Policy Options for Incremental Housing
Report on a Practice Workshop and Round Table Policy Discussion

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POLICY OPTIONS FOR INCREMENTAL HOUSING

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Background and Approach

Two recent longitudinal field studies of incremental housing (Chile and El Salvador\(^1\) – executive summaries in Annex 1), were financed by the Inter American Development Bank (IDB). They examined: i) the effectiveness and affordability of the process of incremental housing for low-income groups and governments; ii) intervention models to help improve the owner-builder process; and, iii) how the approach can be incorporated to national housing policies and programs.

The studies’ findings describe the building strategies of households over time and compare settlement types to reach conclusions. El Salvador’s 40 years of experience with incremental housing (IH) is a particularly important and rich laboratory, which offers a valuable opportunity for international housing practitioners to see first hand the many facets and lessons in conjunction with the study results. IDB therefore organized a workshop to discuss results in the field and exchange ideas with local practitioners and policymakers on how programs can form part of national housing policy.

A two-part Practice Workshop gave IDB practitioners involved with housing programs the opportunity to visit El Salvador’s housing types, meet with beneficiary households, local organizations and the survey teams, and to participate in a Round Table exchange with local policy makers and housing practitioners to flesh out policy and program formulation ideas. The goals were to i) complement the findings of the survey and study by visiting the surveyed houses and settlements and discussing details with the survey teams, ii) discuss and compare the housing types; and, iii) identify questions and topics to review policy options and help formulate housing programs.

The workshop was organized with the help FUNDASAL, a Salvadoran housing NGO with over forty years of experience in incremental housing. The institution assembled the survey team, conducted the surveys and produced the study data. Seven IDB staff and two members of the Chilean research team participated in the workshop. FUNDASAL staff and members of the survey teams accompanied the participants.

\(^1\) Countries with decades of incremental housing experience, although of different size economies and policy approaches.
Field Visits and Discussions

Participants visited four of the seven settlements surveyed; a typology was established that represents the range of options available to the lower income groups of informal (illegal) unimproved slums, upgraded settlements, illegal subdivisions (*lotificaciones*) and sites and services projects, where government and private sector produced turnkey housing developments. The typology allows a comparison among households building on their own extra-legal, those in officially sanctioned projects designed to support the incremental process, and families in conventional public and private turnkey projects. At *El Pepeto*, one of FUNDASAL’s sites and services project completed in 1974. The group visited houses differing in levels of consolidation and development, and met with community leaders who shared their experiences in the forty-year process. The group also visited Nueva Trinidad, an *illegal lotificación* that is in the process of being upgraded, *Alta Vista*, a large-scale private sector turnkey development, and *Nuevos Horizontes*, a public turnkey housing project.

A review by participants after the visit generated topics of interest and formulated questions for discussion at the Round Table. The conversations followed two lines of interest: First, questions about the technical and financial design of projects/programs supporting the incremental housing process; and second, topics and policy implications in formulating national incremental housing policy. A resulting agenda of main points for the following Round Table conversation consisted of:

**Program design questions:**

1. What is the minimum core house? (i.e. size and type, plot, services, etc.)
2. What is needed to support / accelerate the Incremental Housing process?
3. What maximizes household efforts?

**Policy topics / considerations / questions:**

4. Incremental Housing addresses the quantitative deficit;
5. Linking Incremental Housing to city planning;
6. Cost reduction and cost recovery policy for Incremental Housing (i.e. subsidies, appropriate cost lowering standards, etc.);
7. Access to land, (i.e. densification – horizontal or vertical?);

Policies and legislation to support Incremental Housing (i.e. land, subdivision and housing acts).

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2 Note: sites and services projects included a small core or “starter” structure for families to move into and easily begin expanding/improving the house.
**Round Table Conversation**

The second session discussed Incremental Housing from the perspective of past, present and future housing practice and national policies. Invited to lead the discussions were Roberto Chinchilla, Director of Planning and Territorial Management of the Vice Ministry of Housing and Urban Development (VMVDU), Alberto Harth, architect and urban planner, advisor to the Lincoln Land Institute, and Ismael Castro Velásquez, Executive Director of FUNDASAL, the local housing NGO. The starting point were brief reviews of the findings of the El Salvador and Chile case studies, and the list of questions/topics posed by the participants listed above.

