Revitalizing Places: Improving Housing and Neighborhoods from Block to Metropolis

Executive Summary

What kinds of urban planning and design interventions can help improve housing and urban development practice in Mexico and successfully implement the new national housing policy? How can metropolitan areas be redeveloped and expanded more efficiently and equitably using housing as a key tool?

Emphasizing international and Mexican experience, this report identifies potential policies, programs, planning approaches, and tools to help implement the far-reaching 2012 Mexican housing and urban development policy. A companion governance report Building Better Cities with Strategic Investments in Social Housing explores how various levels of government have implemented housing and urban policies and plans that influence the cost, location, and feasibility of affordable housing development across Mexico. The report was commissioned by INFONAVIT (Instituto del Fondo Nacional de la Vivienda para los Trabajadores), a major government-sponsored funder of mortgages for private sector workers. INFONAVIT was interested in how its polices could help create a more stable housing market and better towns and cities.

The report identifies four key strategies focused on creating communities that are more sustainable and inclusive.

1. Those wishing to densify existing metropolitan areas can use a variety of policies and programs aimed at increasing development in the urban area as a whole (including the core cities and suburban parts). These include simplifying infill developments, promoting public acceptance of infill, and promoting accessory apartments. Together such strategies promote densification at a variety of scales and deal with physical, regulatory, and organizational issues.

2. Accommodating all growth in existing urban areas is difficult in most parts of the world. Improved approaches to developing greenfield sites are necessary. Key strategies include creating
additions to urban areas that are rich in infrastructure and services and using innovative designs to comprehensively develop neighborhoods and new towns.

3. **Strategies to retrofit existing areas** respond to concerns about existing developments. Upgrading areas where services and infrastructure are lacking and dealing with abandoned housing are both vitally important. Adding mixed-use, multi-functional neighborhood and town centers to developments and providing better links to jobs can connect people to services and reduce the sense of isolation often found in new developments.

4. A key barrier to making positive changes in metropolitan areas is the issue of **data coordination and developing indicators of success**. The companion *Building Better Cities* report analyzes existing policy and political challenges for marshaling coordination to promote densification strategies in key Mexican metropolitan regions. Data and information sharing is a key challenge. To understand the effects of such policies, programs, and strategies, it is important to develop **measures or indicators of success**. Indicators can provide feedback on the process and interim achievements, helping recalibrate and improve actions.

These policies and programs are not only useful for Mexico but are more broadly applicable in middle and higher income countries trying to meet housing demand while minimizing the negative effects of urban sprawl.
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## Abbreviations

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<th>Full Form / Description</th>
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<tr>
<td>CONAVI</td>
<td>Comisión Nacional de Vivienda, ENG: National Housing Commission</td>
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<td>DC</td>
<td>Desarrollos Certificados, ENG: Certified Developments</td>
</tr>
<tr>
<td>FONHAPO</td>
<td>Fideicomiso Fondo Nacional de Habitaciones Populares, ENG: National Trust for Popular Housing</td>
</tr>
<tr>
<td>FOVISSSTE</td>
<td>Fondo de la Vivienda del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado, ENG: Housing Fund of the Institute of Security and Social Services for Workers of the State</td>
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<tr>
<td>INFONAVIT</td>
<td>Instituto del Fondo Nacional de la Vivienda para los Trabajadores, ENG: National Worker's Housing Fund Institute</td>
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<tr>
<td>LOS</td>
<td>Level of Service</td>
</tr>
<tr>
<td>OREVIS</td>
<td>Organismos Estatales de Vivienda, ENG: State Housing Organizations</td>
</tr>
<tr>
<td>PCU</td>
<td>Perímetros de Contención Urbana, ENG: Urban Containment Boundaries</td>
</tr>
<tr>
<td>PROCURHA</td>
<td>Programa de Consolidación Urbana y Habitacional, ENG: Urban and Housing Consolidation Program</td>
</tr>
<tr>
<td>SEDATU</td>
<td>Secretaría de Desarrollo Agrario, Territorial y Urbano, ENG: Secretariat of Agrarian, Territorial, and Urban Planning</td>
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<tr>
<td>SEDESOL</td>
<td>Secretaría de Desarrollo Social, ENG: Secretariat of Social Development</td>
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<tr>
<td>SHF</td>
<td>Sociedad Hipotecaria Federal, ENG: Federal Fiduciary Fund</td>
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<tr>
<td>TIF</td>
<td>Tax increment financing</td>
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<tr>
<td>TOD</td>
<td>Transit-oriented development</td>
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<tr>
<td>SNIIV</td>
<td>Sistema Nacional de Información e Indicadores de Vivienda, ENG: National System of Housing Indicators and Information</td>
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Revitalizing Places - Revitalizando Ciudades

