Part 3: Retrofitting Places

In the past decades, encouraged by regulations and lending regimes, many developments in Mexico have been built on the urban periphery in large single-use areas—whether housing, shopping, offices, or industrial areas. Motorized transportation is typically needed to get around. Depending on the location this might be automobiles, motorbikes, vans, buses, or even electric bicycles, and large areas may be set aside for roads and parking.

These outer areas of course have some substantial advantages that are very attractive. Residents are likely to have more access to private spaces both indoors and out, in part because such developments are in the outer parts of metropolitan areas where land is typically less expensive. This means people can afford more space. Some are also major employment centers. Others have provided affordable housing with reasonable transportation links.

Both those that are fairly successful at present and those that are still struggling have the potential to be redeveloped over time into more comprehensive communities. Such retrofitting is the subject of this chapter that looks at upgrading services, creating town centers, fostering links between housing and jobs, and dealing with housing that has been abandoned. While many of the principles in this chapter can be applied to historical cities as well, there is a very substantial need to improve areas built after the middle of the twentieth century and particularly those built in the early twenty-first century.
3.1 Financing Upgrades to Services and Infrastructure

**What It Is**

- A key issue in upgrading services and infrastructure (e.g. roads, sewers, schools, community resources) is how to fund the work.

- A number of mechanisms are available for municipalities interested in recouping costs of infrastructure investments; however, many require special legislation.

- Latin America has some internationally recognized models for such financing approaches.

Spare capacity in infrastructure and services, which may be available in older areas where household sizes have been shrinking, is lacking in many suburbs. This might be because proper physical and social infrastructure was never built in the first place since development was informal or was done professionally but at a minimum cost. Alternatively, infrastructure may have been developed at a level
matching the low-density character of many suburban environments, making it insufficient to handle more intense uses. Either way, upgrading the services and the infrastructure in suburbs is a necessary first step before retrofit projects seeking to increase densities, accessibility, housing diversity, etc. can be successful.

Depending on the strength of the real estate market, the private sector can be encouraged to make many of these upgrades with the help of proper incentives. However, in many cases, the public sector will need to be involved, either in partnership with private developers, or to spur private development. In order to do so, governments have used a variety of new financing mechanisms that have allowed even cash-strapped governments to finance upgrades.

This section looks at several financing strategies:

- Value capture
- Tax increment financing
- Betterment contributions
- Land leasing
- National, state, or regional grants

3.1.1 Value Capture

What it is: Value capture is a strategy available to governments to recover some or all of the additional value they add to land in their jurisdiction through public spending, such as investing in infrastructure and services, or making changes to zoning and land use regulations (Smolka 2013, 2).

Value capture enables governments to retain some of the benefits of its investments in infrastructure and share it with entire public, not just specific landowners.

*Diagram by Irene Figueroa Ortiz*
How it works: In general, land that is planned for redevelopment, or proximate to new investments in infrastructure and services, increases in value due to the new development possibilities. This added value or windfall gain accrues to adjacent landowners, without them making any investments or improvements. Value capture policies work under the assumption that this additional value provided by the government should be shared among the entire public, not just specific landowners (Smolka 2013, 8). The revenue collected from value capture can in turn be used to finance other public improvements, or to repay loans and bonds used to finance the spending that created the added value. There are many ways in which this added value can be collected by governments. The most common is through a tax or levy on the value increment, usually a percentage of the total increment. In addition, jurisdictions must determine what is to be the area of influence on which to capture the land value increment.

Example: Colombia’s Law 388 of 1997 is perhaps one of the most comprehensive and well-known value capture systems in Latin America, starting as early as 1921 (Smolka 2013, 14; Ochoa 2013, 1). Most commonly, value capture has been used to finance roadway projects, and more recently, public transit projects (Ochoa 2013, 1). Within the country, cities have approached value capture in different ways, specifically in Bogota and Medellin.

In Bogota all benefits to residents are measured in the accounting of value capture, not just the effect on land values in the tax system. Since road construction is the most common use of value capture, improvements to mobility and circulation are also included. Medellin, on the other hand, only includes value increments in land value in its calculations (Ochoa 2013, 6). In general, the contribution levied against landowners in most Colombian cities is a factor of the cost of the construction project, the value generated in the surrounding land, and the ability of the beneficiaries to pay (Ochoa 2013, 1).

Value capture: Implications for Mexico.

Value capture represents a critical strategy for Mexican governments to fund much-needed infrastructure. Value capture could potentially incentivize municipalities to invest in infrastructure, as they have a greater assurance of a public benefit and the ability to recuperate some of the investment. However, it bears noting that the value capture strategy relies on a robust system of accurate cadasters and consistent property taxation that, as noted previously, is generally lacking in Mexico. Laws regarding “impuestos sobre plusvalía” are one example of how similar strategies have been applied in Mexico in the past.
Takeaways:

- Value capture is an appealing strategy for local governments, as it helps ensure that public sector investments receive some return.

- However, value capture can be unpopular with landowners, as they may feel that they are being unfairly charged before improvements have been made or benefits realized.

- In creating and implementing value capture mechanisms, consideration needs to be given to which increases in value are being captured (land value, property value, or some other kind of value), and which beneficiaries have to pay.

3.1.2 Tax Increment Financing

What it is: Tax increment financing (TIF) is a strategy for addressing the need for upfront improvements in services and infrastructure that are repaid with future tax revenue. Unlike value capture, TIF is not a new tax, but a reallocation of future tax revenue, usually from the municipality’s general fund, towards repayment of loans or municipal bonds.

How it works: The first step is for a municipality to create a special district or area in which to deploy the TIF. Within this zone, property valuations are recorded and held constant for a specified period. The municipality makes public investments or improvements in order to encourage private development, financed through a bond issue or a loan for a set number of years. As new development occurs, it is assumed that the value of the property, and thus the tax levied on it, will rise. The difference between the pre-TIF tax value and the new tax value is then used to repay bondholders or creditors (Weber 2003, 55 in White et al. 2003).

Tax increment financing pays for infrastructure and other investments by allocating the increase in property values for a certain number of years to repay back any loan. At the end of the period, property taxes go back into general revenue collection at a rate reflecting the increased value of development. Diagram by Irene Figueroa Ortiz
Tax increment financing: Implications for Mexico.

Much like value capture strategies, tax increment financing is heavily reliant on a formal property taxation system, and may therefore be challenging to implement in the short term in Mexico. The strategy is most useful where substantial increases in land value are expected. Although TIF strategies have not yet been implemented in Mexico, fideicomisos (trusts) represent one framework through which designated investment zones might receive upfront financing for infrastructure investments, to be paid back eventually as property values rise in that area.

Takeaways:
- TIFs are a powerful tool for funding investments that are concentrated in a specific area.
- TIFs rely heavily on an existing and reliable property taxation and cadaster system, so that property values can be properly assessed. This may prove to be a significant challenge for local governments that do not have a cadaster system in place.

3.1.3 Betterment Contributions

What it is: A betterment contribution, similar to value capture, is a fee charged to landowners of properties that benefit from a public improvement or investment (Smolka 2013, 23).

How it works: Unlike value capture, betterment contributions seek compensation from landowners with property near a new public investment or public infrastructure regardless of whether the investment resulted in an increase in land values. While relatively simple in theory, betterment contributions are much more complex in practice. For starters, governments must first identify the area of influence or the area of impact on which to levy the contribution fee (Smolka 2013, 28). Next, the degree to which each property benefits from the public improvement must be determined. Adjustments can be made depending on the improvement or different criteria, such as the degree of accessibility the property enjoys in relation to the improvement. Last, most betterment contribution schemes have a schedule for payments of the contribution (Smolka 2013, 29-30). If a property is sold, the requirement to pay the contribution passes to the next owner.

Example: The city of Cuenca in Ecuador has used betterment contributions extensively as a tool to finance public improvement projects under its neighborhood improvement program. First, neighbors make a formal application to the municipal government asking for their neighborhood to be included in the program, which helps to finance improvements such as street paving, installation of basic services, or street lighting. The municipal government then analyzes the state of public services in the neighborhood and determines the number and types of improvements that are needed in the neighborhood. As a result of this process, the municipality creates a matrix of projects prioritized based on their importance in relation to a number of criteria. With the help of a neighborhood representative, the government uses this matrix to hire contractors to complete the improvements, with the costs of the work divided among the beneficiaries. Residents have up to 7 years to repay the costs of the improvements, with discounts available to those who repay more quickly (Aulestia and Rodríguez 2013, 12-13). Since 2003, Cuenca has issued 1,800 contracts for projects through this program, with a total investment of $106 million in public improvements (Aulestia and Rodríguez 2013, 13). Overall, 95% of the projects collected 60% of their costs as betterment contributions (Smolka 2013, 24).
Betterment contributions are another potential source of revenue for infrastructure, again reliant on a robust system of property taxes. Given the minimal implementation of property tax systems in Mexico, betterment contributions might face significant logistical challenges. They would require a concerted effort to involve neighboring property owners and households in the urban development process in order to make a clear argument for the validity of their “contribution.” Laws regarding value capture or “plusvalía derivada de obras realizadas” are one example of how similar strategies have been applied in Mexico in the past.

Takeaways:

- Betterment contributions allow municipalities to recoup payment for infrastructure upgrades from the beneficiaries of those upgrades.
- Unlike TIFs or value capture, these payments are not contingent upon increases in property value or other measurable values.
- Betterment contributions allow for property owners to pay the contribution over time, although for lower-income taxpayers, even this may be a burden.
- A key component (and challenge) of implementing betterment contributions is determining the area of influence for an investment and which beneficiaries need to pay.
3.1.4 Land Leasing

**What it is:** Land leasing is an option for governments that own a great deal of land, or at least land in important areas for redevelopment or suburban retrofits. By leasing the right to use the land to the highest bidder, governments can use the proceeds to make infrastructure investments, or improvements to public services.

**How it works:** Unlike land disposition, a land lease program allows a government to maintain ownership of its land while still earning income from it. This is done by leasing the right to use or occupy the land to the highest bidder, usually over a long period of time, if not in perpetuity (Smolka 2013, 19). Revenue earned from land leasing can then be used to finance infrastructure and service upgrades. Alternatively, municipalities could also make infrastructure improvements to the land to be leased, financing these improvements with future revenue from the land. Land leasing strategies have been widely used in countries where municipalities have a limited ability to raise revenue. For developers, the main benefit is that they do not have the expense of buying land.

**Example:** In India, infrastructure in large urban areas is the responsibility of Urban Development Authorities (UDAs), which depend on state governments for funding. Many states do not provide these agencies with the necessary funding to properly invest in infrastructure provision and improvements (Peterson 2006, 14). However, many UDAs own large amounts of urban land that they are able to lease as an additional source of revenue. Typically, a UDA will install infrastructure on this land, and then sell or lease it to developers or other private users. Because of the value added to the land from the infrastructure improvements, the UDAs are able to use the revenue earned from land leasing to finance infrastructure and service upgrades or improvements. Land leasing allows local government to have long-term control over development, while enabling change in the short term.

*Diagram by Irene Figueroa Ortiz*
from sales or leases to help fund infrastructure in other areas even after paying for the infrastructure improvements on the lands they own (Peterson 2006, 14).

Land leasing: Implications for Mexico.

For municipalities and states in Mexico that have established land reserves, land leasing could be a substantial source of revenue. National policies or model regulations could help to standardize these practices, as well as incentivize the types of uses on the land in question, such as permanently affordable housing. Land leasing might be appealing even in areas with minimal land reserves, as it would enable governments to continue to exercise control over their assets. In turn, building on land that is “leased” may be appealing to developers having difficulty acquiring land or looking for more affordable acquisitions.

Takeaways:
- Long-term ownership of land can benefit municipal governments in that revenues from leasing to private entities can be an alternative way of funding infrastructure. This is particularly important for municipalities with few other financial resources.
- Land leasing also enables governments to maintain some control over the eventual development.

3.1.5 National, State, or Regional Grants

What it is: Grants are funds that are provided by national, regional, state or other higher levels of government to local governments to use on infrastructure investments or service provision.

