1. Introduction, background and urban global trends:

Quito’s Historic Center is the main urban core of the city, which has expanded greatly around it. Inhabited since the pre-Inca period, it has been a center of government since Colonial times and today is the seat of the national government. The pattern of urbanization experienced by Latin American cities during the 20th century was characterized by rapid expansion in the peripheries, attracting research and urban intervention in areas where cities were expanding (Carrión, 2007; Ward, 1993). However, by the end of the 1980’s and the beginning of 1990’s, neoliberal and global ideas for urban intervention switched the focus back to the built city, specifically to the inner city and downtown redevelopment. In the case of Latin American cities this redevelopment would take place in their historic centers as a key part of the urban agenda. (see Carrion 1999 p28).

Since the 1990’s, the Historic Center of Quito (HCQ) has been the center of one of the pioneering urban renewal experiments in Latin America (Rojas, 2004). The government implemented a series of housing programs to supposedly help improve
overcrowded low-income living conditions, increase the resident population and protect historic structures, all as part of the integral rehabilitation plans that the Municipality developed with the assistance of international cooperating agencies.

Global trends have emphasized the promotion of tourism of historical neighborhoods and monuments. It is here that the main point of tension is created: for some, the Historic Center is a place to exploit for its iconic urban qualities and to sell them as cultural heritage to the world, encouraging urban policies that help set up new high end businesses such as five star hotels and expensive restaurants and boutiques. But on the other side, urban policies encourage the participation of neighborhood residents and economic development with semi-local businesses as part of their integral rehabilitation strategies. As Fernando Carrion (2007) has explained, the revalorization of the built city goes along with the revalorization of its historical and functional conditions, but it is ambiguous to whether this means its elite colonial history or its more recent function as a residential area for lower income people. How can the policy be implemented in a way that restores these structures for the purposes of tourism but that also helps middle income and lower income people to remain as residents of the Historic Center of Quito, which is being transformed towards different and unaffordable ends?

In recent years integral rehabilitation programs in Quito have been influenced by the global trends of inner city densification (see Paquette-Vasalli 2003, Carrion 2007, Artibise, 2005) taking a market-based neoliberal approach to urban policy, creating public-private agencies to implement programs (Coloumb, 2007) that most of the time are funded by international agencies, together with public funds or other local investments. After 17 years of sustained funding for urban rehabilitation, housing programs in Quito have switched their focus from housing production to finance.

Following the housing finance trend, this paper will present a housing program called “Pon a punto tu casa” which is intended to fund homeowners with credits to repair their historic properties for housing purposes. Based on field research that includes interviews and review of institutional documents within the context of Quito’s planning and development strategies, I will look at the program’s components and its implementation process to examine whether or not the program is successfully addressing the comprehensive plan’s goals. Published data states that 70 percent of the total number of housing units are rented by low income population; however, the “Pon a punto tu casa” program seems to ignore this trend and is shrinking the possibility for renting inhabitants to maintain their residence due to rising land prices and rents (Carrion, 2007). This analysis will produce constructive policy critiques and provide recommendations for

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1 Scarpacci, p.7
2 In a market based economy, public-private partnerships “appears to have originated in the United States, initially relating to joint public, and private sector funding for educational programmes and then in the 1950s to refer to similar funding for utilities, but came into wider use in the 1960’s to refer to public-private joint ventures for urban renewal” Yescombe Consulting Ltd. 2007 p.2

3 INEC-Census 2001, Ecuador.
ways to rehabilitate the Center that will result in fewer displacements of renters and less reduction of the total number of housing units.

To have a better understanding of how the “Pon a Punto tu Casa” program was design and implemented, I will have to refer first to some of Quito’s planning history.

Since the 1940s, urban plans identified the Historic Center as an important and changing area of the city that needs to be considered in the planning agenda. However, it is not until 1978 when UNESCO declared Quito as City World Heritage when urban plans became to be more specific in how to address the Center problems.