Summary of topics, questions posed by participants to invited practitioners:

1. **DEFINING THE CORE UNIT:** “What is the minimum core house or basic unit of today”?

A generalized definition is not straightforward - much depends on the context and conditions of each country. For example, a criteria is household ability to pay, linked to a cost recovery policy and subsidy levels. Other determinants include beneficiary expectations and political acceptance. All drive technical/design aspects that best help the owner-builder process. In El Salvador the survey found that, in general, the more completed unit available to families (i.e. a core unit) as a starting point for the IH process, the faster and larger the house was developed. The trade-off is more up-front investment in the core vs. homeowner affordability. In the 1970s, the core unit concept (i.e. the starting point for the incremental development of a house) was pioneered by FUNDASAL in its early sites and services projects. Three options were offered³ to beneficiaries: i) level I - a 60m2 or 80m2 plot with utility services only, ii) level II - a plot with a “sanitary core” of about 4.5m2 (bathroom/laundry area), and iii) level III - a core unit “unidad basica”, consisting of the sanitary core plus a multi-use room designed to be easily enclosed and as the starting point for future expansion. The core allowed the family to move to the plot and begin the incremental process. Many core house models were designed and tested. Typically the core unit was about 17 to 24.5m2, with three walls, concrete floor and roof. FUNDASAL provided an optional construction materials credit to households to accelerate the enclosure of the core. Families would either bring materials from their existing shelters or take the credit to build the fourth wall, add windows and doors. While cost lowering criteria prevailed, there were other core unit design considerations: location on the plot to maximize expansion possibilities, construction materials that could be efficiently added on to or modified, seismic resistance, ease of expansion, including to second stories, etc. The objective was to build the least cost (i.e. smallest size) core to reduce households’ monthly payments⁴. This was the result of a “full cost recovery” policy. At the time, government agreed to the concept, size and type of core unit and sites and services program.

Today, FUNDASAL explained, it has revised the “minimum” size and design because it has moved away from the full cost recovery policy. This is due to the fact that its funding sources are now mostly grants, and its beneficiaries are displaced households being relocated and upgraded. FUNDASAL is currently producing more complete housing: the VMVDU standard is minimum

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³ Typically a project site in metro San Salvador had 15 percent of plot only option; 40 percent sanitary cores; and 30 percent core units, plus larger plots for special uses. In secondary cities (lower incomes) the distribution was 17 percent, 47 percent and 20 percent.

⁴ Level I = $2 - $3; Level II = $3.50 - $4.5; Level III = $5.00 - $7.00, in 1975 US$ equivalents. Affordability was based on 11 percent to 14 percent of monthly household income of $20 to $40; and 15 percent to 18 percent for incomes up to $88.
area of 40 m² including living room, 2 bedrooms and a kitchen/dining room. Turnkey housing norms for Government supported programs like Fondo Social para la Vivienda are 36 m², as are those of privately developed projects like Alta Vista.

**Policy Implications:** “What is the minimum acceptable house? Is an ‘unfinished’ house acceptable”?

- Would / does government accept incremental housing “minimum” standards today? Past “image” criticism of sites and services were that these were not “proper” houses. Is it still a problem after 40 years? The IH study shows that with time most households build a good standard house, and the average house size in the sites and services projects is 90m² (larger than the average FSV or Alta Vista developments).

- Incremental processes are viable as large scale solutions to the qualitative and quantitative housing deficits. It is a necessary approach to allow access to housing for low-income groups. In this respect it was noted that IH is a process rather than a product.

2. **WHAT SUPPORTS THE INCREMENTAL PROCESS?**

- A combination of efforts such as household / community participation, credit / finance, technical assistance / training, along with subsidies for housing and infrastructure, have made the IH process more effective. What needs to be worked out in each project / program context is what, when and how.

- Providing what homeowners cannot do for themselves – i.e. sewerage, streets, street lighting, infrastructure maintenance, etc.

- The incremental process should not only focus housing but also on the subdivision’s infrastructure and services – i.e., the urbanization process. In that sense there are many relevant experiences in different Latin American countries that can be examined.