How it works: It is common for local governments to lack the financial capabilities to fund and invest in many important and necessary infrastructure projects or services. At the same time, funds from the national, regional, or state governments might also be scarce and inadequate to fund all of the infrastructure or services needs in a municipality. Often, governments turn to grant or loan programs to supplement the funding available at local levels. Many of these programs require local governments to apply for funding for specific infrastructure or service investments, and most have requirements attached to them. In this way, higher levels of government can evaluate projects coming from local governments and fund the ones that will have the greatest impact or that best achieve the policy objectives of the national government. In addition, this adds a level of transparency to the grant or loan award process, along with a measure of accountability towards ensuring the local government spends the grant money on the project. See the Choice Neighborhood case study in Appendix D.

Example: Transportation Investment Generating Economic Recovery (or TIGER) grants offered by the United States Department of Transportation (US DOT or DOT) are examples of national grant programs that provide funding to lower levels of government for transportation infrastructure upgrades and investments. TIGER grants can go towards any number of transportation projects, ranging from road, rail, and transit to bicycle, pedestrian, and even port projects at the state, regional, or local levels of government in the United States (US DOT 2014). Agencies looking to receive funding from DOT must show how their project will provide safety, economic competitiveness, quality, livability, and environmental sustainability benefits as well as contribute to the economic recovery of the country following the 2008 recession (US DOT 2014). In this way, DOT is able to identify and fund projects that are beneficial to the country as a whole, beneficial to their local economies, as well as innovative, livable, and sustainable (US DOT 2014).
Ongoing rehab of public spaces in Colonia Primero de Mayo in Oaxaca shows how existing residential areas can be upgraded. 

*Photos: Collection of Ann Forsyth*
National, state, regional grants: Implications for Mexico.

Providing grants can be a profound way that the federal government can incentivize good planning and development at lower levels of government. This may be particularly powerful in the context of Mexico, where urban planning and development is a decentralized power held by municipalities. As such, federal grants might help to incentivize regional planning in advance of larger funding for infrastructure. At present, the Fondo Metropolitano for federally recognized metropolitan areas is one such example at the metropolitan level, as well as the Ramo 33 funds for municipalities.

Takeaways:
- Grants can be a way of promoting higher-level policy objectives while also meeting local-level planning goals.
- This is particularly effective in countries where planning and development authority is decentralized to the local level. Grants are thus a key tool for incentivizing local authorities to align with higher-level government policy priorities.

Benefits and Challenges of Upgrading Services and Infrastructure

Benefits of Upgrading Services and Infrastructure

Spurs new development: Many times, public investment in infrastructure or services is an important way for government to spur private sector redevelopment of an area. Such actions add value to the land surrounding the improvement, which can allow landowners to feasibly develop a much wider variety of uses and building types on their property. In addition, when such investment is coupled with other redevelopment incentives, such as those made possible through TIF areas, it signals to the private sector that the public is committed to supporting redevelopment activities and working with the private sector.

The town of Shoreline outside of Seattle, Washington (U.S.) is typical of many suburban communities. Shoreline began a process in 2005 of redesigning and retrofitting Aurora Avenue, an arterial street, running through the community (Urban Land Institute 2012, 16). Previously, Aurora Avenue was a typical American suburban arterial street: four travel lanes, heavily trafficked, highly congested, unsafe for pedestrians and drivers, and fronted by gas stations, strip malls, and convenience stores. The poor conditions for pedestrians and orientation towards automobiles seriously hindered community plans for redeveloping the area (Urban Land Institute 2012, 18).

The municipal government, with the help of state and federal funding, began a program in 2005 of redesigning and retrofitting Aurora Avenue, an arterial street, running through the community (Urban Land Institute 2012, 16). In addition, bus rapid transit routes will travel both directions along Aurora Avenue, with stops every half-mile. While these public improvements will certainly help make the area more accessible to pedestrians, bicyclists, and transit users, the municipality hopes that its investment will also spur private sector redevelopment along the corridor, transforming it into a vibrant commercial and retail area in a suburb lacking a downtown or “main street” (Urban Land Institute 2012, 19).

Financing upgrades in infrastructure and services is a good way for the public sector to begin the process of encouraging the development of town and neighborhood centers in suburban areas. This is especially true if the area does not have sufficient capacity to support the types of higher density development prescribed in many town center developments. Government provision of
infrastructure upgrades can also demonstrate to potential investors that the government is serious about facilitating new development.

**Challenges of Upgrading Services and Infrastructure**

**Confronting corruption, speculation, and clientelism:** One challenge to upgrading infrastructure and services through public expenditure is the potential for this spending to be used to benefit political allies of the administration or even the local politicians themselves. Since public investment has the potential to increase land values, sometimes by a substantial degree, it is a tempting way to reward allies or enrich friends using the public purse. The potential for corruption also extends to the awarding of contracts to private firms responsible for the construction of infrastructure, with firms friendly to local politicians or political parties getting preferential treatment. This corruption is a problem as it means that public money is not being spent to maximize the benefit to the public, and in some cases results in infrastructure and services of poor quality. Worse still, such corruption can result in projects that cost more than they should. Nonetheless, there are many ways to mitigate this issue, the first of which is to make sure that decisions regarding public investment are made in an open and transparent way, involving citizens.

Cuenca, Ecuador, mentioned earlier in the report, demonstrates one example of providing citizen oversight in the planning process as well as contracting and procurement. Additionally, implementation and rigorous enforcement of value capture schemes can help as well, since landowners must compensate government for the investments it makes to their benefit. Overall, public spending should go where it will get the
most public benefit, not where it is most politically expedient. This is an issue confronted by nearly every level of government in deciding where to direct public funding.

**Overcoming limited impact:** The success and efficacy of public finance and redevelopment tools like TIFs are hard to evaluate, as there are often many different factors influencing the success or failure of a redevelopment area (Weber 2003, 63). These mechanisms can be risky, asking the municipality or local government to take on large amounts of debt with little guarantee that the increments in property tax needed to repay creditors will ever materialize. Even if they do, the net benefit to the public for the expenditures and tax diversions may be so low as to call into question the efficacy of the TIF, and whether it was worth the expense.

A study by the Neighborhood Capital Budget Group (NCBG) in Chicago, Illinois attempted to gauge the fiscal impact the city’s extensive TIF program had on property values in the city. Using a sample of 36 TIF districts in Chicago, NCBG estimated that if the properties included in these districts continued to inflate in value at their historic rates, the city would have seen its property tax revenue increase by $1.3 billion over 23 years (the length of time TIF diversions of property tax last in Chicago) (Nolan and Berlin 2002, 6). On the other hand, the City of Chicago estimated that the properties in its TIF districts would capture $1.6 billion over that same period, a difference of only $361.9 million. Considering other city programs and tax districts lost out on this $1.6 billion, the study concludes that the opportunity costs of Chicago’s TIF program far outweighs the additional tax revenue it creates (Nolan and Berlin 2002, 7).

Despite the challenges associated with TIF, the strategy can still be a useful tool for redevelopment in the longer term. When used to bring new public investment to areas with poor public services and declining property values, it can be very useful in attracting new development and businesses to move into the area. However, when it is used in areas where property values are already high, or are increasing, the impact is much more limited (Nolan and Berlin 2002, 6). The example of Chicago stresses the need for local government to use this tool carefully. Many jurisdictions require that TIFs pass a “but for” test, meaning that municipalities should only use the tool when property values would not increase on their own “but for” the use of a TIF.

**Ensuring accuracy of property tax and land values:** Another challenge of many of these strategies is that they require municipalities and local government to have a good understanding of and ability to monitor changes in the land values of properties within their jurisdictions. Almost all value capture programs require that government know what property is worth before, during, and after any public investment. When this data is not widely available, or is not recorded accurately and updated frequently, it is difficult for local governments to assess the impact public investment has had on a property. This is usually not that great of an issue in jurisdictions that depend on property tax as a source of revenue, as it is in the best interest of the local government to accurately know what is owed to them by landowners. However, in places where property tax is an insignificant part of municipal revenues or is not collected, value capture strategies are much more challenging to implement and first require a comprehensive update to the cadaster and property taxation system.
Upgrading Services and Infrastructure: Conclusions

Innovative forms of finance for development can alleviate some of the problems faced by cash-strapped municipalities needing to supply services and infrastructure in fast-growing areas or to upgrade infill sites for redevelopment. Such mechanisms do need to be calibrated to market conditions. Many also rely on having very good underlying systems of property tracking, valuation, and taxation. This may be a challenge in some Mexican local governments, particularly smaller jurisdictions. This is an area where there is great potential for innovation and where Latin America has some very interesting models.

In financing infrastructure improvements, governments need to weigh potential benefits against added financial risk that they may be taking on. Consideration of which beneficiaries should contribute payments is an underlying concern for value capture and betterment contribution schemes. Most importantly, the identification of areas where investment provides the greatest net public benefit is key. Given the large issues around infrastructure in Mexico, such a study would be well-placed.
3.2. Creating Neighborhood and Town Centers

Creating Neighborhood and Town Centers

What It Is

- Neighborhood and town centers seek to recreate the look and feel of traditional urban centers, complete with public services, retail, office space, and residential development.

- Densities in town centers are typically higher than the surrounding suburban landscape.

- Location, accessibility, urban design, land use, public-private partnerships, and public participation are all important factors to consider in the planning, design, construction, and management of town and neighborhood centers.

Most urban areas typically have a concentration of activities, many in neighborhood and town centers. While their design differs greatly from historical core cities, suburbs contain many of the same functions (Phelps 2010, 71). Indeed, the emergence of so-called “edge cities” (Garreau 1992), and “technoburbs” (Fishman 1987) in the peripheries of urban areas shows that important employment, service, and retail
functions exist in the suburbs (Forsyth 2012). However, unless accompanied by strong planning, concentrating development in denser suburban centers such as office parks, malls, and commercial strips may require dependence on motorized transportation for access while encouraging sprawl by allowing people to live further and further out into the periphery of metropolitan areas.

However, many suburban residents desire access to such amenities as walkable shopping districts, well-located services, and above all, increased accessibility. It may be possible to leverage suburbanites’ interest in these features to generate support for a variety of suburban retrofitting strategies, especially efforts to create neighborhood centers, town centers, and transit-oriented developments in existing suburban areas (Beyard et al. 2007, vii).

A town center is also referred to as a community center, suburban downtown, or if the scale is small, a neighborhood center. There can be multiple such centers in a single urban area. Generally, retrofitting strategies attempt to introduce walkable, mixed-use, accessible, higher density districts into suburban environments, usually centered on public space or a community service. In theory, town centers serve the surrounding 400-meter to 800-meter area, which is generally the distance most people consider a convenient walking distance. However, many town centers service a much larger area.

The following sections include important topics planners, designers, and policy makers should take into consideration when planning, designing, and creating neighborhood and town centers. To implement changes to neighborhood and town centers, many of the policies, programs, designs, and planning approaches outlined in previous chapters can also be useful:

- **Strategic location**
- **Accessibility beyond the car**
- **Urban design**
- **Compatible land uses**
- **Community programming**
- **Public-private partnerships**
- **Public engagement/involvement**

### 3.2.1 Strategic Location

**What it is:** The location of a new town center is one of the most important things to consider, as it will dictate how big the center can/should be, what uses it should include, and how the center is to be integrated into the rest of the community. Creating such town centers can help make developments more self-contained, meaning residents can carry out many of their normal activities locally, reducing transportation costs and demands.

**How it works:** There is no right way to locate a new town or neighborhood center, or to select an existing cluster of commercial and public uses for redevelopment or retrofit. In suburbs that are already built, the potential locations for new town centers are largely determined by the availability of parcels suitable for infill development or with high redevelopment potential. These can include privately or publicly owned vacant lots, parking lots, or abandoned or underperforming buildings (“dead malls” or under-used roadside shopping centers are typically cited in the United States). In addition, town centers should be located in areas where they are accessible and convenient to those living in surrounding neighborhoods. Typically, advocates suggest placing them near transit stations (as TODs), important street intersections, areas with existing concentrations of retail and commercial land uses, or at points along major transportation corridors (especially if they are already serviced by transit) (Newton 2013, 579). Locations should also be in areas that are not already serviced by a commercial or retail
Town center activities involve interactions between people and need to be supported by nearby housing and transportation links. Images are from Guanajuato, Oaxaca, Merida, and the Mexico City region.

Photos: Collection of Ann Forsyth
development, which could compete with the new town center.

