

# **Drivers, scope and limitations of financialized urban policy in less financialized economic contexts: the case of São Paulo's Casa Paulista Program**

Priscila Izar

*PhD Candidate, School of Public and International Affairs, Virginia Tech University*

*izarpris@vt.edu*

## **Problem statement:**

The critical urban literature concerned with the relationship between the growing dominance of financial capital in systems of production (i.e., financialization) and rising urban inequality has focused mostly on economies at the center of financialized global capitalism (i.e., US and Western Europe). In this context, it is argued that policy efforts to integrate property and financial markets (financialized urban policy) are positively associated to financial market's expansion, specifically, the expansion of secondary housing and commercial real estate mortgage markets (Aalbers 2008, Gotham 2006, 2009, Newman 2009) and city bonds (Weber 2002, 2010). Less attention has been given to similar processes occurring in countries and localities where financial markets are not fully developed and where a positive association between financialized urban policy and actual financial market's expansion is less clear. In these contexts, research is required in order to understand how do such policies relate to broader financialization dynamics occurring at the local, regional and national levels.

## **Project Objectives:**

This research's general objective is to identify and describe the broader set of dynamics related to the design of financialized urban policy in urban environments outside the center of financialized global capitalism, where a positive association with financial market expansion is not clear. In the state of São Paulo, Brazil, a recently launched public private partnership (PPP) to develop affordable housing, the Casa Paulista Program (Casa Paulista PPP), is a case in point. In that country, penetration of financial capital into the real estate and housing sectors has been marked by limited

capital market expansion (Fix 2011, Royer 2009). Notwithstanding, Casa Paulista's original PPP model sought to leverage private financial capital for development of a large-scale affordable housing program. Policy objectives involved delivery and maintenance, for a twenty-year period, of ten thousand affordable housing units and associated urban infrastructure and facilities. Casa Paulista's original proposal was based on: (i) on-going real estate market's expansion in the region; (ii) recent transformations in the institutional and economic environments that lowered risk related to investment in residential and commercial real estate development, and, (iii) presence of an underutilized real estate stock in São Paulo's central region. It was assumed that such factors would attract global financial capital into the region and favor expansion of the local secondary mortgage market. However, overall market response pointed to Casa Paulista PPP imposing too much risk to private investors and developers. This was followed by the state altering the PPP scope in terms of project scale and volume of government's counterpart investment, while reliance on an expanding financial market remained unchallenged. This study draws from the critical literature on urban space production and finance to take a case study approach to the analysis of the drivers and motivations involved in the setting up of the Casa Paulista PPP model. The specific goals of this research are twofold: first, to understand how this model appears in Brazil's housing sector at this specific space and time, and second, to gather Casa Paulista's comprehensive scope, limitations and meaning. Specifically, this study asks: (i) what were the conditions for the appearance of Casa Paulista in its space and time; (ii) how did public and private agents of different scales perceive Casa Paulista's original design and affect its final model and; (iii) what were the outcomes of these changes?

### **Methodology:**

Research methods are primarily qualitative. Field data was collected through in-depth interviews with representatives of Casa Paulista's interest groups between 2013 and 2015, as well as participant observations at public meetings. Secondary data sources included national, state and municipal-level legislation concerning economic restructuring, the PPP framework, and deregulation of housing and real estate sectors, project documents, and journal articles.

## **Findings:**

Data analysis points to two main findings: first, Casa Paulista appears through two interdependent dynamics: the municipal government's efforts to attract private capital to the city of São Paulo's central region through property led development strategies, and the state government's effort to extend its privatization policy to the affordable housing sector. None of these dynamics specifically address affordable housing needs in São Paulo's central region. In other words, Casa Paulista's housing policy objectives have less to do with addressing affordable housing needs in São Paulo's central region and more to do with advancing São Paulo state government's broader housing policy and privatization goals. It is argued that Casa Paulista increases the risk associated to affordable housing production in São Paulo's central region. Second, while propagating the idea that affordable housing development can only be realized through greater private participation, Casa Paulista relies mostly on public funding. Implications about this finding, which is in line with the recent Brazilian literature (Eloy 2013, Royer 2009), are discussed. This study enhances understanding of the nature, scope and limitations of financialized housing policy in São Paulo and Brazil. Moreover, it contributes to the international critical urban literature concerned with the relationship between financialization and urban space production in different economic contexts.

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