

**UPGRADING FAVELAS: FUNDING SCHEMES AND THEIR EFFECTS ON
ECONOMIC OPPORTUNITIES, INFRASTRUCTURE PROVISION,
AND SAFETY**

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Abstract

Public-private favela-upgrading schemes in São Paulo (known as Urban Operations) manage to collect and allocate more funds than the conventional public upgrading. It would thus be safe to assume that favela-upgrading interventions financially backed by Urban Operations are more successful in bringing up indicators related to infrastructure and public services than the conventional public schemes. It might as well be assumed that public-private upgrading also provides economic opportunities and more perceived safety. This is what I have investigated in this thesis. My methods for this research entailed the conduction of semi-structured interviews and informal talks, the consultation of government reports, census data, and real-estate information, as well as taking on-site pictures and the conduction of non-participant observations.

I selected one case study for each type of upgrading scheme. My findings mostly point to the fact that conventionally-funded upgrading and Urban Operations-backed favela interventions achieved similar results in the selected cases, especially when it comes to providing housing affordability, as well as public services, facilities, and infrastructure. Perceived levels of safety also evolved similarly in the studied communities. Economic and real-estate development followed different paths, which nevertheless also resulted in a few similarities. Overall, my analysis showed that the rationale of favela upgrading has reasonably evolved throughout the last decades. Yet, the reality of the upgraded communities that I studied still seems to be unmet by either type of intervention, especially when it comes to the affordability conundrum.

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List of Abbreviations

CEPAC	Certificate of Additional Construction Potential <i>Acronym from Portuguese: Certificado de Potencial Adicional de Construção</i>
FAR	Floor Area Ratio
FMSAI	São Paulo Municipal Sanitation Fund <i>Acronym from Portuguese: Fundo Municipal de Saneamento Ambiental e Infraestrutura</i>
FUNDURB	Urban Development Fund <i>Acronym from Portuguese: Fundo de Desenvolvimento Urbano</i>
PAC	Growth Acceleration Program <i>Acronym from Portuguese: Programa de Aceleração do Crescimento</i>
SEHAB	São Paulo City Housing Department
SP Urbanismo	São Paulo Urbanismo <i>Acronym from Portuguese: Secretaria Municipal de Habitação</i>
UN-Habitat	United Nations Human Settlements Programme
UO	Urban Operations <i>Acronym from Portuguese: Operações Urbanas Consorciadas</i>
ZEIS	Special Zones of Social Interest <i>Acronym from Portuguese: Zonas Especiais de Interesse Social</i>

1. Introduction

The purpose of this thesis is to address one significant issue that many planners have been grappling with worldwide: how to house the urban poor? This is a question that surely implies a complex answer; yet, especially in developing countries such as Brazil, this has become a recurrent and necessary inquiry. Urban housing in South America's largest nation has been marred in many cases by physical precarity, low access to the formal market, poor access to job locations, and by other challenges. As an illustration, in 2010, about one third (32.7%) of households in Brazil was not connected to adequate sewage infrastructure¹ (IBGE 2010). In states such as Tocantins, 82% of households did not have adequate sewage coverage. In São Paulo State, 94.7% of residences were connected to such a service in a proper way; however, when it comes to favela households, only 68.4% presented an adequate sewage coverage (ibid.).

In São Paulo City, the Housing Department (SEHAB) has been carrying out improvement attempts for decades. Initially, clearance was the main housing policy in the city. That meant that many of the local less affluent citizens ended up relocated to social housing condominiums on the city outskirts, which are far from most workplaces and which imply commuting times of sometimes over 2 hours in the morning and additional 2 hours in the evening. In the first decade of the 2000s, SEHAB shifted its policy to on-site upgrading, according to which a small proportion of favela residents are to be rehoused in most cases. When that happens, they are usually resettled in the same favela.

¹ The Brazilian Institute of Geography and Statistics considers sewage "adequate" if it corresponds to general drainage or sewage networks or septic tanks (IBGE 2010).

While housing policies shifted, funding schemes for upgrading interventions also evolved. In the 1990s, the City Hall established the Urban Operations (or *Operações Urbanas Consorciadas*), which are major urban redevelopment schemes that, among other features, collect resources to be allocated into favela upgrading. Urban Operations (henceforth UOs) are public-private enterprises, which contrast with the mainstream publicly-funded favela interventions.

As I will show in this thesis, UO-backed upgrading schemes tend to gather more resources than publicly-funded interventions. For instance, Real Parque, which is my UO case-study, received about 4.5 times more funding resources per household than Sapé, which is my conventionally-funded, favela-upgrading example. Having that in mind, I started this research with the hypothesis that the former funding scheme reached better results than the latter if I were to compare variables such as levels of economic opportunities, affordability, public services, infrastructure provision, perceived safety, and real-estate impact.

My research question is:

What is the difference in outcomes between favela-upgrading cases funded by Urban Operations and by cases funded by public money?

This impact should be related to the following variables: (i) level of local economic opportunities (i.e. do they generate any jobs or income as a byproduct?), (ii) provision of urban public services, (iii) provision of infrastructure, (iv) safety perception in the studied favelas, and (v) real-estate impact in those settlements and in their surroundings.

During the conduction of my research, I realized that one other variable was worth analyzing: housing affordability. It proved to be important as I conducted my interviews and noticed that upgrading heavily affected residents' capacity to afford their bills after the works.

For me to certify or refute my initial assumption, it was essential to understand how one can evaluate the impacts of favela upgrading. I can anticipate that there is no precise way to do this type of assessment; nevertheless, after doing a thorough literature review on this issue and after having worked with favela upgrading for two years at the São Paulo City Housing Department (SEHAB), I was able to understand the rationale of upgrading schemes and the reality of upgraded communities. This definitely helped me carry out my analysis.

This thesis is mostly based on a qualitative approach. I have selected two case studies: (1) Sapé, where the conventional type of upgrading was carried out and (2) Real Parque, where a public-private partnership was implemented. I selected these two case studies for several reasons, being the most significant one my previous knowledge of these two favelas. Between October, 2014 and October, 2016, I worked at SEHAB and visited those two settlements. I had a special background knowledge of Sapé, whose upgrading works I would inspect once a week in a given time frame. I also knew a few residents from these favelas, as well as social workers and architects that were either my colleagues at the Housing Department or who were hired by firms that supported the conduction of the upgrading works—called *gerenciadoras*, or “managing firms.” Conveniently, both settlements also had a relatively similar number of households. Lastly, both Sapé and Real Parque are in an intermediary urban area in São Paulo (see Figure 6), which is neither the Downtown area (*Centro*), nor the *periferia*, or the urban fringes.

Nevertheless, there are a few key location differences between the surroundings of the two settlements, as Sapé is in a middle-class neighborhood, and Real Parque is in an upscale area,

which overlooks a burgeoning corporate district—a more comprehensive background of the two case studies and their surroundings will be given in Chapter 3. Those urban similarities and differences have allowed me to compare many variables in a fitting way and have also been helpful for me to frame specific hypotheses, such as the one under which I assumed that the upgrading of Real Parque would result in a more prominent increase in market values in its surrounding district. I will cover more about that in Chapter 7.

I have also conducted 9 semi-structured interviews and a few informal talks with favela residents, social workers, urban planners, and a representative from the São Paulo real-estate market. A few of these interviews and talks were held in the field (Favela do Sapé and Real Parque), a few of them were carried out at the SEHAB headquarters, and one interview was conducted at a private architecture firm. Regarding my interviewees, I had a convenience sample, as I selected my interviewees based on either my previous knowledge of them or on referrals made by people I knew. In Sapé, I wanted to talk to at least one resident from the newly-built condominiums and to one from the reminiscent area—which I managed to accomplish. In Real Parque, I sought to interview at least two residents from different households. Fortunately, during my field visit to that area, I managed to talk to one extra dweller. I also talked to one architect that worked in Sapé’s upgrading and one architect that worked in Real Parque. I tried to repeat the same procedure with social workers; however, I was just able to interview one professional that assisted in Real Parque’s works. As for Sapé, although I was not able to officially interview the social worker that I previously had in mind, I could hold an informal talk with another social worker from this settlement. I also talked to one real-estate developer who was involved in the Urban Operation that funded Real Parque.

It is important to point out that it is extremely difficult to choose interviewees in favelas. In Real Parque, I was accompanied during my field visit by one well-know SEHAB officer in the area; yet, whenever I tried to approach any resident to ask for permission to carry out interviews, they would back off. I associate that with their fear to speak—even if anonymously—in a context in which drug dealers have a huge amount of power and control over favelas. In fact, members of the local gang are all over watching people in these communities. I was able to have a sense of that as soon as the SEHAB officer and I arrived in Real Parque. As soon as I took my phone out of my pocket to take a picture of the area, one observer—or *olheiro*—approached me and angrily inquired who I was and why I was taking pictures of the area.

I have also relied on real-estate statistic data and on two datasets about the chosen case studies. I have also produced a few maps and have taken on-site pictures. Some of the reproduced images in this thesis were kindly provided by SEHAB or were already made available on online databases. Unfortunately, there was no information on residents' socioeconomic conditions and on the physical situation of Sapé and Real Parque after the upgrading works.

This thesis is structured into eight chapters. This first chapter is a brief introduction on the adopted methodology and is also a roadmap for the work to be presented. Chapter 2 provides the reader with an introduction to favela upgrading in São Paulo, as well as with a background to what has been done abroad when it comes to vulnerable settlements' intervention. Chapter 3 gives a background of the two selected case studies for this thesis. Also, in this chapter I will discuss methods of assessing favela-upgrading interventions. Chapter 4 starts the analysis per se of the upgrading of Sapé and Real Parque. In this part of the thesis, I will place a special focus on

one of the primary aims of contemporary upgrading in São Paulo: the provision of infrastructure to communities.

Chapter 5 will analyze the implementation of public services in Sapé and Real Parque and the effect of both types of upgrading on safety issues there. Chapter 6 will compare how both upgrading approaches influenced on the creation of local economic opportunities and how they impacted on affordability on the residents' end. Chapter 7 will end the series of comparisons by assessing the impacts of public and public-private upgrading on the real-estate market of the targeted communities and of the immediate surroundings. Chapter 8 will be this work's conclusion.

The results from this research will hopefully serve as inputs for future research on favela upgrading and for further policymaking. After reading this thesis, planners in Brazil shall be more prepared to adjust current upgrading alternatives or to come up with new ones. All those study-backed alternatives should aim at facilitating the promotion of social justice and equal opportunities, especially on the favela residents' end. Additionally, this research will give voice to those residents and amplify their demands for better urban policies in São Paulo and in the rest of Brazil.

2. Understanding Favela-Upgrading Schemes

“The term informal settlement upgrading does not have a clear and concise definition. Thus it applies to any sector-based intervention that results in a quantifiable improvement in the quality of life of the residents affected.”

Abbott 2002, 307

“It seems that all national and international housing and planning agencies mis-state housing problems by applying quantitative measures to non- on or only partly quantifiable realities.”

Turner 1976, 61

2.1 Definition of “Favela” and “Slum”

Favelas and similar settlements may have different names and definitions according to the place where they are found. The Brazilian government has defined favelas as a type of settlement that usually combines squatting, an irregular street layout, and a lack in the coverage of basic services (such as garbage pickup and sewage collection). According to the Brazilian Institute of Geography and Statistics (IBGE), a settlement of at least 51 residences laid out in such conditions constitutes a favela (IBGE 2010). This institute has officially labeled such type of settlement as *aglomerado subnormal*, or something in the lines of “subnormal agglomeration.”

The United Nations Human Settlements Programme (UN-Habitat) uses the word “slum” to refer to settlements that lack basic services, present substandard housing or illegal and inadequate building structures, are highly dense and overcrowded, present unhealthy living conditions or are in hazardous locations, lack tenure security, do not comply with land-use plans, and are amid poverty and social exclusion (UN-Habitat 2003). This catch-all concept can be

“loose and deprecatory” (11) in many ways; yet, multilateral institutions need to adopt a general language to address their issues.

Fortunately, UN-Habitat also considers regional terms that may more accurately replace “slums.” “Favela” is listed under the Global Report on Human Settlements as a specific term for the Brazilian context.

The *Observatório de Favelas*, or Observatory of Favelas, which is an organization focused on research and on urban policy-making directed at favelas, defines this type of settlement as a territory where state policies have historically been absent, as well as a place where investments from the formal market (i.e. real estate, financial, and services) are scarce. The Observatory also explains that, in favelas, the built environment, often marked by self-help, does not predominantly comply with urban ordinances. Lastly, this organization defines favelas as a multicultural territory, where different human backgrounds meet and where there is an expressive presence of African-Brazilians and indigenous populations (Souza e Silva et al. 2009).

2.2 Historical and Geographical Contexts of Favelas

The first favela in Brazil is believed to be Rio de Janeiro’s Providência, which, according to Brazil’s popular favela narrative, appeared right after the Canudos War (1896-97). History has it that, after winning this military conflict, soldiers who fought it in Northeastern Brazil went back to Rio—then the nation’s capital—and were left homeless by the federal government. The solution that those war veterans found was to occupy the Providência Hill, or *Morro da Providência*. Whether this was how the first favela was settled might be object of further studies.

Nevertheless, scholars are able to say what came next to this likely birth. In short, urban renewal attempts carried out in the early 1900s in Rio de Janeiro, which according to Zaluar and Alvito (2003, 7) were an attempt by the officials of the early Republic to transform the capital into an “European city,” fostered the multiplication of favelas in Rio. As a consequence of these renewal attempts, many tenements in central areas were demolished and the urban poor who originally inhabited those tenements ended up occupying insalubrious areas, such as steep hillsides and swamps.

In São Paulo, favelas would first be spotted after a few decades, as the city started to grow steadily in the twentieth century and as its first major housing issues started to emerge. Historians usually consider that the initiative that paved the way for the appearance of those settlements in the city was the 1942 Renter’s Law, which was a federal decree that froze rents in Brazil. According to Bonduki (1998), this piece of legislation stimulated landlords to divert investments from their housing stock to other economic activities. As a result, the production of housing units decreased and many low-income renters had to seek other dwelling alternatives—such as favelas and peripheral subdivisions.

Favelas in São Paulo are mostly found on the city’s urban fringes (see Figures 6 and 7 in the next chapter). Mautner (1999) explains that this location pattern took place due to the cheap and empty land available in these areas, whose occupation was made possible by autoconstruction² and by an easier access provided by the advent of buses. Although favelas are mostly in peripheral land, their settlement patterns also apply to favelas in central neighborhoods. The latter group was set over abandoned plots or in unoccupied floodplains. The

² Autoconstruction can also be called self-help. Under this type of housing production, the urban poor in São Paulo have built their own residences in favelas and peripheral areas (Caldeira 2016).

common ground between central and peripheral favelas is that their residents sought to occupy areas that were either cheap or left out due to reasons of insalubrity or due to being distant from workplaces in Downtown São Paulo.

