



The Sustainability of Urban Heritage Preservation

The Case of Salvador de Bahia

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**Inter-American
Development Bank**

Institutional Capacity
and Finance Sector

DISCUSSION

PAPER

No. IDB-DP-121

August 2010

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Inter-American Development Bank
2010

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1. Introduction¹

This paper presents a succinct overview of the implementation process of the Rehabilitation Plan for the Historic Center of Salvador (RPHCS) and assesses the physical, spatial, social, and economic sustainability of its accomplishments. It attempts to answer the following questions:

- Has the Historic Center of Salvador (HCS) kept its urban and architectural heritage well preserved?
- Does the HCS have a mix of activities sufficiently diversified—including residential, commercial, services, recreational, and government—to respond to demands from residents, employees of local businesses, and visitors, including tourists?
- Is the HCS attracting public and private investments to uphold the dynamism created by the RPHCS?

The study is based on primary information (statistically representative surveys, interviews, and focus groups) and secondary information collected between December and

¹ Silvio Mendez Zanchetti is a professor at the Universidade Federal de Pernambuco, Jordelan Gabriel is a researcher and the president of the Conselho de Administração do Centro de Estudos Avançados da Conservação Integrada.

March of 2010 in the city of Salvador, the capital of the State of Bahia, Brazil. The study team conducted field surveys and collected data on the condition of the buildings located in the HCS.² The Office of the Old Town of Salvador (*Escritório de Referência do Centro Antigo de Salvador*) (ERCAS) and the National Historic and Artistic Heritage Institute of Bahia (*Instituto do Patrimônio Histórico e Artístico Nacional*) (IPHAN) supported the data collection efforts.

2. Historic Center of Salvador

The city of Salvador, founded in 1549, was the first colonial capital of Brazil. Today, with an estimated population of three million people, it is the largest city in Northeast Brazil and the third largest city in the country. Together with 11 other municipalities, Salvador forms part of the Metropolitan Region of Salvador (RMS), which was established in 1973. An estimated 79 percent of the population of the RMS lives in Salvador. Most of the municipalities in the RMS are not contiguous; however, they form a metropolitan region due to their economic and social interdependencies. The exception is the municipality of Lauro de Freitas, which is fully contiguous to Salvador and contributes with 4.1 percent of the population of the RMS. The extension of the urbanized area from Salvador into Lauro de Freitas is due to the real estate development pressures on the seaside lands towards the airport. For the purposes of this analysis, the metropolitan agglomeration includes both Salvador and Lauro de Freitas. Table 1 contains the demographic data for Salvador and the whole RMS.

Table 1. Demographic Characteristics of the RMS, 1991 and 2000

| Urban Area /Characteristics | Units | 1991 | 2000 |
|---------------------------------------|-----------------------|-----------|-----------|
| Salvador | | | |
| Total population | Inhabitants | 2,075,273 | 2,443,107 |
| Population in urban dwellings | Inhabitants | 2,073,510 | 2,442,102 |
| Number of urban dwellings | Households | 477,689 | 651,066 |
| No. of inhabitants per urban dwelling | Inhabitants/household | 4.34 | 3.75 |
| Urban area | Sq Km | | 324.5 |
| Density in 2000 | Inhabitants/SqKm | | 7,526 |

² Datata collection was designed by Engenheiro Jordelan Gabriel and completed by Arquiteta Professora Mariely Cabral de Santana, from the Universidade Federal da Bahia.

| Metropolitan Region | | | |
|---------------------------------------|-----------------------|-----------|-----------|
| Total population | Inhabitants | 2,563,884 | 3,094,100 |
| Population in urban dwellings | Inhabitants | 2,471,289 | 3,028,398 |
| Number of urban dwellings | Households | 563,360 | 797,732 |
| No. of inhabitants per urban dwelling | Inhabitants/household | 4.39 | 3.80 |
| Urban area | Sq Km | | 357.2 |
| Density in 2000 | Inhabitants/SqKm | 8,662 | |

Source: IBGE, 1991 and 2000 Census.

Located on the higher grounds of the Upper City (*Cidade Alta*), the HCS is part of the central area of the city.³ The HCS, listed as a heritage site by IPHAN, covers an area of 78.3 hectares, bordering the Barbalho district in the north-northeast, the Comercio district in the west, the Saude district in the east, and the Centro district in the south.⁴ For the purposes of this analysis, the HCS is divided into three subareas (see Figure 3): HCS Castro Alves – Misericórdia;⁵ HCS Sé – Pelourinho;⁶ and HCS Carmo – Santo Antonio.⁷ Table 2 presents the demographic characteristics of the HCS.

³ When Salvador was first settled by the Portuguese, they preferred the highlands on top of the cliff facing the sea, later known as the *Cidade Alta*. Subsequently, they also settled along the beach at the foot of the cliff, which then became known as the Lower City (*Cidade Baixa*).

⁴ In Salvador there are three heritage protection areas. The inner area contains the HCS, the area protected by IPHAN, and the focus of this study. Covering a wider expanse, there is the protection area established by Municipal Law 3289/1983. Incorporating the two areas, there is the Old Salvador Center defined in Rehabilitation Plan of the Old City of Salvador (Bahia; 2010); Cf. figura 2.

⁵ The following roads are included: São Bento, Barroquinha, Ladeira da Montanha, Rua Chile, Ruy Barbosa, Visconde de Itaparica, Rua da Ajuda, Praça Tomé de Souza, Ladeira da Praça, Ladeira da Misericórdia, and all transversal roads.

⁶ The following roads are included: Rua Guedes de Brito, Praça da Sé, Terreiro, Rua São Francisco, Maciel de Baixo, Rocinha, Alfredo de Brito, Pelourinho, Taboão, Largo das Flores, Rua das Flores, Passo, Ladeira do Carmo, Largo do Carmo, Rua J.J. SEABRA, Rua da Conceição da Praia, Rua Corpo Santo, Rua do Julião, Rua do Pilar, Rua Capistrano de Abreu, Rua Conselheiro Lafayette, and Rua Guindaste dos Padres.

⁷ The following roads are included: Rua do Carmo, Largo da Cruz do Pascoal, Rua Direita de Santo Antonio, Rua Vital Rego, Rua dos Perdões, Largo da Quitandinha, Rua dos Adobes, Rua dos Marchanes and Rua Ramos de Azevedo.

Table 2. Demographic Characteristics of the HCS, 1991 and 2000

| Characteristics | Units | 1991 | 2000 |
|--------------------------|----------------------|-------------|-------------|
| Total population | Inhabitants | 10,933 | 6,976 |
| Population in dwellings | Inhabitants | - | 6,372 |
| Number of dwellings | Dwellings | - | 1,900 |
| Inhabitants per dwelling | Inhabitants/dwelling | - | 3,35 |
| Urban area | SqKm | 78.28 | |
| Density in 2000 | Inhabitants/SqKm | 89 | |

Source: IBGE, 2000 Census.

Figure 1. Satellite View of the HCS



Figure 2. Heritage Site Protection Polygons in the HCS⁸



⁸ Polygon delimited by the red line: perimeter of the heritage areas listed by IPHAN; Blue: Stringent Municipal Protection Area; Lavender: Perimeter of the Old City Center)

Figure 3. Subareas of the HCS



Within the HCS perimeter, there are approximately 1,800 properties, which house some 1,900 households.⁹ This area has sufficient basic infrastructure, as shown in Table 3.¹⁰

Table 3. Existence of Basic Infrastructure: Salvador and HCS, 2000

| Local | With potable water | With bathroom | With sewage network | With garbage collection |
|--------------|---------------------------|----------------------|----------------------------|--------------------------------|
| Salvador | 96.6% | 97.5% | 74.7% | 93.4% |
| HCS | 96.4% | 97.1% | 89.1% | 88.6% |

Source: IBGE, 2000 Census

As the HCS lies at the heart of the city, a significant number of residents live in house-type structures, although there are fewer of them in the HCS than in Salvador. Similarly, there is a significant gap between the percentages of households living in single-room households in these two areas, as shown in Table 4.

⁹ There is no official count of the number of properties in HCS, although several estimates were found in the literature and documentation. For the field survey conducted in this paper, this number was estimated as described in the appended methodology.

¹⁰ The data on the infrastructure facilities collected by the census considered the occupancy of the historic part of the *Cidade Alta* along with the households located on the slopes, which have only precarious access to this infrastructure.

Table 4. Distribution of Households by Dwelling Type: Salvador and the HCS, 2000

| Location | House | Apartment | Room |
|----------|-------|-----------|------|
| Salvador | 67.3% | 31.5% | 1.1% |
| HCS | 53.6% | 38.9% | 7.5% |

Source: IBGE; 2000 Census.

Table 5 shows that a greater percentage of residents in Salvador own their homes than when compared to the HCS, where 40.4 percent live in rented properties.

Table 5. Distribution of Households by Tenancy Status: Salvador and the HCS, 2000

| Location | Owned | Rented | Lent | Other status |
|----------|-------|--------|------|--------------|
| Salvador | 80.8% | 14.8% | 3.2% | 1.2% |
| HCS | 47.0% | 40.4% | 5.5% | 7.1% |

Source: IBGE; 2000 Census.