**Example:** While locating new town centers is more an art than a science, various academics have offered techniques to assist planners, designers, and policy makers in identifying potential areas for town centers. One such method is the property redevelopment potential index (PRPI) suggested by Newton (2010). This index measures the ratio of land value of a property to the value of improvements (buildings, parking lots, etc.) on that property. PRPI values between 0.5 and 1.0 suggest that most of the value of the property comes from the land itself, and not the improvements on it, and could potentially be redeveloped (Newton 2010, 13).

Another method, suggested by Talen (2011) evaluates the urban form of suburbs. Specifically, the method evaluates sustainable urban form by accounting for the density (population per square mile), diversity of housing types (using the Simpson diversity index), connectivity (a combination of the total length of streets and the number of street intersections), and accessibility (the number of residential parcels within 500 feet of retail), divided by the area of interest of an area or potential node (Talen 2011, 961).

**Strategic location: Implications for Mexico.**

There are a variety of existing situations in Mexican suburbs, and in particular in INFONAVIT developments, where implementing new town strategies might help residents achieve a better quality of life through improving access to services. In some cases that are primarily residential, businesses have sprung up rather randomly in housing that is underused. In these cases it would help to find ways to cluster shops, schools, and related businesses and offices.

**Takeaways:**
- When creating new town and neighborhood centers in existing suburbs, location is a tradeoff between a well-serviced and accessible location and available underused land.
- It is important that new centers be placed in areas easily accessible through a variety of transport modes.
- In some places, former shopping centers that were developed at low densities provide good locations for redevelopment and strategic densification.

### 3.2.2 Accessibility Beyond the Car

**What it is:** Access generally refers to the ability of a resident to “reach other persons, activities, resources, services, information, or places, including the quantity and diversity of elements which can be reached” (Lynch 1981, 118). In the context of sustainable urban design, access and accessibility concern the ability of residents to reach a variety of places and services by foot, by bike, or by transit—not by automobile (Talen 2011, 955).

**How it works:** For town centers, this means creating connections to surrounding areas that are safe and encourage behaviors like walking and biking. It also means creating walkable and pedestrian friendly streets and sidewalks within the town center. While it is not possible to change locations of existing development that may be far from services and opportunities, a substantial quality of life improvement can be achieved by increasing transportation options, particularly ones accessible to all residents, including those who do not drive.

There are many ways accessibility can be encouraged by planners, designers, and policy makers. One of the most important is to ensure
Table 3.1 Recommended residential densities and employment center sizes for transit service in the United States

<table>
<thead>
<tr>
<th>Minimum Service Level</th>
<th>Residential Density Thresholds (housing units per gross hectares)</th>
<th>Employment Center Thresholds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bus/hour</td>
<td>9.9-14.8 dwelling units/hectares</td>
<td>465,000-743,000 sq. meters commercial/office space</td>
</tr>
<tr>
<td>1 bus/30 minutes</td>
<td>17.3-19.8 dwelling units/hectares</td>
<td>743,000-1.8 million sq. meters commercial/office space</td>
</tr>
<tr>
<td>Light rail and feeder buses 22.2 dwelling units/hectare</td>
<td>22.2 dwelling units/hectares</td>
<td>3.25-4.64 million sq. meters commercial/office space</td>
</tr>
</tbody>
</table>


To be compact, vibrant, and not have too much space taken up by parking, town and neighborhood centers typically need forms of transportation beyond the car including public transportation, cycling, and walking.

Photo: Collection of Ann Forsyth
that the town center can be reached by a variety of transportation modes, not just by automobile or motorbike. This may require adding sidewalks, pedestrian and bike paths, or other biking infrastructure (e.g. bike lanes, cycle tracks) to the surrounding residential areas; creating densities high enough to support regular bus services; and providing residents the option to walk and/or bike to the town center. In addition, pedestrians and cyclists must be given ways to overcome barriers, such as those created by infrastructure (e.g. highways, railroad tracks) or topography (e.g. hills, canyons, rivers) (Urban Land Institute 2012, 8). Within the town center, accessibility requires that the public realm (e.g. the streets, sidewalks, walkways) be oriented towards pedestrians in order to promote a safe, attractive, and encouraging environment for walking (Talen 2011, 955). This has the added benefit of increasing options for vulnerable groups who do not drive, such as children, older people, and people with disabilities, as well as those with low incomes who need to closely monitor transport costs.

Example: The Health and Places Initiative (2014a) and Design for Health projects provide guidelines for accessibility as it relates to residents and workers in a district. These include minimum densities for bus and train service in the United States. While the specific numbers may vary elsewhere—for example, in countries or regions where fewer people have cars—the general principle remains that in order to run relatively frequent service a minimum amount of development is needed.

Accessibility beyond the car: Implications for Mexico.

Mexico has a well-developed mix of shared travel options including trains, buses, vans, shared taxis, and more. These are all more efficient when residences and/or workplaces are clustered together. In the past 10-15 years, many Mexican cities have begun to undergo major transport and accessibility projects. In some cases—such as Mexico City—these initiatives have been a response to rapid urbanization and increased demand for more efficient access and connectivity. Some of these projects include: light rail, new metro lines, shared-bike systems, driver education, and public participation campaigns. However, at a national scale, these efforts remain incipient.

A report prepared by the Mexican chapter of the Institute for Transportation and Development Policy (ITDP) analyzed the expenditures of federal transfers for metropolitan areas (fondos metropolitanos) to understand how these funds are spent in urban projects that have an impact on mobility and accessibility. The report revealed that in 2012, 68% of the funds—equivalent to 4.5 billion pesos—was spent on urban mobility projects (ITDP 2012). From those funds, ITDP identified that 84% of the investments targeted automobile infrastructure such as roads and expressways rather than public transportation. This scenario brings up the opportunity to reinvest in public transport that makes it more efficient to bring accessibility to more people with less investment (ITDP 2012).

Takeaways:

- Accessibility is a critical component to effective town centers. Town centers should be pedestrian-oriented and accessible via a variety of transportation modes.
- Transit accessibility goes hand in hand with higher density developments (such as through town centers), as the financial viability of public transit options typically increases with higher densities.

### 3.2.3 Urban Design

**What it is:** Urban design considers “the design of the built environment beyond the scale of the...
building” (Jacobson and Forsyth 2008, 54). For town centers and areas around key bus and rail stations, stops, or interchanges, urban design is essential, as it is the main tool with which to adapt public policies and goals to the conditions found at a particular site (Jacobson and Forsyth 2008, 54).

**How it works:** Urban design can cover many different aspects of the built environment. Most commonly, these include the street layout, building heights and density, the placement of buildings, and the locations of parking, public space, and greenspace. While there are widely accepted principles and design guidelines for town centers and transportation nodes or centers, it should be noted that the most challenging aspect of any urban design is taking these principles and adapting them to the actual conditions that exist on the site. Challenges include incorporating the center, stop, or station into the surrounding built environment (typically low-density single family suburbs in North America), accommodating topographic and environmental constraints, and addressing community concerns about density.

**Example:** Table 3.2 on the following page provides examples of general urban design principles for town centers, including consideration of human scale in the public realm, balance in designs, or connection for pedestrians.

**Urban design: Implications for Mexico.**

Similar to the discussion on smart growth and New Urbanism in the previous section, urban design standards are critical components for creating neighborhood and town centers, whether in new areas or the "Rehabilitation and Rescue of Neighborhoods" in Colonia Polígono 108 in Merida. The project included the rehab of residual spaces as well as sporting facilities.

*Photo: Nélida Escobedo*
Table 3.2 Urban design features in town and neighborhood centers

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human scale</td>
<td>All aspects of the public realm (sidewalks, plazas, and transit stations) are scaled for pedestrians. Elements like building materials and window details, street lighting, street furniture, street trees, and public art can be used to create inviting public spaces (Beyard et al. 2007, 4).</td>
</tr>
<tr>
<td>Public Space</td>
<td>A plaza, town square, or park that can accommodate a variety of uses should be central to the town center. Buildings should frame the spaces, with their heights largely determined by the size of the public space. Larger public spaces can support taller buildings (Beyard et al. 2007, 5). However, public spaces that are too large tend to feel empty. Latin America has an important tradition of well-designed central plaza areas.</td>
</tr>
<tr>
<td>Connections</td>
<td>Provide pedestrians with multiple options for moving from place to place within the town center and surroundings. More heavily trafficked streets and sidewalks should be wider and contain more elements like street furniture. However, streets that are too wide with high vehicle speeds should be avoided. These create barriers for pedestrians (Jacobson and Forsyth 2008, 81).</td>
</tr>
<tr>
<td>Blocks</td>
<td>Blocks created by the street network should not be too large so pedestrians can move freely. Alternatively, superblocks can be broken up by pedestrian walkways and throughways (as is done in many newer developments in Asia).</td>
</tr>
<tr>
<td>Buildings</td>
<td>Buildings in town centers and neighborhood centers should be taller and of greater density than those in the surrounding area. Higher densities allow a greater concentration of uses, including housing, which in turn attracts more people and creates more vibrant and lively spaces and can support transit. They also create a landmark.</td>
</tr>
<tr>
<td>Transportation networks</td>
<td>Wayfinding signs and maps indicating both routes between transit modes (e.g. buses, light rail, and vans) and between transit stops and important locations within the town center are essential, as are providing amenities for transit riders, such as covered stops and places to sit while waiting.</td>
</tr>
</tbody>
</table>
Green spaces  Parks can double as public gathering and recreational or sports spaces. Street trees can help to mitigate heat-island effects and improve air quality, while also providing shade to pedestrians. Bioswales and other landscaping features can help to manage stormwater runoff, while also improving the quality of the streetscape.

Balance  Within a town center, a careful balance needs to be struck between consistency and variety in the design, look, and feel of buildings and public spaces (Jacobson and Forsyth 2008, 79). Making spaces too similar risks making town centers bland and generic, while too much variety risks creating incoherence and confusion.

Sources: Jacobson and Forsyth 2008, 77-81; Beyard et al. 2007, 4, 23; Photos: Ann Forsyth.

many existing developments in Mexico in need of reinvestment. The pilot program “Rehabilitation and Rescue of Neighborhoods” (Programa de Rescate y Rehabilitación de Barrios), promoted by INFONAVIT, is a project focusing on improving public spaces in a number of older INFONAVIT developments. These rehabilitation initiatives are good examples of how to design and improve spaces to be able to perform multiple functions. It is critical that renewed design standards continue to be applied across INFONAVIT developments, particularly new housing, to ensure that developers comply with higher standards for thoughtful and effective urban design.

Takeaways:

- Urban design considerations contribute significantly to the integration and quality of life of new or developed areas.
- By carefully designing new downtown or neighborhood centers near transportation nodes and integrating human-scale buildings, public spaces, road networks, and other amenities, planners and designers can help to create functional and attractive environments that provide high quality of life and promote sustainability.

3.2.4 Compatible Land Uses

What it is: Compatibility of land uses refers to how much residential, retail, office, and/or civic space is optimal or desirable in a new development or a town center. Compatibility should be carefully considered by government, developers, and local residents. Better centers include public and civic spaces that residents can use for free.

How it works: Deciding which land uses to include in a town center and how much square footage to dedicate to each involves several analyses. As with any real estate development, what the local market can support should be
studied carefully and planned for accordingly. At least during the first phases of development, building housing, office, and retail space that can be absorbed by the market is crucial for the financial viability and continued success of the town center (Beyard et al. 2007, 8-9). Plans for town centers do not need to be built all at once. Phasing development can be an effective way to plan for future market demand while still including the uses currently supported by the market. Another consideration for government is if it is possible to include civic uses, like libraries, schools, or community centers in the town or neighborhood center.

Compatible land uses: Implications for Mexico.

In Mexico, given the current urban planning system, land uses are determined by local authorities through a participatory process. This is a challenging task, as it requires reconciliation of a wide variety of interests and may be greatly slowed by the need to integrate community input and approval. Furthermore, the financial burden of updating land use plans is a disincentive for many local authorities and is equally challenged by short three year mayoral administration terms. However, an improved planning process is key to avoiding the problems of the recent past including poorly serviced residential areas and abandonment.

Takeaways:

- Land use should be carefully considered to ensure compatibility for developing neighborhood and town centers. Thoughtful land use decision-making is greatly supported through community engagement and participatory strategies that seek community input on proposals.

- In land use planning, the limitations of the local market should not be underestimated. Chronically vacant commercial and office space in a town center or neighborhood center can be just as harmful to the vibrancy of a place as strip malls or big boxes.