Throughout the 1970s, economic crises affected Brazil and engendered unemployment, wages devaluation, and increases in the cost of living. Additionally, a 1979 federal bill—the Lehmann Law—was passed and made peripheral subdivisions without infrastructure—which were common in Greater São Paulo—illegal. As a consequence, favelas started to multiply in São Paulo as the feasible alternative that was left (Zuquim 2012).

In response, until the mid-1980s, the city government carried out favela clearances—which could end either in residents being indefinitely displaced or in their transfer to housing condos on the city outskirts.

Since the mid-1980s, the São Paulo City Hall has been slowly shifting its housing policies. Under mayor Paulo Maluf, the showcased housing program was the so-called Cingapura. Named after the East Asian country and its success in providing state-sponsored housing, this 1990s program was what many critics called a makeup intervention. It consisted of demolishing favela shacks and replacing them with apartment buildings usually in areas that were highly visible—such as in blocks that faced busy avenues and at the entrances of São Paulo (Bueno 2000, 82-83).

The final stage of favela upgrading comprises the urban- and land-regularization processes (Zuquim et al. 2017), which correspond to adjusting these settlements to the urban legislation and to providing dwellers with title deeds, respectively.

Favela-upgrading schemes may lead to different outcomes depending on how they are conducted. As some of this thesis interviewees put it, the success of an upgrading project is tied to the amount of funds that is invested, to the residents' ability to enjoy upgraded spaces, and to their capacity to afford living in upgraded communities. I would add that the success of a project also depends on the provision of public facilities and services to settlements, as well as on the community cohesion that results from the upgrading rearrangements.

As favela-upgrading policies evolved in São Paulo, the possibility of setting up public-private partnerships that could help fund improvements in poor settlements emerged. These partnerships led to upgrading schemes which originated from an urban mechanism adopted by successive city administrations: the Urban Operations (UOs). Known in Portuguese as *Operações Urbanas Consorciadas*, this mechanism allows real-estate developers to build an extra FAR³ inside an urban perimeter as long as they pay a compensation for that. A percentage of this compensation has to be invested in the upgrading of favelas that are within the perimeter or close to it. Under the Urban Operations scheme, resources from private investors are channeled into the upgrading of those settlements in a scheme that is managed by SP Urbanismo, a mixed-capital agency.

If real-estate investors show a significant interest in developing the UO urban perimeter, many monetary resources can be collected and the upgrading of favelas tends to be more comprehensive in terms of numbers of delivered housing units. That means that, instead of replacing shacks by a limited number of units, the City Hall can usually afford to demolish all

³ In São Paulo, FAR (Floor Area Ratio) translates as *Coefficiente de Aproveitamento Básico* (Basic Building Coefficient). The FAR is the ratio between the total built area of a building and the area of its plot of land.

precarious residences and rehouse their inhabitants in brand-new apartments. This comprehensive type of upgrading is labeled by Mariutti et al. (2016) as “complete removal.”

The other type of upgrading is the conventional one, which receives public resources. Since no money comes from private partners, the conventional favela-upgrading scheme is usually more limited, which implies rehousing only a percentage of the vulnerable families from a settlement. The prioritized families are usually those who live in extremely precarious shacks—such as the ones made by wood instead of brickwork—, those who inhabit landslide areas and floodplains, and those whose residences are on the way of infrastructural components to be implemented as part of the upgrading project. Families are also relocated for being in areas that will receive the limited number of apartment blocks. This is a “partial removal,” (ibid.) process.⁴

Urban Operations have been praised by some policy-makers, as this mechanism enables the real-estate market to help the City Hall obtain resources for urban renewal. As one architect from the São Paulo Housing Department (SEHAB) told me, when compared to conventional upgrading, “Urban Operations are a wealthier source [of funds].” However, that is not to say that public-private upgrading schemes necessarily result in more successful projects.

2.3 Measuring the Outcomes of Upgrading

There is no precise guide on how to measure the outcomes of upgrading projects. However, São Paulo’s Housing Department has traditionally clung to counting the decrease in its

⁴ There is an interesting discussion around the effects of partial removals and complete removals. Apart from resulting in more costs, scholars also tend to argue that the latter type of favela intervention cuts community bonds and damages well-established residents’ lifestyles (See Perlman 2010 and others).

housing deficit as the main yardstick for measurement. In short, the City Hall defines housing deficit as a situation in which there is at least one of the following components: (1) housing precarity, (2) different families living in the same household, (3) excessive rent onus and (4) excessive density in rented households (São Paulo 2016(c)). But what would Planning literature possibly say about it?

There are a few ways to conduct research in the Urban Planning field, being two of the most recurrent the quantitative and qualitative methods. Creswell (2014, 4) explains that the former is “an approach for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures.” When it comes to housing, John Turner (1976, 61) says that “quantitative methods can only indicate, not measure, non-quantifiable components—the human realities of housing.”

What does Turner mean by “human realities of housing?” And, given that favela upgrading in São Paulo does not place most of its focus on housing anymore, how do this author’s idea apply to contemporary upgrading?

Let us start with the second question. John Turner and other prominent urban scholars and practitioners have placed great emphasis on the housing component of favela—or, to borrow the term many of them used, “slum”—upgrading. Although initiatives such as sites-and-services, which are primarily based on infrastructure provision as a conditioner for housing, have been attempted in the recent past, vulnerable-settlement upgrading has historically been focused on housing. As explained previously in this chapter, this was also true within the specific context of São Paulo, where favela clearance and rehousing initiatives were the mainstream housing policy (see Bueno 2000; Bonduki 1998; Zuquim 2012).

However, assessments made by urban assistance institutions such as the World Bank have revealed that these regular past approaches have proven unsuccessful in many ways. Cohen (2001, 44) explains that

[i]f the projects [which included housing] enjoyed physical success, they were nevertheless facing numerous time-consuming obstacles and institutional problems such as land acquisition, tendering and awarding of construction contracts, inadequate cost recovery and inadequate coordination among public sector agencies.

Cohen also adds that the scale of the projects, when compared to their general demand was inadequate (*ibid.*). In other words, the growing number of urban poor in need of assistance throughout the 1980s and 1990s was not significantly offset by the number of people urban assistance projects actually reached out to.

Furthermore, Cohen (2015, 67) says that aid and development agencies usually focus on measuring “outputs” instead of “outcomes.” In his own words, outputs account for “whether money was spent, whether the school was built, or whether the water supply network was constructed” and outcomes correspond to “whether the students attending the school were well-educated or whether the water improved the health status of people using the network.” He summarizes his explanation by saying that “outputs can be defined as the physical and financial results generated by a project, while an outcome is the consequence of that output.”

Looking back at Parcelles Assainies, a sites-and-services project funded in 1972 by the World Bank in Dakar, Senegal, Cohen explains that, at first sight, delays in implementation,

disagreements, and an overall “stigma of failure” (74) among the bank employees made them evaluate it as a real failure. Nevertheless, after conducting an assessment of the same area in 2006, the author observed a few facts that led him to contest the verdict made in the past by the World Bank. For instance, he noted that the settlement density had increased from 350 people per hectare to between 1,000 and 1,700 people per hectare⁵ and many plots were sold from low-income residents to more affluent people. UN-Habitat says that high densities and overcrowding are a sign of slums and should be addressed (see the beginning of this chapter for more detail). However, under Michael Cohen’s interpretation, density increase in Parcelles Assainies might be an actual indicator of the project’s success, for it signals that dwellers in Dakar massively turned to this serviced and relatively well-located area as the decades went by. Also under this rationale, Cohen sees the possible gentrification of the area as an indicator that it became popular and, as I see it, that market forces of supply and demand fully acted in the serviced settlement.

At this point, I should make two important observations. Firstly, I am not implying that gentrification is neither a positive nor a desired outcome in upgraded settlements. As I will explain in depth in Chapter 6, this is exactly the opposite ideal scenario in São Paulo’s favelas. I am citing Cohen’s findings not because of this specific Senegal assessment, but actually because I believe that his explanation and further illustration of the difference between “outputs” and “outcomes” in urban assistance assessments comes in handy for favela-upgrading evaluations.

Secondly, SEHAB and other housing departments across Brazil are not aid or development agencies. But the critique that applies for the latter group of organizations under Cohen’s article may be also true for the former set of institutions. By saying it, I mean that if the

⁵ For the sake of comparison, India’s largest slum, Dharavi, has a density of somewhere between 1,500 and 5,000 people per hectare (Fernando 2014). This is considered an extremely high concentration.

São Paulo Housing Department keeps assessing its upgrading success by counting the number of delivered housing units or by counting the decrease in the city's housing deficit, this department may actually be focusing on an output rather than on an outcome. The desired outcome in this case relates more to Turner's use values (see Chapter 7), or, in other words, to how residents subjectively assess their gains in wellbeing after the upgrading works.

Therefore, it became clear that different and innovative approaches were needed. In cities throughout Brazil, these new ways of handling housing issues spilled over to the fields of urban legislation, zoning, and, as mentioned, infrastructural provision. Cities like Recife and Diadema implemented in the 1980s and 1990s pieces of legislation that aimed at regularizing tenure and urban conditions of their settlements (Zuquim 2012). São Paulo innovated by implementing its 1989-1992 Favela-Upgrading Program (*ibid.*) in a way that was designed similarly to the city's current upgrading program (i.e. with a focus in consolidating most residences by servicing them, rather than by demolishing them and relocating dwellers to new housing units in other plots of land).

The impact of upgrading practices in the past has been deemed problematic in terms of scale, cost recovery, tenure security guarantees, and bureaucracy. That led to the aforementioned housing policy changes in Brazil and also to different approaches in institutions such as the World Bank. Michael Cohen (2001) explains that this agency shifted its focus to building up the capacity of local institutions (e.g. municipal and metropolitan governments) that deal with urban assistance issues on a regular basis.

Scholars such as Turner wrote extensively before upgrading shifted from mostly housing to other components. This might explain why he will label this type of urban assistance

initiatives as housing. Nevertheless, when it comes to Turner, he demonstrates that there is a lot of room for the consideration of issues that bypass physical sheltering.

That brings us to the first question. As shall be explained in more detail in Chapter 7, Turner (1976) identifies two sets of values within housing: market values and human values. While the former group is easily quantifiable by monetary assessments, the latter—which relates to subjective and abstract considerations, such as physical dwelling standards and tenure security—is not easily measured and, even when some kind of quantitative assessment is conducted, different evaluators may reach different conclusions.

The key point that should be considered for this analysis is that any attempt of measuring the outcomes of upgrading in Brazil and elsewhere may not be a precise procedure. Having said that, scholars and practitioners who have delved into this kind of attempt have pointed to important components that may boost the success of upgrading programs. One of them is policy continuity. For instance, Magalhães and Di Villarosa (2012) emphasize the need for local governments to incorporate and institutionalize their upgrading policies. By doing that, local jurisdictions can make specific initiatives outlast isolated administrations. In the long run, those long-lived policies may allow for upgrading to be scaled up.

The problem within this strategy is that, when a mayor is replaced with his or her successor in many—if not all—Brazilian cities, local policy strategies completely change. That was felt by public officials in São Paulo on many occasions and was their fear after Mayor Fernando Haddad (2013-2017) lost his reelection bid. A SEHAB officer told me by then (Formicki 2017) the following:

We sustain this discourse that says that housing policies do not depend on the administrations. But we know that, inevitably, when the administration [or the person in charge] changes, a few guidelines change, so you sometimes ... Some things are put aside, and new ones emerge.

This officer then mentioned that, for instance, there were in 2016—which was a local elections year—ideas of providing technical assistance to Sapé residents so that they would be able to build some of their much-needed new residences during the final stages of this settlement’s upgrading. However, she was afraid that, if the administration changed, all that would be “lost.” That was what in fact ensued (*ibid.*), as a new mayor stepped in and the implementation of the city’s upgrading policies were halted.

Another important issue that may lead to better accomplishments in upgrading programs is the capacity of policy makers to gather preliminary data on targeted communities. In São Paulo, social workers conduct surveys with residents of pre-upgrading favelas and compile the collected data—which mostly gravitates around the physical condition of dwellings, as well as of households’ socioeconomic information—into reports, which are sometimes called “Social Work Projects,” or *Projetos de Trabalho Social* and that guide decision making.

If we look onto other upgrading cases around the world, we may learn that, besides gathering socioeconomic data of vulnerable residents, it is extremely important to map the settlements where these people live. Chatterji (2005) describes the difficulty that Indian officials have had to map Dharavi’s households and to conduct censuses in this, which is one of Asia’s largest slums.⁶ According to the author (214), in this settlement, “[u]nfinished housing projects,

⁶ Still according to Chatterji (2005) estimations indicate Dharavi’s population somewhere between 700,000 and 1.2 million people.

high-rise buildings and huts with plastered brick walls and asbestos roofs co-exist side by side.”

This extremely high density makes mapping a very complex endeavor in Dharavi, which adds up to its immense scale. SEHAB has carried out mapping efforts, which were made available on its Habitasampa platform.

It should be pointed out that the Indian context of slum upgrading and, more specifically, Dharavi’s one, may differ a lot from São Paulo’s context. To illustrate that, we should bear in mind that, while officials in Brazil’s largest city learned throughout the decades that it would be more feasible to service favelas and build limited on-site new housing there, in Mumbai, government officials learned with time that the best strategy to improve Dharavi would be redeveloping it piece by piece. Mukhija (2002, 553) defines slum redevelopment in Mumbai as “the demolition of existing slums and the redevelopment of new, higher density, medium-rise apartment blocks, including entirely cross-subsidized housing for the original slum dwellers,” which contrasts with the provided definitions for favela upgrading in this thesis. However, it is important to understand the major global context in which the improvement of slums can be found, as well as similar challenges and different paths that each city has faced and followed, respectively.

3. Sapé and Real Parque: the Two Case Studies

Sapé had the river ... It was a very shallow river, very shallow. When I arrived here, there were no shacks in front of the river. There were shacks, but very few. Then, [the years] went by and [Sapé] went on growing, growing, growing. ... The waterfront started to expand and there was a point in which there was nowhere to build anything.

Débora, resident of Sapé interviewed in 2016 (Formicki 2018).

In favelas, you buy [property] orally. Nobody sells on a piece of paper.

Marlene, resident of Real Parque.

3.1 Sapé

The shacks were so close that, when seen from above, they looked like one single, irregular block. The gray zinc roofs sometimes overlapped; the wooden walls leaned on each other. The creek was a few inches away, but, when it rained, its putrid water was all over. Pipes hung from the walls of the brick shacks and sewage poured over the watercourse. And, crammed between the feeble walls and the stinky creek shores, piles of waste accumulated.