Table 6. Number of Years of Schooling and Nominal Monthly Income of Heads of Households: Salvador and the HCS, 2000

| Location | Years of schooling – head of household | | Income – head of household | |
|----------|--|---------|----------------------------|-----------------------------|
| | 0 – 15 | Over 15 | Up to ten minimum wages | More than ten minimum wages |
| Salvador | 95.5% | 4.5% | 86.2% | 13.8% |
| HCS | 96.7% | 3.3% | 88.0% | 12.0% |

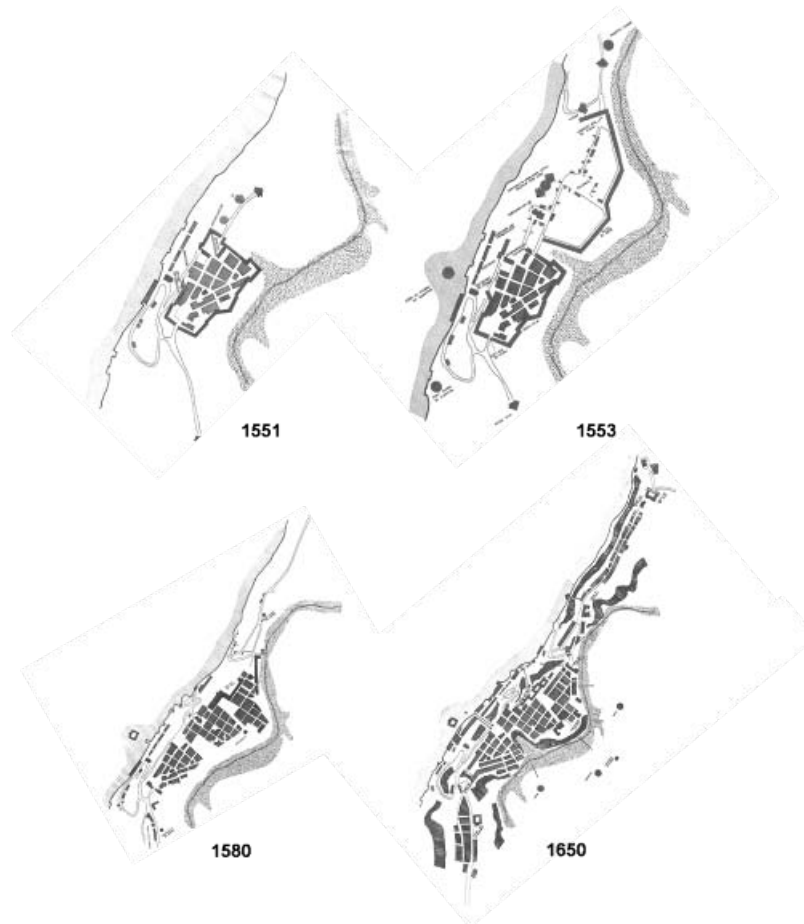
Source: IBGE; 2000 Census.

As per the social and economic information gathered for the time period analyzed and based on the income figures, the HCS has a larger share of middle-income households than the rest of the metropolitan area (see Table 6). In the HCS the percentages of heads of households with 15 years of school and earnings up to 10 minimum salaries are larger than those in Salvador.

3. Urban Evolution in the HCS

The HCS includes the foundational core plus area where the city expanded from the mid-sixteenth century to the end of the seventeenth century.

Figure 4. Physical Evolution of the City of Salvador, 1550–1650



Source: FGM (1998).

The Portuguese nobleman Tomé de Souza, the first general governor of Brazil, established the city in 1549. The historic core was conceived and planned as a “fortress and a town” as ordered by King Dom João III. Due to accessibility and defense considerations, the city was constructed at the top of a cliff—65 meters above sea level—in the interior of the Todos los Santos harbor. It was a naturally protected city, to the west by the cliff and to the east by palisades, moats, and mud brick walls (see Figure 5).

Figure 5. View of Salvador by José Antônio Caldas (1758)



The development of the city depended on the export of sugar and gold and on the public administration until the seventeenth century. In 1624, the Dutch overtook the city as they tried to establish control on the sugar exporting provinces of Pernambuco and Bahia. The invaders stayed for one year, and were expelled by the local population that had taken refuge outside the city walls after the invasion. Towards the end of the seventeenth century and during the eighteenth century, the city expanded and was dotted with palaces, public buildings, churches, and convents in the baroque and rococo style.

In 1763 the colonial capital of Brazil moved to Rio de Janeiro, due to the proximity of this city to the gold producing areas of Minas Gerais. This reduced the economic and political importance of Salvador. After the Portuguese court moved to Brazil in 1808, Salvador sustained its importance as the second largest city in country with the rebirth of the sugar agro-industrial complexes and became known as a center of trade, which included the extraction of diamonds from the interior of the province. The economic expansion was followed by the modernization of the urban infrastructure and buildings with the use of new construction materials (e.g., glass and bricks).

In 1861, the transportation system of the city was greatly enhanced with the introduction of buses and a hydraulic lift in the cliff. This allowed the physical expansion of the city beyond the limits established in the eighteenth century, giving birth to new neighborhoods that attracted the high-income households. At the beginning of the twentieth century, Salvador underwent a profound urban transformation with the construction of new roads that linked the historic center with the new neighborhoods. These changes led the high-income households to abandon the center and move to new neighborhoods, particularly to the south of the city. Commercial activities also moved out of the center to the port area that was expanded through landfills. The Sé – Pelourinho and Carmo – Santo Antonio sections of the HCS (see Figure 3) maintained their physical characteristics, but lost economic importance

with respect to the new modern sections of the city. The Praça Castro Alves – Misericórdia area maintained its relative importance as a business center until the 1970s.

As such, the HCS turned into an area that attracted low-income households, small merchants and craftspeople, service-oriented small enterprises, immigrants, and marginal groups. The big colonial houses were split into small apartments, tenements, and workshops for craftsmen and merchants (Azevedo, 1990). Access to the historic center remained limited and changes in the social and economic composition of the area further pushed high-income and dynamic economic activities out of the area. From the 1930s onwards a physical degradation process began in the HCS and continued through the early 1990s, in spite of the numerous attempts by the municipal and state governments to reverse it (Wipfli, 2001; Azevedo, 1990).

4. The Historic Preservation System

The HCS has been under heritage preservation status since 1937, and several buildings (palaces, churches, convents) have been included in the national heritage list. The architectural, landscape, and urban complex of the HCS was included in the National List of Archeological, Ethnographic, and Landscape Heritage (*Livro de Tombo do Patrimônio Arqueológico, Etnográfico e Paisagístico Nacional*) in June 19, 1984 with the following description:

“In terms of urban landscape its outstanding characteristic is the presence of two horizontally-spanning levels in the city that still maintain the regular layout of the original settlement though the architecture and scale of the buildings. The north and south expansion, though lineal in character, takes place in an organic mode of growth following the trace of the roads that are well adapted to the topography of the site. The architecture of the site, made of buildings from the eighteenth, nineteenth, and twentieth centuries have outstanding examples of religious, civil, and military architecture that gives the skyline of the city a marked character where the horizontal mass is broken by the church steeples.”

In 1985, the HCS was included in UNESCO’s World Heritage List with the same perimeter as the national listing. The declaration supporting the listing indicates that:

“As the first capital of Brazil, from 1549 to 1763, Salvador de Bahia witnessed the blending of European, African, and Amerindian cultures. From 1958 it was also the first slave market in the New World, with slaves arriving to work on the sugar plantations. The city has managed to preserve many outstanding Renaissance buildings. Special features of the old town include the brightly colored houses, often decorated with fine stucco-work.”

The buildings included in the listing are also protected by the Municipal law 3289 of 1983, which defined the rigorous protection of all the buildings included in the protection perimeter (see Figure 2).

5. The RPHCS and its Context

In 1992, the Government of the State of Bahia (GSB) launched the RPHCS as an initiative to create a new hub to attract domestic and international visitors. This plan was inspired by urban revitalization projects in dockland areas throughout Europe and the United States, including Barcelona (Spain), London (UK), and Baltimore, Maryland (United States). This goals of the GSB were ambitious as it was eager to reverse the economic decline troubling the HCS, traditionally home to poor residents with low-value-added economic activities but having architectural, town planning, and landscape assets of vast historic value, but beset by a severe physical degradation process.

The RPHCS was innovative for its time, especially in terms of the management and implementation scheme used by the GSB. The revitalization of the historic centers of Brazilian cities dating back to colonial days has been on the nation’s urban development agenda since 1973, when the Integrated Reconstruction Program for the Historic Cities of the Northeast was launched. In 1979 the PROMEMORIA (National Heritage Foundation) took over the program under the tutelage of the ministry of culture. The plan stressed the need to revitalize downtown areas, especially to transform them into attractive areas for visitors. Despite acknowledging the importance of involving municipal governments in the implementation of this type of project, all the actions were under federal control. The historic center of São Luís was an exception, as it had benefited from urban revitalization initiatives headed up by the Maranhão State Government since the 1970s. The RPHCS launched a phase in which local governments (state and municipal) took over responsibility for these new revitalization initiatives.