What kinds of urban planning and design interventions can help improve housing and urban development practice in Mexico and successfully implement the new national housing policy? How can metropolitan areas be redeveloped and expanded more efficiently and equitably using housing as a key tool?

In December 2012, the Mexican government embarked on an ambitious policy reform plan with the objective of defining the upcoming term’s agenda and increasing the country’s competitiveness and economic growth potential. Reforms touched on numerous sectors including energy, labor, telecommunications, monetary, finance, and education (OECD 2015, 17). Within these reforms, housing and urban policies play a key part. This report, sponsored by INFONAVIT (Instituto del Fondo Nacional de la Vivienda para los Trabajadores) — a major government-sponsored funder of mortgages for private sector workers — is a response to those new policies seeking to align mortgage lending with larger policy aims.

The National Urban Development Program 2014–2018 (PNDU), part of this reform plan, represents a shift from previous federal policies moving toward more compact and sustainable urban models. This far-reaching policy establishes six objectives:

1. Control urban expansion and consolidate cities to improve their inhabitants’ quality of life.
2. Consolidate an urban development model that creates well-being for the citizens, securing social, economic, and environmental sustainability.
3. Design and implement normative, fiscal, administrative, and control instruments for land management.
4. Promote a sustainable mobility policy that ensures the quality, availability, connectivity, and accessibility of urban trips.
5. Avoid human settlements in risk areas and reduce the vulnerability of urban populations to natural disasters.
6. Consolidate the National and Regional Development Programs to strengthen local capacities (PNUD 2013, 1).

Paralleling the aims set forth in the PNDU, the National Housing Program 2014–2018 established the following objectives to guide the current administration’s housing sector agenda:

1. Provide decent housing (vivienda digna) for Mexicans.
2. Responsibly address the housing deficit.
3. Transition to a smarter, more sustainable urban development model.
4. Improve inter-institutional coordination (OECD 2015, 17)

In this new policy environment, the federal government created a new federal ministry: the Secretariat of Urban, Agrarian, and Territorial Development (SEDATU), a national-level planning agency in charge of coordinating and carrying out the urban, regional, and housing vision established in the National Program of Urban Development and its related activities. To follow the objectives of the PNDU the new SEDATU, through the decentralized National Housing Commission (Comisión Nacional de Vivienda —CONAVI), is developing and coordinating public efforts focused on consolidating housing near existing urban areas and also extending quality housing to more Mexicans including those from lower income groups.

As a public entity, INFONAVIT is interested in how to help fully implement these new policies and how to promote innovations that will foster a stable housing market. According to the OECD’s report Transforming Urban Development and Housing in Mexico, by 2012 roughly 78% of the total housing mortgages in the country were provided by INFONAVIT (2015, 15). While there are many informally built homes in Mexico—roughly 78%—the formal sector is increasingly important (OECD 2015, 15). See “The New Housing and Urban Development Policy and the Revitalizing Places Report” on page 14 for more detail. This means INFONAVIT is a key player in implementing the new national policy, given it can lend to support it.
The New Housing and Urban Development Policy and the Revitalizing Places Report

Since its founding in the early 1970s, INFONAVIT, along with FOVISSSTE, has been the primary mortgage agency for Mexican workers. By nature of its role and responsibilities, the work of the institute has gone hand-in-hand with major legislative changes and other reforms. The timeline included on the following pages (Figure 1) shows a number of milestones in housing policy against the backdrop of steady urbanization and housing production in Mexico.