Five years later, these shacks did not exist anymore. Open spaces on both shores, about as wide as a two-lane street, had replaced the precarious residences. The upgrading works were going on, and an ambitious project was being implemented. A street that ran along the creek was being finished on the left bank and one linear park was supposed to be implemented on the right-hand side.

Kids would play along the areas where houses once stood. There was a lot of sand and construction waste, but they did not seem to care. A few feet away, one could see the bicolored

apartment blocks that had just been erected. Blue and white, red and white. Black window frames.

Favela do Sapé, in São Paulo's West Zone (see Figure 7), was changing at a slow, but steady pace. It started as a settlement in the 1970s, a few decades after the favelas in São Paulo emerged. During my previous research fieldwork in 2016, a resident called Débora described the frequent floods that would periodically occur in pre-upgrading Sapé: "My house was on the waterfront. I lived [there for] 26 years. I experienced floods. I experienced floods that my stove, the water would cover it. I experienced floods [so] that I lost everything" (Formicki 2018).

Sapé is a typical favela in São Paulo. It is built on squatted land, most of which is public. Before its upgrading, it was physically precarious and housed a vulnerable population, which stood out to the Housing Department significantly enough so that the department chose to prioritize the upgrading of this favela in the Gilberto Kassab mayoral administration (2006-2013).

As seen in Figure 1, many residences in Favela do Sapé were built very close to or above the local creek. The Housing Department considers that such residences are in flood-risk areas and prioritizes their removals when carrying out upgrading works. Altogether, out of the 2,360 families that lived in the area before the upgrading intervention, 450 were in a situation of risk.

Other criterion that put many houses into the removals list was the material used in their construction. In Sapé, 9.8% of dwellings were originally made of wood (São Paulo 2008), which also renders them precarious. Residents of those houses were put on a housing provision list and, while they waited for a new unit, they were paid monthly amounts, labeled as social rent, or *aluguel social*.

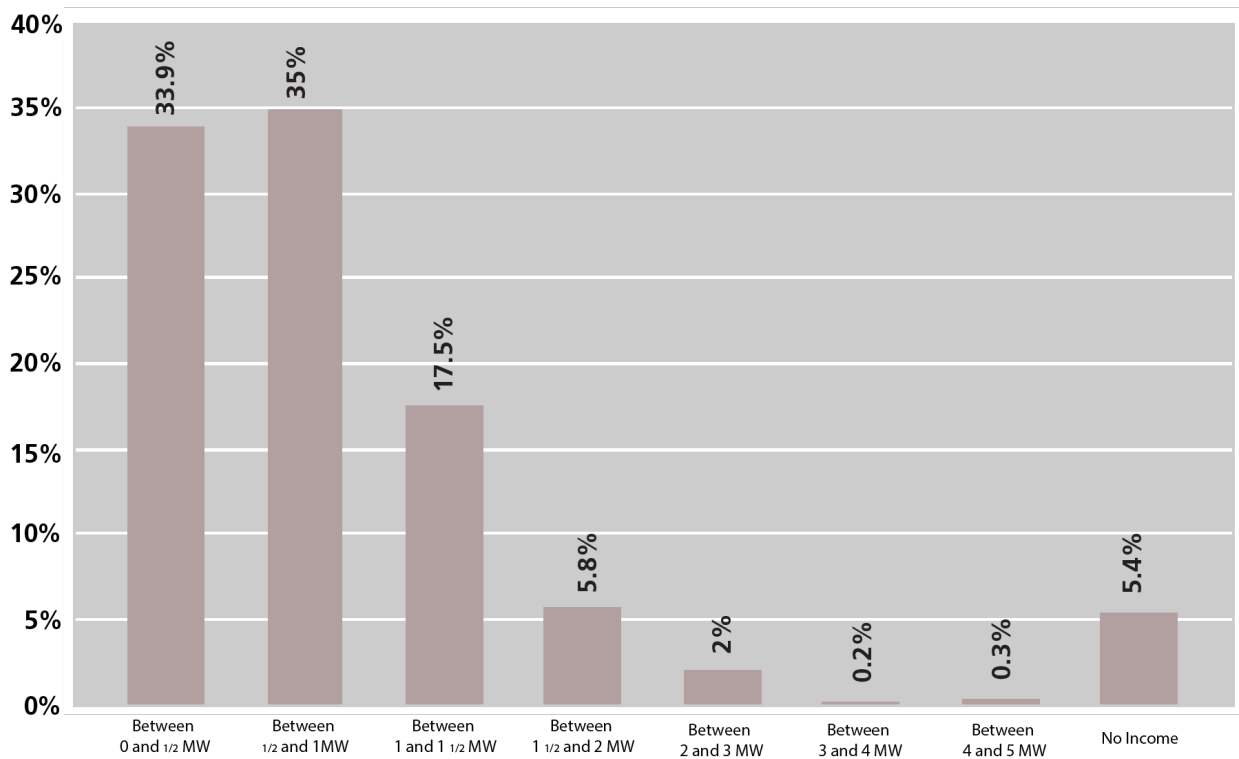
A few other indicators demonstrate the physical precarity of the pre-upgrading Sapé, as well as its level of informality. According to a SEHAB report (ibid.), 78.7% of households had a clandestine electricity provision—which means that electrical cables that provided power were either illegally originating from streetlamps or from some other type of forbidden connection—and 61.7% of households were clandestinely connected to the public water network. Alarming, 84.8% of households disposed their sewage into the rain drainage system or onto the creek course.



*Figure 1. Sapé before the start of upgrading.
Source: SEHAB.*

In terms of social vulnerability, Sapé’s average household income before its upgrading was 2.2 minimum wages, which corresponded to R\$ 913.00, or US\$ 231.75 as of the May, 2019

currency conversion. Figure 2 shows the income levels of this favela’s households in 2008. It should be stated that SEHAB considers a family as socially vulnerable when it does not have enough income to pay basic expenses such as rent or condominium fees, and also when it has many members, especially children or elderly.



*Figure 2. Distribution of family income in Sapé in 2008 (in minimum wages - MW).
Source: São Paulo 2008.*

By 2017, when the upgrading works were over,⁷ the waterfront had changed once again. The new avenue was already built, along with the new sewage infrastructure, 462 housing units, and other interventions such as the construction of sports courts and a bike lane. However, a few

⁷ To be precise, only the first phase of the upgrading works of Sapé are finished. A new bid will be done for the construction of additional housing units.

of the displaced dwellers were still waiting to be rehoused, which by then might occur in a nearby plot of land. As of May 2019, residents are still to see their final relocation.

The upgrading financing of Sapé was conventionally public. As I will better explain in Chapter 7, 3 different funds provided money for the works: (1) FUNDURB (Urban Development Fund), (2) FMSAI (Municipal Sanitation and Infrastructure Fund) and (3) PAC (Growth Acceleration Program). All three sources put together provided R\$ 160,545,247.63, or US\$ 40,752,002.93, as of the May 2019 currency conversion (São Paulo 2013; São Paulo 2015(a); São Paulo 2015 (b); São Paulo 2016; São Paulo 2017; São Paulo 2018). That amount corresponds to R\$ 67,970.05 invested per household, or US\$ 17.253,18.

3.2 Real Parque

Seen from the Real Parque Housing Complex, the newest and most popular corporate region of São Paulo seems peaceful and even secondary to the city's morning rush. The glass towers timidly reflect off the turbid, smelly waters of the Pinheiros River. The iconic cable-stayed bridge that connects the two riverbanks are inconspicuously lit by the morning sun. Apart from the heavy traffic jamming the Marginal Pinheiros Expressway—and from eventual honks from motionless vehicles—, the Brooklin neighborhood⁸ always sits calmly in its place.

Across the watercourse, the apartment buildings of Real Parque,⁹ in Morumbi District (see Figure 7) had a favorable view of Brooklin. This social housing complex was located on the

⁸ Brooklin was developed as a result of the Água Espraiada Urban Operation (AEUO), which was established in 2001 and which thus came after the Faria Lima Urban Operation (FLUO), from which Real Parque received funds. The establishment of AEUO signals that the surroundings of Real Parque had real-estate development potential, which started to be captured by FLUO's implementation in 1995, as this Urban Operation was also implemented in the proximities to Brooklin (see Figure 5). More about the Faria Lima UO will be covered later in this chapter.

⁹ "Real Parque" is the name of the former favela and of the condominium built after its upgrading.

east-looking side of a relatively high and steep hill. Real Parque reigned unchallenged in its favorable spot.

The first government intervention in Real Parque was under the Cingapura Program. This favela, which was built along the Marginal Pinheiros Expressway, faced its intervention around 2000 and, by this year, had 208 families awaiting to be rehoused (Moraes 2000).

After the implementation of the Cingapura Project, physical precarity and social vulnerability kept as a conspicuous sign for city officials. Pictures taken by SEHAB show houses very close to each other and in irregular grids (see Figure 3). Marlene, who I interviewed in January, 2019, described the situation that her and other pre-upgrading residents went through until the beginning of the works. She told me that the City Hall built a provisional lodging accommodation for the Cingapura works in the 1990s. After the delivery of the first units, many families occupied what had become abandoned accommodations. “We lived with rats,” she told me. According to her, residents would even install mosquito nets below the ceiling above their beds so that these rats would not fall over people asleep. Marlene also explained that the occupation would have no power, that its toilets would be always clogged, and that the overall environment would always be dirty.

In the meantime, some fires took place in the remaining area of the Favela Real Parque. Eventually, the lodging place itself would burn into flames. After this event, which took place in 2010, the City Hall, which already had plans to improve the remaining settlement, sped up the

process. As a preparation for the works, a study and registration of settlers had already been done in 2008.¹⁰

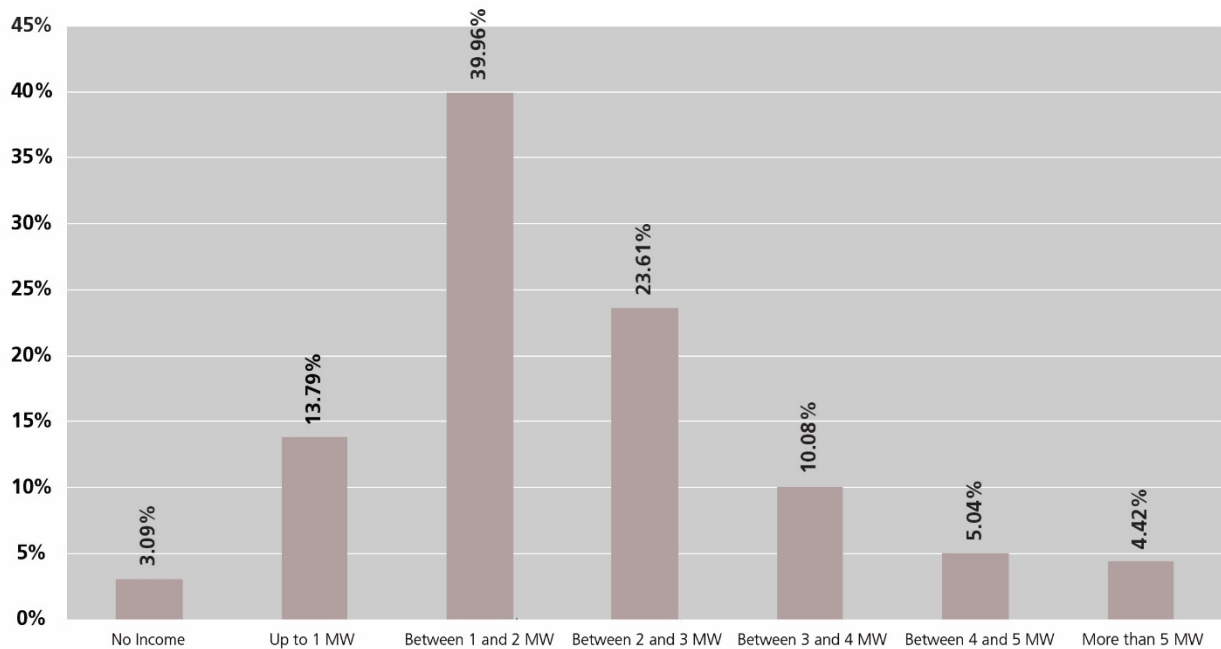
This study showed that families earned mostly between R\$ 415.00 and R\$ 830.00 each month (see Figure 4). That is a range between about US\$ 105.34 and US\$ 210.68. Also, as Marlene explained to me, tenure security did not exist in Real Parque. According to her, “in favelas, you buy [property] orally. Nobody sells on a piece of paper.”

The second round of interventions in Real Parque finally started shortly after, in 2010, as its first residences were acquired by eminent domain and demolished. This time, the city program that guided these interventions was labeled Favela-Upgrading Program. This upgrading plan envisaged the construction of 1,127 housing units in the area. Those units were erected over the demolished shacks. Lastly, the Cingapura complex was preserved.

¹⁰ The part of this Real Parque study to which I had access is not as complete as the study done in Favela do Sapé. Regarding the former settlement, I could not figure out data on the types of water and electricity connection, nor on sewage service or on the material with which shacks were originally built.



*Figure 3. Real Parque before the start of upgrading.
Source: SEHAB.*



*Figure 4. Distribution of family income in Real Parque in 2008 (in minimum wages - MW).
Sources: SEHAB and Diagonal.*

Favela do Real Parque's upgrading was a one-off case. Within the last decade, the São Paulo City Hall has been adopting a type of intervention that does not replace all original favela residences by new apartment units. As explained in the previous chapter, favela upgrading in São Paulo now implies providing settlements with infrastructure—such as sewage collectors—, new streets and improved alleys, and public facilities. Clearances are kept to a minimum number and only those residents who are in insalubrious places—such as areas of flood and/or landslide risk—or whose homes are on the way of the works are removed and provided with new housing units.

Real Parque's uniqueness might be explained by its funding model. As previously mentioned, differently than Sapé, Real Parque received funding from a major urban redevelopment scheme, called Urban Operation, or *Operação Urbana Consorciada*. This settlement was close to the perimeter in which this operation was effective (see Figure 5). UOs are land-value capture mechanisms, which means that they allow the São Paulo city government to recover investments initially made in the redevelopment perimeter by charging developers for the increase in land value observed in this area after those investments.

In the case under scrutiny, the City Hall invested in an anchor project, which was the extension of a major avenue, called Faria Lima. The government also established a perimeter around this avenue, in which zoning rules were changed so to allow for the construction of extra Floor Area Ratio (FAR). This additional area would only be effectively built by developers if they paid a money compensation, called CEPAC (Certificate of Additional Construction Potential). This compensation is sold in the city Stock Exchange as bonds and can be sold in the secondary market as well, with brokerage firms acting as intermediaries. The amount that the City Hall collects as CEPACs is then reinvested in urban improvements inside or close to the

Urban Operation perimeter. In the case of Faria Lima Urban Operation, the collected money went to favela upgrading and to investments in a subway station, among other destinations (see Table 1). The amount of favela-upgrading resources invested per household was R\$ 304,717.45, or US\$ 77,369.28.