Notwithstanding the strong involvement of the GSB and the resources spent by Bahia's Artistic and Cultural Heritage Institute (*Instituto do Patrimônio Artístico e Cultural da Bahia*) (IPAC), the rehabilitation of the HCS began without an initial project. There were no studies conducted to identify and assess the problems in the intervention area, except for a social and economic survey of part of the area (the Pelourinho district) completed in 1967 (IPAC, 1967) that was used as a the prime source of information. The interventions were undertaken on the basis of ad hoc projects, prepared as the implementation of the program progressed.

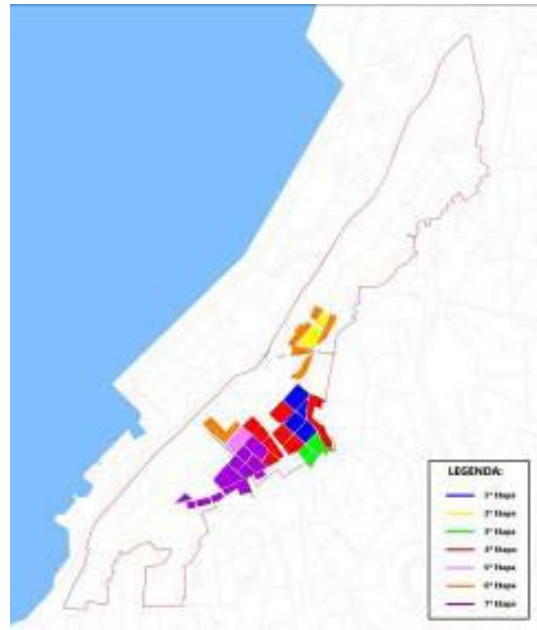
The RPHCS proceeded on the basis of guidelines drawn up in 1991 by IPAC, which defined three main of intervention: 1) the physical and territorial structure, 2) the social and economic development process, and 3) the juridical and institutional framework, especially in terms of property ownership in the area of intervention. This guidelines divided the HCS into three areas and five sub-areas: 1) Area A (Barroquinha, Rua Chile and Praça Castro Alves, Misericórdia, Sé, and Saldanha); 2) Area B (Terreiro de Jesus, Pelourinho, and Maciel), and 3) Area C (Passo / Carmo and Taboão, Santo Antônio). Six types of interventions were also defined: restoration, reconstruction, new construction, functional and structural rehabilitation, conservation, and urbanization and landscaping.

These guidelines were used by the RPHCS up to Phase 6. In 1995, IPAC published a book on the plan (IPAC, 1995), which presented the guidelines in the form of a plan and presented the results achieved to that year. Additionally, IPAC attempted to minimize criticism for the absence of a formally structured plan, conducting a survey on the management of the revitalization process so far and its prospects (Vasconcelos and Espinheira, 1995; IPAC, 1967). In 2000, during the Fourth International Seminar for the Revitalization of Historic Centers in Latin America and the Caribbean (the SIRCHAL Seminar) held in Salvador (Brazil), IPAC presented three documents (SIRCHAL 2002a; 2002b; 2002c), which assessed the project implemented and presented information for the first time on the role of the public and private sectors in this plan and the types of partnership used, together with the criteria for the physical and spatial interventions implemented. This was the first and last broad analysis of the RPHCS, presented to a wider public. The activities of the RPHCS are included in the Monumenta Program financed by the Inter-American Development Bank (IDB), specifically for the implementation of Phase 7 of the plan, which is still under implementation.

6. Implementation of the RPHCS

Seven phases of implementation can be recognized in the execution of this plan, the last of which is still under way (see Figure 6).

Figure 6. Implementation Stages of the RPHCS



It is estimated that between 1991 and 2000, the GSB spent more than US\$65 million in the RPHCS.¹¹ This estimate does not include the costs of renovating and expanding the infrastructure (sewage, water, electricity, street lighting, and telephones). It was not possible to find a full account of the total public investment made between 1992 and 2009. Table 7 presents a list of the works and investments made to rehabilitate city blocks and its buildings throughout the entire implementation period of the plan, except for those related to infrastructure works.

¹¹ When no dates are quoted in the sources, the figures in Brazilian Reais (R\$) have been converted into U.S. dollars using the dates of the publications from which they are quoted.

Table 7. Works and Public Investments in City Blocks and Buildings in the HCS, 1992–2000

| Stages | Implementation period | Number of city blocks | Number of properties | Special works | Investments: contracted amounts (US\$) |
|---------------|------------------------------|------------------------------|-----------------------------|---|---|
| Stage 1 | 1992–1993 | 4 | 89 | 3 courtyards in city blocks | 11,221,701 |
| Stage 2 | 1992–1993 | 2 | 47 | - | 2,805,811 |
| Stage 3 | 1992–1994 | 3 | 58 | Restoration of a church | 3,010,136 |
| Stage 4 | 1992–1994 | 8 | 183 | - | 12,512,766 |
| Stage 5 | 1996 | 2 | 48 | - | 10,245,607 |
| Stage 6 | 1997–2006 | 6* | 83 | Recuperation of the Praça da Sé plaza and cinema facade | 7,103,112 |
| Stage 7 | 1999–** | 10 | 88 | Rehabilitation of seven listed properties | 8,624,614 |
| Total | | 35 | 596 | | 55,523,750 |

* Number of city blocks partially rehabilitated.

** Underway.

Sources: Leaflet on the HCS, CONDER; Spreadsheet supplied by CONDER in December 2009.

These outlays were increased by US\$9.7 million earmarked for the rehabilitation of monuments and other public buildings listed as historic and artistic heritage assets, as well as others of interest to the RPHCS (Wipfli, 2001: 191). Most of the funding for the plan came from the GSB; however, the Central Government of Brazil cofinanced works done on certain monuments and historic assets.

During Stage 6, additional funding came from the proceeds of the sale of the power utility owned by the State of Bahia (COELBA) and from the Northeast Tourism Development Program (PRODETUR), which was financed by the IDB and Brazil's National Bank of Economic and Social Development (BNDES).

Stage 7 was included in the Monumenta Program implemented by the federal government through the ministry of culture and partially financed by a loan from the IDB, which allocated US\$6.7 million to the program. Additionally, this stage will receive a further US\$5.3 million from the Caixa Economica Federal, a government-controlled savings and

loan institution, which will fund the implementation of a housing program for civil servants and low-income families living in this area.

6.1. The Intervention Process

The RPHCS was implemented with a very different management structure from what is customary for local development projects in Brazil. It was led and financed by the GSB, which to date is still in charge of implementing the process through the following institutions:

- The Bahia State Urban Development Company (CONDER): a state-owned enterprise that operates as a private undertaking, with its own assets and financial and administrative autonomy, linked structurally to the Urban Development Secretary of the GSB
- IPAC, a semiautonomous government entity linked to the Tourism Secretary of the GSB

As the HCS is listed as a national historic site, IPHAN, a federal institution, served as the supervisor of the actions and works undertaken in the RPHCS, analyzing and approving interventional the rehabilitation projects for public areas and private buildings in the city blocks under rehabilitation

From 1992 through 2000, the Salvador municipal government supported the plan to some extent; however, its involvement was very limited and even its normal duties and responsibilities, such as street cleaning and lighting, were undertaken by entities of the GSB. In 2009, the municipal staff assigned to the Historic Center District (a dependency of the municipality) was transferred to the building occupied by City Museum in the Pelourinho quarter, and was assigned the responsibility of controlling land uses, authorizing renovation works, and installing new economic activities in the area. The City Museum Building also houses the following units: Land Control and Superintendence (SUCOM), Municipal Urban Development Housing and Environment Bureau (SEDHAM), Salvador Urban Cleaning Company (LIMPURB), and the Municipal Labor, Social Welfare, and Citizen Rights Bureau (SETAD). The local government recently accepted responsibility for the maintenance of public spaces and citizen safety.

The implementation of the RPHCS was very fast during the first six phases. The GSB's full political control over the process ensured management with no interference from social groups or other institutions. From the first through the sixth stage, the implementation process has followed a similar procedure, consisting of the following steps:

- a. Identifying city blocks for intervention;
- b. Identifying property owners within the city blocks that will be intervened;
- c. Negotiating control of the properties in the blocks under rehabilitation, either acquisition, temporary use rights (*commodatum*), or expropriation;
- d. Defining the investments to be made in the city blocks and in each of the properties, in compliance with the intervention criteria defined in the guidelines;
- e. Removal of all residents and economic activities from the properties to start up work;
- f. Contracting the works;
- g. Undertaking the works;
- h. Negotiating with interested parties and leasing out the properties; and
- i. Starting up the activities on the properties.

The basic intervention units in this plan consisted of city blocks. In some cases, the structure and use of the core of the blocks were changed, altering the design and arrangement of the backyards to turn them into courtyards. This intervention introduced a new type of urban space that had not existed previously in the HCS. It also impacted the existing buildings, as some constructions had to be demolished to provide space for new uses in the inner courtyards of the blocks. The rear facades of the properties were restructured, transforming them into attractive backdrops for this new function assigned to newly created public areas.

