Whether strong or weak sustainability is applied to policies to promote 'social housing' in the 'compact city' in an attempt to achieve sustainable urban development constitutes a crucial question for the government of Buenos Aires.

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Notes

1 In Argentina, *redes de contención social* are provisions or arrangements organised by the state to guarantee universal access to unemployment insurance, basic housing, healthcare, education, and other essential services. The nearest equivalent in English is the traditional provisions of the European welfare state. However, the term *contención social* also has defensive connotations, as though the provision of basic services were viewed as a means of preventing social unrest and being able to govern, rather than as a moral obligation both to pre-empt social exclusion and to promote sustainable social development by reducing the gap between rich and poor.

2 UNCHS best practice principles that could be applied to the analysis of *Casa Propia* include: *Public–private co-operation; impact* in the sense of providing tangible evidence of improving crucial aspects of life; *sustainability*, reflected in changes in legislation, norms, standards, social

and sectoral policies; harmonisation of social economic and environmental strategies; structures and processes in decision making; and efficiency and transparency in management. Other characteristics of best practices proposed by UNCHS are those that promote community empowerment and social inclusion.

3 Version 001b is for a slightly larger and more costly apartment model. However, because the delivery mechanisms of Versions 001a and 001b are virtually identical, no distinction will be made between them.

4 The CMV/FODEVI programme was meant to attract middle- to low-income households, but in practice there was considerable overlap with beneficiaries of *Casa Propia*. The project files reveal that when people found out that the *Casa Propia* programme was to be suspended many of them transferred to the CMV/FODEVI scheme, which offered them almost the same level of accommodation (perhaps slightly more basic) with 100 per cent public finance.

5 The board approved various 'global offers' by construction companies, but as these began to compete with each other, various luxury features were added to the plans, in order to attract customers. Individual members of the board expressed their displeasure, but the board itself never voiced its disapproval. Though they favoured the public–private co-operation idea, they never envisaged the municipality, through *Casa Propia*, taking on the role of a real estate company.

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