In 1980 the Municipality of Quito’s policy as stated in its comprehensive plan (Plan Quito 1980) recognized the need to “identify, qualify and survey the zones, areas and monuments that are part of the historic-cultural patrimony of Quito”. With regards to housing policy the Plan states that it is necessary to create incentives to allow the revitalization and restoration of housing in the Historic Center, considering the historic area to be a special arena where housing policies should be specifically designed with respect to the unique urban structure.

Before 1990 policies where oriented towards monuments and housing restoration with the primary purpose of preservation of the built environment. Today the implementation of integral rehabilitation strategies nominally attempts to take into account social and economic issues, employment, commerce, transit and the crucial one: housing (Paquette-Vasalli 2003, Lanzafame 2007).

In order to finance rehabilitation plans in the context of processes of modernization and privatization, the Municipality created the public-private corporation Empresa del Centro Histórico (ECH) as the required managing organism. The ECH was a partnership created between the Municipality of Quito and the private Caspicara Foundation. Later this partnership absorbed QUITOVIVIENDA, the public-private agency created to manage the housing program that will be analyzed in this paper.

In 2003 the Municipality together with the cooperation of the Spanish agency Junta de Andalucía elaborated the Special Plan for the Historic Center of Quito that is part of the bigger planning structure mandated by the Plan General de Desarrollo Territorial (PGDT, 2001). This is the current plan for urban development and it states that the Municipality has the obligatory responsibility to restore the urban equilibrium of this emblematic area of the Ecuadorian capital. It states that the Historic Center should gradually redefine its land uses as well as its present and future functions. At the same

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4 Francesco Lanzafame, IDB-Housing and Urban Development Specialist. Personal Interview, on November 2007, Washington D.C.
5 This public-private corporation was created as an IDB requirement for loan submission. The IDB considered in that time that because of its inefficiency as a public agency, the municipal government’s budget was not the best place to manage the credit. Since then, as Fernando Carrion explains, urban management in the Historic Center of Quito got divided by different stakeholder’s entities, managing different funds towards different policies. (Carrion, 2007 p. 46)
time, it says that urban policies should substantially improve the quality of life of the Center’s inhabitants and users.6

This plan recognizes the Historic Center as an important economic resource for the Metropolitan District and for that reason hopes to propose a balance between the conservation of its heritage historical and its cultural identity and between economic development and social equilibrium.7 But the fact is that Quito’s Historic Center, like other central cities, and as opposed to peripheral areas, continues to have some of the worse housing and economic conditions, the lowest median household incomes, the highest levels of unemployment and poverty, the slowest population growth, the highest housing vacancy rates, and the lowest home ownership rates (Artibise, 2005).

In more detail, the area has a total population of 50,982 with a negative growth rate of -1.2. Its median monthly income is $202.65 when the median for the metropolitan area as a whole is $355, 678. 77.85 percent of the population of the Center is old enough to work, however 60.49 percent of that portion is economically active. According to the 2001 census, 52 percent of the Historic Center households have a monthly salary as their source of income and 48 percent of households have incomes that come from small business or informal jobs.9 Ecuador’s basic legal minimum salary was set by the government at the end of 2007 at $198.26 dollars. Even though the medium income salary of the Historic Center area is higher than the legal minimum, when taking into account the cost of a standard basket of goods (“canasta familiar” or “de pobreza”) which was $322.03 in September of 2007, it helps us to understand the poverty level of this area which, according to 2001 census data, corresponds to 21.2 percent of households in poverty, with 3.2 percent in extreme poverty and a full 80.9 percent at the poverty line.

In terms of housing tenure, 69.97 percent of the households rent a housing unit and 23.95 percent are owner-occupied. The proportion of renters is high in comparison to the metropolitan area as a whole, in which 41.58 percent of the households rent and 49.67 percent are owners.10 The area’s housing stock currently includes 1480 single and bi-family houses, which represent 37 percent of total housing. The rest of the housing stock is made up of a total of 2470 multifamily buildings: 1708 of these buildings house between two and eight households, 588 buildings house between eight and fifteen households, and 84 buildings house more than fifteen households each.11 Multifamily uses correlates with the average density in the historic centers neighborhoods which is 152 habitants per hectare, and 65 habitants per hectare in the core.