3.2.5 Community Programming

What it is: Programming is essential to create vibrant and lively public spaces. To do this, municipalities, local non-governmental organizations, private developers, and community groups should be given the opportunity to host and plan scheduled activities and events throughout different times of the day, week, and year in the town center (Jacobson and Forsyth 2008, 76).

How it works: The goal of programming is to attract people to the town or neighborhood center and to provide them with a common experiences. This is also what sets town center developments apart from traditional suburban retail developments, which are centered on automobiles and parking lots instead of people. In order to serve this function, town centers need to have public spaces that are large enough and flexible enough to accommodate a variety of uses and users. These can range from entertainment-oriented events like concerts, retail oriented events like farmers markets or flea markets, and public or civic events like community outreach, fairs, festivals, or civic holiday celebrations.

Example: In many Mexican cities, several streets in the historic centers or even main arteries are closed on Sundays to allow cyclists and pedestrians to use them, a well-loved event throughout the country, pictured on the following page in Mexico City.

Programming: Implications for Mexico.

Though often disregarded, careful programming of public spaces is a critical strategy for maintaining a high quality of life in housing developments, particularly in those regulated through condominium agreements where responsibility
The project *Pintemos México* is promoting social integration and community engagement in INFONAVIT housing developments through art interventions. This picture shows neighbors collaborating with artists to paint a mural next to the community’s public space.

*Photo: INFONAVIT 2015*

Top: Paseo Dominical, part of the *Muévete en Bicé* (Get Around by Bike) campaign, where streets in Mexico City are closed to automobile traffic on Sundays. The Paseo Dominical program began in 2007 by opening up the Avenida de la Reforma, one of Mexico City’s principal streets, to cyclists and pedestrians. The effort has since expanded, with additional streets closed and a range of programming that includes chess games, exercise classes, and cycling education and workshops (SEDEMA 2015).

*Photo: Collection of Ann Forsyth*
over shared areas may be unclear, conflictive, and often results in neglected areas. Starting in 2013, INFONAVIT (led by the Sustainability and Technical Department) has promoted a civic engagement project in derelict developments called Pintemos México, or “Let’s Paint Mexico.” The main idea behind this project is to invite neighbors to work together on a project that revitalizes a public space and empowers neighbors to continue to work collectively. Other examples include the Paseo Dominical, part of the Muévete en Bici (Get Around by Bike) campaign, where streets in Mexico City are closed to automobile traffic on Sundays. The Paseo Dominical program began in 2007 by opening up the Avenida de la Reforma, one of Mexico City’s principal streets, to cyclists and pedestrians. The effort has since expanded, with additional streets closed and a range of programming that includes chess games, exercise classes, and cycling education and workshops (SEDEMA 2015).

**Takeaways:**

- Effective programming of public space can be key to attracting residents and visitors to a town center.
- When combined appropriately with urban design strategies, programming can allow multiple users to make the most of a public park or open space

**3.2.6 Public-Private Partnerships**

**What it is:** In the context of urban planning, public-private partnerships (or PPPs) are formal legal agreements between public sector government agencies and private sector developers to jointly plan, finance, construct, and manage a development project. Local non-governmental organizations, citizens groups, and local resident associations can also be included in these partnerships. Though important for all the strategies in this report, these are included here because they are very often a key part of redevelopment.
How it works: PPPs provide a number of benefits to both the public sector and the private sector. When looking to redevelop a suburban area to build a town or neighborhood center, government should consider how it could work in partnership with the private sector. In many cases, developers will not build town and neighborhood center projects without the help and incentives governments can provide. These include government’s ability to help assemble parcels for development, use public financing to upgrade or expand infrastructure or reduce the financial risk to a developer, change zoning and other development regulations, or fund social housing. In return, governments get from the private sector greater control over the plans and phasing of the development, expertise in the development, building, construction, and selling and leasing processes, and, where appropriate, privately provided public services. There are many ways public-private partnerships can be structured; however, the following are a few points that public officials should keep in mind:

- Both sides need to review what they are capable of contributing to the partnership, what aspects of a development are “must haves,” and which ones can be used in compromise with their partner.

- Government and the private sector must come together to create a vision both sides will support. This means that the goals and outcomes each partner expects from the project need to be, if not the same, then at least complementary (Corrigan et al. 2005, 8).

- The public and relevant non-governmental organizations should also be included in the creation of the shared vision for the partnership, as government goals should reflect a public purpose (Corrigan et al. 2005, 10).

- Each side needs to clearly identify their role and their expectations of the other side in a legally binding contract or agreement. Failure to do this could result in partners dodging responsibilities, placing the project and the partnership at risk. This is especially important for outlining who will maintain and manage the town center, especially its public spaces, once construction is complete.

- There are a number of different organizational formats for PPPs, from urban development partnerships to business-improvement districts. The public sector may involve existing government agencies and departments but may also include special urban renewal or redevelopment agencies. The private sector entity may be for-profit but it could involve nonprofit organizations, such as community development corporations in the United States.
Example: There are numerous precedents of public-private partnerships involved in redevelopment, infrastructure, and affordable housing. Though not explicitly related to creating neighborhood or town centers, one relevant example is Regent Park (Toronto, Canada), an aging social housing development that was revitalized through a public-private partnership between the City of Toronto, Toronto Community Housing Corporation (TCHC), and an experienced local private developer (UN-Habitat 2011, 25). Each of the partners took on responsibility for different aspects of the process, such as infrastructure costs by the City, feasibility studies and limited funding by the Housing Corporation, and project financing and construction oversight by the developer (UN-Habitat 2011, 26). In this case, a larger and more extensive redevelopment project was made possible through a strategic partnership with shared goals. By sharing risk among partners, both the benefits and challenges of redevelopment process are distributed more equally. In order to ensure transparency, the project was organized into distinct phases and contractual agreements were put into place to assess the performance of each partner throughout the process. Although evaluation is still ongoing, the project was intended as a mixed income community, with opportunities for affordable homeownership and an explicit emphasis on consistent community engagement (UN-Habitat 2011, 27).

Public-private partnerships: Implications for Mexico.

Public-private projects that include social housing in their scope are an untapped strategy in Mexico. Asociaciones público-privadas, as they are known in Spanish, are gaining popularity as a more formal strategy for urban development investments, particularly for infrastructure projects requiring collaboration between the public sector and private investors. Nonetheless, coordination among stakeholders and mediation of interests remains a main barrier for these projects. Very few examples can be seen of partnerships that integrate a social housing component, though this could be a very suitable fit for projects that involve major public transportation investments, campus expansions for universities, or economic development initiatives to attract employers to urban centers. More discussion about this is presented in the accompanying governance report.

Takeaways:

- Public-private partnerships are a model through which a number of the strategies outlined here can be achieved (value capture, tax increment financing, etc.).
• The more ambitious or complicated the project undertaken by the PPP, the more likely it is to run into problems and the higher the development risk.

• In jurisdictions with little experience with PPPs, it is best to take on simple, smaller projects first.

3.2.7 Public Engagement/Involvement

What it is: Public engagement and involvement entails soliciting input from area residents in the planning of a new development or redevelopment of a project. As developments depend on their ability to attract residents from the surrounding area, it is imperative that they are planned, designed, and built with considerable input from the people they are meant to serve.

How it works: A goal of any successful town or neighborhood center project should be to create and foster a connection between the area’s residents and the development. The center should reflect the qualities and characteristics of the community in which it is located. The easiest way to do this is to simply ask residents what they would like their town or neighborhood center to be, and to involve them in as many aspects of the planning, design, and management of the project as possible.

Example: The Fruitvale TOD development in Oakland, California (U.S.) is a good example of a project that was improved by participation and input from local residents. Fruitvale used to be one of the poorest neighborhoods in the City of Oakland (Jacobson and Forsyth 2008, 68). In the early 1990s, the local transit authority, Bay Area Rapid Transit (BART), wanted to expand existing parking lots surrounding the Fruitvale station. Local residents and businesses opposed this plan, as it would negatively impact the potential of the area to support residential and commercial developments. In the face of this opposition,
BART decided instead to collaborate with the community (Jacobson and Forsyth 2008, 68). In place of parking lots, the area surrounding the station is now host to a 20-acre TOD project that includes affordable housing, neighborhood retail, public space for community events, and a variety of civic facilities such as a library, a medical center, a senior center, and a child development center (Jacobson and Forsyth 2008, 68).

Public engagement and involvement: Implications for Mexico

Public engagement and involvement is not yet a common practice in the housing development process in Mexico. Participation can be very useful in tapping into local interests and needs in new construction or in redevelopment projects, as has been shown in some of the redevelopment projects carried out by INFONAVIT’s Sustainability and Technical Department. Engagement and involvement could play a key role in helping new developments to better integrate into existing areas, particularly when new developments in peripheral areas may be seen as very disruptive to existing agricultural activities or a more traditional way of life.

Takeaways:

- Public engagement during stages of the planning process can increase local acceptance of a town center development.
- Community participation helps to ensure that the development is oriented toward the desires and needs of residents.
- Engagement is important not only to the appeal for residents but also for the financial success and vibrancy of the town center.

Benefits and Challenges of Creating Neighborhood and Town Centers

Benefits of Creating Neighborhood and Town Centers

Diversified housing choices: Currently, the only housing option in many outer suburbs is a single detached house or a very limited range of apartments. Residential components of neighborhood or town center developments provide opportunities for a wider variety of housing types. This helps to create a more diverse and inclusive community, while at the same time allowing current residents to change their living situation to match their life stage (e.g. a couple with grown children who no longer live with them might find it desirable to move from their single family house into a smaller condominium or apartment).

Increasing the diversity of housing choices also refers to the tenure options available in a community. Providing options for renters as well as for homeownership is an important change in the traditional suburban community. Adding new housing types to suburban areas is important as it allows these areas to accommodate residents from a variety of socioeconomic backgrounds and at various points in their lives. People with a range of backgrounds and with differing needs and financial resources might wish to live in suburbs in order to access amenities like more expansive open space or convenient shopping, or because the location is convenient to certain job opportunities.

Furthermore, in North America, many suburban areas are facing the challenge of how to accommodate aging populations. Such households do not want to leave their suburbs and communities and instead prefer to “age in place” or “age in community,” but their detached home is not an ideal environment for elderly people. If town centers with more diverse housing options
existed, these households would not have to face the choice of moving into a home that better suites their lifestage but needing to leave their community and the social relations that they may have developed there. Planning for this flexibility is desirable, as it allows suburbs to adapt to changing demographic characteristics of their inhabitants, whatever they may be.

**Greater access to services:** Inserting town and neighborhood centers into suburban areas is a strategy to provide residents with access to commercial, retail, and institutional services that they normally would otherwise need to travel long distances to reach. This is especially the case when town center developments are coordinated with efforts to increase pedestrian, bicycle, and/or transit access. Improving access is important, as some populations, like older people and children, are not able to drive, or are unable to afford an automobile.

In a survey of travel behavior among residents in neighborhoods surrounding commercial centers and commercial strips in the South Bay area of Southern California (U.S.), Boarnet et al. (2011) found that for residents who lived near town centers “the percentage of their trips to the neighbourhood centre that were via walking ranged from 26.23 percent in Inglewood outer ring to 70 percent in Riviera Village inner ring” (Boarnet et al. 2011, 137). On the other hand, for communities without town centers, “the range was between 3.60 per cent (Gardena outer ring) and 24.41 per cent (Pacific Coast Highway)” (Boarnet et al. 2011, 137-8). In other words, even when controlling for sociodemographic characteristics, which sometimes can affect a person’s likelihood of walking more, residents living near town centers walked more (Boarnet et al. 2011, 138). Furthermore, residents living near town centers made shorter trips for meals, groceries, personal services, school, meetings, and entertainment compared to those living near commercial strips (Boarnet et al. 2011, 139).

While there is evidence that living near a town center that supplies commercial, retail, and employment functions encourages more people to walk to these services, this relationship is not guaranteed. Designs and policies that encourage walking and discourage driving are needed to ensure that these benefits actually materialize. Examples include building or improving sidewalks along streets and roads, creating ways for pedestrians or bicyclists to overcome barriers created by more heavily trafficked roads and other infrastructure, creating pedestrian and bicycle paths that connect the town center to the surrounding area, or increasing transit service, not just to the town center, but to the surrounding area as well. Transit service should be easily and safely
accessible, with a bus shelter, benches, and proper lighting, to make any wait time safer and more comfortable. These sorts of measures may be particularly important for elderly residents or those with limited mobility.