Intervention in the buildings followed the typology defined in the guidelines, which blended one or more typologies. For properties rated as highly valuable historic assets, a procedure closer to restoration was pursued, trying to rebuild the original characteristics of the building on the basis of available (often circumstantial) evidence and using old construction techniques and materials. Less significant properties underwent a broader rehabilitation intervention that strove to adapt these buildings to the defined uses, based on modern building standards. For properties that were severely deteriorated or in ruins, indoor interventions were relatively free in terms of the distribution of areas and the use of construction materials, while striving to keep the basic shapes of the buildings with the facades complying with the “design of the period.”

In terms of the uses of the rehabilitated properties, up to Stage 6 of the implementation process, the program attempted to achieve a mix of activities in the historic center that included only 10 percent of the rehabilitated space for housing and related residential activities and the rest for commercial and business activities. This mix attempted

to simulate the activity of a mall in an urban area, by expanding the number and range of activities, services, and trades focused on tourism. Shortly before 2000, IPAC conducted a survey on the activities in the area whose results are consigned in Table 8.

Table 8. Activities in the HCS, 2000

| Use | Number of properties | Percent |
|----------------------------------|-----------------------------|----------------|
| Bars, restaurants, and snackbars | 142 | 13.1% |
| Clothing | 31 | 2.9% |
| Handcrafts | 66 | 6.1% |
| Art | 57 | 5.3% |
| Jewelry | 14 | 1.3% |
| Decorative items | 4 | 0.4% |
| Electronics | 47 | 4.3% |
| Banks | 5 | 0.5% |
| Government entities | 35 | 3.2% |
| Hotels and inns | 11 | 1.0% |
| Travel agencies | 8 | 0.7% |
| Churches and museums | 43 | 4.0% |
| Sundry entities | 50 | 4.6% |
| Theater, dance, and shows | 8 | 0.7% |
| Other businesses | 387 | 35.8% |
| Residences | 174 | 16.1% |
| Total in use | 1,082 | 100.0% |
| <i>In ruins</i> | 64 | - |
| <i>Requiring work</i> | 204 | - |
| TOTAL | 1,350 | |

Source: Wipfli (2001:189).

The implementation of the RPHCS had massive social impacts. Prior to the rehabilitation effort, the HCS was home to a large number of low-income families living in this area, especially in the Terreiro and Pelourinho quarters. There was also a range of economic activities associated with the daily lives of these residents. On the other hand, the HCS clustered a series of commercial activities and specialized services whose markets extended throughout the entire metropolitan region, especially trading in leather and leather goods (Taboão) and electro-electronics (Saldanha). Fortunately, the businesses engaged in the latter two activities were not addressed by interventions under the recuperation plan.

At the start of the implementation of each stage, the local population and the activities in each city block were removed from the buildings. Resident families were registered and invited to discussions on the manner in which the property would be released. Initially, there

were three options on the negotiating table: simple monetary compensation—consisting of a cash payment—, final resettlement to a property offered by the plan management, and provisional settlement to some other location until the completion of the renovation of the property in the HCS. From Stage 3 onwards, only monetary compensation was offered. These compensations were the methods more widely used to release the city blocks and properties, especially those held by low-income families. Table 9 presents this process.

Table 9. Indemnity Process: HCS, 1993–2009

| Stage | Families receiving compensation | Families relocated | Businesses receiving compensation |
|--------------|--|---------------------------|--|
| Stage 1 | 438 | 26 | 79 |
| Stage 2 | 170 | 16 | 19 |
| Stage 3 | 429 | - | 58 |
| Stage 4 | 894 | - | - |
| Stage 5 | 67 | - | - |
| Stage 6 | | - | - |
| Stage 7 | 1,600 | - | - |

Sources: Stage 1 – Stage 4: Wipfli (2001:174); Stage 5: Sant’ Anna (2003:56) and Fernandes, Ana, (2006) and Stage 7 (interview with Paulo Roberto Canuto Oliveira, Artistic and Cultural Heritage Preservation Director [IPAC]).

At the start of the process, there were many properties whose owners were unknown and many others that were owned by the *Santa Casa de Misericordia da Bahia*, a dependency of the Metropolitan Curia, and several religious orders, many of which were occupied with no formal lease agreements. The GSB decided to negotiate with the major owners and expropriate the properties whose owners were unknown. Where the owners were present, two solutions were commonly used: (1) the proprietors transferred control of the property (*commodatum*) to the IPAC for a specific length of time and (2) the proprietors signed an agreement with the RPHCS to cover the costs of the rehabilitation and retain control of the properties. For the former, the proprietor left the property with the state government in safekeeping, which accepted responsibility for its renovation and lease for a period of time to recuperate the funds invested. For the latter, the proprietors accepted the cost of the renovation and retained use of the properties.

The religious institutions decided to transfer their properties to the temporary management of IPAC, covered by loan for use agreements. In all these cases, it was possible

to establish partnerships between the proprietors and IPAC, through which the RPHCS manager accepted responsibility for renovating the ground floor while the proprietor worked with the other floors, leaving IPAC with only the management of the ground floor, under loan for use agreements. In 2000, IPAC was managing 563 properties directly, as shown in Table 10, which presents the ownership structure in the HCS.

Table 10. Property Ownership Structure: HCS, 2000

| Proprietor | Quantity | Share (%) |
|--------------------|-----------------|------------------|
| IPAC | 430 | 31.85 |
| Loan for use | 133 | 9.85 |
| Religious orders | 104 | 7.70 |
| Private | 637 | 47.19 |
| Other institutions | 46 | 3.41 |
| Total | 1350 | 100 |

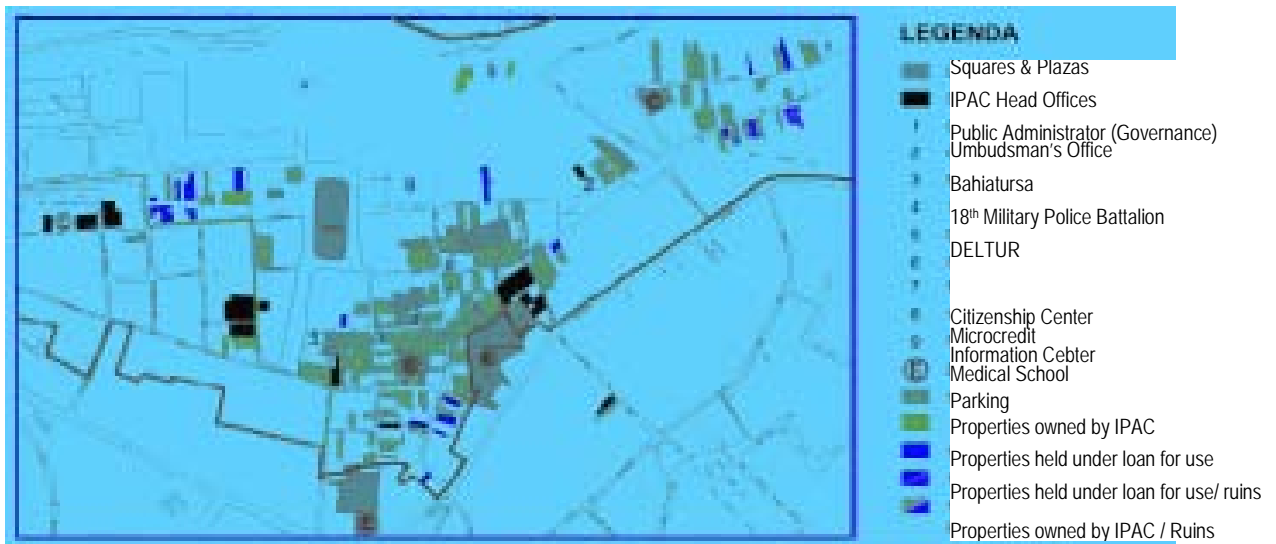
Source: SIRCHAL (2000).

This management structure has changed over the past few years, with a decrease in the number of properties under the management of the state government. In 2009, the number of real estate units managed by IPAC fell to 387 (located in 236 properties) (Figure 7) a decrease due to the expiration of several loan for use agreements, mainly those signed with religious institutions.¹²

KEY

¹² Source: Correspondence from the IPAC dated January 11, 2010.

Figure 7. Properties Owned or Held Under Loans for Use by IPAC, 2007



Source: Mendonça (2007).

This triggered radical changes in the profiles of the families living in the Pelourinho area. Housing and other residential uses were not a priority of the initial objectives of the plan. The main objective was to establish tourism related activities and services including recreation and entertainment activities for the whole city. The families living in the sections of the HCS that underwent rehabilitation and opted for resettlement were moved to outlying parts of the city. Many of these families that opted for monetary compensation preferred not to leave the district, instead settling on the boundaries of the intervention area.

Using census data, a study showed that the social and economic profiles of people living in the historic center changed radically between 1991 and 2000 (Fernandes, 2006). The new residents have a profile that reflects higher income groups with better opportunities in local society. The following data clearly illustrate this change:

- Between 1991 and 2000 the resident population shrank by 36.2 percent.
- Heads of households with incomes of up to 10 minimum wages dropped substantially (66 percent up to one minimum wage; 56 percent between 1 and 3 minimum wages; 13 percent between 3 and 5 minimum wages; 3 percent between 5 and 10 minimum wages) while those with incomes of more than 10 minimum wages increased (1 percent between 10 and 15 minimum wages; 114 percent between 15 and 20 minimum wages, and 57 percent above 20 minimum wages);
- The number of heads of households with up to 14 years of schooling fell (by 76 percent for those with no schooling or up to one year of schooling; by 57 percent for those with between 1 and 3 years; by 36 percent for those with between 4 and

7 years; by 40 percent for those with between 8 and 10 years; by 7 percent for those with between 11 and 14 years), while the number of people with 15 or more years of schooling rose by 25 percent.