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6 Plan Especial del Centro Histórico de Quito (PE-CHQ) At: http://www4.quito.gov.ec/
7 PE-CHQ
8 Source: Encuesta de Condiciones de Vida 2005-2006 Unidad de Estudios e Investigación; DMPT-MDMQ.
9 PE-CHQ p: 29
10 Source: Censo de Poblacion y Vivienda, 2001 ; INEC Unidad de Estudios e Investigación; DMPT-MDMQ
2. Case Study: *Pon a Punto Tu Casa Program*

Within this context, the *Pon a Punto tu Casa* (PPC) program is the housing element that resulted from this integral rehabilitation agenda. In 2003, the City Council passed ordinance 3050 establishing the need to create a fund to finance restoration while involving local stakeholders with the Center’s rehabilitation goals. The next step to finance and manage the program’s implementation was to build the public-private partnership into a *fideicomiso* form. This is a partnership between the Municipality of Quito and the Junta de Andalucía International Cooperation.

The two main objectives of this *fideicomiso* as mandated by ordinance are:
- To contribute to the recuperation of the Historic Center as a place to live through the provision of economic credits to improve or rehabilitate housing.
- To improve the quality of the housing supply in the Historic Center and to favor its property values while ensuring its preservation in the long term.

The program provides homeowners a credit with a 5 percent interest rate for a period of ten years. This is a subsidized low interest rate when compared to the 12 percent current minimum interest rate for housing mortgages in Ecuador. To be able to access the credit, the property first needs to be among the structures catalogued as historic properties. Satisfying this condition, the owner will be able to ask for $8,000 dollars for each housing unit that the house can accommodate within its rehabilitation project. Also, the program provides homeowners with plenty of incentives: a two-year grace period of credit payments, 5 year period exemption to property taxes, assistance with property }

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12 The Municipality of Quito developed a complete inventory of historic houses, documented in paper-based forms which are archived in the Documentation Center at the Planning Department Building in the Historic Center. According to Arq. Ximena Ron, PPC officer, these forms sometimes are not up to date because some homeowners have made modifications over the years. However, right now it is the only source the PPC has to determine if the owner actually owns a historic property or not.
ownership legal paperwork (“propiedad horizontal”), with the plans and finally with an autonomous construction permit process.  

When the credit is approved, homeowners need to find an architect that will be responsible for the rehabilitation’s design and management. At the beginning of the program the PPC’s technical team, some of them experts in historic preservation, had to plan and manage the process. Now situated within a market economy, owners benefiting from the program have to turn to professional help available in the private sector. For Jorge Carvajal, General Manager of QUITOVIVIENDA, this is one of the weaknesses of the rehabilitation process because “its hard to say, but in some way [some of the private professionals] do not have the spiritual and technical skills to accomplish the job as they should”14, suggesting that professional intervention in this architectural context requires more specific professional training. Even though this is an important weakness of the program, it is not the focus of this paper critique.

The PPC has a Technical Committee with the responsibility of analyzing the social and economic feasibility of the client’s application and to evaluate the accomplishment of the fideicomiso’s objectives as well. This evaluation starts by assessing the capacity of debt that the client can afford, which is based primarily on the value and rental potential of the property. This is measured according to how much the clients can increase their earnings by renting the new apartments in the rehabilitated houses. “if a property in its moment gave the owner a total of $150 dollars [per month] by renting the single rooms, now they have the possibility to increase that income as an income that can help to pay the credit. …Because one of the objectives is that the house get paid by itself, I mean with the apartment’s leasing”15. That rent price calculation varies and depends on the property’s location within the Center. Clearly, there is no intention or policy to find a formula to help all or some rental prices to remain affordable to the common residents that, as we saw before, are in the majority on or below the poverty line.