**Activity centers to support transit service:** Transit service can be difficult to expand into suburban areas for a number of reasons, one of which is the lack of appropriate population densities to support the service. Building town centers can help to address this issue, especially when they include higher density residential developments within the center. This increased density allows more people to live within walking distance of a transit stop, while also making more types of transit services viable. On the other hand, where transit stops already exist in suburban areas, town center development can help to increase ridership by increasing the number of people who live near the station. In addition, the commerce, retail, and other employment or services located in the town center can become an easily accessible destination for other people in the region who live along the transit line, or have access to the transit system.

**Challenges of Creating Neighborhood and Town Centers**

**Difficulty of accessing financing:** Financing mixed-use town center projects can be difficult for private developers for a number of reasons. A major barrier is that lenders and investors in real estate evaluate the risk and reward of a project based on the performance of similar projects in the market, among other criteria (Cowan 2012, 223). Oftentimes, mixed-use town or neighborhood center projects lack any comparable development in the market, and therefore are unattractive to most investors and lenders because of perceived risk. Another barrier is the typical timeframe on which real estate investments are made. Most investors are interested in their rate of return from the project based on a 5-year timeframe. However, most large town center redevelopment projects take much longer than 5 years to reach completion. This length of time, from an investor or lender’s perspective, increases the risk associated with the project and reduces expected returns (Cowan 2012, 224). One reason that town center development can take a long time is that it may require extensive parcel acquisition or reshuffling of parcel ownership, which can become a contentious and costly process (a challenge that can be addressed in part through Land Readjustment strategies, addressed in Part 1.2 of the report).

Given the difficulty of funding town center development projects, many developers depend on partnerships with governments to make such
projects feasible. Belmar, in the Denver suburb of Lakewood, Colorado (U.S.), is a good example of a project made possible through the cooperation of public and private actors. Built on the site of a failing shopping mall typical of many American suburbs, the Belmar project was designed as a “downtown” area for Lakewood, which previously lacked any such area (Urban Land Institute 2012, 23). To make such a development feasible, the city partnered with Continuum Partners, a local developer, to provide funding for many of the infrastructure improvements on the site. In the first phase of the development, Continuum Partners invested a total of $243 million, $60 million of which came from public sources in the form of loans and bond revenue. Another $143 million came from bank loans (Iams et al. 2006, 36). No doubt these loans were much easier for the developer to secure thanks to the support from the public sector.

The difficulty for private developers to secure funding on their own to build town and neighborhood centers means that government must play an active role in partnering with the private sector in order to make these types of development more feasible. The public is in a uniquely powerful position to use a variety of financing mechanisms, as outlined earlier in the report, to help make town center developments possible when lenders and investors refuse to finance them. Public involvement and community engagement are also key in helping to ensure that a town center development serves local needs and interests.

**Regulatory barriers:** The mixed uses and high densities needed for town and neighborhood centers are often not possible under current development regulations. To encourage such developments, governments and planners should amend zoning and land use regulations to allow mixed land uses in areas deemed appropriate for town center developments. Unless these changes are made, developers will be discouraged from becoming involved in town center or neighborhood center developments, as the time and money costs needed to receive approval for such projects is substantial.

Ideally, zoning and land use changes would be made as part of a greater regional planning process in which planners, policy makers, and the public identify where town centers and neighborhood centers should be located. Such a process allows for public input into any changes, as well as allowing governments throughout a region to coordinate the location of their town centers to help ensure their viability and success. It also allows such changes to be made in coordination with public transit agencies, creating the possibility of town centers better serviced by public transit. Either way, amendments to regulations need to occur, as

Following page: Automobile-oriented retail developments make it hard to create vibrant town centers. They can be modified with development controls.

*Photos: Collection of Ann Forsyth*
Revitalizing Places: Improving Housing and Neighborhoods from Block to Metropolis
the barriers created by regulations also exacerbate those created by financing practices. The added time and expense needed to change regulations for a specific project greatly adds to the risk of the project as a whole, making it less attractive to investors and thus less likely to move forward.

**Parking demands:** While it is not possible to completely eliminate parking from town and neighborhood centers, providing too much parking wastes valuable space, and can be a detriment to the walkability of the town center (Dunphy et al. 2003, 10). In addition, lenders, tenants, and other actors necessary for a successful town center will have their own requirements and demands for parking. To the extent possible, government should try to encourage and facilitate creative and innovative approaches to providing parking, such as making changes to the zoning requirements or instituting shared parking arrangements. In addition, government should also seek to extend or improve public transit services to surrounding residential areas, and encourage residents to walk to the town center in order to reduce the demand for parking. Such efforts might take a while to significantly impact travel behavior. In the meantime, parking lots can be provided on a short term or temporary basis, serving as a land bank for future development and expansion in the town center.

**Large-scale retail industry:** Retail practices in North America, Australia and elsewhere do not favor smaller retail developments. Instead, the common model is to create so-called “big box” shopping centers that serve a large portion of a metropolitan area (Curtis and Punter 2004, 52). When town center developments have been successful, they have often worked with such retail types, integrating them with smaller scale, specialized vendors, or they have benefited from stronger planning policies that integrate big boxes within main streets. A positive case is Sydney, Australia, where strong planning controls have limited big box developments and placed many in traditional main streets with big boxes taking up the interior and rear parts of blocks that front on active shopping streets (Forsyth 1997). This is a model that can be seen elsewhere in Australia, the UK, and Canada. It is even visible in the U.S. in the centers of large cities where chains such as Target and Kmart have experimented with multi-floor variations.

The challenges presented by traditional retailing practices must be addressed for a number of reasons. First, if commercial components of development fail to attract and/or retain tenants, then developers will no longer want to include them in their developments (Curtis and Punter 2004, 52). Preventing the creation of more retail shopping centers in the metropolitan area (through restrictive planning and zoning) is one way to begin to shift retail back into local and decentralized yet concentrated locations. However, this strategy requires taking on sometimes powerful and influential interests in the retail and development industry (Curtis and Punter 2004, 53). Encouraging suburban shopping centers to more closely resemble town centers (by adding residential land uses or introducing transit) must also be considered.

**Creating Neighborhood and Town Centers: Conclusions**

Creating centers, while not simple, is an excellent way to bring services to people and also provide concentrated areas that can be more easily served by buses and other public transportation. The construction of attached housing at town centers can also help to expand housing options in suburban areas. This strategy of building town centers requires careful planning to make sure that such centers are in locations where they will be successful. Factors that must be considered in locating town centers include the feasibility of parcel assembly and redevelopment, the need for
easy accessibility, and the potential for competition with retail located in auto-oriented locations. Public-private partnerships will likely be essential in the development of a town center. The public sector has the opportunity to mitigate financing barriers that would otherwise prevent the creation of centers, and government agencies also play a central role in helping to ensure that these developments serve the public interest. Numerous design and programming measures can improve the pedestrian environment and vibrancy of town centers.

In Mexico, “action areas” can be created to incentivize some of the strategies suggested in this chapter. These special zones are designed to provide higher densities and flexibility of uses. *Distrito Tec*, located in Monterrey, is an example of the use of these zoning “action areas.” Initiated by the Tec de Monterrey, an internationally renowned Mexican university, the project proposes to rehabilitate the entire influence area of the university by collaborating with private developers and the municipality. The project will be revised and implemented through a participatory approach with local property owners and neighbors. Moreover, in consolidated urban areas, some efforts in this direction have taken off. One example of this is the Rehabilitation of *Colonia Primero de Mayo* in the City of Oaxaca. This project, initiated by INFONAVIT and financially supported by the local and state governments of Oaxaca, coordinated the rehabilitation of the public spaces, community center, and shopping areas of one of the first housing developments built in the city more than 30 years ago.
3.3 Linking Housing to Jobs

Linking Housing to Jobs

What It Is

- Linking housing to jobs encourages commercial development and residential development to occur in a community simultaneously.

- Residential development should be affordable to a range of income levels, as jobs in a community will pay wages of varying levels.

- Financial incentives to workers and employers, while potentially expensive, can encourage residents to live closer to their place of work.

Many planners, policy makers, and urban designers stress the importance of creating mixed-use locations that improve residents’ access to retail, services, and other types of commerce. Equally important, however, is the need to ensure a spatial match between residents and jobs. Spatial mismatch is a term used to describe the phenomenon whereby jobs (especially jobs for which residents are qualified to fill) are not located near housing for employees. Indeed,
the office park or suburban campus design of many suburban employment centers in North America suffer from the same issues that face suburban malls and retail centers: they are located far from the people that they serve, and thus necessitate automobile use (Horner and Mefford 2007, 1421). Even for highly mobile suburban residents, the location of jobs in suburban areas can be a challenge requiring longer commutes in terms of distance and time (Cervero and Wu 1997; Cervero and Wu 1998; Levine 1998).

Mixed use and other design-based remedies promoted by advocates of smart growth and new urbanism may not be enough to right the imbalance between jobs and housing that exists in many suburban communities. The result is an environment in which jobs and housing are increasingly located farther apart. Planners and policy makers can encourage more housing near jobs and commercial areas. However, because different household members typically work in different places, it is not possible to completely match housing and job locations.

There are a variety of strategies governments can use to encourage the linkage of jobs to housing and vice versa. They run from regulatory changes that require residential developments to accommodate a variety of income levels to requirements that commercial developments house a certain percentage of the employees in the local community. Another strategy seeks to reduce the competition among local governments for land uses that generate large amounts of property tax and other local benefits, while requiring little spending on municipal services. In addition, governments can provide financial incentives to encourage workers to live near where they work or to encourage employers to hire employees in the local community. A related strategy, not discussed here, is to improve transportation in underserved areas to better link jobs and residents, though such programs can be extremely useful. They are typically outside the domain of housing and urban development agencies.

The following sections discuss these strategies related to urban development in further detail.

- Inclusionary zoning
- Commercial linkage
- Tax-base sharing
- Financial incentives for workers or municipalities
- Financial incentives to hire local workers
3.3.1 Inclusionary Zoning

**What it is:** Inclusionary zoning refers to regulations that require or encourage new residential developments to include a certain number of affordable housing units. Sometimes they obtain benefits in return such as increased building height or density. The definition of affordable is different depending on the jurisdiction, but the overall goal is to encourage the construction of housing units that are affordable to a wide range of buyers or renters.

**How it works:** Inclusionary zoning seeks to prevent zoning practices that effectively exclude certain populations and socioeconomic groups by limiting the types of housing that can be built. In contrast, inclusionary zoning requires or recommends that developers provide affordable housing units as a part of their development or make a payment into a government fund for the creation of affordable housing at another site. In cases where the developer builds the affordable units, the number of affordable units is usually specified as a percentage of the total units to be built (Lerman 2006, 385).

How affordability is defined differs by jurisdiction, but generally it is defined as a percentage of the median income of the county or metropolitan area. Additionally, most units created through inclusionary zoning are only required to remain affordable for a certain period of time before they can go back to being priced at market rates (Lerman 2006, 385).

In return for providing affordable units or payments to an affordable housing fund, most programs award density bonuses to developers,
allowing them to build more units than possible under current land use regulations. While this type of strategy is used as a way to provide affordable housing, it can also help address the jobs-housing imbalance in a community, by providing housing opportunities for anyone who works there no matter their income level. While some inclusionary zoning mandates for affordable housing can be very strict and uniform, others are very flexible, with different requirements for affordable units or income based on location and market strength.

**Example:** In the United Kingdom, the Town and Country Planning Act of 1990 introduced new powers to local planning authorities to require the provision of affordable housing (Murphy and Rehm 2013, 8). Inclusionary zoning practices in England require developers and planners to meet to negotiate the number of affordable units the developer will provide. This is done using the proposed project’s financial information submitted to the planning authority by developers and focuses on residual land values and developer profits (Murphy and Rehm 2013, 9). The analysis determines how many affordable units the developer can provide while still keeping the project financially feasible (Murphy and Rehm 2013, 11). This approach takes into consideration the variation in land values in different areas of a city, creating site-specific requirements. Generally, it results in more affordable units in less affordable housing markets (Murphy and Rehm 2013, 11). While it also means that lower values areas will have fewer affordable units, these areas tend to have more affordably priced housing.