Several authors feel that a gentrification process had taken place in the HCS, and this has been the core issue addressed by a vast majority of academic studies exploring this rehabilitation program (Wipfli, 2001; Zanirato, 2007; Fernandes, 2006; Nobre, 2003). The available information indicates that there has been a significant shift in the population, in a movement that was not driven by spontaneous social and economic forces. Consequently, the gentrification of the HCS may be better characterized as *forced gentrification* that is a process imposed by the RPHCS rather than driven by market forces.

For a long time—at least from the end of colonial times—the central portion of the HCS (the Pelourinho) has had a strong ethnic identity around the resident African-Brazilian population:

(...) being strengthened during the late XIX and early XX century, when the historic city center saw an inflow of poorer sectors of the population, including many freed slaves from the Recôncavo area, while the richer segments of the population migrated to new districts south of the city (Azevedo; 2008).

At the time when the RPHCS was being implemented, this identity was still strong in the Pelourinho, as seen in the church of Our Lady of Rosario dos Pretos, with its ossuary in the rear, *capoeira* groups (Bimba), and the presence of music groups including Afoxé Filhos de Ghandi and the Olodum Group. These musical and religious activities had always had links with large populations living in other parts of the city, providing support for other events and becoming the driving force behind the musical dynamism of Salvador.

The ethnic identity of many of these groups, underpinned by their financial sustainability ensured by their artistic successes, prompted the appearance of several educational and cultural projects in the Pelourinho quarter sustained by NGOs and other cultural associations whose interests extend beyond music. These activities have played an important role in the social and cultural life of the area, in addition to firmly establishing its status as a *locus* for the expression of black culture in Salvador (Gottschall and Santana, 2006).

From Stage 6 onwards, the recuperation plan came under heavy pressure to change its goals and management style to solve four main problems. The first is to deal with the

monetary compensation for families living in properties that will benefit from Stage 7 interventions, mostly low-income families. Approximately 1,000 families received monetary compensations, but 103 of them refused to leave the properties and the area. This decision was supported by the Public Prosecutor's Office, which intervened in this process and guaranteed the right of these families to provisional resettlement within the boundaries of the HCS. These groups began to call for permanent residence in the historic center, more specifically within the boundaries of the rehabilitated area. They set up the Association of Residents and Friends of the Historic Center of Salvador (AMACH) to serve as the interlocutor with the state government.

The implementing agency in charge of the program has long been criticized by academics, politicians, and institutions concerned with the preservation of urban heritage and human rights because of the limited attention given to the residents and the low priority assigned to housing in the plan. In 2005, it was agreed that the 103 families should remain in the area, being assigned housing units financed by the social housing programs from the federal government. The affected entrepreneurs also restricted the relocation of businesses from properties undergoing rehabilitation, such as in the case of a large building in the Rua da Misericórdia owned by the Santa Casa, whose occupants fought forcefully the relocation plans (Fernandes, Ana, 2006).

The second problem came from the mix of activities. After the RPHCS had been in operation for some years, the objective of having variety of activities in the rehabilitated area could not be maintained as several businesses closed down, claiming lack of demand to generate profits and repay the loans they had taken out to pay for the rehabilitation. Consequently, many business closed, while others either shifted their line of business or significantly changed their products to fit demand in both cases ignoring the business mix guidelines set up by IPAC. This resulted in marked changes in the use of the rehabilitated properties, leading to an oversupply of establishments selling souvenirs and handcrafts to tourists, as well as of bars and restaurants. The stance adopted by IPAC, allowing the merchants to remain in possession of the properties, even after closing down the original commercial activities, and also accepting defaults in the repayment of the loans, made the oversupply problem worse (Fernandes, 1998: 59).

The third problem was management. The recuperation plan was implemented with a strong state government presence, which took over all the administrative and financial expenses (Vasconcelos and Espinheira, 1995), including maintenance of public areas;

maintenance of IPAC properties rented out to third parties; promotion of cultural activities in the area; promotion of the area as a tourism hub; and others.

This attitude induced the tenants in the buildings managed by IPAC (commercial and residential) not to pay the rents, as they felt protected by the indifference of the public officials managing the program. The situation reached a critical point at the time when IPAC had the maximum number of buildings under its ownership or control under trust and a large proportion of the leases were in arrears. Since then IPAC is regularizing the use of the properties under its control setting up occupancy rules, condominium norms, and a heritage preservation education program (Mendonça, 2007). Notwithstanding these efforts, by 2007 the contracts in arrears were 32 percent of the contracts (see Table 10).

Table 10. Arrears and Current Contracts Managed by IPAC in the HCS, 2007

| Contracts | Number of contracts |
|------------------|----------------------------|
| In arrears | 222 |
| Current | 106 |
| Total | 328 |

Source: Mendonça (2007).

This type of management, known as *paternalistic* and of an interventionist slant, which required closed links and joint actions between the public and private sectors, encouraged an *opportunistic* attitude among the businessmen and tenants of the properties. They began to assign all responsibility to the state government for the economic problems associated with the recuperation plan, especially when the businesses began to operate in the red (Fernandes, 1998: 64).

The fourth problem was related to intervention processes in old properties in the HCS. The intervention criteria adopted for renovating the city blocks and properties were not sufficient to guarantee the integrity and authenticity of the cultural significance of these heritage sites. The multiple and rather flexible alterations to city block structure, new internal configurations of the properties, simplification of facade designs, abandoning the use of artistic adornments, and new constructions gave a “new” or contemporary appearance to an old urban heritage area. Additionally, the indiscriminate use of new construction materials and techniques, not compatible with the old materials, resulted in the rapid deterioration of

the buildings, which required frequent repairs, causing even more damage to the heritage sites.

6.2. Stage 7

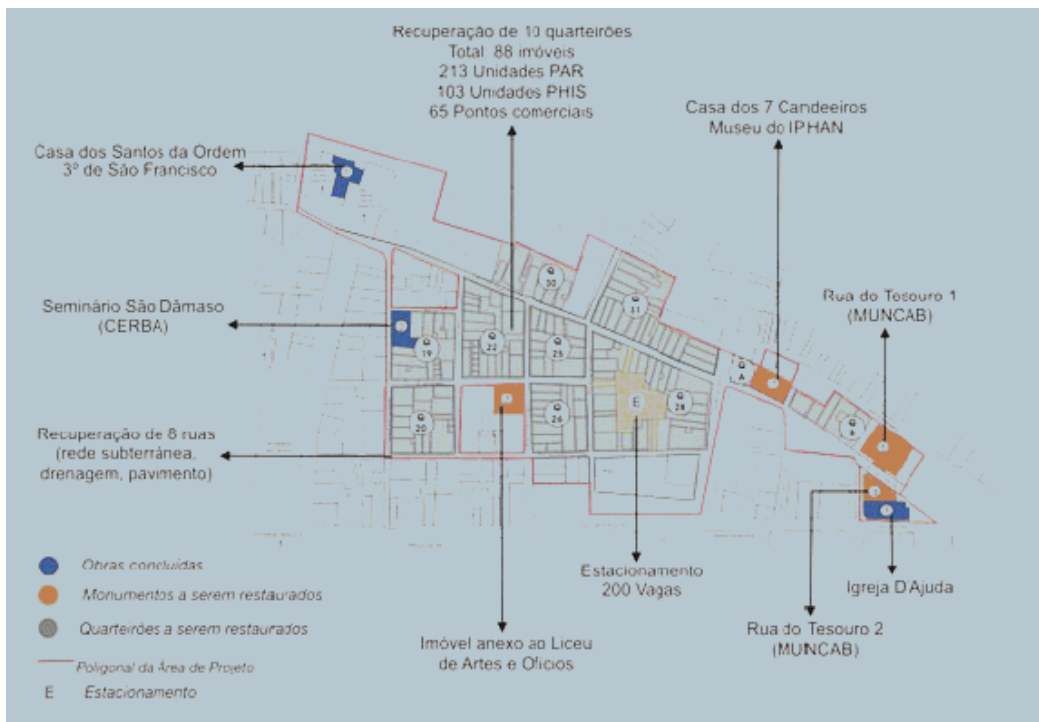
From 1996 onwards, the reduction in the funding from the state government for the program, together with political pressures calling for a new way for dealing with poor families living in this area, forced the state government to reconsider its strategy. Stage 7, conceptualized under the framework of the Monumenta Program run by the Federal Government and financed by the IDB, tackles one of the most physically and socially deteriorated areas of the historic center that is home to a large low-income population. Additionally, it also aims at restoring several buildings of major historical value as culture centers (Figures 8 and 9).

Figure 8. View of the Stage 7 Intervention Area of the RPHCS



Source: Mendonça (2007).