	In Reais (R\$)	In Dollars (US\$)
Amount Collected	2,460,935,106.00	624,843,728.09
Amount Invested (All Works)	1,898,897,309.81	482,139,521.45
Amount Invested in Real Parque's Upgrading Works	338,236,365.91	85,879,904.49
Final Balance	562,037,796.19	142,704,206.64

*Table 1. Amounts collected and invested in Faria Lima Urban Operation (1995-2019).
Source: São Paulo 2019.*

Figure 5 locates Real Parque and its two closest Urban Operations (Faria Lima and Água Espraiada) in São Paulo. The point of this map is to show that the surroundings of this favela are areas with development potential, which started to be captured in 1995 with the establishment of Faria Lima Urban Operation and which went on with the further establishment of Água Espraiada Urban Operation, in 2001. The reason for these UOs to be set up in this area was exactly its possibility of increase in real-estate values after initial investments.

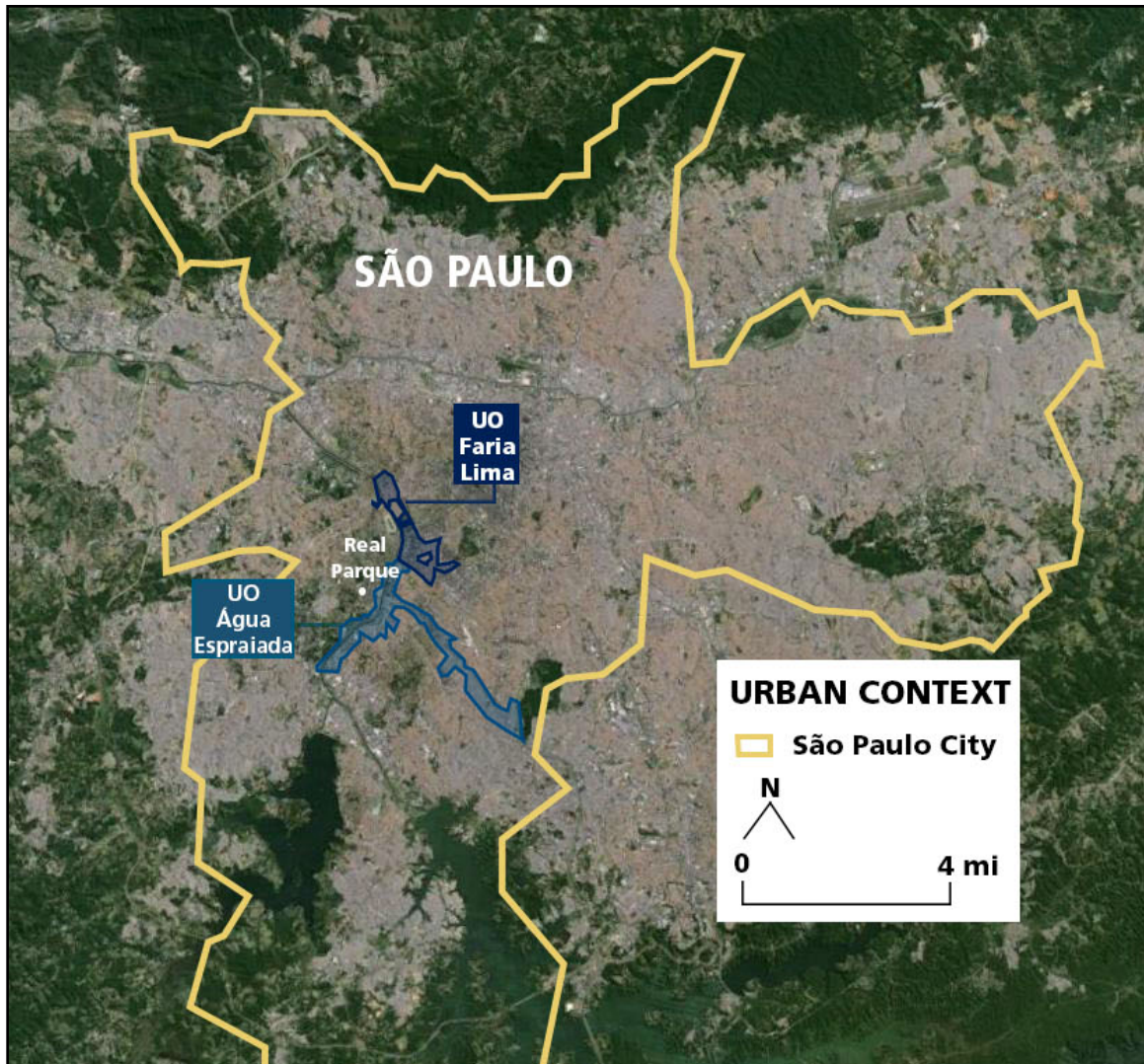


Figure 5. Real Parque and Urban Context
 Source: São Paulo City Hall and Google Earth. Map by the author.

Figure 6 is a map that schematically locates Sapé and Real Parque in São Paulo's urban rings. The first one is the Historical Center and the Expanded Center, which are older and wealthier areas, which concentrate most jobs, infrastructure, and cultural facilities. The intermediary ring, which is where both favelas are, has a mixture of development potential and poverty, for it is already relatively distant from jobs provided inside the first ring. In the middle

ring, real-estate values are lower than in the older urban ring, and thus show a potential for increase. The outer ring corresponds to the peripheral areas of the entire Metropolitan region. Most of Greater São Paulo's squatter and vulnerable settlements are in this ring (see more in Mautner 1999 and in the previous chapter).

It is important to say that, although they have many urban features in common, those rings are not uniform. There are favelas and other squatter and vulnerable settlements (such as tenements) in the inner rings, and one can also find pockets of wealth in the outer ring.

Table 2 is a comparison between Real Parque and Sapé given their original settings. Figure 7 locates Sapé and Real Parque in São Paulo City and highlights the distribution of the other favelas in the municipality.

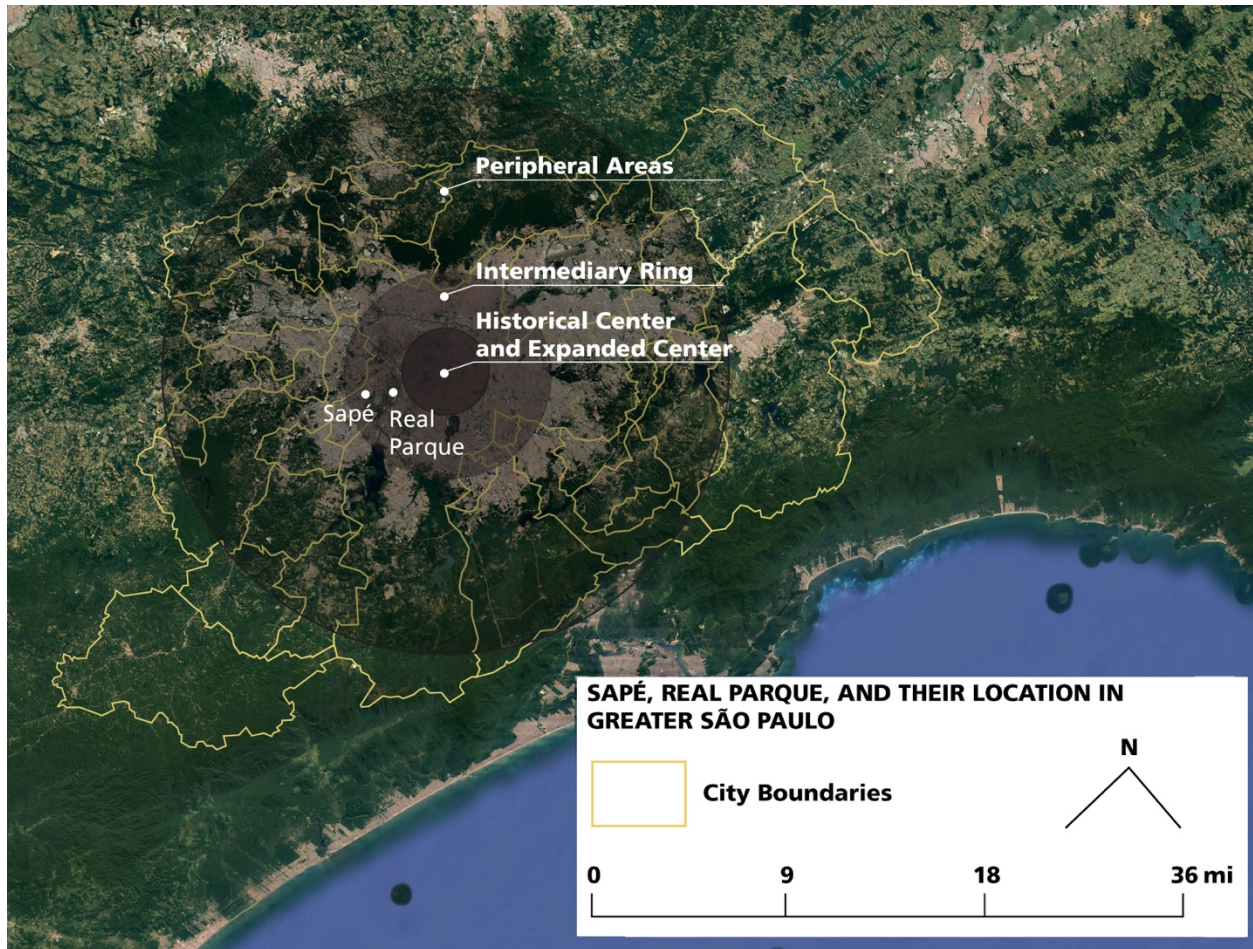


Figure 6. Sapé, Real Parque, and their Location in Greater São Paulo (Scheme).
 Source: Google Earth and São Paulo State. Map by the author.

	Real Parque	Sapé
Original Number of Households	1,110	2,362
Original Population	3,697	7,598
District	Morumbi	Rio Pequeno
Location Specificities	High-income area	Middle-class area

Table 2. Initial comparison between Sapé and Real Parque
 Source: São Paulo 2018 and Diagonal.

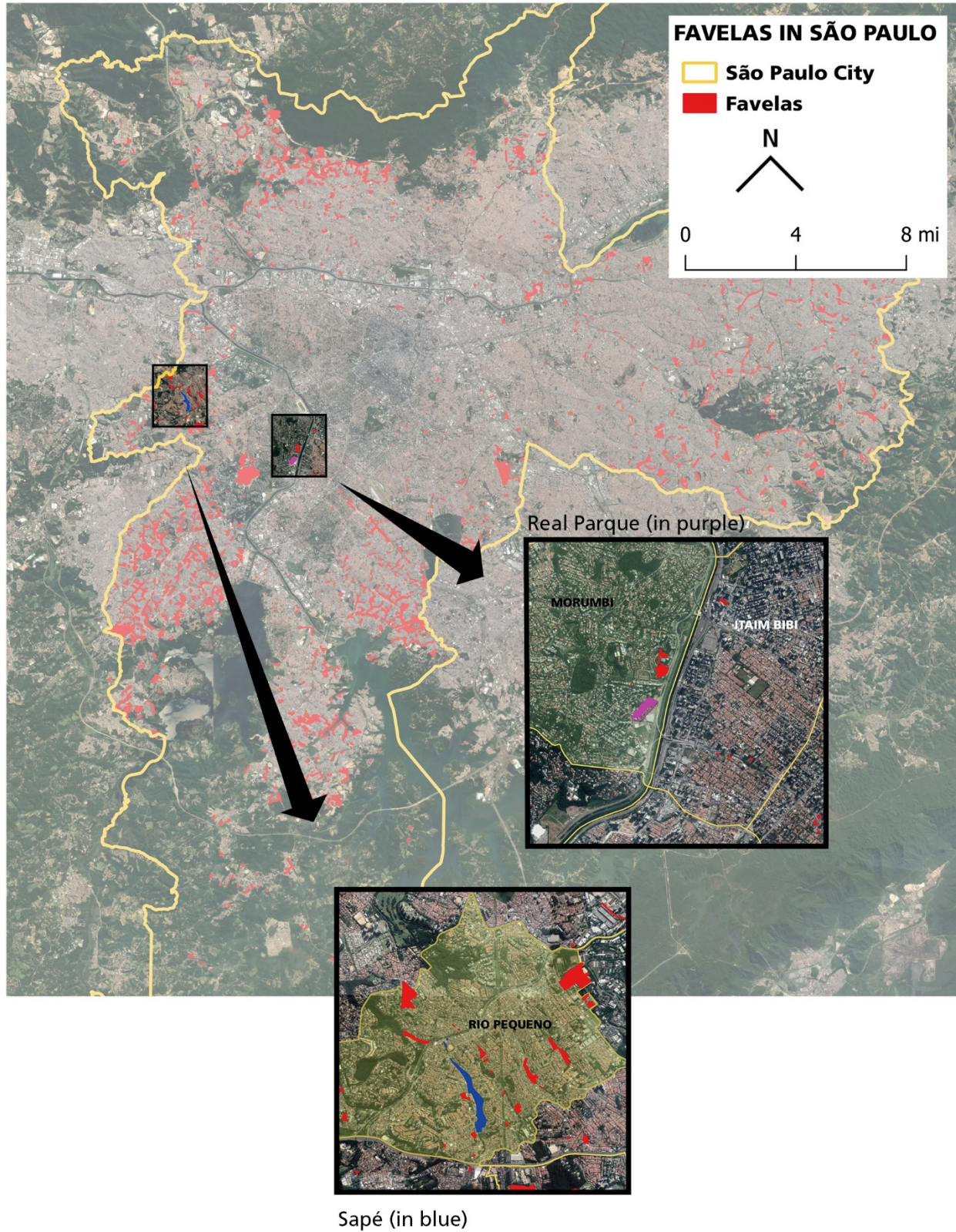


Figure 7. Favelas in São Paulo.
Sources: Google Earth and São Paulo City Hall. Map by the author.

4. Infrastructure Provision as the Core of Favela Interventions

“I lived by the creek . . . When it rained, we wouldn’t sleep fearing that the water would take away our house stilts.”

Marlene, Real Parque resident.

“Nowadays, we don’t feel ashamed to receive people.”

Fátima, Sapé resident

When an urban planner or policymaker from São Paulo conjures the expression “favela upgrading,” he or she might think of housing and infrastructure provision, a bigger outreach of public services to affected settlements, as well as land regularization. More importantly, this professional might declare the upgrading successful based on ways of measuring these four components. In fact, practitioners and scholars may define favela upgrading as interventions that comprise

infrastructure elements, housing provision and social facilities so that the settlement can be incorporated into the city, and often [include] urban mobility elements, such as elevators and cable cars. Today it is understood that the process only becomes effective with the settlement’s urban and land regularization (Zuquim et al., 2017).