**Inclusionary zoning: Implications for Mexico.**

Such approaches could be useful in hot markets in Mexico where development pressures mean that it is difficult to provide lower-cost housing near jobs and where profits are such that inclusionary requirements are not a deal breaker. They can also work where developers would appreciate being able to build more units on a parcel. However, these initiatives are very valuable and should be promoted, especially in private-public partnerships where developers and municipalities have a win-win situation. Both need to have a vested interest in providing more social housing options within consolidated urban areas.

**Takeaways:**
- Inclusionary zoning is a planning tool that promotes the creation of new affordable units to enable people to afford to live in or near the communities where they work.
- Depending on the agreement, affordable units can be located on or off-site, allowing flexibility for both the municipality and the developer to determine the best outcome.
- If perpetual affordability restrictions are not put into place, the social benefits of inclusionary zoning may be minimal if units quickly revert to market rate rents or sales prices.
- If improperly formulated or implemented, inclusionary zoning strategies can discourage new development by reducing the financial returns of projects. A good strategy to incentivize developers is through negotiations with government agencies and community organizations based on site-specific variables.

### 3.3.2 Commercial Linkage

**What it is:** Commercial linkage is a type of exaction or impact fee that requires developers of commercial projects (usually office projects, but can be extended to other commercial uses) to provide housing or pay a fee for the local government to build housing in which some proportion of the people who will be employed in the finished project can live. Broadly, this strategy seeks to link commercial development
in a jurisdiction to residential development in order to prevent the development of one from outpacing the other.

**How it works:** There are two ways linkage programs can work. The first is by charging developers of commercial projects (usually ones that exceed a specific size threshold) a fee based on a specific metric, such as square feet of development (PolicyLink 2002, 1). The fees collected through these charges go into a municipal fund, which is used to build housing. Alternatively, linkage programs also require the developer of the commercial project to include housing, either on- or off-site. The number of units can be determined various ways, although it usually prescribes one housing unit per some number of square feet. It is common for this housing built through linkage programs to have income restrictions attached, decided in a manner similar to the approach taken in inclusionary zoning schemes. Through both of these approaches, municipalities are able to provide opportunities for workers to live close to where they work (PolicyLink 2002, 3).

**Commercial linkage: Implications for Mexico.**

Much like inclusionary zoning, commercial linkage programs work best in areas where growth is strong. By levying fees on commercial developers or corporations (as they invest in new office buildings or employment centers), employers are thus brought closer into the process of sharing some of the responsibility for housing their employees. Though linkages are implemented by local governments, this type of arrangement could be negotiated or facilitated in part by INFONAVIT, as they already have institutional arrangements with employers as part of their tripartite structure.

*Diagram by Irene Figueroa Ortiz*
Takeaways:

- Commercial linkage involves working with corporations and commercial developers to create nearby housing, balancing commercial and residential development, typically through fees imposed on developers.

- Linkage may be challenging to implement in a less competitive market, where developers may already be reluctant to invest and municipalities are more interested in offering development incentives than fees.

3.3.3 Tax-Base Sharing

What it is: Tax-base sharing programs combine a certain percentage of the property tax revenues of municipalities in a metropolitan area into a region-wide pool. The funds in the pool are then redistributed to the contributing municipalities using a set of criteria typically related to population, tax base, or service provision need (Luce 1997, 1). This aims to disincentivize municipalities from competing for development that uses the fewest municipal services. Tax-base sharing requires a regional, state, or national government to manage the system.

How it works: While tax-base sharing schemes help to reduce competition between local governments for business development and to promote equity among municipalities within a region, they also can be used to counter distortions in regional housing markets. In municipalities that depend on property tax as a major source of revenue, there is an incentive to seek to maximize this revenue source by zoning only for land uses that generate high property values while also requiring as few municipal expenditures as possible (Luce 1997, 5). In suburban America, this exclusion usually takes the form of zoning restrictions that only allow single family homes built on large lots, or that attract large commercial developments that pay taxes but require few local services such as schools. While not explicitly exclusive, such regulations typically result in low- and middle-income resident households not being able to afford a house in the community. By sharing taxes, this incentive is reduced, as tax revenue is redistributed to municipalities based on population or need to pay for services. It makes taxation more regional and similar to countries where infrastructure is paid for by regional, state, and national governments rather than local ones.

Example: The Minneapolis-Saint Paul metropolitan area (also known as the Twin Cities) in the United States is one of the few metropolitan areas to have implemented a tax-base sharing scheme in the country.
Tax-base sharing programs assist comprehensive regional planning by reducing the incentives for particular local governments to seek development to increase property taxes even when it is not well located. Benefits of development are instead shared through the whole region. Gray arrows represent input of taxes into a shared tax base. Blue arrows represent output of economic resource to support development.

*Diagram by Irene Figueroa Ortiz*
The program, known as the Fiscal Disparities Program, began in 1975 to “provide a way for local governments to share in the resources generated by the growth of the area,” “increase the likelihood of orderly urban development by reducing the impact of fiscal considerations on the location of business and residential growth and of highways, transit facilities, and airports,” and to “encourage protection of the environment by reducing the impact of fiscal considerations so that flood plains can be protected and land for parks and open space can be preserved,” among other rationales (Hinze and Baker 2005, 5).

The program requires all local governments and special districts located within the seven counties of the Twin Cities metropolitan area to contribute 40% of the growth in their commercial and industrial property tax base since 1971 (when the program was approved by the Minnesota state legislature) to the regional fund. This revenue is then redistributed based on a formula that multiplies the population of the municipality by the ratio of the average fiscal capacity of all municipalities to the fiscal capacity of the particular municipality. (Hinze and Baker 2005, 7). The result is called the Distribution Index which is then divided by the sum of the distribution indices of all other municipalities in the metropolitan area to determine the money to which each particular municipality is entitled (Hinze and Baker 2005, 10). In short, it takes away the incentive of local governments to attract the highest net tax paying developments, as all taxes need to be shared.

**Tax-base sharing: Implications for Mexico.**

Tax collection is one of the main areas of opportunity in Mexico for tapping additional sources of funding, especially at the local level. Local property taxes are the only taxes that are kept by the municipality. However, given low collection rates, many municipalities still rely on federal transfers for providing services. Tax-base sharing could be particularly useful to put into place at the metropolitan level through metropolitan planning institutes, or through the help of state planning or finance departments. Tax-base sharing could be aligned with cadaster upgrading.

**Takeaways:**
- Tax-base sharing can reduce the incentives for individual municipalities to promote one or two kinds of development—those that are most financially advantageous—at the expense of a regional balance.
• Countries where most taxes are collected at the state, provincial, or national level can achieve a similar result if they prioritize such redistributions.

• This mechanism is one that would be aptly implemented by a metropolitan planning agency or authority.

3.3.4 Financial Incentives for Workers or Municipalities

**What it is:** Financial incentive programs for workers are run by the public sector or employers to provide workers with financial incentives for living near their place of employment. Similarly, higher levels of government can also offer financial incentives to municipalities that have many jobs to zone for more residential land or to increase the supply of housing in those communities.

**How it works:** For workers, the incentive program rewards those who decide to live within a certain distance of their place of work. This reward can take many forms, but in most programs it provides financial assistance towards buying a home in areas prioritized for residential development that are located near the worker's place of employment (Andersen and Woodrum 2012, 1). In most cases, these programs are run as public-private partnerships, with both government and employers contributing to the incentive reward (Andersen and Woodrum 2012, 1). Alternatively, national and state governments can provide financial incentives to local governments to encourage the production of housing. Such programs can be designed to provide larger rewards for municipalities that build multi-family housing, affordable housing, or infill housing or for municipalities that have a large number of jobs relative to surrounding municipalities (California Department of Housing and Community Development n.d., 3).

**Example:** The Jobs Housing Balance Program was a statewide program started in 2001 in California, U.S., designed to increase the availability of housing in municipalities that were experiencing high rates of job growth, especially where the rate of job growth exceeded the rate of housing construction (California Department of Housing and Community Development n.d., 4). To qualify, municipalities needed to show an increase in the number of construction permits of more than 12 percent as compared to the average number of permits issued in the previous three years (2000, 1999, and 1998) (California Department of Housing and Community Development n.d., 5). Rewards were given to municipalities that surpassed the 12% increase in housing permits based on the number of permits issued in excess of this threshold. The per unit reward was also weighted based on the rate of job growth in
the municipality, with high-growth municipalities receiving a greater per unit amount than those with lower rates of job growth (California Department of Housing and Community Development no date, 6).

Financial incentives for workers or municipalities: Implications for Mexico.

Given the institution’s tripartite structure (employers, workers, and government), INFONAVIT is uniquely placed to help create a program of this kind that reflects the interests of all three stakeholders simultaneously. Though this coordination operates effectively at the federal level, it is critical to bring coordination to the local level to help implement initiatives to incentivize workers to live closer to their workplaces.

Takeaways:
- Financial incentives for workers to live near housing work best when such housing is indeed available.
- This strategy may not apply for all household members when income earners have jobs in different locations.
- Incentives for employers to provide housing near employment increase the choices of those who are able to move closer to their work places.
- These programs can be designed to contribute to other social and development goals, such as promoting construction of affordable housing and infill development.

3.3.5 Financial Incentives to Hire Local Workers

What it is: Governments can offer financial incentives to employers for hiring workers in their local community. If qualified workers do not live nearby, then government can also engage in job training schemes to ensure that local workers, especially those currently without jobs, are equipped with the skills and training necessary to be qualified for jobs in their community.

How it works: There are many ways governments can encourage employers to hire local workers. Generally, they involve the public sector giving businesses some type of financial incentive for hiring people that live in the local area. These incentives can be provided as wage subsidies, tax credits, or requirements for city contracts, among others. In this way, a municipality can meet the employment needs of its residents as well as its businesses. When unemployed workers are not qualified for the jobs offered by local businesses, job
training programs funded by the municipality or in partnership with the private sector are ways government can invest in the human capital of its residents, while at the same time helping them to find jobs.

Example: Since 1986, the City of Berkeley in California (U.S.), has run a program known as First Source, which seeks to “connect residents with local employers by developing agreements for employers to interview local candidates first” (ABAG 2014). A business's participation in the program is a condition for the approval of permits, city contracts, or to receive financing or funds from city government. The program connects pre-screened residents seeking employment with employers, who are required to interview them before they interview any other candidates. Final say over hiring is left to the business. The program has been successful among local businesses, with 200 to 300 participating voluntarily. Between 1986 and 1997, First Source helped to place 2,344 residents in jobs (ABAG 2014).

Financial incentives to hire local workers: Implications for Mexico.

Collaboration between housing, urban development, and employment agencies could foster these kinds of training programs to help place workers in jobs near their residences. As part of a transparent and public economic development planning process, Mexican municipalities can engage more closely with corporations or employers to help designate areas that are accessible and suitable for commercial development, and in turn help to develop programs that support job preparedness for the workforce.

Takeaways:

- Employment training and incentives can help match workers with local jobs, better equipping residents to find work close to their home or accessible via public transportation.

Benefits and Challenges of Linking Housing to Jobs

Benefits of Linking Housing to Jobs

Social equity: Policies that encourage the production of housing, especially affordable housing, in areas with job options increase the diversity of communities, potentially reduce travel time, encourage social integration of different populations, and provide economic opportunities. Zoning and land use regulations in American suburbs have long been used as tools to promote spatial segregation of groups based on ethnic, racial, and economic differences. More recently, these same regulations have been reversed in an attempt to promote greater social equity.

Economic growth and productivity: When housing and jobs are better linked, the logic follows that the economic productivity of workers will be improved. Ideally, better linkages will enable workers to more easily find housing closer to their workplace (with more housing tenure types and options that are suitable to their household makeup and income), spending less time commuting, and even spend less money on the commute itself. Additionally, in the process of working more closely with major employers, corporations, or commercial developers to designate areas for commercial development, local governments will ideally improve their planning process and hopefully pave the way to encourage more development through strategic public investments or streamlined permitting processes.
Challenges of Linking Housing to Jobs

Incompatible mixed uses: Where local or metropolitan economies are still dominated by industrial and manufacturing jobs (true in many Mexican cities), living close to places of employment might not be a positive outcome. This may be the case with industrial land uses that create pollution and other environmental and health hazards, or because the design and physical layout of these places are not conducive to walkability or connectivity. Despite this challenge, the need to facilitate accessibility to jobs is no less important. Linking to jobs is not only about physical proximity but also about transportation access. Creating ways for all populations to reach jobs, including those who do not have access to automobiles, is an essential aspect of economic and social development.