Figure 9. Stage 7 Actions, RPHCS



Source: Mendonça (2007).

There were problems with local residents right at the start of the Stage 7 discussions, due to the removal of a large number of families with the lure of monetary compensations. This prompted the state government to strengthen the housing component of the project, including homes for low-income groups and low- and medium-income employees working for the state government. The financing of this component was initially negotiated with the Caixa Economica Federal under its Social Interest Housing (PHIS) and Residential Leasing (PAR) programs. PHIS would be used to finance 103 housing units for families refusing the compensation offered by the state government that managed to obtain the right to remain in the area. PAR would be used to lease 203 renovated housing units to low-income families.

After several years of discussions, the Caixa Economica Federal withdrew from the Stage 7 Project. The state government restructured the financing scheme under the Monumenta Program in order to bridge the gap left by the Caixa and set a new line of financing earmarked by civil servants employed by the GSB through the State Civil Servant Housing Program (PROHABIT), which used the state civil service fund. The implementation of this program was assigned to CONDER. The Stage 7 project is supplemented by the renovation of 63 properties intended for commercial use.

The implementation of Stage 7 has been very slow, with the lack of state government funds undermining its ability to meet the counterpart obligations imposed by the Monumenta

Program. The program managers and technical staff do not view the allocation of housing units for low-income families as particularly feasible. The withdrawal of Caixa from the financing was a serious blow to the implementation process.

6.3. Other Supplementary Actions

During the last few years, the recuperation plan had been supplemented with other projects that focus on renovating historic and artistic monuments and especially providing housing for low-income families.

6.3.1. PRODETUR Program

The PRODETUR/Northeast Tourism Development Program (PRODETUR NE) was an investment program financed by the IDB that was set up to boost tourism in Northeast Brazil. The program financed institutional development and new infrastructure supporting tourism activities in Salvador, more specifically in the historic center, as long as the investments supported the rehabilitation of historic monuments—mainly dating back to colonial times—and made them an attraction for tourists (PRODETUR, 2005: 25). The following investments were allocated to the HCS by PRODETUR/NE I:¹³

| | |
|--|---------------|
| ▪ Stage 6: renovation of the headquarters of IPAC | US\$ 277,000 |
| ▪ Stage 6: renovation of the Praça da Sé plaza | US\$1,461,000 |
| ▪ Stage 6: establishment of a cultural block/ Praça das Artes plaza | US\$5,323,000 |

Under the aegis of the second phase of the program (PRODETUR/NE II project) the following investments are proposed for the HCS (some works are completed while others are in their final stages):¹⁴

| | |
|--|---------------|
| ▪ New headquarters of IPAC (Stage 2) | US\$1,067,355 |
| ▪ Igreja N.S. do Rosario dos Pretos church | US\$958,051 |
| ▪ Oratorio da Cruz do Pascoal oratory | US\$118,164 |
| ▪ Igreja do Boqueirão church | US\$1,440,553 |
| ▪ Casa das Sete Mortes house | US\$1,284,918 |
| ▪ Palacio Rio Branco palace | US\$2,885,718 |
| ▪ Cemetery and Igreja do Pilar church | US\$2,173,702 |

¹³ See: [http://www.bnb.gov.br/content/aplicacao/prodetur/downloads/docs/3.4%20-%20patrim%F4nio%20hist%F3rico%20e%20cultural%20\(pse\).pdf](http://www.bnb.gov.br/content/aplicacao/prodetur/downloads/docs/3.4%20-%20patrim%F4nio%20hist%F3rico%20e%20cultural%20(pse).pdf)

¹⁴ See: <http://www.setur.ba.gov.br/programas-e-projetos/eixo-estrategico-qualificacao-dos-servicos-e-do-destino/prodetur/>

After a long period with no clear definition of the institution that would handle the management of the HCS rehabilitation activities, the GSB through Decree N° 10,478 promulgated on October 2, 2007 established the Old Salvador Center Management Council, including the Culture, Urban Development Tourism Equality Promotion, and the Public Security Secretariats, with the duties of:

- I. Approving the strategic plans and establishing the action guidelines for the Old Center of Salvador (CAS); and
- II. Overseeing and assessing the work of the Office for the Old Center of Salvador (Bahia, 2007: Article 2).

Article 5 of this same decree establishes the operating arm of the council: the Office for the Old Center of Salvador, assigning it responsibility through Article 6 for:

- I. Design and implement a short-, medium-, and long-term strategic management plan for the area;;
- II. Put in place the governance structure for the Old Center of Salvador;
- III: Manage the renovation, rehabilitation, and physical maintenance activities for this center;
- IV. Secure the funds required to implement the activities, plans, and projects for this center;
- V. Respond to local demands;
- VI. Assess plans and projects under implementation in this center;
- VII. Coordinate the activities being implemented by all government levels;
- VIII. Set up partnerships with public or private entities or institutions to carry out its duties and responsibilities;
- IX. Implement the decisions handed down by the Old Center of Salvador Management Council; and
- X. Present quarterly reports on the status and assessments of the plans and projects under way.

Soon afterwards, in December 2007, a technical cooperation agreement was signed by the federal, state, and municipal governments on the implementation a plan with an executive group set up for its preparation and implementation, consisting of representatives of all three tiers of government. The office for the Old Center of Salvador completed the basic studies and developed the Integrated and Participatory Rehabilitation Plan for the Old Center of Salvador (*Plano de Reabilitação Participativo do Centro Antigo de Salvador*) (PRCA), with

the involvement from local players through theme-specific workshops using the SIRCHAL methodology. The PRCA has the following objectives:

(...) to define, design, and implement instruments to ensure the sustainability of the CAS. To this end it will integrate the social, urban, and economic forces shaping the city with a view to develop an urban area that is suitable in which to live, work, and visit. An area socially just, culturally active, economically viable, environmentally sustainable, and owned by its users (Bahia Governo do Estado , 2010: 19).

The PRCA defines an area of seven square kilometers, the CAS, including the HCS and the preservation area defined by the municipal law (see Figures 2 and 3). The plan is based on a detailed diagnostics of the existing situation and the active involvement of a variety of stakeholders. The strategy has four guiding principles that provide basis for 14 proposals for the 2010–2014 period. Each proposal is further desegregated in activities according to Figure 10.

Figure 10. Proposal-Results Track in the PRCA



Source: Bahia Governo do Estado (2010).

The proposals contained in the PRCA are as follows:

1. Promote economic activities in the CAS
2. Expand the competitiveness of the economic activities in the CAS
3. Preserve the cliff area
4. Promote residential and institutional land uses in the CAS
5. Promote the development of the Comercio neighborhood and revitalization of the shore area of the CAS
6. Rehabilitate the cultural spaces and monuments of the CAS
7. Promote cultural tourism in the CAS

8. Expand the activities and services benefiting the vulnerable groups living in the CAS
9. Develop environmental protection activities
10. Rehabilitate the infrastructure in the CAS
11. Improve citizen safety in the CAS
12. Offer environmental education
13. Establish a reference center on the culture of Bahia
14. Manage the rehabilitation plan

There are 207 actions linked to these 14 proposals.

The PRCA was made public on June 1, 2010. It is worth mentioning the significant change in the scope and focus of the plan, which covers a territory that includes neighborhoods in the surrounding areas of the HCS that comprise almost seven square kilometers, and places emphasis on management and the involvement of the stakeholders.

6.3.2. REMEMORAR Program

The Bahia State Government developed the REMEMORAR Program using funds brought in through PAR and the Ministry of Culture. Other participants included IPHAN and the *Moradia e Cidadania*, an NGO. During the initial stage (2004), approximately US\$762,000 was invested, resulting in the construction of 41 homes intended for leasing to civil servants.¹⁵

6.3.3. PHIS and PROHABIT Programs

As the housing issue in the HCS was gaining in importance, two programs were added to the Monumenta actions during Stage 7 of the RPHCS—PHIS and PROHABIT, which will produce residential units and 55 commercial properties through the rehabilitation of 75 ruined buildings. PHIS will produce 103 residential units and 13 commercial units, intended for families who have resisted resettlement and obtained guarantees from the courts to remain in the area. PROHABIT is designed to assist civil servants working for the state government, with a planned output of 229 housing units and 42 commercial units.¹⁶

¹⁵ Source: <http://www.conder.ba.gov.br/webnews/news/noticia.asp?NewsID=705> .

¹⁶ Source: http://informesedur.blogspot.com/2009/03/recuperacao-do-centro-historico_30.html.

6.3.4. Pilar – Taboão and Rocinha Projects

Steep slopes surround the HCS, especially on the side facing the Todos os Santos Bay. These slopes have been partially settled for many years with rows of townhouses and more modest homes buildings. Today, many of these properties are in ruins or in a precarious state of conservation, but are nevertheless homes to countless families with extremely CONDER and IPAC, the state government prepared two housing initiatives to keep these families living in the historic center. The Pilar – Taboão project is located in the Ladeira de Taboão and was implemented by CONDER. The project will build 101 housing units to accommodate families living in this area whose current houses are subject to the risk of landslides (Figure 11).

Figure 11. View of the Current Situation in the Ladeira de Taboão and Maquette and the Planned Residential Buildings



Source: Mendonça (2007).