- The amount of subsidy available influences the IH process. The case of Chile is one of highly subsidized housing over several decades, whereas the incremental low-income families find it harder to bear the cost of credit. The country has been able to afford to do this.

- Recently FUNDASAL has focused subsidies on shared investments such as infrastructure and on providing direct subsidies to households.

3. **WHAT MAXIMIZES HOUSEHOLD EFFORTS?**

- Tenure security (legalization). The survey found that households in sites and services projects were able to build large houses faster than illegal settlements. In part because legalized settlements have infrastructure and services early on, but mostly because security of tenure is a trigger for investment in the house. Also, a considerable number of these households do not fully process their title deeds – the act of sale satisfies the security requirement.

- A starting point, i.e. a core unit, helps jump-start and make the incremental process more efficient. Those with core units move to the sites and begin consolidation more quickly.

- Increased discretionary income is the most dominant trigger. Remittances are a major contributor to consolidation, but also helpful is access to credit.
• Access to financing, subsidies and credits (i.e. construction materials micro credits) speed up the process. Fundasal’s early construction materials program was very effective.

• Technical assistance can help households make better construction decisions. Fundasal’s “ayuda mutua” help process served to train and orient households to make construction safer and more efficient.

• Subdivision layout design can support the incremental process. Well designed arrangements of plots, open spaces, location of community facilities, etc. can increase land use efficiency, lower costs and support household efforts at house consolidation.

• Community cohesion, participation and responsibility build better decision-making and self-reliance take the incremental process to community-wide self-help efforts.

POLICY TOPICS / CONSIDERATIONS / QUESTIONS:

4. A KEY POLICY QUESTION: “Assuming that people have a house, how is it taken to an acceptable level, and how can this reduce the quantitative deficit”?

• Most low-income households’ strategies depend on building incrementally (legally or not). Those that are legal have a much faster rate of construction and the resulting house size (area) is larger. It is key to legalize and support the process (i.e. with programs like sites and services) at a scale large enough to reduce the quantitative deficit.

• Incremental approach is important when, and because both households and governments have scarce resources.

5. INCREMENTAL HOUSING AND CITY GROWTH: “Incremental housing programs need to be planned and developed as part of comprehensive city growth planning, land legislation and urban sustainability”.

• As housing demand continues to grow incremental housing has proven to be viable and can decrease both the qualitative and quantitative deficits – in informal settlement upgrading as well as new sites and services programs – both build on the capacity of households to build incrementally.

• Without specific policies, legislation and instruments to support the incremental process cities will continue to grow haphazardly as illegal lotificaciones and squatting will continue to accelerate. City strategies and growth planning need to promote policies that include the incremental process – for households and for the incremental expansion of urban areas.


• Implicit: need of regulatory framework on the issue of access to land for low income housing.
  
  o Stated example: land for low-income groups is being provided at very large scale, but it is extra-legal. Private developer Argoz developed and sold land to a population of over 1 million in about two decades. That model legalized and supported by instruments that improve the incremental process, could offer a large-scale production of affordable housing. Existing lotificaciones can be upgraded. The lotificaciones law, dealing with the illegality issue, is currently under review in El Salvador.
• Proposed land related legislation in El Salvador: legislation is being considered for social housing and land. Proposed instruments like public land grants for a state land bank; land laws / new social housing laws propose regulations for densification.

• Laws are needed that allow development different standards for incremental housing – i.e. different levels of services over time.

• Pending legislation for regularization of lotificación settlements – under review since 1998. Approval based on planning and construction law by VMVDU.

• Land scarcity and densification of cities – proposed policies for higher densities by building in height vs. improved land use efficiency of 2-3 story construction – an issue examined by Fundasal /OEA in the 1970s – “constructabilidad”.

o Stated example: BRAZIL – COLOMBIA are large-scale government efforts to make land for low-income housing available. Colombia’s Macro-proyectos, like Brazil’s efforts, seek private/public land development incentives to develop land for low-income housing.

o Stated example: BRAZIL – ZEIS legislation to allows special regularization, design and development standards in areas of cities that are subject to settlement upgrading and other housing programs that are of special social benefit and impact. This type of instrument can help allow for special development and housing standards appropriate for incremental housing