I was able to interview several clients that used PPC credit to fix their houses and their stories help to fill in some of the details of how the program has worked. One client did not have to evict his tenants because the rehabilitation was not extreme enough to force him to ask people to leave, and as he put it, “they have known each other for so long that they easily understood about the nuisances the rehabilitation would cause to all of them for a while”16. I asked if he had to raise the monthly rent price and he said he did not. In this case renovation did not lead to displacement, but it did not lead to increased

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13 In order to facilitate the rehabilitation process the program provides its own construction permit, avoiding the review process of the Historic Center Planning Commission and the construction inspection that the new permit process of Quito requires. The disadvantage of this incentive is that, because construction activities do not get registered on the same new and modern municipal system, it would be hard to measure strategic outcomes and outputs of the program in terms of its overall influence in the historic center development.
14 Personal Interview, July 2007
15 Personal Interview in Spanish with Architect Ximena Ron, PPC Program Coordinator. August 2007, translation by the author.
16 Phone Interview, August 2007, Caso # 1, (2004).
income for the owner either. I had a phone interview with another PPC client who had a different experience, and contrary to the last conversation, this client told me that he is living by himself in the house since the new, remodeled apartments are difficult to rent because “everybody comes wanting to pay $50 and $80 (per month) and I do not have rooms at that price anymore”. In this case, the grace period that the PPC program gives to clients like this one creates a real market lifesaver until he or she can find some people that can afford the rent price. The interviewee did not want to tell me how much more was he asking, but data I collected at the PPC offices shows that the median monthly rent price after the rehabilitation is $143.42 with an average upfront deposit of $260.15. PPC does not keep or use the records of rent prices before the rehabilitation process in houses that had tenants, however looking at the $87 medium rent price from a previous study, this means that on average renovated properties’ rents are approximately $56.42 more expensive than before, or 65% higher than the neighborhood average. There is no systematic way to calculate fair price-rent ratios or a gross rental yield, from which to systematically evaluate the policy. There appears to be no stated limit on how much rents can increase to maintain a fair market without speculation, and there is no element of rent control in the proposal. Since census data shows that the majority of owners who rent out their properties in the Center are relatively low-income people, how does the PPC assist these “petty landlords” to calculate the new rents to an affordable rate without pricing them out of the area’s rental market?

Higher rents are not the only way the Center’s tenants are being displaced. Displacement occurs because of real constraints with the architectonic project, regulations and rehabilitation possibilities while turning single rooms in one- or two-bedroom apartments. PPC has kept no records of the number of rental units before the rehabilitation either. The lack of information about both, rent prices and number of units before the rehabilitation does not help to keep track of the overall renovated housing stock in the area to be able to know if the program is actually increasing the number of housing units available.

The response of program officials to questions about this issue is that most of the houses are not occupied to start with, but there is no information on how many properties did not have previous tenants either. As the program coordinator mentioned, houses are in deteriorated conditions or are being used just for storage purposes, emphasizing the positive factor of having new residential units in the cases when the property was unused. But how many houses really had no rental units? Another positive outcome is the opportunity to upgrade housing stock for a safer and more sustainable central city. The reduction of visual contamination, structural safety, better indoor air quality, and more efficient and new materials for water and sewer services are several of the potentially good outcomes of the PPC program. This is the positive side of the program, showing

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17 Spread sheet from the program assistant. File name: “seguimiento y evaluacion PPC.xls”
18 From the research developed during the summer of 2007, I obtained spread sheet ‘seguimiento’ files on and some application forms examples that lack of information about rents prices before the rehabilitation.
19 According to the tenements rights establish by a national law landlords should give a three month period of time to allow tenants to find a new place after the contract is due, that if there is a contract signed which is not generally common. (Gilbert, 1993)
that it has the strength to distribute a public subsidy that drives renovation and helps move the local economy. Local professionals and local business are benefited by the construction activity, which is well-known as a good economic multiplier in a market-based economy. Until 2006 the program provided credit to rehabilitate 78 properties, representing 261 housing units with a total investment (by private owners and with PPC credit) of 2.07 million dollars.

