

From the idea to the practice: evaluation of thirty years of land value capture planning tools implementation in the city of São Paulo, Brazil

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Urban infrastructure has always represented a great cost to the municipal governments. One of the results of infrastructure implementation is the valuation of real estate adjacent to it, valuation that is generally captured by owners and entrepreneurs by raising rents or sales value of these properties. Since the late 19th century, many cities around the world have implemented land value capture tools as a way to recover government costs, allowing the continuity of infrastructure expansion.

In Brazil, the idea of implementing these instruments dates back from the 1970s with the discussions of creating an urban development fund. The City of São Paulo has been one of the pioneers in some of these planning tools implementation since the 1980s. However, currently there is a critique on the use of such tools, especially regarding to the application of the funds, considering the context of an extremely uneven society such as the Brazilian.

The aim of this work is to evaluate the experience of São Paulo in the implementation of these instruments, trying to understand how the allocation of the raised funds contributed to decrease or increase this unevenness through investments in infrastructure and services with higher social returns, considering mainly the lower income strata.

The analysis methods consisted of evaluating the historical evolution of land value capture tools in the city of São Paulo, based on three of them: the *OI* – *Operações Interligadas* (interconnected operations), the *OUC* – *Operações Urbanas Consorciadas* (consortium urban operations) and the *OODC* – *Outorga Onerosa do Direito de Construir* (onerous building rights grant). First, trying to understand of the

genesis of each of these instruments. Then, analyzing the amount of collected funds, as well as the application of these resources and their physical-spatial and socio-economic impacts. Therefore, these fund investments were mapped, as well as its sectoral distribution in infrastructure (such as road system works, public transportation works or social housing production) were tabulated.

The first planning tool, OI, appeared in 1986 allowing the owners of slums occupied land to apply for FAR – Floor Area Ratio upgrade, since they build or financially contribute to social housing production for the slum population replacement. Later, this tool has changed to allow every property in the city to ask for FAR review through the payment of a financial compensation to the FMH - Municipal Housing Fund. This study has concluded that, although most of resources have been raised in the wealthier areas of the city, most of the housing units were built in the peripheral areas with large gaps in infrastructure and social facilities, enhancing the socio-territorial inequalities in the city.

The OUC appeared in 1991 as the integrated set of urban interventions developed in certain areas of the city, under the coordination of the government, with the private sector participation, aiming structural urban transformations, social improvements and environmental enhancement. The initial concept was based also on upgrading FAR by financial contribution, which would be invested in the works planned for the area. Later this onerous grant came to be made through CEPAC – Additional Building Potential Certificate, a bond issued by the city, equivalent to a certain amount of square meters of additional building area or modification of land use parameters, traded on the stock exchange, for use within the perimeter of an Urban Operation.

From 1995 to 2014, the existing urban operations in the city raised the equivalent of R\$ 6.3 billion (US\$ 1.8 billion) of which only 45% was invested. Of this total, 43% was invested in road works, which for the most part, favored private transport means (overpass and tunnels), 14% in the mass transit system and only 12% in the construction of social housing. Another issue is the spatial concentration of resources, because these can only be invested inside the urban operation area, which account for only 2% of the municipality urban area where the high-income strata is concentrated.

Since 2002 Municipality Master Plan and 2004 Municipality Zoning Law review, the City has begun to grant building rights costly in other areas defined by the zoning law. This instrument, defined as OODC, is the closest of the three concepts to the 1970s ideas. The funds raised are deposited in FUNDURB – Urban Development Fund, and the FUNDURB Management Board defines what works and what regions of the city will receive these resources. From 2004 to 2014 FUNDURB raised R\$ 1.6 billion (US \$ 430) to be spent on 98% of the municipal area (except the OUC areas). Analyzing the investment of these resources, one can see a more progressive sectoral and spatial distribution than previous instruments: road works received 30%, land regularization works and slum upgrading received 25%. From the spatial concentration of these resources point of view, one can see a more democratic application as, in 2014, 62% of them were invested in the poorer periphery.

So, the paper concludes that although the thirty years of land value capture tools application in the City of São Paulo, these still need to be much improved to reverse the existing large social deficits, especially on the issues of housing and public transport. The work tried to demonstrate the need for a thorough review of them to end distortions as, for example, the fact of the OUC dispose of 162 times more resources to spend per area than FUNDURB.

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