The same approach will be used for a residential project in Rocinha, or Vila Nova Esperança, which is located behind the old medical school of the Bahia Federal University (UFBA), with access along the rua Alfredo de Brito, one of the main streets leading to the Pelourinho quarter. This project covers an area of 10,500 square meters, where 66 housing units will be built. In addition to these housing units, community facilities will be constructed, including a library, a kitchen, multimedia studio, and a community center. The US\$4.0 million investment will be financed by Accelerated Growth Program (PAC) financed by the federal government, in partnership with the Culture (SECULT) and the Urban Development (SEDUR) Secretariats, through CONDER.

6.4. Urban Legislation

Even though the participation of the municipality in the investments is small, this entity has a significant role in the rehabilitation of the historic center through the legislation that regularizes the interventions in the public spaces of the city. The legal framework for city management, the Organic Law of Salvador, states that the HCS is listed as a municipal

heritage area and instructs that the Master Plan (*Plano Diretor de Desenvolvimento Urbano*) (Municipal Law 7409/2008) should establish the rules for the conservation of the cultural heritage (including urban heritage assets) (Article 53). The plan should also provide guidelines for public interventions in inner-city slums in protected heritage areas (Article 70), and set directives for the rehabilitation of macro urban areas (Articles 133 to 136).¹⁷ The HCS is a macro area covered by this legislation.

Law 3289/1983 changed the Public Works Code (Law 2403/1972) to define and regulate public interventions in cultural and landscape preservation areas, of which one type is the High Protection Area (APR) covering the HCS (Figure 2). Other changes to the public works code included in Law 3903/1988 require the agreement of IPHAN for works on buildings or lands located in a protected area.

Law 3377/1984 on land use planning in Salvador gives IPHAN the responsibility for issuing building licenses in buildings and architectural complexes listed by IPHAN (Title IV, Chapter 1). It is worth noting Law 6779/2005 regulated by Decree 16302/2006, which grants fiscal incentives (exception or reduction in taxes and fees) for investments in buildings located in the Downtown Administrative Region where the HCS is located. Under specific circumstances, these investments are exempt from paying land taxes (*Imposto sobre a Propriedade Predial e Territorial Urbana*) (IPTU); land transfer taxes (*Imposto sobre a Transmissão de Bens Imóveis Inter-Vivos*) (ITIV); and fees for work permits and licenses (*Taxa de Licença de Execução de Obras* [TLE], *Taxa de Licença de Localização* [TLL], and *Taxa de Fiscalização do Funcionamento* [TFF]).

7. Condition of the Properties and the Urban Space

The concern for the rehabilitation of the HCS dates back to the 1980s, when several initiatives were implemented to restore monuments and expand the conservation efforts from individual properties to whole urban heritage areas (Wipfli, 2001). However, these actions were limited in scope, and they were unable to reverse the process of degradation that had been underway for many years.

When the RPHCS was launched (1991–1992) there were no analytical studies registering the state of preservation of the buildings on a case-by-case basis or by city blocks, the unit of implementation of the plan. The only reference found on this matter was a qualitative assessment conducted prior to the implementation (Wipfli, 2001: 16163), which

¹⁷ In the Brazilian legal context the Organic Law is the key legislation ruling the activities of the municipalities.

referred to the studies used to prepare the general guidelines for the rehabilitation works. In this survey, the condition of the buildings was assessed according to the three areas of intervention identified in the guidelines. The findings of the survey conducted for the present study are presented below, based on three areas used in the current study, which practically coincide with those used in the guidelines:

- Castro Alves – Misericórdia subarea: in general, the commercial properties were in a good state of physical preservation but have lost a great deal of their original architectural characteristics. However, the residential buildings were extremely deteriorated and their architectural characteristics were significantly altered due to use by multiple households.
- Sé – Pelourinho subarea: in this area of the historic center, the architectural characteristics of the buildings are well preserved. However, apart from the buildings housing commercial and tourism activities, overall the buildings are in an extremely poor state of preservation, due mainly to their use as tenements and subdivisions into housing units for families with extremely low incomes.
- Carmo – Santo Antônio subarea: the state of preservation of the buildings in this area was different depending on their location. In Santo Antônio, to the north, where the buildings were mainly used as residences for middle-class families, the state of preservation of the properties was good, despite some loss of some of their architectural characteristics. In the area close to the Ladeira do Carmo, the interiors of the properties were not well preserved, as they had been subdivided into multiple dwellings.

In brief, it may be said that, except for the properties in the Santo Antônio area, the state of preservation of the buildings ranged from *unsatisfactory to extremely poor*. Paradoxically, the Sé – Pelourinho subarea demonstrated the best maintenance of its historic architectural characteristics. In 2010, the condition of the properties was examined through a field survey that covered the entire HCS, but which did not separate the findings by subareas.¹⁸ This survey examined the roofs, walls, finishes and paintwork, structures, doors, window openings and frames, balconies, verandahs, and railings. Table 11 presents the findings of this survey, which were generally positive. Notably, the core elements of the

¹⁸ For the survey methodology see the appended Methodology Annex.

buildings, the roofs and structures, were well preserved in approximately 59 and 77 percent of the properties, respectively. The roofs had severe problems in 9.4 percent of the properties, immediately after walls, finishes, and paintwork, which presented severe problems in 9.7 percent of the properties.

Table 11. Condition of the Buildings according to Property Components: HCS, 2010

| Property component | Well preserved | Minor problems | Severe problems | In ruins |
|---|-----------------------|-----------------------|------------------------|-----------------|
| Roofs | 58.9% | 26.0% | 9.4% | 5.7% |
| Walls, finishes, and paintwork | 32.3% | 52.8% | 9.7% | 5.1% |
| Structures | 76.9% | 13.3% | 4.6% | 5.1% |
| Doors, windows and openings, and frames and jambs | 50.3% | 37.9% | 6.2% | 5.6% |
| Balconies, verandahs, and railings | 54.8% | 33.3% | 7.1% | 4.8% |

Source: Direct sampling survey.

Combining the results of the survey by assigning weights to the building elements and the state of preservation, the outcome is presented in Table 12 below; the values summarize the levels of preservation of the buildings in the HCS.

Table 12. Condition of the Buildings: HCS, 2010

| Well preserved | Minor problems | Severe problems | In ruins |
|-----------------------|-----------------------|------------------------|-----------------|
| 49.7% | 37.9% | 6.2% | 6.2% |

Source: Direct Sampling Survey.

Table 12 shows that 87.6 percent of the buildings in the HCS are well preserved or have only minor problems. With the weighting vectors used, it was possible to establish a summary indicator to portray the situation of the HCS expressing the general level of conservation of all the buildings in the area. This indicator reached a level of 3.82, on a scale varying from zero to 4.5.

Even though the buildings in the historic center are relatively well preserved, there are still serious problems that need to be addressed. The number of ruins and buildings with

major problems is high. In 2008, the Salvador Civil Defense Department (Defesa Civil de Salvador) (Codesal) conducted a survey to identify old properties in high-risk situations in the HCS and in the seven districts surrounding it (Codesal, 2009), and inspected 224 rows of townhouses. Table 13 presents the distribution of these rows by risk level and selected districts.

**Table 13. Properties in High Risk Situations
Selected Districts: Salvador, 2008**

| Risk level | All districts | | HCS | | Other districts | |
|--------------|---------------|------------|-----------|------------|-----------------|------------|
| | N° | (%) | N° | (%) | N° | (%) |
| High | 111 | 50 | 30 | 41 | 81 | 54 |
| Medium | 52 | 23 | 15 | 20 | 37 | 25 |
| Low | 23 | 10 | 14 | 19 | 9 | 6 |
| No risk | 38 | 17 | 15 | 20 | 23 | 15 |
| Total | 224 | 100 | 74 | 100 | 150 | 100 |

Source: Codesal (2009).

Table 13 shows that, among the inspected properties in the city rated as high and medium risk, 20 percent were in the HCS. Focusing only on the historic center, 61 percent of the buildings there are in medium and high-risk situations. On the other hand, it must be borne in mind that the HCS has more than 1,900 properties with only 59 presenting some type of risk in the survey conducted by Codesal. Simultaneously with this survey, a field survey also assessed the status of the streets and sidewalks in the HCS, as shown in Tables 14 and 15.

Table 14. Condition of Streets In Front of the Buildings: HCS, 2010

| Material | Use of material | Condition | | |
|-------------------|-----------------|-----------|--------|------|
| | | Good | Fair | Bad |
| Asphalt | 49.2% | 72.9% | 27.1% | - |
| Paving blocks | 2.1% | - | 100.0% | - |
| Cobblestones | 15.4% | 43.3% | 50.0% | 6.7% |
| Portuguese mosaic | 1.5% | 0.0% | 100.0% | 0.0% |
| Pavers | 31.8% | 74.2% | 17.7% | 8.1% |

Source: Direct sampling survey.

