

SÃO PAULO RECLAIMS ITS CENTER

Elizabeth Johnson

Brazil's megalopolis combines federal and municipal programs to retrofit buildings in the downtown area

São Paulo—the Southern Hemisphere's largest city, with a population of nearly 11.5 million—has a shortage of 400,000 housing units. That's more than the total number of residences in Washington, DC, or San Francisco.

The city and the rest of Brazil are taking another stab at fixing a problem that has become deeply entwined with local and national politics. This time around, São Paulo is applying lessons learned more than a decade ago, when the federal government launched a massive low-income-housing program, which succeeded in adding more than 8 million housing units but stumbled over complaints that it accentuated inequality and added to urban sprawl.

São Paulo is emblematic of Brazil's dramatic urbanization over the past six decades. Since 1960, the nation's city dwellers surged from 45 percent to 87 percent of the population. The sprawling São Paulo metropolitan area of 20 million gained roughly 2 million new residents in the past decade, according to Brazil's statistics agency, IBGE.

The city is Brazil's largest economic engine. Over a history of often chaotic growth, São Paulo has been the destination of huge immigration

movements. Migrants came from Europe, Asia, and the Middle East. They also came from other parts of Brazil. Since the early 1900s, waves of *retirantes*—as migrants from the poor and arid northeast region were once called—have headed to São Paulo seeking work and a better life.

They included seven-year-old Luiz Inácio Lula da Silva in 1952. He became Brazil's president last year for a third term, after holding office from 2003 to 2011. His current administration is building on a housing policy he launched in 2009 known as *Minha Casa, Minha Vida*—MCMV, *My House, My Life*.

Lula's predecessor, former President Jair Bolsonaro, dramatically reduced the program while in office. But Lula revived MCMV with expanded subsidies, lower interest rates, and higher maximum property values following his 2022 reelection. In one year, it sold more than 1 million units, half the target set for the end of 2026.

Learning curve

Since its inception, families in the program's lowest income threshold (earning no more than \$516 a month) are eligible for free housing available

through local lotteries. But in the program's early years, most new projects were located far from city centers. Critics say the program exacerbated inequality by pushing poor people to areas with limited public services, far from jobs and requiring long commutes on often strained public transportation.

That prompted more than half of lottery winners to ultimately opt out of the program, according to a study of recipients in Rio de Janeiro, Brazil's second-largest city.

"They turned down a free house because of the perceived downside of moving far away from jobs and social networks," said economist Carlos Alberto Belchior, one of the study's authors.

The researchers found that the program failed to reduce poverty. Depending on the location of a new home, recipients were less likely to be formally employed after moving. Residents of regions without jobs and infrastructure spent fewer months each year formally employed and were more likely to switch jobs.

Returning to the center

The Lula administration's updated program, relaunched in 2023, includes more incentives to improve access to jobs and services. It builds on São Paulo's "master plan" for urban development, approved in 2014, when today's finance minister, Fernando Haddad, was mayor.

The plan aims to increase population density along urban transportation corridors, allowing housebuilders to construct taller buildings in exchange for expanding the number of smaller lower-cost units. The plan doubled the number of priority regions—including the moribund city center—for the construction of low-income housing, directing a large share of the housing budget to acquiring land for low-income projects.

The downtown area, once the city's cultural center, has been on a downward spiral since the late 1960s, when the banking sector moved first to the still iconic Avenida Paulista and then farther away to its current location on Avenida Faria Lima. As a result, an estimated 20 percent of central area buildings are now empty.

Revitalizing the downtown district and providing low-income housing became a major campaign issue in this year's municipal elections. In June, at the start of his successful reelection campaign, Mayor Ricardo Nunes announced the expropriation of five buildings for conversion into low-income housing through public-private partnerships.

There are 164 additional properties that meet the criteria for expropriation. Nunes—backed by São Paulo state Governor Tarcísio de Freitas and Bolsonaro—said he plans to work closely with the



state government, which has an ambitious plan to transfer government offices from the high-income region of Morumbi to the city center. Housing is a significant component of the program, and a share of the 268,000 low-income housing units that Freitas promised to build by the end of his term are downtown.