The São Paulo City government lists as the goals of its Favela-Upgrading Program the (1) the transformation of these settlements and irregular subdivisions into “neighborhoods,” which includes asphalt, basic sanitation, street lighting, and public services, (2) the resettlement of families when they are in risk-prone areas (i.e. floodplains or landslide areas), (3) the recovery and preservation of environmentally-protected areas in the surroundings of Guarapiranga and Billings dams, and (4) housing improvements (São Paulo 2017).

Remoção and partial-clearance approaches are tied to different types of upgrading schemes which have recently been adopted in São Paulo. The former approach is usually adopted in Urban Operations, while the latter goes with conventional public funding. There are two possible reasons for this association.

The first relates to the interest that real-estate developers have for urban areas within the perimeters of these operations. As Fix (2009, 3) explains, there is a “reasonable” interest on the real-estate market’s end to invest in these areas, which tend to be in “already-privileged” urban areas. As Paulo, a member of SECOVI-SP (Union of Companies of Purchasing, Selling, Renting, and Administration of Residential and Commercial Properties of São Paulo State) explained to me, “you have to carry out an urban intervention in places that minimally have some real-estate appeal. Otherwise nothing happens.” Because private investors and developers show more interest in areas of Urban Operations and because those areas have a bigger potential for further development and for land and property values appreciation, the appetite to carry out more intense transformations (i.e. complete favela clearances) is higher in this case.

Morumbi, which is the upscale district where Real Parque is located, is an appealing area for developers. This might relate to the decision to carry out the *remoção* approach in Real

Parque. Favela do Sapé, on the other hand, is in the Rio Pequeno District, which is a middle-class area where one does not see many luxury developments.

The second reason for the association is the fact that Urban Operations usually attract more funding than conventional upgrading (see Table 4 in Chapter 7). Therefore, it is possible to carry out complete clearance, which is more costly than partial clearance.

The aim of this chapter is to compare the upgrading outcomes of Real Parque and Sapé when it comes to the provision of infrastructure and public services.

Typically, upgraded favelas are provided with paved streets, basic sanitation, street lighting, and water and electricity provision. In this sense, both Sapé and Real Parque underwent major transformations.

In Sapé, the upgrading project envisaged the implementation of a major sewage network, as well as the formal provision of piped water and electricity, which was accomplished. Additionally, the creek that cuts through the settlement was channeled and a street was paved alongside it. A few improvements on alleys—such as their paving or the installation of steps on them—were also implemented. Figure 8 allows for an analysis of the major spatial transformations that this favela underwent. In 2017, the creek becomes apparent after its floodplain was cleared. The street on its western shore is also visible, as well as some open spaces—especially at the center of Sapé and residential buildings.

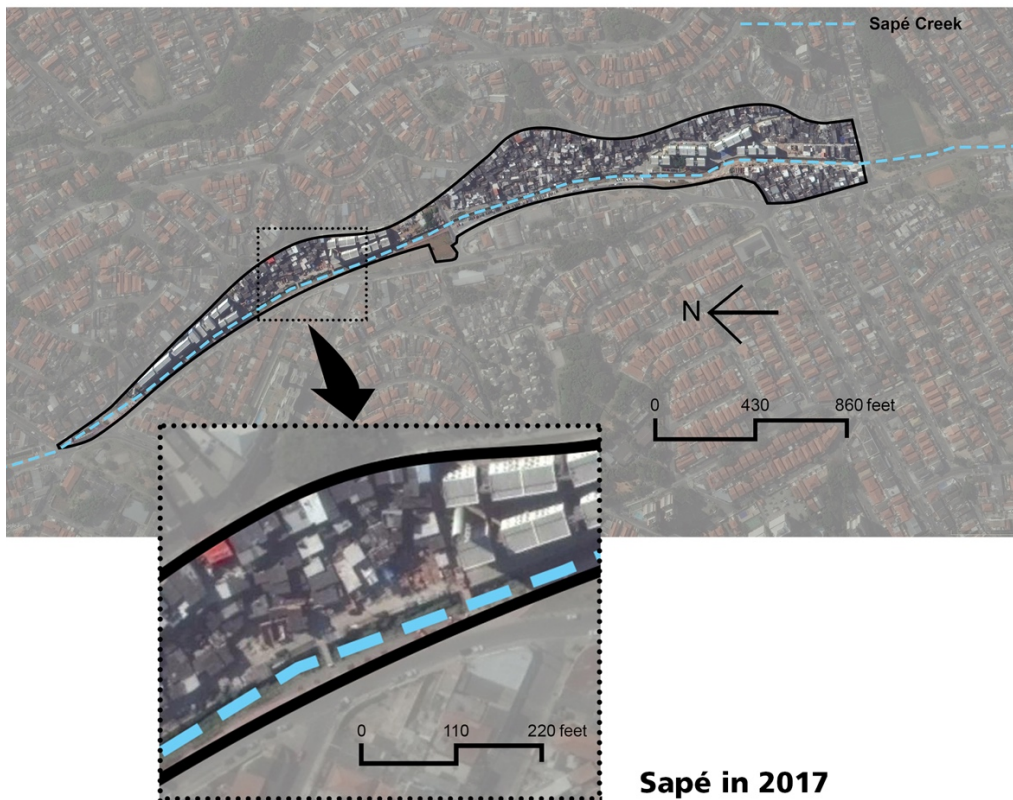
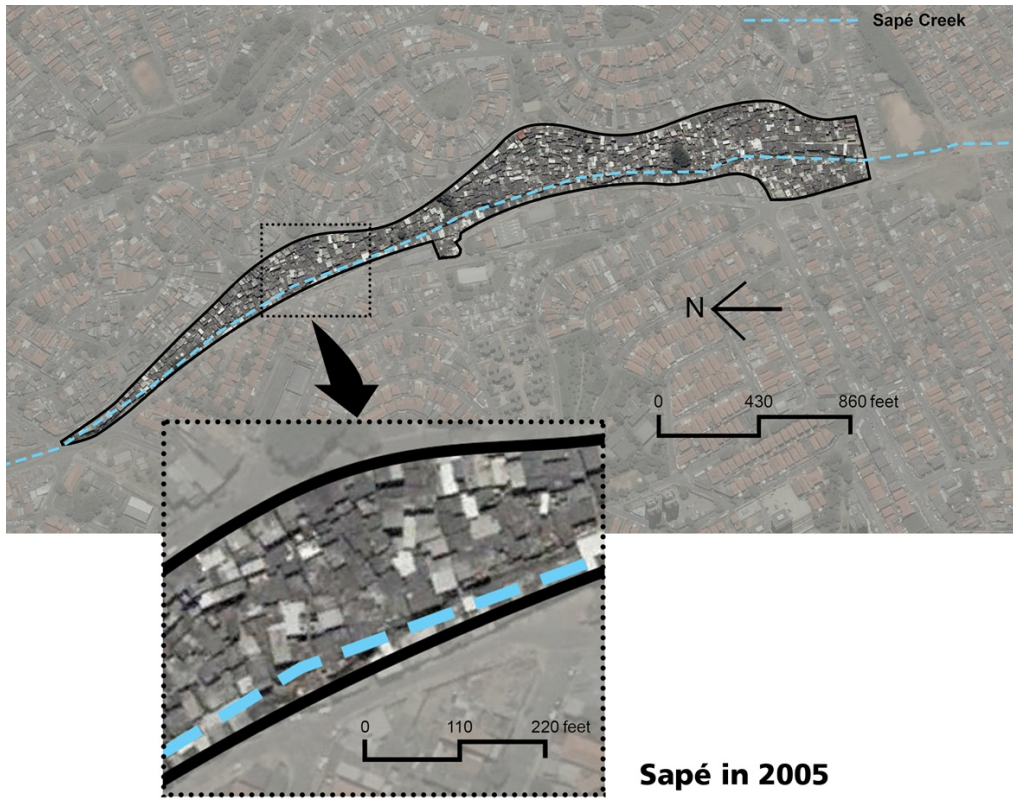


Figure 8. Satellite images of Sapé in 2005 (before upgrading) and in 2017 (after upgrading)..
Source: Formicki 2018.

Figure 8 allows for a comparison between the spatial arrangements of the creek's immediate floodplain before this favela's upgrading works started—which was around 2011—and after they ended—in 2017. It is possible to see on Figure 9 the extremely precarious conditions of the residences built over the floodplain before the upgrading works, as well as the channeled creek and Sapé's main street—built during the works. Although spatial and sanitary conditions visibly improved, residents have complained about the current state of abandonment that they witness alongside the creek. One of their main complaints is about the presence of the growing vegetation, which has not been taken care of by the City Hall. Figure 10 shows one alley in 2019. It is interesting to notice the formal power cables, installed after the upgrading works. Nevertheless, as is the case for all alleys in Sapé, no street lighting has been implemented.

Real Parque also witnessed major transformations. Telma, who moved into Real Parque 49 years ago and who remains there after the upgrading works, told me that the area was a vast, empty, and unserviced lot when she arrived. There was no sewage collection, no piped water, and no electricity provision. Whenever she needed water, Telma would fill up buckets at the sink of a nearby school. For lighting, she would use kerosene lamps or candles.

Figure 11 compares Real Parque seen from above in 2008—before the start of the works—and in 2018—after they ended. It is important to notice that the housing condominiums on the Southeastern border of the community were not part of the upgrading assessed in this thesis. These buildings were erected in the late 1990s and house 243 families (Moraes 2000). One can also see that all shacks were replaced by condominiums and that streets were opened throughout the upgraded settlement.



*Figure 9. Sapé creek before upgrading (above) and after the works (below).
Sources: SEHAB and the author.*



*Figure 10. Alley in Sapé after completion of upgrading.
Source: the author.*

Real Parque also received sewage collectors, piped water, and electricity. Street lighting was also installed. Figure 12 is a shot taken from above the settlement right before the start of the works in 2010. The built density of the favela stands out. Figure 13 depicts the current state of one condominium's built area.

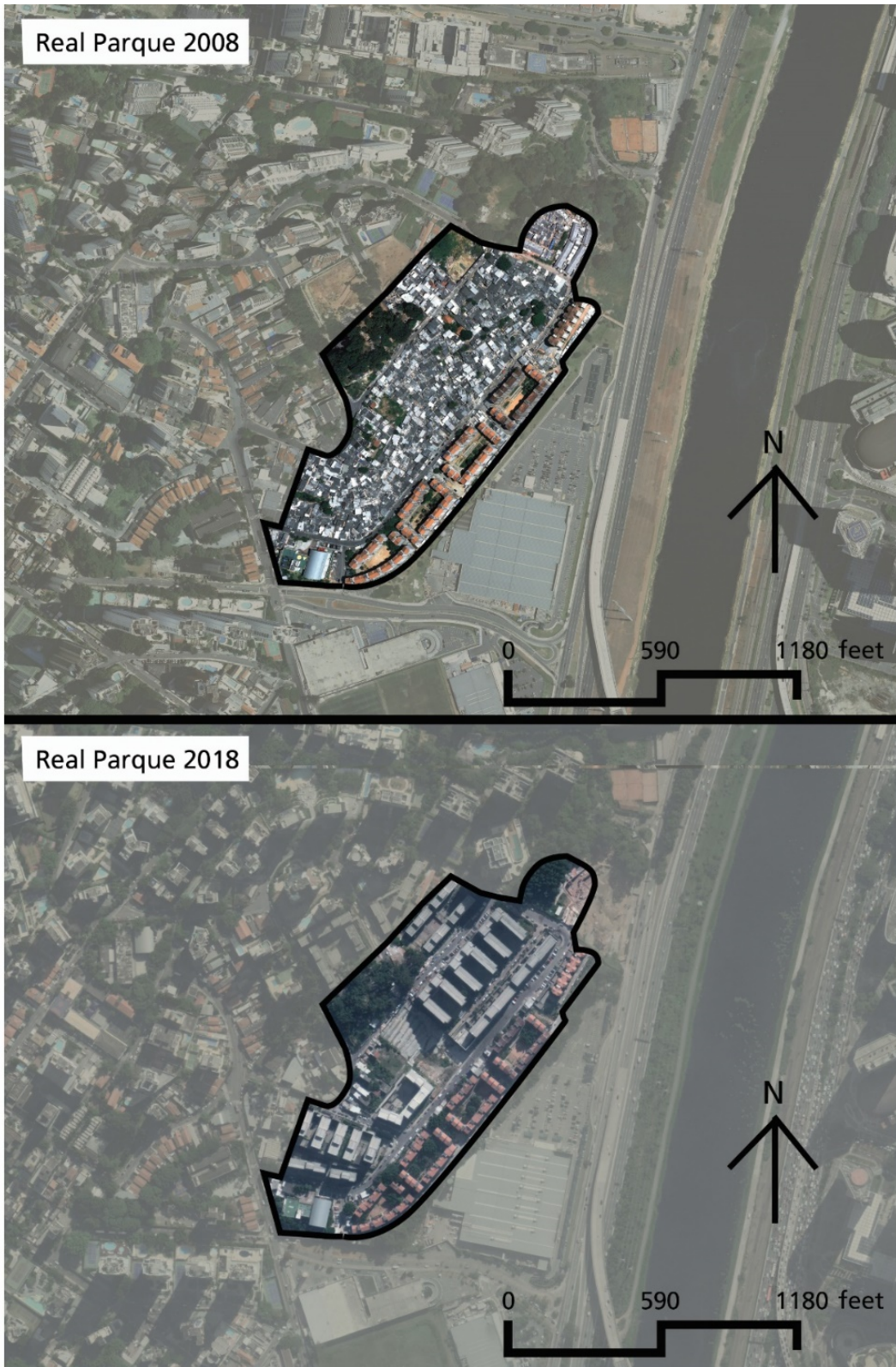


Figure 11. Satellite images of Real Parque in 2008 and 2018.
Source: Google Earth. Adapted by the author.



*Figure 12. Real Parque before the upgrading works.
Source: SEHAB.*

To end this chapter, we can conclude that both Sapé and Real Parque received a comprehensive coverage of sewage collection, piped water, and electricity. New streets and open spaces were also added to these communities. Infrastructure provision, which is now one of the core elements of upgrading, seems to be taken seriously by city officials. And residents did not complain about its quality neither in Sapé nor in Real Parque. Nevertheless, as shall be better discussed in Chapter 6, one should compare the benefits of having favela residents receive regular services to the increase in the cost of their bills. In other words, by formalizing urban services in favelas with the implementation of infrastructure, residents may gain in service quality, but may lose in affordability. How to solve this conundrum?



*Figure 13. Real Parque's inner area in early 2019.
Source: the author.*

5. Public Services and Safety: Secondary Objectives

“Nobody bothers me. This is a place where I am well-known.”

Marlene, Real Parque resident.

“[The police] don’t want to know who is a criminal and who is not.”