Lack of good metrics for connectivity: One of the largest challenges in linking residential areas to employment areas is in how to measure the extent to which these linkages exist. There is no real consensus among planners and policy makers about what constitutes an adequate or sufficient connection. The concept of linking to jobs has been captured in a number of theories and concepts, such as jobs-housing balance and spatial mismatch, but there is no commonly accepted measure describing optimal accessibility to jobs.

Numerous academics have discussed the difficulty in “measuring the degree of balance or imbalance” when discussing jobs and housing (Levine 1998, 134). Livingston (1989) and Giuliano (1991) raise the issue of the Modifiable Areal Unit Problem (MAUP), common to any study using spatial units of measurement. Because the units used are arbitrary (there is no correct scale at which to study job-housing imbalances or spatial mismatch), the outcome will be influenced significantly by the scale at which the phenomenon is being examined (Levine 1998, 134). For example, when looking at a metropolitan area as a whole, jobs and housing tend to be in balance. However, looking more closely at specific municipalities, neighborhoods, or blocks can reveal significant imbalances that appear only at each specific scale (Levine 1998, 134). Keeping the arbitrariness of these concepts in mind is key when evaluating studies or the results of metrics meant to measure the balance between jobs and housing. Certain measures, like the distance between employment and a worker’s home, are abstractions of the specific conditions that exist in any metropolitan area. While the distance between a home and job might be short enough to be considered accessible, the reality might be that physical, social, or economic barriers exist that keep that job from actually being accessible to residents.

Residential location decision-making: There are many other factors that go into a worker’s decision-making process when he or she is looking to rent or purchase a home. While planners typically assume that given the chance, workers will choose to live near to where they work, there is little evidence to suggest that this is true (Levine 1998, 134). One factor in selecting housing is proximity to work but this proximity may be greatly affected by the type and quality of transportation options available to residents, such as reliable and affordable commuter rail, a rapid bus system, or highways with minimal traffic. However, other factors can be just as important, including the type and density of the housing and the amenities available in a community, such as the quality of the schools. In addition, many households contain more than one person in the workforce, and must consider the distance between home and each of the jobs (Levine 1998, 134).

Understanding the other aspects that influence where workers choose to live is an important part of encouraging them to live closer to where
they work. It might not be possible, or even desirable, for governments to completely erase the jobs-housing imbalance in metropolitan areas. However, they should make the greatest effort possible to create opportunities for all residents to make a choice about where they live. It is important to remember that proximity to employment opportunities is not the only thing workers are looking for in a neighborhood. Investments in infrastructure, services, and amenities can be just as important in attracting workers to live in certain communities.

**Reliance on market growth:** Although the advantage of many of the strategies listed in this section is that they have limited costs to government, the counterweight is a reliance on the residential and commercial real estate market. Inclusionary zoning or linkage fees and requirements place the responsibility of building and paying for affordable housing on private developers (although they may pass these costs on to market rate consumers). While this is an advantage to municipalities that lack the funds to make their own investments in affordable or social housing, it requires there to be growth in markets for residential or commercial development (Benson 2010, 745). In places where little to no development is occurring, these strategies will result in very few additional affordable units. It is important to keep in mind that there are a number of reasons why a housing or commercial real estate market might not be growing. Thus, governments should still nonetheless promote and produce social housing in desirable areas.

**Linking Housing to Jobs: Conclusions**

Linking housing and jobs can happen in three ways: bringing jobs closer to residential areas, creating and expanding residential areas that are close to job centers, and improving transportation to better connect residential areas to job opportunities. Improving transportation is the quickest to implement, at least for modes that do not require new physical infrastructure. However, all strategies may be needed—particularly for households with multiple workers. In Mexico this will require study of each metropolitan area and a regional approach.

It is also important to keep in mind that housing design and access to amenities will likely continue to be important determinants in housing selection and that location alone may not be enough to attract workers to a development. In addition, some areas close to jobs are unsuitable for residential communities due to factors like pollution.
3.4 Dealing with Abandoned Housing

Dealing with Abandoned Housing

What It Is

- Abandoned housing can be considered in terms of functional, physical, and/or financial abandonment, meaning it is a complex problem with many causes.

- Policies designed to deal with abandoned housing need to address the different scales at which economic and social forces influence abandonment—from the household to the national economy.

Mexico has a growing problem with vacant and abandoned housing. According to the 2010 Census of Population and Housing, approximately 5 million houses are inhabited, which represent 14% of the total of 35.6 million houses in the country (INEGI 2010). Abandoned housing has many different causes, some of which can occur simultaneously. Generally, factors that influence housing abandonment can be found at three levels (Appel et al. 2014, 161). The first is the national or regional scale, at which macroeconomic forces interact with population movements, economic growth or decline, and the overall supply, location...
and adequacy of housing. Next are neighborhood factors, such as location within a metropolitan area, access to services and amenities, and the safety and desirability of a neighborhood (Appel et al. 2014, 161). Last, there are factors that are property specific, such as the size, layout, or quality of a housing unit, and the ability of the tenants or owner to afford to live there, all of which determine whether or not a person or household will inhabit the unit (Appel et al. 2014, 161).

In addition, there are different ways in which planners, policy makers, and researchers have defined what constitutes “abandoned.” In general, it is too simple to consider a housing unit abandoned when it is unoccupied or vacant (Wachsmuth 2008, 7). Instead, Wachsmuth (2008) suggests that abandonment should be thought of as a multidimensional process occurring over time and in different ways, not just as a state of occupancy or vacancy (Wachsmuth 2008, 8). Hillier et al. (2003) distinguishes three types of abandonment which may or may not overlap with one another: functional abandonment, physical abandonment, and financial abandonment.

- **Functional abandonment:** This occurs when a property is no longer functioning as a home (defined as a place in which one or more persons live) (Hillier et al. 2008, 93).

- **Physical abandonment:** This occurs when a property owner, either an owner occupier or a landlord, decides to stop investing in the interior and exterior upkeep of the unit or building (Hillier et al. 2008, 93). Physical abandonment is often indicated by housing code violations which may or may not be hazardous to the health and safety of residents (Hillier et al. 2008, 93).

- **Financial abandonment:** This occurs when the owner of a residential property stops making payments on taxes, utilities, or a mortgage (Hillier et al. 2008, 93).

Each of these types of abandonment are issues worth addressing, as they all can contribute to the overall decline of a neighborhood or area. The longer buildings and homes are left abandoned, the harder and more expensive it is to rehabilitate (Wachsmuth 2008, 7).

Policies designed to deal with abandoned housing need to address the different scales at which economic and social forces influence abandonment, as well as address the different aspects of abandonment. In addition, programs dealing with abandonment should not only focus on buildings that have already been abandoned. Identifying and preventing structures that are at risk of abandonment from becoming so is a much more effective way of dealing with abandonment (Hexter et al. 2008, 5).
The three types of housing abandonment. Adapted from Hillier et al. 2008.

In crafting municipal, regional, or national programs to address abandonment, governments must first understand the underlying causes of abandonment that are at work in their city or region. These will almost certainly vary by location within a country, as well as by location within a metropolitan area and city. However, the causes of abandonment should guide the municipality or region in its response to the abandonment issue.

The following strategies are ways in which municipal and regional governments have sought to address abandoned housing:

- Tracking and monitoring systems
- Housing code regulation and enforcement
- Government expropriation and disposition
- Increasing holding costs
- Promoting rental markets

3.4.1 Tracking and Monitoring Systems

What it is: Tracking and monitoring systems offer municipal and regional governments a way to identify where housing is currently abandoned, where housing might become abandoned in the future, and where efforts to deal with abandonment might be focused.

How it works: Such systems have been used in various municipalities in the United States and the United Kingdom as a way to address the uncertainty about the scope and location of abandonment in their
jurisdictions. They work primarily by collecting and centralizing a number of indicators in a single location. Generally such information is already collected by municipalities but is not shared between agencies. Wachsmuth (2008, 22) suggests that an abandonment tracking system should, at least, contain the following indicators:

- Property tax payments
- Code violations
- Outstanding and historical work orders
- Municipal liens, utility shut-offs
- Occupancy rates
- Crime reports
- Visual deterioration (Wachsmuth 2008, 22)

In addition, this information should emphasize viewing and dissemination so that it can be shared easily with other public agencies, researchers, non-profit organizations, and the public.

**Example:** The City of Los Angeles in California, United States, is one city that has implemented such a tracking and monitoring system to great success. The system, known as the Neighborhood Knowledge Los Angeles (NKLA) system, began in 1995 as the result of a technical assistance project by the urban planning department at the University of California Los Angeles to help neighborhood groups to purchase and rehabilitate abandoned properties (Snow et al. 2003, 6). Through the project, researchers noticed a strong relationship between abandonment and tax delinquency in the neighborhoods in which they were working. The NKLA system was proposed as a more cost effective way to continue to monitor and understand the trends contributing to abandonment (Snow et al. 2003, 6). The program continued to grow and evolve, adding more data and improving its mapping capabilities, and was adopted by the city government as a way to focus its housing code inspection and enforcement activities (Snow et al. 2003, 7). As of 2003, more than 7,000 users used the system, which has always emphasized public disclosure and access, with an average hit per day of 9,000 (Snow et al. 2003, 8). Since then, the program has expanded to cover the entire state of California, hosting a variety of datasets and indicators collected and updated by numerous national, state, and local agencies.
Tracking and monitoring systems: Implications for Mexico.

Currently, the main source Mexico has to keep track of vacant homes in the country is the INEGI census, conducted on a 10-year basis. INFONAVIT has an internal tracking system for identifying people who are falling behind with mortgages but if payments are on time, given the sheer scale of the mortgage portfolio, the institute has few ways of tracking unoccupied housing. At the municipal level, given the problems with the cadaster system, there is typically not sufficient information recorded about code violations, liens, occupancy rates, or other factors that help a municipality to be informed about the status of abandonment in their region.

Takeaways:

- Effective monitoring systems can help prevent abandonment by identifying properties at risk and intervening with owners and lenders.
- Universities and other research or policy organizations can help to jumpstart monitoring programs for housing abandonment, as they may already have the necessary technical equipment and expertise.
- Systems for monitoring abandonment benefit from data sharing and increased coordination between government agencies.

3.4.2 Housing Code Regulation and Enforcement

What it is: Adopting housing codes that require owners to maintain the physical appearance and safety of both the interior and exterior of a building is an important way cities can work to prevent physical abandonment. It also allows the municipality to maintain the quality of housing stock while units are functionally abandoned (Hexter et al. 2008, 7).

How it works: Housing and building codes are established by municipalities to ensure certain safety and quality standards in housing. When housing is vacant (functionally abandoned) or on its way to becoming vacant, owners tend to neglect the upkeep necessary to maintain these standards. Failure to upkeep housing units properly can lead to a number of issues, such as tenants leaving (if it is rented), a decline in the exterior physical appearance of the building, and decreasing value of neighboring properties (Hexter et al. 2008, 7). However, by strictly enforcing building codes, municipalities can ensure that owners make the proper investments in maintenance, even if the unit is vacant. These can be difficult to enforce, especially
if a municipality is unsure where problems may exist. In addition, it is important that the fines or charges levied against a code violator be large enough to spur action such as the sale of property that an owner cannot afford to maintain (Wachsmuth 2008, 17). Fines that increase with the incidence of violations or with continuing failure to make repairs can help to deter repeat offenders, while not overly penalizing small or non-serious offenders. Funds raised through fines and charges can then be used to help owners unable to pay to bring their buildings into compliance, or to help fund other abandonment programs.

**Example:** The City of Baltimore in Maryland, United States, has long struggled to deal with the large number of vacant properties within the city. As part of its Vacants to Value (V2V) program started in 2010, the city fundamentally changed the way it enforced building codes and issued citations for violations (Vacants to Value n.d.). Under the new program, enforcement is targeted to vacant properties, with $900 fees issued to owners if they do not respond to the city-issued citation after a certain period of time (Vacants to Value n.d.). Fines increase if no action is taken by the owner to fix the violation, encouraging owners to act as soon as possible. If the fines do not spur action, the city uses its legal authority to place the house in receivership, and auctions it to a new owner (Vacants to Value n.d.). At the start of the program, there were 1,529 vacant housing units subjected to this new enforcement technique. As of December 2014, the city had issued 1,854 citations of $900, spurring 1,182 rehab projects, 773 receivership cases and 28 demolitions (Baltimore Housing 2014).