However, the Historic Center’s conditions of concentrated poverty and the possibility of resident displacement emphasizes that it also “needs social investment not as a complement or compensation, but as a strategy of social development” (Carrion, 2007p.52) to be consisted with the social policy included in the planning rhetoric and in confronted in terms of real and current social constraints.

Sometimes it seems that no one is worrying about the issue of resident displacement because houses are really changing back to residential uses after being abandoned or used in other ways. Considering that these renovated units are not counted in the City’s building permit system, and that there is no record of if they were previously rented, it is difficult to know how many new units are entering into the Center’s rental market. The records count neither lost units nor new units deriving from renovation. With respect to this issue the officials I interviewed did not deny that sometimes there have been difficulties with displacement of renters after houses are rehabilitated and they also suggested that the municipality should take responsibility for addressing those issues.  

The loss of affordable units is not a good externality of this subsidized business, and is simply giving the responsibility back to the government for providing affordable housing for the low income population. The public-private entrepreneur PPC is providing a subsidy to homeowners and considers the resulting rental prices increases to be an acceptable outcome. But upscale renters are reluctant to move to the Center due to its reputation as a dense, lower class and indigenous neighborhood with dilapidated buildings with high rates of crime and poverty. In this case neoliberal solutions based on credit and the market may not be producing the desired effect for most stakeholders.

In a neoliberal city that follows current global trends, one of the different mechanisms for financing and managing programs is through this ‘Public-private companies’, in which private developers manage public funds, allocated to them by the government for an expected public benefit. PPC is one good example of such a strategic program for housing rehabilitation managed and implemented under this public-private method putting in evidences some of the different contradictions and complications that can arise from such programs. By assisting homeowners to improve their properties and potentially their landlord business, the program is serving only the 23.95 percent of the

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20 Personal interview in Quito, August 2007.
21 The Historic Center’s population now represents one of the parishes with highest concentration of indigenous people in the entire metropolitan area. Data from the 2001 national census claims that indigenous people are 3.3 percent of the metropolitan area’s population as a whole, and while they represent 8.2 percent of the population in the Historic Center parish, more than double the metropolitan average.
resident population who are homeowners that live in the Center. The rest are renters and sharers who are not only missing in the policy part of the program but who are clearly being affected by one of the externalities of the program.

**Historic Center of Quito - Census 2001: Housing Tenure _ Renters**

If this is to be a market-oriented program, it needs to include some more progressive and socially-oriented policies parallel to its market-based principals, because the market alone is not replacing the loss of units. Gilbert (1993) has mentioned that “incentives to private landlords may worsen the distribution of incomes (p.158)” and he suggests that “encouragement for rental housing has to be considered as part of a much wider social and economic strategy” (p. 158). The Historic Center of Quito-Census 2001: Housing Tenure Renters’ map illustrates that most of the PPC applications come form the residential areas that are more densely occupied by renters. The importance of rental housing has not really been elaborated on in this article; however studies have argued that the existence of centrally-located accommodation is a necessity for many households and to ignore it is a kind of planning irresponsibility (Gilbert, 1993). “Renting has to be
recognized as both a respectable and a necessary housing option (Gilbert, 1993 p. 158)” and as an important and ‘traditional’ or even ‘historic’ function of the Center.

The ways in which public initiatives and private interests can exist in a complementary fashion are difficult to define and should be part of a broader future research. To achieve this, the program needs to be fully evaluated in order to come up with a better formula for accomplishing all of its strategic objectives without leaving old renting residents behind. Knowing that there is a widespread deficit of housing in the larger metropolitan area, where are these displaced people going to live in the long term? The loss of old housing units that are in poor condition needs to be measured because the city housing market will need to replace units, if only in other parts of the city, to prevent an overall decrease in housing opportunities.