Telma, Real Parque resident

When I asked Fátima—who has lived in Sapé for over 30 years—about the reasons for her engagement in bringing a residents’ association to Sapé, she replied that “it [the residents’ association] will be very good to Sapé. Because it will get many teenagers out of the streets.” When inquired about the outreach of public services in Sapé, both her and Nelson—another long-time resident—, explained that this favela was well serviced by surrounding health units and educational facilities before the upgrading. Nevertheless, there was a legitimate concern among the local community: decreasing the exposure of the youth to the “streets,” or, in other words, to idleness and to the dangers of urban violence.

Sapé’s future residents’ association may provide free courses to young community residents. According to Fátima, one of them will teach students how to become caregivers of elders. This initiative has been inspired by the mobilization of inhabitants of the Favela São Remo, which is another community in São Paulo’s West Zone.

Real Parque’s residents also told me that their community is well serviced by daycares and other educational facilities, some of which are public and some of which privately-led. The current struggle of local dwellers is to convince public officials to build a long-time overdue

Unidade Básica de Saúde, or Basic Health Unit. There is a plot of land in the middle of Real Parque which is currently being held for the construction of this facility. As a Housing Department urban planner explained to me, an economic and bureaucratic hindrance came into play here. Part of the money collected by the Faria Lima Urban Operation was destined to fund institutional uses in Real Parque and originally included the health center. However, the agency that oversees Urban Operations in São Paulo—called SP Urbanismo—claimed that all the money had already been used to build sports courts and other community facilities—which correspond to currently empty institutional buildings. This meant that new resources would have to be allocated from elsewhere to build the health unit.

In Sapé, the original upgrading plan foresaw the construction of a public library, which will also have a computing center. Because of funding shortages, the library was not built (Formicki 2016).

When it comes to favela upgrading, the idea of providing communities with public facilities—such as daycares and health centers—and public services—such as regular garbage pickup—is advocated by many scholars, urban designers, and city officials. However, making this provision actually happen is far more complicated than conceiving it. As explained above, issues such as funding shortages have arisen in Sapé and in Real Parque and have undermined the construction of public facilities in these two areas. While these facilities have not yet been implemented in Sapé and Real Parque, residents have been engaging in their fight to either make designed facilities feasible or to create privately-led alternatives—such as the residents’ association in Sapé.

Favela-upgrading plans in São Paulo, no matter their type of funding, usually do not envision an improvement in safety conditions in targeted communities. However, I have all the

same decided to research the impacts of upgrading in the perceived public safety of Sapé and Real Parque. I made this decision because violence has become a major issue in Brazilian cities and because favelas have usually been associated with crime. So, major interventions such as upgrading may—intentionally or not—change the power *status quo* in favelas and, resultingly, the way its social actors get involved with the promotion or fighting of violence (see Formicki 2018).

17 Brazilian cities were within the 50 most violent cities in the world in 2017 (Seguridad, Justicia y Paz 2017). Drug gangs have played increasingly major roles in chunks of Brazilian urban territories and clashes between different criminal groups and between criminal groups and the police have made lethal violence levels in Brazil skyrocket in the recent years. Holston (2009, 15) explains that “they [criminal gangs] dominate a certain amount of territory in major cities with a rule that distributes summary execution along with diapers, milk medication, and employment, combining terror and public works.” When writing about Rio de Janeiro’s favelas, Perlman (2010, 165) explains that they are “appealing locations for the drug gangs, with their narrow, winding alleys, abundant hiding places, and unemployed youth.” These features are also found in São Paulo’s favelas.¹¹ Maybe not as a coincidence, Sapé residents wanted to establish the already-mentioned youth facilities that would keep young favela residents out of the streets.

Another important feature that I noticed in Sapé and Real Parque was the informal system of solving small criminal incidences that happen in both favelas. In other words, if a resident is

¹¹ Nevertheless, Rio and São Paulo face different challenges when it comes to fighting urban violence. While Rio de Janeiro witnesses clashes between different drug gangs, militias, and the police, São Paulo has one major active gang and does not officially register the presence of militias. Clashes between criminals in São Paulo are also less common, due to the existence of what a few scholars call a “pax monopolista,” or induced truces imposed by criminals that do not want to attract the police (Perlman 2010, Paes Manso and Nunes Dias 2018 and Biderman et al 2014).

robbed by someone who lives in their community, this resident can look for a local criminal gang operative and ask for their stolen objects to be returned. Fátima, from Sapé, told me: “I have never been [robbed], but I know people who have already been robbed at the bus stop. But then we fight, we run after. If [the robber] is from here, we figure this out, go talk to whom we have to talk.” Fátima also told me that “Robbing people from this area, we don’t accept this type of thing. And if [we] know [the robbers], we go after them.” This is the internal way of solving crime issues, which is talking to drug dealers, rather than calling the police.¹²

Another issue that I noticed was that residents in Sapé and Real Parque are generally spared by criminals from their communities. Marlene, from Real Parque, explained to me that she is not targeted by local criminals: “Nobody bothers me. This is a place where I am well-known.”

Both the informal justice system of Sapé and Real Parque and the mutual tolerance between many residents and local criminals point to a very specific web of relationships and of favela politics in those communities. Another important feature that can be brought up in this context is the extent of community cohesion and its relationship to criminal incidence. A social worker from Sapé explained to me that Fátima’s condominium had less issues with violence and drug dealing when compared to the other condominiums in Sapé. She believes that this is due to a higher level of community unity in Fátima’s apartment block. The social worker went on saying that, where the community ties are stronger, there is more vigilance and rules enforcement.

¹² In many favelas, there is a certain point in which drug dealers start controlling residents’ associations and run a type of parallel government (see Perlman 2010, Formicki 2018, and others).

And how about the presence of the police in upgraded favelas? Although I did not specifically ask if patrolling had actually increased after the upgrading of Sapé and Real Parque, I did inquire if residents felt an increase in safety levels in their communities. I also asked interviewees about their overall impressions on policing in their favelas.

Telma, from Real Parque, showed the starkest criticism against the police and their actions. She told me that “[the police] don’t want to know who is a criminal and who is not.” According to her, many young people, as well as “family men and workers”¹³ are frequently searched by the police in Real Parque. She also told me that the police started to go after a few residents. They were coming armed to residences to search people, who are afraid of being beaten by the police. Lastly, she explained that the police make jokes on residents. Telma ended up by saying that “[t]he police protect but also threaten.”

Marlene, also from Real Parque, holds a neutral tone regarding the police. She has always felt safe in Real Parque—even before the upgrading works. Safety levels, according to her, have not changed in the community. She also told me that “Real Parque is a very good place to live. It’s close to everything” and has “many good people.”

Among all the Real Parque interviewees, Aparecida seemed to be the most positive one about the police. She assured me that there is more safety in the settlement now. She said that the police are there every day and that they have assisted residents. She illustrated by saying that criminals had recently robbed a long-time dweller, who was born in Real Parque. This dweller,

¹³ Labeling people “workers” (or *trabalhadores*) is a way of symbolically opposing them to criminals (or *bandidos*). This is a common opposition that has been observed and studied by Brazilian scholars (see Feltran 2011 and others)

who knew everyone in the community, asked police officers for assistance. They, who were patrolling the area, arrested the robbers.

In Sapé, the interviewees told me that safety levels either remained the same or improved after this settlement's upgrading. Fátima was optimistic: "Sapé has already been dangerous. Now it is calm." Nelson also had a rather positive tone. He told me that

[safety] improved a little. There's more trust. Because of the buildings [improved built environment]. And people's conviviality improved. People are more understanding [of each other]. [Before] it was each to his own and God watching over everyone. Nobody respected anyone. Before no one would seat to talk to the others."

One side effect of the upgrading in Sapé was the transformation of at least part of the group of residents into a more close-knit community. Maybe that fact played the biggest role in increasing levels of perceived safety for the interview respondents. This is a topic that surely deserves an upcoming future research.

To conclude this chapter, it is important to bear in mind that both settlements have seen an incomplete implementation of public services and facilities. This was not a major issue because the surroundings of both favelas were already well-serviced before their respective upgrading works. Nevertheless, in both cases, residents were coming together to secure the implementation of facilities they deemed important for their communities. It seems that the type of funding did not affect the performance of the considered favelas when it comes to services provision.

Regarding perceived safety levels, the same logic applies. The overall impression of the residents I talked to was that public safety levels either stayed the same or improved a little. Nevertheless, one unique element should be noticed in Sapé: the strengthening of at least part of the community, and the subsequent decrease in violence perceptions among members of this community group. Apart from this fact, my impression was that public services and safety perceptions in both settlements were similarly provided and impacted, respectively.

6. Affordability: Can Favela Upgrading Address Economic Hardships?

“It [the upgrading] has to be so well done that the resident will stay there and will not sell their apartment.”

Urban Planner from the São Paulo City Housing Department.

“We were not in this habit of paying those bills. It has become hard [to afford it].”

Marlene, resident of a new housing unit in Real Parque community.

Aparecida, like many of her neighbors in Real Parque, was going through economic difficulties. An ageing widow, mother of two unemployed daughters and grandmother of two children, she had to take a tough yet by no means hesitating decision: to stop paying most of her bills in order to assist her family. In a serene tone, Aparecida explained to me her situation: “I’m not paying because I don’t have conditions to pay... I’m not going to pay a City Hall bill and let my kids starving.”

Marlene, another resident from Real Parque, told me on that same day that people who lived in the community before it was upgraded were not in the habit of paying so many bills. In early 2019, when I talked to her, she and her husband were unemployed. In order to make some money, Marlene was about to open a bar in the community. This initiative would consist of a wooden cubicle, erected over the sidewalk of one Real Parque street.

Aparecida and Marlene’s difficulty in paying their bills came from an apparently positive fact: they, who had previously lived in Favela do Real Parque, now inhabited the Real Parque Condominium. The upgrading idea could not only be noticed in the community’s change of

name; it was also a visually noticeable process. However, this accomplishment had a negative side on the lives of its beneficiaries: they would now have to pay for expenses that they had never had before. After moving in to newly-built apartments, Real Parque residents were now facing condominium installments and maintenance fees, as well as charges for water, electricity, and gas consumption.

Aparecida told me that her monthly living expenses—which included the apartment installment, condominium fee and bills—would reach an amount between 300 and 400 reais. But, according to her, some families paid as much as 1,000 reais. Almost 40% of Real Parque’s original population—the ones who inhabited the pre-upgrading favela—earned between 415.00 and 830.00 reais per month in 2008, as Figure 4 in Chapter 3 shows. These amounts correspond to 1 and 2 minimum wages. For a family that earned 1 ½ monthly minimum wage (622.50 reais in 2008), the 350-reais expense would be equivalent to 56.22% of their monthly income.¹⁴ This income commitment does not include other family expenses, such as food, clothing, internet bills, and leisure.

Because it does not consider inflation throughout the years, this calculation is a simplified estimation of the extent to which many inhabitants of low-income settlements commit their earnings. Nevertheless, it might be suggestive of the financial challenges that many of those dwellers face to this day. As Aparecida also told me on that day, “I was never broke. Today, I want to go out with my grandchildren and do not have money.”

¹⁴ Economists usually recommend that families do not commit more than 25-30% of their monthly income with housing expenses.

Scholars usually praise initiatives that reduce the number of removed houses in upgraded favelas. Many of them argue that displacements, even if temporary, change the dynamics of communities by usually breaking social connections of deep-rooted families. Also, the money compensation that the São Paulo City Hall offers favela residents is usually low and does not allow families to move into a dwelling in a better or similar condition.

In fact, if residents compare the compensation value of a shack or precarious residence in a non-upgraded favela to the sales value of the same house in an upgraded area or to the amount that a newly-built apartment is worth in upgraded communities, they will conclude that accepting to move in to a new housing unit and then selling it is a better deal than simply receiving a definitive compensation to leave their house and find another housing situation by themselves. Marlene told me that the São Paulo City Hall would offer 8,000 reais to pre-upgrading Real Parque residents who were willing to receive cash immediately and then look for other houses on their own. She went further by explaining that, on the other hand, those who waited to move to new apartments and later sold their units—which is nonetheless illegal—charged about 80,000 reais for the transaction.

This fact points to the need of different ways to assess the efficacy of favela-upgrading programs. I believe that affordability is an essential component that allows for a comprehensive analysis of this efficacy. To me, a successful upgrading program—either if it consists of providing a few new housing units, or if it is based on complete clearances and subsequent on-site rehousing—is also defined by the number of families that are able to remain living in the upgraded community provided that they will face an increase in monthly expenditures. Although they still lived in their newly-built apartments by early 2019, Aparecida and Marlene are

examples of economically-troubled residents that may not be able to afford living in upgraded Real Parque for too long.

Naturally, upgrading advocates will fairly claim that favela-upgrading programs do not cause lack of affordability and that they are actually affected by the fragilized livelihoods of countless favela residents. While it is true, it is also true that upgrading programs can offset community residents' economic hardships by generating jobs and income among them.

Upgrading interventions in São Paulo are usually classified as housing policies. Is it not a coincidence that these interventions are under the responsibility of the city's Housing Department (SEHAB). Nevertheless, there is a growing institutional understanding in Brazil that upgrading can and should generate local economic development—here defined by the creation of income and jobs among favela residents. The federal government's Handbook of Technical and Social Orientation (COTS), which is a series of guidelines for the implementation of social work in upgrading programs in municipal and state jurisdictions that are being funded by the Union, explains that

the implementation of the Technical and Social work favors the correct appropriation and use of the implemented systems/improvements, through activities of informative and educational character, seeking the social mobilization and participation through the dissemination of information ... as well as **through the economic-financial improvement of the community, with actions aimed at generating income.**

(Brazil 2004, 4, emphasis added).

The document goes on by saying that “[t]he Technical and Social Work is the group of actions ... with the goal of promoting community mobilization and organization, sanitary and

environmental education, professional capacitation and/or **work and income generation.**”
(Brazil 2004, 5, emphasis added).

SEHAB carried out a few attempts to put those guidelines into practice. One of those attempts took place in Real Parque, where approximately 70 retail spaces were built to host commercial and institutional uses. This space was reserved to residents of the pre-upgrading community. A social worker from the Housing Department told me that there were more than 100 informal retail spaces in Favela do Real Parque, which means that at least 30 local merchants were not contemplated with commercial space in the later condominium. An urban planner also from SEHAB explained to me that some merchants were not assigned with retail space because they carried out activities—such as recycling—that were not adequate with the mostly residential condominium activities of Real Parque or that would require special structures that the City Hall could not build.

SEHAB granted the retail space to residents in a lease system based on a contract called “Use Permission Agreement” (TPU). This agreement would establish a lease system according to which the space would not become property of its occupiers, who therefore would not be able to sell it.

The retail space was built on the first level of two outside streets of Real Parque Condominium. They were part of the mostly residential buildings (see Figure 14).



