Making real estate in central São Paulo affordable

Property and land are scarce resources concentrated in the hands of few. When driven by market and private interests, the allocation of real estate becomes increasingly unequal, be it in the city, urban fringes, or rural areas. In prime locations, this trend amplifies even more, resulting in high rents, evictions, gentrification and low regard for environmental preservation. The real estate fund ‘Fundo Imobiliário Comunitário para Aluguel’ (FICA) believes in an alternative to the speculative housing market, providing low-income people access to affordable housing. It is taking concrete steps to protect real estate and land from unregulated market forces and speculation, ensuring an equitable and sustainable use of land.

FICA was established in 2015 to assume a role which, until then, had been non-existent: the figure of the socially responsible landowner. In July 2017, FICA acquired the first property, a 47-square-meter flat in central São Paulo, to be rented out to a low-income family at a non-speculative price. By now, FICA has 120 monthly donors contributing to the continuous acquisition and safeguarding of real estate in central São Paulo. The organisation is nowadays recognized for its knowledge of alternative ownership models and its expertise on social and affordable rent.

The Julius Baer Foundation is supporting FICA in a specific type of low-income housing: the cortiços — precarious, overcrowded, old houses in central locations. They are subdivided in small rooms that house an entire family each, bathrooms are shared. The tenants are forced to pay abusive rents, feeding a vicious cycle of exploitation and violation of rights. The new project starting in 2020 aims to create an Impact Investment Mechanism to establish an institutional ecosystem, including legal, financial as well as social services, which will allow FICA to
purchase and rehabilitate cortiços in downtown São Paulo. The project brings together investors, a network of institutions and low-income residents to ensure change in the precarious housing situation. Money circulating through cortiços in unethical, informal, undeclared ways will be reverted into formal and ethical circuits, generating a win-win situation: a reasonable, non-speculative financial return for investors and affordable quality housing for low income tenants.

Sustainable funding for low-income housing
The cortiços’ project ‘requaliFICA’ will create a financial, juridical, administrative and social model based on impact investment mechanisms. The model enables FICA to acquire cortiços, to regulate their tenure if needed and to rehabilitate them, transforming the precarious units into a quality environment while upholding the tenants’ rights and reducing the rent in the medium term.

The project includes:
• Creating the model: bylaws, financial modelling, contracts, design.
• Launching a fundraising campaign to buy and renovate the first cortiço and to test the model.
• Piloting the project in downtown São Paulo with at least 10 families living in it.
• Monitoring the first impacts of the project on the residents’ quality of living.
• Launching actions to influence public policies: debates, meetings and production of a white paper with proposals for public policies based upon the pilot project.

Facts and figures: Brazil
Being the last western country to abolish slavery in 1888, the Brazilian development process has never properly addressed wealth redistribution to eliminate extreme poverty and reduce inequality. Despite lifting 28 million people out of poverty in the last 15 years and reducing poverty to less than 10% of the population, Brazil still faces an immense gap between the country’s richest and the rest of the population. With recent political approaches and economic crises enhanced by Covid-19, the economic gap is again widening.

• There are more vacant houses than people in need of a home in Brazil.
• Brazil is the democratic country with the highest concentration of income in the top 1% of the pyramid, capturing 28.3% of the country’s total income. By comparison, the 50% poorest receive 13.9% of national income.
• Brazil’s six wealthiest men have the same wealth as the poorest 50% of the population, around 100 million people.

For more information about FICA, please visit: www.fundofica.org

“...The concept of ‘adequate’ housing is not restricted to the right to a house. It is not a matter of having a place with a roof and four walls, but a stake in the territory which can serve as a base for accessing other rights: the right to education, the right to health, the right to protection, the right to freedom of expression, the right to non-discrimination.”

Raquel Rolnik, former UN Special Rapporteur on the Right to Adequate Housing