In the early part of this century, the Mexican government developed a new strategy to provide more formal housing for low-income workers. Workers in the formal sector were contributing 5% of their salaries to the government-sponsored agency, INFONAVIT, to be used for housing, but rarely saved enough to use it. The government changed its programs to make it easier for lower income workers to access these mortgages that were to be used for new housing units, with significant increases in federal government subsidy programs (JCHS 2012, 6). Housing developers around the country worked to supply these new credits, producing housing affordable to lower-income workers. This was often achieved by developing very small units, or locating them further from the existing urban area on peripheral and inexpensive land, thus initiating a growing urban sprawl problem (JCHS 2012, 21).

Hundreds of thousands of units were built. Over time problems appeared: abandoned units, poor construction quality, or residents commuting long distances to work. Some residents bought units not intending to live in them but rather to access their savings. Inflexible rules that did not allow mortgages to carry over when a worker moved house exacerbated this problem (JCHS 2012, 21-22).

By 2012, when a new government was elected, it became clear that there needed to be changes both in the way mortgage programs were administered and in the overall planning of metropolitan areas. Under the current administration’s National Housing Program (Programa Nacional de Vivienda, 2014–2018) and the National Development Plan (Plan Nacional de Desarrollo, 2013–2018), the far-reaching policies of recent years are both
visionary—promoting compact, sustainable, and affordable cities—and also difficult to implement. In response to these policy changes, the housing development industry has restructured—with three large developers going bankrupt—and smaller and medium-sized developers taking their places (Reuters 2013; Valle 2014). Development has also been uneven, with better-located housing development fostered in some locations and grinding to a halt in others where developers were challenged to find available developable land that would be eligible for subsidy.

The *Revitalizing Places* report draws on international experience to provide ideas about how to promote high quality social housing and continue to combat the challenges that accompany urban sprawl and uneven development. The companion report, *Building Better Cities with Strategic Investments in Social Housing*, delves into how the housing and urban development policies could be better implemented on the ground through more effective coordination, partnerships, and innovative projects.

INFONAVIT retained Harvard University’s Graduate School of Design (GSD) in a three-year project to advise on strategies for implementing the new housing policy. The GSD’s project answers four key questions:

1. What kinds of regulatory and technical tools, or other urban planning and design interventions, can be used to improve practice and successfully implement the new national housing policy?
2. What levels of government would have to embrace such tools and how can they be mobilized?
3. What are the challenges in coordinating the new national housing and urban policies with state and local government actions?
4. How can different levels of government work together to produce and renovate social housing in urban Mexico?

This report focuses centrally on the first and second questions, drawing on a substantial set of international and Mexican experiences. However, it has implications for all four components of
the research. The companion governance report addresses the third and fourth questions. Both reports draw on fieldwork in seven cities and over 250 interviews in Mexico, and a substantial review of international experience. In addition, the Harvard research team documented conversations with over 100 Mexican policy makers, who were engaged in capacity-building workshops.

The report outlines four key types of programs and policies that have been used internationally to foster the kind of urban development that is proposed in recent Mexican policies. These include:

1. **Densifying** existing areas at the metropolitan, local, and site scales.

2. Improving greenfield development by fostering infrastructure-rich additions or new sustainable designs.

3. **Retrofitting** existing places by upgrading services and infrastructure, creating mixed-use centers, or linking jobs to housing.

4. Increasing coordination between governments by sharing data and information and measuring indicators of success.

The first three program types focus on key concerns raised in the body of literature on promoting better urban development. They have also been mentioned in reports published in recent years by well-known national housing research centers such as the Foundation of the Center for Housing Research and Documentation (CIDOC) and international agencies such as OECD.