*Figure 14. Retail space in Real Parque as its construction was almost over.
Source: SEHAB.*

Regulating and supervising the way residents would run the retail space proved to be a difficult endeavor for city officials. Their biggest problem related to which public agency would be responsible for the regulation of the commercial area in Real Parque. It was never clear which agency had this legal responsibility, as, initially, the Supply Supervision agency (ABAST, in its Portuguese acronym) was supposed to set the occupancy rules and, afterward, another agency—the City Labor and Entrepreneurship Department—claimed responsibility for this duty. Another drawback regarding the management of the retail space in Real Parque was how to enforce the occupancy rules set within the TPU. Local drug traffickers opposed to the presence of city inspectors in Real Parque. One social worker from SEHAB expressed her frustration with the

way that the management of this area turned out to be. According to her, all the social work done in the lead up to the grant of the retail space was lost in a “very sad” outcome.

When it comes to Favela do Sapé, although its upgrading project never included official retail areas for local merchants, some independent initiatives can be seen in this regard. Nelson, who is a long-time resident of this community, is one of the few but persistent dwellers who run commercial establishments in the area. Owner of a small groceries store in the residual area (see Figure 15), he told me the following: “As far as I’m concerned, garage and commercial spaces should not be built, because they [city officials] would not permit it ... Even so, I decided to do it. Because, if I didn’t do it, others would.” Nelson’s testimony points to problems of law enforcement also in Sapé.

Marlene’s plans to erect an informal bar on one Real Parque’s street also touches on the commercial-use matter. Running a bar or groceries store, no matter how diminutive the space might be, many times corresponds to a feasible alternative of income generation—and, depending on the establishment’s size, of jobs creation as well. Thus, it is important that the City Hall can provide such types of spaces in upgraded favelas, as it is equally important that city officials are able to regulate and inspect them.

At the time of this writing, the macroeconomic scenario of Brazil is marred by a fiscal crisis that has led to low employment. The Brazilian Institute of Geography and Statistics (IBGE) disclosed that, in November 2018, the unemployment rate in the country was 11.6%. The same report claimed that many of the employed Brazilians were working in the informal sector (G1 2018). Naturally, the creation of retail spaces for residents of upgraded favelas will not affect the larger macroeconomic scenario in Brazil. However, the availability of such space—as long as regulated and inspected—can be pivotal in creating some level of economic development

in these communities. And they can be a last-resource alternative for many residents who cannot afford their bills.

After all, the success of an upgrading program also has to be assessed through the lens of residents' affordability, income, and jobs generation. Because the upgrading program will be useless if the vulnerable population it actually targets ends up excluded from its outcomes. As one SEHAB urban planner told me, "[t]here should be a combined operation: you carry out the works and you implement a way of having residents improve their income in a way that they can remain there." Because, as she goes on saying, "[i]f he [the resident of an upgraded favela] doesn't have income, he may go away and sell out everything."



*Figure 15. Nelson's groceries store in Favela do Sapé.
Source: the author.*

Housing scholars have engaged in discussions about possible ways to have poor urban residents generate wealth under conditions such as the ones Nelson, Marlene, and Aparecida found themselves in before the upgrading of their settlements. Hernando de Soto (2000) is famously known for arguing that property documents—or title deeds—are an efficient way under which poor urbanites can “represent their property and create capital (6-7).” In other words, he argues that, by receiving titles for the land they have been occupying for years, these people can convert their informal assets into active capital and, thus, trigger economic cycles of prosperity.

In fact, the concession of land tenure may enable poor urban settlers to obtain some economic leverage in their countries. However, Soto’s claim that “most of the poor already possess the assets they need to make a success of capitalism (5)” is contested by other scholars. Davis (2004, 25), for instance, makes the point that the poor are immersed in an informal conjuncture—which relates to housing, but also to labor—not because of gridlocked property rights, but actually because capitalism itself marginalizes them and “let[s] them with no choice but to subsist by some means or starve.”

After all, as one of the upgrading designers of Sapé told me in 2016, informality was a major obstacle for settlers to be accepted into municipal social housing schemes. She explained that, because economic and bureaucratic¹⁵ stability was sometimes absent in many households, they could not be included into COHAB (São Paulo City Housing Company) housing provision. Nevertheless, the question to be posed here is: to which extent is housing informality a problem and to which extent can it be a feasible—maybe the only feasible—way of life?

¹⁵ “Bureaucratic” stability here means the ability of families or households to be satisfy specific conditions in order to be included in a housing list, or *cadastro*.

Formalizing services may be in the interest of the local government, as they oppose to clandestine provisions aim at collecting taxes. Nevertheless, as residents explained to me, the official bills that start to come after formalization are sometimes unaffordable. This should be kept in mind whenever this process is generically portrayed as desirable. Maybe formalization is desirable to the government, but it also may be unfeasible to vulnerable favela residents.

My field work has shown me that macroeconomic conditions—such as overall employment—are crucial in determining the fate of families in upgraded favelas, regardless of their land tenure status. Naturally, providing them with land security is desirable, as it is an assurance against future displacement attempts. But if families do not have the overall economic means to cling to their properties, their deeds will not guarantee their housing stability. This means that deeded families in upgraded favelas who cannot afford to remain in their improved communities will end up selling their property—even if it is an illegal procedure—and will move into non-upgraded communities, where land and property are cheaper and where there are no deeds. In sum, the formalized housing market in favelas may outprice the poor.

Based on the qualitative primary material that I collected, a comparison between Sapé and Real Parque in terms of affordability, local economic development, and tenure security leads to a few takeaways, which I summarize below:

- (1) As explained in this chapter, macroeconomic conditions, which do not depend on the type of upgrading, are very important in determining if residents will be able to afford remaining in their upgraded communities;

(2) Because Real Parque was entirely rebuilt—as part of a *remoção* or removal model—, all of its residents faced a significant appreciation in the value of their dwellings. In Sapé, not all residents witnessed such a significant rise in the value of their properties, as many houses were kept. This may indicate that not all Sapé residents faced the same outside pressure or temptation to sell their units, while this must have been the case for Real Parque dwellers. One may conclude that removals, followed by on-site rehousing, lead to a higher appreciation in the market value of dwellings and, thus, to additional external pressure for residents to sell their units.

(3) In terms of income generation through the creation of retail spaces, Real Parque initially seemed to lead to more of these opportunities than Sapé, where commercial units were neither built in the condominiums nor allowed to be established in the reminiscent area. However, evidence from interviews show that the retail space in Real Parque did not work as originally planned. On the other hand, in Sapé, an organic and irregular commercial activity may be flourishing.

7. Real Estate: Two Not So Different Stories

“The immeasurability of use values is not in the least perturbing to the conventional capitalist. His value system can only admit the existence of market values in the sphere of commercial production, distribution and consumption.”

Turner 1976, 65.

“You have to carry out an urban intervention in places that minimally have some real-estate appeal. Otherwise nothing happens.”

Paulo, representative of the São Paulo real-estate market.

In cities like New York, there seems to be an apparently endless antagonism between urban redevelopment and urban renewal on the one side and housing affordability on the other. While renewal attempts arguably reverse urban decay in some neighborhoods, the usual rezoning and the construction of developments that ensue in those neighborhoods can engender an increase in property and rent values that may ultimately displace their lower-income residents. Legal demands for a supply of affordable units in new developments thus comes as an important attempt to prevent gentrification.¹⁶

In São Paulo, large-scale urban redevelopment projects may also cause price hikes and therefore an economic pressure for less affluent dwellers to leave their neighborhoods or communities and seek a more affordable housing alternative elsewhere—which usually implies the city’s outskirts. Generally speaking, these urban redevelopment projects correspond to the

¹⁶ Housing outpricing and gentrification in São Paulo are topics of utmost importance that deserve further research.

Urban Operations, here understood as a set of publicly- and privately-led initiatives—which range from rezoning to the implementation of infrastructure—that support and incentivize private developments in the areas that the city government wants to redevelop. In São Paulo’s case, the designation of Special Zones of Social Interest (ZEIS)¹⁷ inside areas of Urban Operations or nearby is fundamental to tentatively keep poor residents in their neighborhoods.

The rationale behind urban redevelopment and urban renewal is that targeted areas will face a potential increase in their market values—because of the passing of incentivizing urban legislation, due to the construction of infrastructure, or both—and that it will attract private developers, who will invest in those areas and help increase local market values even more. John Turner (1976) wrote extensively about housing market values and their relationship with another inherent housing element: use values.

Market housing values are monetary values assigned to dwellings. This type of value is quantifiable according to the amount of material standards—e.g. electricity, water, and sewer utilities—that residences comply with. Use values are human and social values assigned to the process of creation and maintenance of the housing stock. These values, that range from tenure security to the ability to save money out of rent and commuting in order to create betterment opportunities—are difficult to quantify and should not be measured based on market values (Turner 1976).

The upgrading interventions of Sapé and Real Parque have had different impacts on the market and use values of these settlements’ residents and of surrounding areas. I initially assumed that in Sapé use values went up—i.e. residents felt a decrease in physical precarity and

¹⁷ ZEIS are areas designated for social housing.

felt more comfortably towards their houses and the public space surrounding them—, and that market values, at least in the surroundings of the favela, did not. On the other hand, I expected both values to have increased in Real Parque. My hypothesis was based on the premise that, because Real Parque is in an urban area that sparks more interest among developers, its upgrading might be significantly influential on engendering property-value appreciation in its surroundings, while the same could not be said about Sapé.

If confirmed, these facts would point to an important takeaway: that conventional upgrading did not engender too much gain for the official real-estate market—although favela residents might benefit from it—, while Urban Operations-backed upgrading, boosted by its more favorable location, can result in an appreciation scenario for dwellers—who would probably witness an increase in the use value of their residences—and in a favorable outcome for developers—since market values would tend to rise in the surroundings.

Nevertheless, in the case of the Faria Lima Urban Operation—of which Real Parque’s upgrading was part—market values in Morumbi District—where Real Parque is located—seem not to have been affected by this settlements’ upgrading works. Overall, it seems that the real-estate activity in Morumbi and Rio Pequeno districts followed specific trends independently of the upgrading works of Real Parque and Sapé, respectively. Between 2008 and 2015, the price of the square meter in these two districts rose steadily (see Figure 16). It is important to notice that in both cases the property appreciation began before the start of the upgrading works. It is also important to realize that these rises in market values might have been tied to a general increase in market values in the entire city of São Paulo.

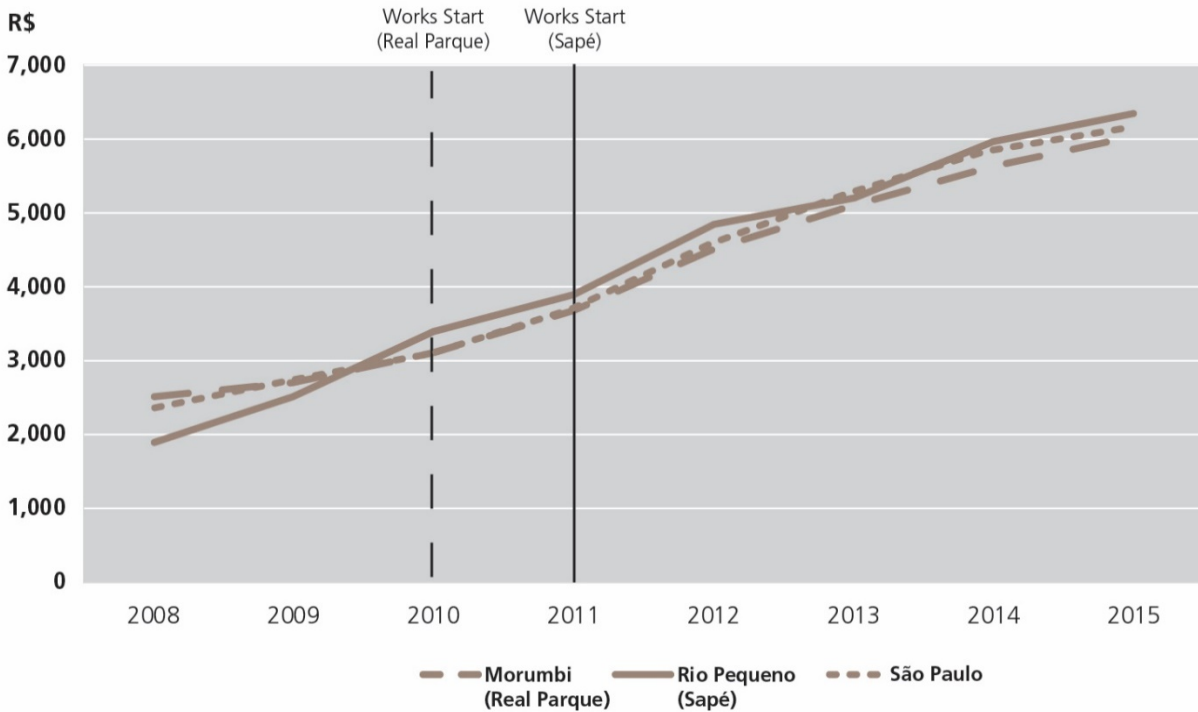


Figure 16. Price of the square meter in São Paulo, Morumbi, and Rio Pequeno between 2008 and 2015. Source: FipeZap.

If market values in Morumbi did not increase in a higher proportion than that of the city of São Paulo, in Real Parque the story may have been different. As mentioned in Chapter 6, Marlene, who already lived in Real Parque before its upgrading, explained that a few apartments were being sold in the informal real-estate market by about 80,000 reais, while the City Hall had offered 8,000 reais for an average shack in the pre-upgrading community. That roughly indicates an appreciation of 1,000%.

My research also pointed to an increase in use values in Real Parque. Although both Marlene and Aparecida pointed to the poor finishing of their units—Aparecida, for instance, reproachfully showed me the loose floor of her living room—, they were very clear in stating the improvement of their living conditions. Telma, another Real Parque dweller that witnessed the

physical transformations in the settlement, said that she now found herself in a “dignified” housing situation, which is “better than a shack.” Because living conditions are experienced socially and are not precisely measurable by residents, they are closely tied to Turner’s use values definition.

When it comes to Favela do Sapé, use values also seem to have risen. Fátima, who moved to the community in the 1980s and who now lives in a new condominium there, told me that she believes that Sapé has improved. “Nowadays, we don’t feel ashamed to receive people,” she declared. Nelson, who also witnessed Sapé’s upgrading and who lives in one of this settlement’s residual areas, told me that Sapé has “improved a lot,” especially in its built environment, cleaning, and aesthetics.

Regarding market values in Sapé’s surroundings, Paulo, who represents the São Paulo real-estate developers in city councils, told me that he did not believe there was any increase due to the works in this favela. In fact, Figure 16 shows that, similarly to Morumbi, Rio Pequeno District’s market values seem to have followed the city overall rise trend.