In the October election, Nunes defeated Guilherme Boulos, who rose to national prominence advocating low-income housing—including organizing occupations of abandoned buildings through



Aerial view of
downtown São
Paulo, Brazil.

the Homeless Workers Movement (MTST). His housing plan included subsidies for companies with MCMV projects located close to transportation and other services and targeting vacant buildings owned by various government agencies. For example, the federal social security administration has dozens of empty downtown properties that could be retrofitted into low-income housing.

One early success story for this model is the Dandara building, on the famous Ipiranga Avenue in the heart of the city. Formerly a federal

labor court, the building was occupied in 2009 by the social movement Unification of Tenement and Housing Struggles (ULCM). The building's superintendent, Marli Baffini, has been an activist with ULCM for nearly two decades and a resident since 2017. Marli and her husband, Regis, previously applied several times for mortgages, but their lack of assets and relatively low income kept them out of the market.

"I don't have words to express my joy when I was finally given the key to my apartment," Marli



said. She and her husband previously lived in a rental in the northwestern part of the city. To work a shift in the wealthy Moema district across town, Regis had to leave home at 5 a.m. for a two-hour one-way commute.

“Today, it takes just 20 minutes for Regis to get to work, and we have three subway stops within walking distance,” Marli said.

São Paulo-based architecture and engineering firm Integra was responsible for retrofitting Dandara and works closely with ULCM and other social movements on projects around the city. Activists play a central role in decision-making about renovations and contribute to their success, according to Adelcke Rossetto, a founding partner of Integra.

The company is seeking approval for four other projects in São Paulo led by social movements, two of them in the city center.

“Policymakers finally understand that the downtown area needs housing,” Rossetto said. This

Buildings slated for redevelopment as part of the MCMV program on Rua Floriano Peixoto, São Paulo.

model is best suited for government-owned buildings, he said, because the cost of purchasing private property for low-income housing is prohibitive.

Private sector in driver’s seat

With changes to the revived program, MCMV has emerged as one of the main drivers for the expansion of Brazil’s housing market. The nation posted record new-home sales in the second quarter of this year. Almost half of the more than 93,000 units sold were new MCMV housing, according to the Brazilian Construction Industry Chamber.

Success in this segment hinges on understanding the needs of lower-income homebuyers and on being able to build quickly on a tight budget, according to Ricardo Zylberman, operations director of home-building company Magik LZ. The company developed a list of requirements to guarantee the success of its MCMV projects.

“Access to public transport is fundamental,” Zylberman said. Developments cannot be more than



Marli Baffini and her husband, Regis, in their apartment at the Dandara Building, São Paulo.

10 minutes by foot from public transportation. Projects also need access to nearby basic services, including supermarkets, pharmacies, and bakeries, as most residents do not own automobiles.

Magik adapted its projects to the changing needs of the local workforce. Party rooms are equipped with high-speed Internet and air-conditioning so that they can double as coworking spaces for the growing remote workforce.

“We have found a formula that works,” Zylberman said. Building a large number of units is “an industrial process, which requires quickly building a high-quality apartment that requires limited maintenance.”

For Zylberman, downtown São Paulo still offers multiple opportunities for low-income housing because there is available land at reasonable prices near public transportation and retail outlets.

Still, despite its scale, MCMV provides just one piece of the puzzle. Inês Magalhães is vice president of Brazil’s largest mortgage lender, Caixa

Econômica Federal, which manages the program. For her, addressing the low-income housing deficit requires a broad array of policies. They should include more partnerships between states, municipalities, and the federal government, she said, citing state and local programs that offer subsidies to families to help them come up with the down payment for a new housing unit.

“Coming up with the down payment is often the greatest challenge for families to participate in MCMV, because most are paying rent, which makes it harder for them to save,” she said. “Brazil needs 1 million to 1.5 million new units per year to keep the housing deficit from increasing. The housing deficit is not easy to solve, but with the right policies, it’s possible to make a difference.” **F&D**

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