**Key Challenges**

While the new policies represent a comprehensive and forward-looking approach, international and Mexican experience highlights a number of key challenges.

**Densifying existing areas:** The signature strategy of the new national housing and urban development policy is to create urban containment boundaries (Perímetros de Contención Urbana, or PCU) around each metropolitan area in Mexico and encourage much more development in existing areas (called infill development).

These urban containment boundaries (PCUs), developed by the National Housing Commission (CONAVI), are a policy tool of the Federal Government to identify where to subsidize housing so it
is located within access to jobs, services, and infrastructure. (See description of the urban containment boundaries below in Section 1.1—Greenbelts). The section on densification places this strategy in a wider context of international approaches that increase densities of metropolitan areas. Such policies are beneficial overall—saving land, using infrastructure efficiently, and making dynamic urban places. However, they take time to implement. Densification plans need complementary programs and policies to ensure denser areas are well-located, maintain sufficient land supply, simplify the urban infill process, and foster infill at a range of scales from single units to larger developments. Such programs require substantial coordination between government agencies.

**Improving greenfield development:** While the new policy approach in Mexico places great emphasis on urban infill, it is extremely challenging to meet housing demand purely though that method. Infill sites are typically expensive and small, permitting is time consuming, legal issues are constraining, and design is complex. As greenfield sites will continue to play some part in housing supply, making these new developments more efficient, better serviced, and more environmentally sensitive is a key issue for the future of urban Mexico.

**Retrofitting existing places:** Even with better infill and improved greenfield development, there remain problems with existing developments. In particular, Mexico has a large number of recently built housing areas, many funded by mortgages from INFONAVIT. Many are poorly located with few services, and abandoned housing is also a problem. A key challenge is to upgrade the infrastructure in these areas, retrofit these developments into whole communities adding community or town centers (with schools, shops, and services), link the developments to jobs, and deal effectively with already abandoned housing.
Increasing data coordination and measuring improvements: A key barrier for advancing an urban densification agenda is the lack of data coordination. The federal government is strong in terms of powers and personnel, and interested in promoting and funding housing at a national scale. However, implementing the government’s visionary and comprehensive policies at the local level is difficult. This is caused, in part, by the multiplicity of interests and administrative responsibilities located at the level of state and local governments.

One way of reducing the implementation bottlenecks is increasing the accessibility and availability of accurate information. A major purpose of collecting and sharing data is to assess the current situation and evaluate improvements over time. In Mexico, there has been a great deal of interest in and activity around ways of measuring outcomes. The task is to hone in on which indicators or benchmarks are most useful. Measuring good processes is something also worthy of attention as it can help change course before a program is fully implemented. This section places both kinds of measures in an international context.
How to Read this Report

Mexico’s national housing and urban development policy is far reaching. While Mexico’s situation is unique, there is much to learn from international examples that can be adapted and applied to the Mexican context. In addition, countries outside Mexico can learn from Mexican experience.

The report uses examples from both locations—Mexico and abroad—to examine the opportunities and challenges for various approaches to creating social and sustainable housing. Some of these tools can be implemented at a federal level but many are local or metropolitan actions; in these cases the national government can provide support and encouragement but localities need to take action.

- Each of the four main parts of the report is divided into numbered sections representing major approaches. For example, Part 1 on Densifying Existing Areas includes several key approaches such as Simplifying the Urban Infill Process.
- Each key approach is then divided into specific tools. For example, under Simplifying the Urban Infill Process, one of the tools is One Stop Shops.
- Each tool has similar sections—what it is, how it works, examples where applicable, implications for Mexico, and takeaways or recommendations.
- At the end of each key approach we describe general benefits and challenges and provide conclusions.
- In Appendix A we provide a checklist of all the takeaways or recommendations organized by tool. This would allow planners, housing professionals, and policy makers to quickly check the state of their local situation.
- Appendices provide further definitions, data and extended case studies.
- While the report can be read from front to back, it is designed more as a reference work so that readers can select the sections that seem most relevant to them.
Figure 1. Major housing policies, programs, and private developers in Mexico since 1900