A look at the number of residential developments in both districts (see Figure 17) between 2006 and 2016 points to an unsteady real-estate activity, which had its ups and downs apparently without connection to the upgrading works of Real Parque and Sapé.

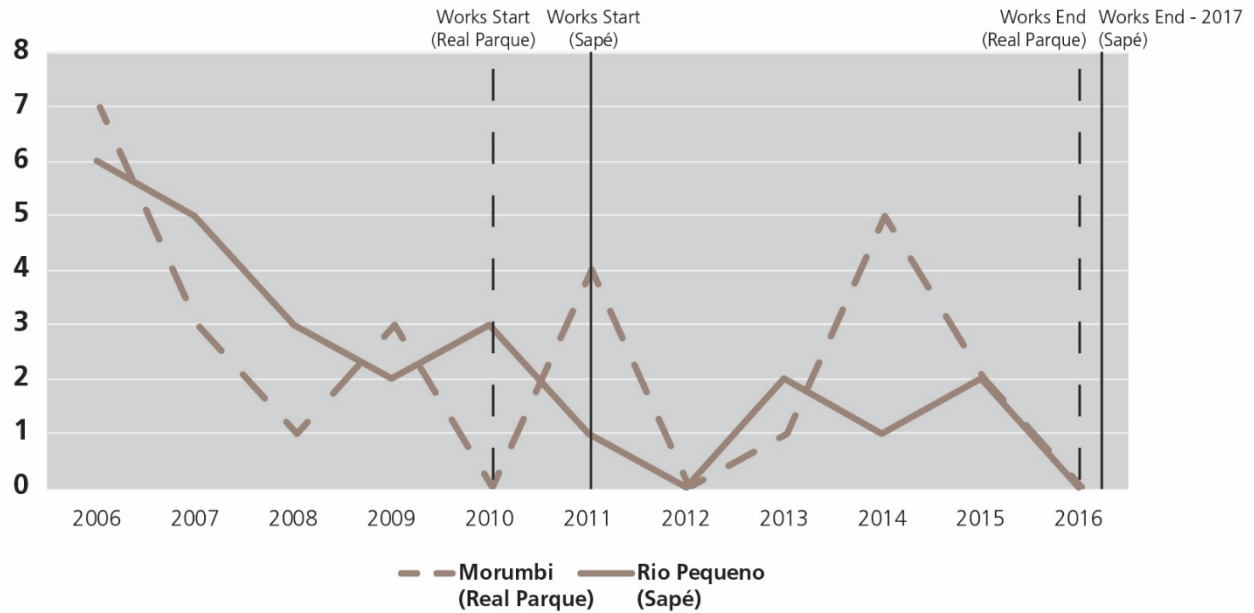


Figure 17. Number of new vertical residential developments in Morumbi and Rio Pequeno in 2006 and 2016. Source: São Paulo City Hall.

Therefore, I conclude that the two favela-upgrading schemes have not engendered sensible market gains for the real-estate market that operates in Sapé’s and Real Parque’s surroundings. However, market values did rise significantly for these communities’ residents, who, in some cases, may have seen their properties appreciate about 1,000%. Use values have also accrued in the perception of dwellers. One way to read those conclusions is by acknowledging that the Urban Operations do not stand out from conventional upgrading when it comes to benefitting the real-estate market that operates around upgraded favelas. In fact, Paulo explained to me: “I do not see a significant relationship between favela upgrading and the real-estate appreciation of the immediate surroundings [of upgraded favelas].”

So, what motivates developers to put money into Urban Operations? Santoro (2014) argues that land has increasingly been seen by the Brazilian capital market as a commercial good—a statement which alludes to Turner’s assertion that housing can be seen as withholding

market value. Santoro goes on by saying that this view has brought up serious consequences, such as income concentration and land values appreciation. She also argues that this restricts the use of urban land for not so profitable uses, such as social housing. These uses are usually associated with the enforcement of constitutional Brazilian rights, such as housing.

In fact, the real-estate market sees urban land as a good which can be profitable. As Paulo said, “the developer realizes that in a given territory he will have market for a given product.” The possibility to generate profit will especially come from the possibility that Urban Operations offer for developers to build an extra Floor Area Ratio (FAR) in specific areas that show a potential for value appreciation. This potentiality is boosted by infrastructure investments that governments have done in the Urban Operations areas, such as major avenues. Developers pay a compensation for the extra FAR and, thus, fund public projects in São Paulo—such as favela upgrading schemes. This compensation, called CEPAC (Certificate of Additional Construction Potential), consists of stock exchange bonds which developers can purchase.

Putting aside the Urban Operations’ outcomes—which Santoro pointed as socially restrictive—, it should be said that these operations come as an alternative funding source for urban projects that might benefit the public interest.

Because urban Operations do not receive budgeted resources, they are a rather self-sustained scheme when compared to conventional, publicly-funded upgrading. Also, its funding scheme (triggered by CEPACs) potentially collects more resources than the public mechanism. Tables 3 and 4 explain in detail the funding sources of both Real Parque and Sapé’s upgrading, as well as the disclosed amount of funds that were allocated for the works.

	Real Parque	Sapé
Part of an Urban Operation?	Yes	No
Type of upgrading funding	CEPACs	FUNDURB, FMSAI, and PAC

*Table 3. Background of Real Parque and Sapé.
Adapted from: Formicki 2016.*

Conventional upgrading schemes are not funded by CEPACs, but, rather, by public funds and by another specific mechanism, called FUNDURB (or Urban Development Fund). This money source also comes from the purchase of additional building rights in the city (Santoro et al 2016). However, these rights are sold by the City Hall in areas that are not within Urban Operations' perimeters. Therefore, they are not considered CEPACs.

One particularity of CEPACs is that the money collected from their purchase can only be invested in Urban Operation areas or in areas that are nearby and specifically included in the Urban Operation scheme—like Real Parque. On the other hand, funds from generic additional rights (that go to FUNDURB) can be invested anywhere in the city.

The selected case studies for this thesis are in distinct funding conjunctures. Real Parque was included in the Faria Lima Urban operation, while Sapé was not part of such type of scheme. As a consequence, Real Parque was upgraded with CEPAC resources and Sapé with public funds (namely, FUNDURB, PAC, and FMSAI). PAC is a federal program whose acronym stands for Growth Acceleration Program and FMSAI is the São Paulo Municipal Sanitation Fund.

Type of funding	Real Parque	Sapé
CEPACs	R\$ 338,236,365.91 (between 1995 and 2019) (especially through the selling of additional building rights within UOs by the City)	R\$ 0.00
FUNDURB	R\$ 0.00	R\$ 1,471,242.26 (2015) R\$ 3,963,455.72 (2016) R\$ 3,244,329.36 (2017) total: R\$ 8,679,027.34 (through the selling of additional building rights outside of UOs by the City)
PAC	R\$ 0.00	R\$ 134,135,000.28 (between 2009 and 2018)
FMSAI	R\$ 0.00	R\$ 17,731,220.01
Total	R\$ 338,236,365.91	R\$ 160,545,247.63
Total per Household	R\$ 304,717.45	R\$ 67,970.05

Table 4. Comparison between funding mechanisms for upgrading of Real Parque and Sapé.

Sources: São Paulo 2013; São Paulo 2015(a); São Paulo 2015 (b); São Paulo 2016; São Paulo 2017; São Paulo 2019; São Paulo 2018.

Paulo argued that the Urban Operation scheme is a “win-win” deal for the São Paulo city government and for developers. For this scheme to work like that—and for it to eventually be preferred by the municipal government and by real-estate developers when compared to the conventional type of upgrading, a few facts should take place. On the developers’ end, the price charged for CEPACs cannot be too high. Additionally, the civil construction market in São Paulo has to be booming. Otherwise, building extra FAR by paying a premium will not compensate.

On the government's side, more than obtaining the funding for favela upgrading has to be achieved. As shown in this and in previous chapters, issues such as guaranteeing housing affordability and some income generation for residents is key.

The real-estate sector might see housing as a commercial good—which is supposed to pay off and generate profit—and favela residents and government officials may see it as a process—which has to mostly provide quality. Are both views reconcilable? This might be a theme for further research. But, no matter the extent to which these views match, it is important that planners pursue an ideal balance.

8. Conclusion

“The vast majority of officials and professionals keep recommending the destruction of people’s homes in order to solve those same people’s ‘housing problems’ by providing them with alternatives either they or society cannot afford.”

Turner 1976, 61.

“There was an absence of a structured public housing policy [during Sapé’s upgrading]. Which I think we still do not have in the city. I think there is a Housing Plan, which is a relationship between demand and supply. [It should be] more than a drawing, more than a project of building systems, more than a project that relates communities to that place.”

Urban Planner who worked in Sapé.

There is no recipe for how to upgrade favelas. Nevertheless, there are a few items that should be considered by public officials and planners, as well as by urban and architectural designers. As explained in the second quote above, favela upgrading—and its assessment—is more than simply reducing the municipal housing deficit. It is a much more complex process, which I hope to have delved into in the previous chapters.

As I mentioned in Chapter 1, this work enabled me to understand the rationale of upgrading schemes and the reality of the upgraded communities. I believe that this understanding exercise is key.

To make this statement more objective, let us revisit one issue that I brought up earlier in this thesis (for a summary of my findings, see Table 4). When it comes to providing communities with public facilities and social services, both the complete removal—or Urban Operations—and the partial removal—or conventional upgrading—models logically foresee the need to

implement facilities such as daycares and health units. The São Paulo City Hall explicitly mentions that its Favela Upgrading Program aims at transforming vulnerable settlements into neighborhoods (see Chapter 4), with the implementation of public services in targeted communities. Also, as explained in Chapter 2, city administrations have attempted different types of favela interventions throughout the last decades. They learned by doing that social services and public facilities must be provided as part of the upgrading process.

Even so, as we saw, Sapé and Real Parque were not provided with some of the much-needed facilities. From my two-year work experience with public officials at SEHAB, I can assert that they had the utmost interest in seeing this important upgrading element implemented. However, issues such as money shortages and bureaucracy played a role in preventing it from happening.

Thus, the current logic of upgrading failed in this sense. But a parallel reality, observed among Sapé and Real Parque residents, was fortunately emerging. Long-time dwellers from these communities are organizing to fill some left gaps and create one residents' association in Sapé or watch out for the preservation of a land plot where officials had promised to build a health center. These residents' agency is a reality that cannot be overlooked. Their organizing capacity is real and has always been, ever since peripheries in São Paulo started to be built with self-help. Nevertheless, mechanisms that admit and catalyze these residents' organizing and empowerment are needed.

The São Paulo City Hall has already implemented a participatory mechanism that is active during the upgrading works. Called Management Council, or *Conselho Gestor*, it gives some degree of power to residents and to other stakeholders of communities under upgrading (see Formicki 2018). However, something has to be done on the government's end so that

residents of already upgraded communities can be more legitimately heard, no matter if in Urban Operations-backed projects or if in conventionally-upgraded favelas. It should be said that these inhabitants do not need to be tutored by the government. But their organizing capacities—and, ultimately, their agency—can and should be amplified.

Another example of item that needs to be observed by public officials so that the upgrading logic matches the reality of communities is, of course, affordability. The planning and design work carried out in Sapé and Real Parque was great. But they are not enough in themselves to grant quality of living to the residents of these communities. Social and economic policies also have to be conceived in order to allow these people to afford living in an upgraded community.

Naturally, these socioeconomic policies often times transcend Urban Planning and Architecture. And therein lies what I believe to be the biggest challenge of favela upgrading: integrating different policy areas into coordinated housing and community development plans that are comprehensive and, above all, realistic.

This thesis original hypothesis was that public-private upgrading schemes—namely, Urban Operations—could be more successful than conventionally-funded schemes when it came to providing residents with infrastructure, public services, local economic opportunities, and public safety. My conclusion is that, for most variables, the outcomes of the upgrading projects of Sapé and Real Parque were actually similar. Urban Operations are more successful in gathering financial resources and in providing a higher number of brand-new housing units. Nevertheless, I also conclude that both upgrading schemes face very similar challenges when it comes to the other variables.

Apart from the mismatch between the rationale and reality of upgrading, there is another reason for these mostly similar results. I believe that favela-upgrading's positive outcomes are more connected to implementation than to funding. To understand it better, let us look at the case studies. Most of the more abundant resources that Real Parque received seem to have been allocated to the clearance and reconstruction of all of its dwellings, as well as to the implementation of infrastructure. In Sapé, it looks like not that much money has proportionally gone to the construction of housing units. It is true that the latter favela faced more resources shortages than the former settlement, but it seems that Sapé dealt with its budget and implemented its upgrading plan more rationally. Maybe, if this favela had received more funds, there would have been more house replacements. But, from what we have seen, Sapé managed its funds in a way in which its upgrading assessment showed similar outcome levels to Real Parque's upgrading.

Only by having the public sector improve and refine its upgrading initiatives and by amplifying the voices of favela-upgrading beneficiaries, will the São Paulo society accomplish a more socially just city. It turns out that the amount of funding is not a real game changer in Urban Planning and in Policy-making if other components are not working well. And, for them to work well, we need to always have in mind that favela upgrading is not a science. Neither is it an experiment, which follows a recipe where the strongest ingredients give out the strongest part of the flavor. Favela upgrading is a complex matter of observation, policies integration, people's agency, and, if everything works well, of funding.

	Real Parque	Sapé
Financing	more funding <i>R\$ 338,236,365.91</i>	less funding <i>R\$ 160,545,247.63</i>
Housing	more new housing units <i>1,127 apartments</i>	less new housing units <i>462 apartments</i>
Infrastructure Coverage and Public Space	similar improvements <i>sewage</i> <i>formalized electricity connections</i> <i>formalized water connections</i> <i>sports courts</i> <i>playground</i> a few specificities <i>institutional building (empty)</i>	similar improvements <i>sewage</i> <i>formalized electricity connections</i> <i>formalized water connections</i> <i>sports courts</i> <i>playground</i> a few specificities <i>bike lane</i> <i>linear park along creek</i> <i>alleys improvements</i> <i>new main street along creek</i>
Public Services Coverage and Public Facilities	similar (poor) <i>no new public facilities (health center promised but not built)</i>	similar (poor) <i>no new public facilities (public library and computing center promised but not built)</i>
Safety Improvements	similar <i>(stayed the same or improved a little)</i>	similar <i>(stayed the same or improved a little)</i>
Affordability and Local Economic Development Issues	similarly critical <i>about 70 retail spaces provided but not maintained; now under control of local drug gang</i>	similarly critical <i>no retail spaces provided or allowed; yet, a few residents established them</i>
Land and Property Appreciation Effects in Surroundings	similar (low) <i>seems to have followed city trend</i>	similar (low) <i>seems to have followed city trend</i>
Community Organizing	existent <i>building up around fight for promised health unit</i>	existent <i>building up around intention to establish residents' association and to provide activities for youth</i>

Table 5. Summary of findings

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