3. Conclusion and Recommendations:

Concepts for creating diverse and affordable housing within a market economy have been implemented through inclusionary zoning ordinances in different cities in Europe and the US. Such policies are commonly applied to housing ownership, but for Quito’s local situation a similar concept could be applied to rental prices and tenures. Inclusionary zoning requires or encourages developers to designate a portion of the housing they produce for low or moderate income households. California, Massachusetts and New Jersey are places where municipal and state governments can regulate the supply of housing for all the different income groups in order to meet a ‘fair share’ of its region’s housing needs (Schwartz, 2006; Calavita 2004). One of the mechanisms to meet these requirements is with inclusionary zoning in which, for example, 20 percent of the units of a private development become affordable in exchange of other incentives (Ibid).

With the goal of mitigating the loss of affordable units and the displacement of traditional renters of the center, and in order to avoid creating a burden on the scarce affordable units available in other parts of the city, PPC could implement an inclusionary rental policy within the rehabilitated houses in certain cases. In exchange for the low interest credit and the other incentives that the PPC fideicomiso offers to the private sector, landlords could be required to maintain an affordable rental price for the low income residents in 20 percent of the newly remodeled units for a period of at least 10 years, the same period of time allowed for paying their credit. In her article “Community-Based Housing: Strengths of the Strategy amid Dilemmas That Won’t Go Away”, Rachel Bratt (1990) asks if “is it fair to advocate a policy that puts a ceiling on the monetary benefits that an individual can derive from his/her housing when such benefits are commonplace in the rest of the housing system?” (p.188). The suggested answer is that “on the assumption that public subsidies were used to develop, rehabilitate or reduce…housing, it seems rational that the appreciation should not be exclusively the property of the occupant-[owner]” (Ibid, p.189). An equitable housing policy, one that entails strong social purpose and political will, could refine PPC’s goals not only to the benefit of homeowners and homeowners-landlords but to ensure that the overall public good is improved by providing housing that poor households can enjoy and afford too.
Even though PPC credit is what many would define as subsidized credit, according to Jorge Carvajal, it is part of the Mayor of Quito’s social policy. It is important to recognize here that the public political power represented by the elected mayor of Quito can positively affect program decisions even though PPC is a public-private corporation. However, to what extent is PPC really a socially-oriented program? As Capron and Monnet (2000) have mentioned in their article "Una retórica progresista para un urbanismo conservador: la protección de los centros históricos en América Latina", it is easy to hide behind the intention of acting in favor of a public interest, such as housing conservation or housing rehabilitation, while the private interests that are contradictory to social goals are presented under the same flag of cultural identity preservation to re-take control of the advantages of the Historic Center … “Así, detrás de un discurso que quiere ser tanto progresista desde un punto social (para el beneficio de todos) como arquitectónicamente conservador (a favor de los edificios antiguos), reaparecen los tradicionales mecanismos de exclusión”22.

To conclude, it is important to recognize that the Historic Center of Quito is an economic resource for the local and global heritage tourism economy (Scarpaci, 2005), but also that development policies should be looking towards all different functions of the Center including the housing component within the environment of the existing resident population. By not taking into account these diverse functions, international models of restoration of historic centers may not be effective, considering that a vibrant neighborhood is necessary for the attractive setting heritage tourists hope to enjoy.

Upscale models that give incentives to luxury business have largely failed in the Center because they are not marketable to their current neighborhood context. The Historic Center of Quito is still a good source of affordable rental housing for low income people within the metropolitan context. 5.2% of the total rental opportunities of the metropolitan area are located in the historic area23. Urban development policies towards the integral rehabilitation of the Center and even for the metropolitan area as whole should take into account this reality. The current housing program PPC is helping to improve housing stock but it is reducing affordable housing units and causing rent prices to rise within a speculative demand framework. This fact is narrowing the range of rental housing alternatives “which leads inevitably to a decline in the living standards of the poor (Gilbert, 1993 p. 160)”. More sensitive social and economic policy, implemented through housing policies designed with respect to the unique urban structure while considering its rental housing stock in PPC’s renovated properties might actually be a better option for businesses, for private small-landlords, for residents, and for a sustainable and real integral rehabilitation of the Center.

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22 P.61
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