1917 Access to adequate housing established as a Constitutional Right
1925 Banco de México (Banxico) is founded
1931 The Labor Law (Ley del Trabajo) is passed, including employer’s obligation to secure adequate housing for workers
1933 The National Urban and Public Works Mortgage Bank (Banco Nacional Urbano Hipotecario y de Obras Públicas - later BANOBRA) is created to fund urban projects and infrastructure
1943 The Instituto Mexicano del Seguro Social (IMSS) is created to provide social security benefits to formal workers
1949 The Fondo de Habitaciones Populares (FONHAPO) is created to provide affordable housing, land titles, urbanize land, and upgrade informal settlements
1954 Instituto Nacional para el Desarrollo de la Comunidad y de la Vivienda (IDEC) is created
1958 PEMEX begins to provide housing for oil industry workers
1963 Fondo de Garantía y de Apoyo a los Créditos para la Vivienda (FOGA) and Fondo de Operación y Financiamiento Bancario a la Vivienda (FOVI) are created to fund housing for the low-income population
1967 SARE developers begin operations

LEGEND
- Total Population
- Urban Population
- Number of Housing Units in Mexico
- Public Sector
- Private Sector

Adapted from:
Diagram by Antara Tandon.
1970: The Institute of the National Fund of the Worker’s Housing (INFONAVIT) is created to provide funding for formal workers.

1973: Casas Geo is founded.

1974: The Housing Fund of the Institute of Social Security and Services of the State’s Workers (FOVISSSTE) is created to provide funding for workers of the Mexican State.

1976: The Human Settlements General Law is published. The Secretary of Human Settlements and Public Works (SAHOP) is created to be the federal government agency in charge of urban development and infrastructure policies.

The Trust for the Fund of the National Popular Housing (FONHAPO) is created to provide housing options for low-income population.

1980: HOMEX developments start operations.

1981: URBI developments are created.

1982: The Secretary of Urban Development and Ecology (SEDUE) replaces SAHOP as the federal agency in charge of urban development.

1983: Federal Housing Law is passed (Ley Federal de Vivienda) to establish the legal grounds to ensure that all families have access to a dignified house.

1987: National Fund for Rural Housing (Fondo Nacional de la Vivienda Rural FONAVIR) is created.

1990: The Secretary of Social Development (SEDESOL) takes over urban and housing programs and policies.

1992: Reform to Article 115 of the Mexican Constitution to give urban planning decisions and service provision responsibilities to municipal governments. Reforms to the Human Settlements General Law (Ley General de Asentamientos Humanos) to include ejidal land.

2000: The National Council for State Housing Organizations (CONOREVI) is created. The National Commission for Housing Promotion (CONAFDVI) is created to provide funding for housing.

2001: The National Council for State Housing Organizations (CONOREVI) is created. The National Commission for Housing Promotion (CONAFDVI) is created to provide funding for housing.

2005: INFONAVIT releases the program Hipotecas Verdes. CONAVI creates the subsidy program Esta es tu Casa.

2006: CONAFOS turns into the National Commission for Housing CONAVI (Comisión Nacional de Vivienda). The first DUIS (Desarrollos Urbanos Integrales Sustentables) in the country are developed in Tijuana.

2010: INFONAVIT releases the program Hipotecas Verdes. CONAVI creates the subsidy program Esta es tu Casa.

2013: The Secretariat of Agrarian, Territorial, and Urban Development (SEDATU) is created to take over the responsibilities for urban and housing policy-making. PCU (Polígonos de Contención Urbana) are established in the 2013–2018 National Housing Plan to promote compact cities through housing densification. SHF changes the DUIS to DC (Desarrollos Certificados).

Major Housing Developers Geo, Homex and Urbi declare bankruptcy.