**Housing code regulation and enforcement: Implications for Mexico.**

Code regulation and enforcement could be particularly beneficial in areas struggling with high rates of abandonment in order to maintain some level of security and quality of life for residents who remain. By establishing enforceable codes, municipalities might have more leverage to fine homeowners or even housing developers, thus disincentivizing irresponsible behavior, and also recuperating some of the costs of maintaining abandoned developments. In a more proactive measure, some developers in different areas in the country are also trying to promote physical appearance requirements to maintain the value of their properties.

**Takeaways:**
- Proactively dealing with maintenance problems can encourage rehabilitation and reuse.
- Structuring fines to increase with repeat offenses may improve their efficacy.
- Making financial support available to homeowners struggling with upkeep is an additional way to combine code regulation with proactive prevention strategies.

### 3.4.3 Government Expropriation and Disposition

**What it is:** Governments need a legal method by which they can take control of abandoned properties. Once under their control, governments can sell, rehabilitate, redevelop, and/or create a bank of vacant properties.

**How it works:** Property that is abandoned can come into the possession of government in a variety of ways. One of the most common in the United States is when a property owner fails to pay the taxes levied on the property. In this case, the property is forfeited to the local government, which usually auctions off the property in an effort to recoup the outstanding tax balance owed by the previous owner and potentially foster further investment in the area. Other cases occur when, as in the previous example from Baltimore,
property owners fail to remedy violations of a local government’s building code. Again, there are a variety of ways governments can use these properties once they are under their ownership. Many sell them, leaving rehabilitation work to the new owner. Others work to rehabilitate properties (often with financial help from non-profit organizations) before selling them. Much depends on the type of building on the property and its condition. In addition, government can bank the property it acquires, either combining surrounding vacant properties into larger parcels for resale or redevelopment, or waiting for the property market to improve (Mallach 2010, 109).

Example: The City of Cleveland and Cuyahoga County in Ohio, United States, were particularly impacted by the recession and foreclosure crisis that hit the United States and many other countries in 2007 (Keating 2013, 9). Even before the recession, abandoned housing was an issue in many so-called “rustbelt” cities in the United States, which had seen large declines in both employment and population due to manufacturing jobs leaving and populations moving into suburban communities. To deal with this issue, the state government authorized the creation of county land banks. In 2009, Cuyahoga County, which includes Cleveland, was the first to create one of these organizations.

The Cuyahoga County Land Bank is officially a non-profit organization, although five of its nine board of directors are members of the Cuyahoga and Cleveland local governments (Keating 2013, 7). Under the state enabling legislations, the Land Bank can “purchase, receive, transfer, hold, manage, dispose of and lease real property; acquire or manage unimproved (vacant) underutilized property and tax forfeited lands; contract with governments and other entities (e.g. private property owners) for land improvements; issue bonds, apply for grants, make loans, and borrow money” (Keating 2013, 7).

In its first four years of operation, the Cuyahoga County Land Bank received an average of 80-100 vacant and abandoned housing each month. Most of these dwellings were beyond repair, and the most viable option was to demolish them (Keating 2013, 10). Indeed, the majority of the houses the Land Bank takes possession of are demolished, with roughly a quarter undergoing rehabilitation and renovation (Keating 2013, 13).
Government expropriation and disposition: Implications for Mexico.

In response to widespread housing abandonment, Mexico is already experimenting with resale of abandoned properties. New policies and reforms to INFONAVIT’s internal regulations are currently awaiting approval in the Mexican Senate. These laws, if approved, will allow INFONAVIT to speed up the foreclosure process, which can now take anywhere from 6 months to 4 years. The drawback of such a policy, however, is that it does not address the failures of the current production model based on quantity rather than quality. Currently this system has caused INFONAVIT to have 5.29% non-performing loans out of the total credit portfolio (El Universal 2015). Though not a government initiative, PROVIVE in Mexico is one example of an enterprise that works to buy abandoned homes in cities across Mexico and repairs them to be sold again on the market, targeted to low-income families.

Takeaways:
- Government expropriation and disposition may be necessary in cases where landowners fail to remedy building code violations.
- Land banking can also encourage reuse or redevelopment of vacant buildings, as governments may then aggregate and sell parcels to facilitate a larger project.
- Rundown properties are sometimes beyond repair and can present challenges for government entities, which may face no choice but demolition.

3.4.4 Increasing Holding Costs

What it is: Holding costs are the costs of owning or holding onto land. It is not uncommon for real estate speculators (those owning property and waiting for it to rise in value due to external circumstances, not via development of the land) to purchase housing in distressed neighborhoods, keeping the units vacant until the property market in the area begins to strengthen. Because property values and taxes are low, holding onto vacant properties does not represent a large cost to speculators. By increasing the costs of deliberately keeping housing vacant, governments can discourage speculation and instead encourage resale or rehabilitation of the property.

How it works: There are a number of ways in which government can create financial disincentives for speculation. The first is to tax vacant land and buildings at a higher rate than occupied ones. These could be
applied as tax increases, or represent a separate vacancy tax levied as, for example, a percentage of the property’s value (Wachsmuth 2008, 29). Another approach is to require owners of housing that is to be vacant over a long period of time (as is common in speculation) to apply for a vacancy permit. Conditions for such a permit can require the building to be kept in a good state of repair, while also charging the owner a fee (Wachsmuth 2008, 29).

**Example:** The City of Winnipeg in Manitoba, Canada, is a municipality that has increased the holding costs for owners of vacant property. The city requires vacant houses to be well maintained and does not allow them to be boarded up, a clear sign of vacancy (Wachsmuth 2008, 29). If property owners do want to board up properties, they must apply for permits from the city that last only six months. To further discourage speculative holding, the costs of the permits increase each time an owner applies (Wachsmuth 2008, 29).

**Increasing holding costs: Implications for Mexico.**

While such speculation may not be as large of an issue in Mexico, Monkkonen (2014) suggests that many INFONAVIT housing units are vacant because individuals decided to purchase housing units without the intention of moving into them (Monkkonen 2014, 8). Making it more difficult for eligible buyers to take out loans from INFONAVIT probably is not desirable; however, making it more expensive for individuals to own vacant housing could be enough of an incentive to discourage individuals from buying housing they have no intention of occupying.

**Takeaways:**
- Taxation systems can create a financial disincentive to engage in speculation, but the penalty must be set high enough to be meaningful to the speculators.
- For holding costs to have an impact, they typically rely on an existing property tax and cadaster system.

**3.4.5 Promoting Rental Markets**

**What it is:** Another strategy to decrease the vacancy rate of housing is to encourage property owners to rent out their units instead of leaving them vacant. This is an especially good option for housing that is located near jobs, or in parts of the metropolitan area with good access to services and infrastructure.

**How it works:** In some countries, laws and tax policies can discourage
property owners from becoming landlords (Monkkonen 2014, 11). While laws should not strip tenant of their rights, regulations that are too protective of tenants, for example by protecting tenants who do not pay their rent, discourage property owners from renting out their property (Peppercorn and Taffin 2013, 35). Changing tax laws is another way to encourage a stronger rental market. Many countries, including the United States, include provisions in their tax code that create incentives for citizens to buy homes instead of renting. Similarly, if tax burdens for owning rental housing are too great, property owners will not become landlords, nor will investors (who drive rental markets in many countries) choose to invest in rental housing (Peppercorn and Taffin 2013, 35.) Finally, there can be general education and counseling about the process of becoming a landlord.

**Promoting rental markets: Implications for Mexico.**

The rental market in Mexico is a complex mosaic that stands to benefit from an even greater range of options, as discussed in section 1.4 on Promoting Alternate Tenure. In order to properly promote rental markets, it will be necessary to review rental regulations to be fair to both landlords and tenants in order to provide more security for the rental market as a whole. INFONAVIT has a pilot project for rental market called Arrendavit, through which the institute rehabs foreclosure properties and puts them back on the market for rental by INFONAVIT credit holders.

**Takeaways:**

- A healthy rental market can be an important and necessary part of a metropolitan area’s housing market.
- Renting a house can be a much better choice than buying a home for certain people, such as students, young people, or low-income households who may move frequently and cannot afford to pay the down payment, maintenance, and other costs associated with owning a home.
- Finding ways to promote the renting of individual units may be an important mechanism for making the housing market more flexible and encouraging the upkeep of houses, and will require regulations that support small landlords.

**3.4.6 Demolition**

**What it is:** Sometimes demolition is the most appropriate approach to rehabilitating a property. Under this strategy, governments remove the structure that is on the property when it comes into government
ownership, replacing it with another house, or dedicating the land to another use, such as conservation.

**How it works:** There are a number of cases where it is not feasible to rehabilitate an abandoned house or larger building. Instead, it is more cost-effective to remove the abandoned structure and dispose of the property without any improvements, or with a new structure built in place of the old one. However, in circumstances where the supply of housing in a region greatly exceeds the demand for housing, it is likely that even a new structure or cleared lot will remain vacant. This situation, common to many post-industrial cities in the United States, is difficult to confront with the strategies listed in this section. The underlying cause, for the most part, is beyond the control of the local government. This is less of an issue for fast-growing cities, although housing built in certain locations within these cities may never become occupied due to its distance from jobs and services, and the lack of proper infrastructure, like sewer and water.

**Demolition: Implications for Mexico.**

Given the reality that housing is abandoned in part because of poor quality construction, inaccessible location, or lack of infrastructure and services, demolition (rather than repair or recuperation) may ultimately save money in the long term, as repairing dwellings or providing infrastructure in remote areas is expensive and complex. Rather, it keeps some concentrations of residential areas potentially with town or neighborhood centers and returns areas with high rates of housing abandonment to their previous uses as agricultural land or park space.

**Takeaways:**
- Demolition programs are expensive to implement, as they require a good amount of labor force and the turnover is not always guaranteed to cover the expenses. It should be clear who is responsible for the costs of demolition, and who will get ownership of the cleared land once demolition is completed.
- Demolition is most useful in extremely weak housing markets, where it would be very expensive to provide public services, or areas where there is extensive damage to buildings.

**Benefits and Challenges of Dealing with Abandoned Units**

**Benefits of Dealing with Abandoned Units**

Revitalization of distressed or declining neighborhoods: Vacant and abandoned housing tends to have a large impact on the neighborhood and surrounding properties. Boarded up buildings, or ones that have been so neglected that they are falling down, are not signs of a healthy, vibrant neighborhood. Reinvesting in these housing units is an important way to begin to revitalize distressed or declining neighborhoods. In addition, reusing and reinvesting in existing urban areas is an important way to prevent further urban sprawl. Programs supporting the rehabilitation and renovation of vacant properties can be powerful tools to help revitalize neighborhoods, and also prevent at-risk neighborhoods from declining. Investments in housing in inner city neighborhoods can have impacts beyond the property itself, helping to improve surrounding property values. With strategic investments, governments can leverage much larger benefits.

**Challenges of Dealing with Abandoned Units**

Identifying causes of abandonment: As discussed earlier in this section, there are many factors and processes that lead to housing being abandoned. It can be very difficult to determine
Dealing with Abandoned Housing: Implications for Mexico: Conclusions

Housing units are abandoned for different reasons, meaning that there is no one solution to the problem of abandoned and vacant buildings. Tracking, monitoring, and predicting abandonment is a first step in trying to prevent and mitigate this phenomenon. Regulations requiring building maintenance and increased property taxes on vacant properties can reduce the negative effects that vacant properties have on the surrounding area. In some cases, governments may have to take control of abandoned properties; however, severely dilapidated parcels may be expensive or inconvenient for government entities to repurpose. Despite this challenge, addressing housing abandonment is a key policy effort in seeking to revitalize neighborhoods.

Identifying ownership of abandoned housing:
For many of the strategies discussed in this section to work effectively, the local government has to be able to identify and make contact with the owner of the property. However, this can be extremely difficult, even in cities that have detailed ownership records. This can lead to lengthy searches and legal battles by government officials in order to gain ownership of the property. It should be a priority of local governments to create detailed property ownership records. This is not only because it makes it easier to use the strategies listed in this section, but also because it is an essential element to begin to tax property, a potentially important source of revenue for local governments. Many other strategies discussed in this report rely to some degree on registered and available property tax and ownership information.