**Table 15. Condition of Sidewalks and Pavements In Front of the Buildings:
HCS, 2010**

| Material | Use of material | Conservation | | |
|-------------------|-----------------|--------------|--------|------|
| | | Good | Fair | Bad |
| Paved blocks | 0.6% | - | 100.0% | - |
| Ceramic tiling | 2.9% | 60.0% | 40.0% | - |
| Concrete | 76.6% | 48.5% | 49.3% | 2.2% |
| Granite | 0.6% | 100.0% | - | - |
| Floor bricks | 10.3% | 11.1% | 83.3% | 5.6% |
| Flagstone | 4.0% | 71.4% | 28.6% | - |
| Portuguese mosaic | 4.6% | 25.0% | 75.0% | - |
| Pavers | 0.6% | 100.0% | - | - |

Source: Direct sampling survey.

Contrary to the situation of the buildings, the level of preservation of the streets in the HCS is high, with 96.5 percent in good or fair condition. The majority of streets are paved with asphalt (49 percent), and the second most frequently used material is pavings (32 percent). However, it is important to note that pavings and cobblestones are found in some streets rated as poorly conserved, constituting 3.6 percent of streets examined. As is common in major Brazilian cities, the state of preservation of the sidewalks and pavements is worse than that of the streets, with only 45 percent rated as good.

In terms of the construction materials used for the sidewalks and pavements, concrete is used in 77 percent of the paved surface, followed by paving bricks, at 10 percent. Almost half of the concrete sidewalks and pavements are in good condition, while the other half are rated as fair, with only 2.2 percent of concrete sidewalks and pavements in poor condition.

The good condition of the HCS is the result of the works implemented by the RPHCS. However, it must be stressed that program administrators conserve many of the buildings as well as the public spaces. The core area of activities implemented under this RPHCS runs from the Praça da Misericórdia plaza to the start of the Ladeira das Portas do Carmo alley, corresponding to the works executed by Stages 1 to 6. Within this perimeter, a large number of properties belongs to IPAC or are under its control through loans for use. IPAC is responsible for maintaining the interiors of the properties, regardless of the type of lease, which include residential or commercial rentals and assignment to nonprofit institutions or government entities. In turn, the CONDER is responsible for maintaining the outside of the properties in this area, regardless of whether they are managed by IPAC or not.

Between 1991 and 2000, the GSB spent approximately US\$404,694 (Sirchal, 2002) on maintenance in the program intervention area. At the moment, the CONDER is spending some US\$1,000,000 a year on maintenance for the exteriors of the properties. Unfortunately, it was not possible to examine the outlays of IPAC, but during the interviews and focus groups, this figure was estimated as close to CONDER expenditures.¹⁹

The second aspect is the maintenance of the properties that were withdrawn from the loans for use management system run IPAC and were handed to religious orders and institutions. These properties were also in good condition, because these institutions have good property maintenance systems, charge higher rents than IPAC, and lease out their properties to tenants selected through more stringent candidate selection processes, taking into account the feasibility of the businesses and the payment capacity of the applicants.²⁰

The third aspect is the maintenance of the properties in the Carmo – Santo Antônio areas and a small part of the Castro Alves – Misericórdia district. In these areas, the level of preservation is generally good, as the owners take care of the properties directly. Since it was first established, the recuperation plan has only had a minor role in the Carmo – Santo Antônio area, with stable social and economic dynamics and based on the solid presence of middle-class family homes. During the past 10 years, investor interest in this area has been rising steadily, and is clearly visible in the transformation of many properties into high- and medium-quality hotels and inns. Additionally, wealthier families living outside of Brazil or in other parts of the country have been moving into this area to set up second homes. The most preserved portion of the Castro Alves – Misericórdia area consists mainly of properties used for commercial activities and services, as well as for public services.

In these aspects, the common factor that may well explain good conservation is the fact that the agents who own the properties can often generate sufficient surpluses from their uses to cover the maintenance cost. For the state government, the surplus comes from other sources of revenue, as part of the properties owned by this agent do not generate revenues; 68 percent of IPAC lease agreements are in default.

¹⁹ Three focus groups were held and the participants consisted of experts, technicians, and managers involved with the HCS; property owners and real estate agents; and business owners in the HCS. For further details, see the Annex.

²⁰ Interview with the administrators of the Santa Casa de Misericórdia da Bahia and Focus Group bringing together property owners.

8. Property Use Mix in the HCS

The use of properties in the HCS during the initial phases of implementation of the RPHCS is unknown. By the late 1990s, a survey was conducted of 1,350 properties in the area. The current occupancy and use of the properties in the HCS has been estimated on the basis of a direct survey conducted especially for this paper, presented in Table 16.

Table 16. Occupancy and Uses of Buildings by type of Use and Floor, HCS (2010)

| Floor | Empty | Occupancy | | | | | |
|--------------|-------|-----------|-----------|----------|---------|----------|-----------------------------------|
| | | Total | Residence | Commerce | Service | Industry | Civil service and tertiary sector |
| Ground floor | 13.3% | 86.7% | 47.4% | 23.7% | 24.4% | 0.6% | 3.8% |
| Superior | 25.2% | 74.8% | 58.2% | 10.2% | 25.5% | 0.0% | 6.1% |

Source: Direct sampling survey.

The occupancy of the properties in the HCS center follows a pattern similar to that of other downtown areas in Brazil. Notably, almost 87 percent of the buildings are occupied, at least on the ground floor, with this figure dropping to 75 percent occupancy on the higher floors. The 13.3 percent vacancy rate on the ground floors of these properties is very close to the average vacancy rate for households in Brazil's state capitals, with the figure for Salvador reaching 17.4 percent in the 2000 Census. The occupancy of higher floors of the buildings in the HCS is lower than for the ground floor, dropping to 74.8 percent. This is a recurrent phenomenon in vertical historic centers in Brazil, demonstrating the existence of units that do not always reach the same level of conservation as the ground floor. Table 17 compares the results of the 2000 survey with findings obtained through the direct survey.²¹

²¹ The data presented in Table 8 were aggregated in a manner that brings the usage typology selected on that occasion close to that used in that study.

Table 17. Distribution of Buildings, by Use: HCS, 2000 and 2010

| Uses | 2000 | 2010 |
|---|-------|-------|
| Commerce | 30.6% | 23.7% |
| Services | 30.3% | 24.4% |
| Government entities and tertiary sector | 6.3% | 3.8% |
| Residences | 12.9% | 47.4% |
| Industries | - | 0.7% |
| Not used | 19.9% | 13.3% |
| Total | 100% | 100% |

Sources: Wipfli (2000: 189): direct sampling survey.

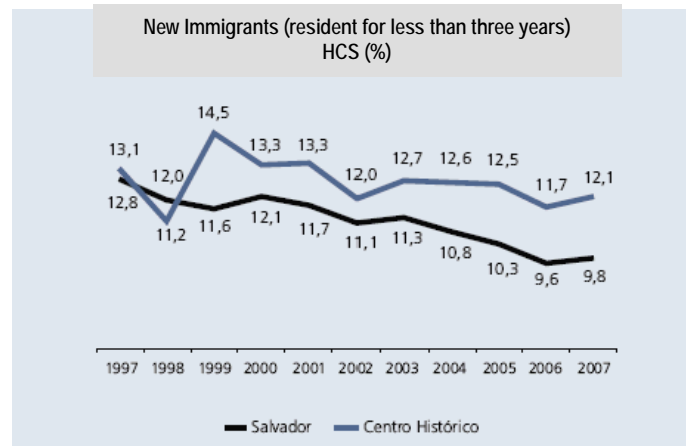
The importance of commerce and services is evident in both 2000 and 2010. However, what draws attention in this table is the upsurge in the importance of residential uses. Between 2000 and 2010, residential use of the ground floors of the properties rose from 12.9 percent to 47.4 percent of the total. This was undoubtedly an unexpected change, especially considering the scientific literature produced during this period, which stressed the trend towards a significant decline in housing units in the historic center imposed by the RPHCS. More surprisingly, the use of these buildings for housing purposes increased only in terms of ground floors units in the Terreiro – Pelourinho subareas, as the other two subareas were not subject to any significant interventions in their social, economic, physical, environmental, and spatial uses and processes in the HCS.

An important explanation for this unexpected phenomenon is that the HCS has become attractive for small families and young people. Figure 12, taken from a recent survey conducted by the Brazilian Small Business Bureau (SEBRAE), shows a higher presence of new immigrants among the population in this area. According to this survey:

“(…) in 2007, 12.1 percent of the population in the center of Salvador were new inhabitants, while this proportion reached only 9.8 percent the previous decade. A more detailed examination of new arrivals in the Old Center shows that there is a significant percentage of young people between 18 and 24 years old (28.8 percent), which is almost the double of that noted in Salvador (…). What may be inferred from this is that the expansion of Salvador and urban transportation difficulties—especially for daily commutes between home and work, home and school—make the center of Salvador into a quite attractive

area, with its set of services, including educational, above all for a young middle class with lower purchasing power” (Infocultura 2008: 9–10).

Figure 12. New Immigrants with less than Three Years of Residence, HCS (1997–2007)



Source: Infocultura (2008).

The increase in the presence of housing means that the HCS currently has a greater diversity of uses than before the preservation process started. Table 14 shows that this area has characteristics of a commercial and service hub that is well integrated with residential uses. Trade and services account for 48.1 percent of ground floor usage and 35.5 percent of higher floors, while 47.4 percent and 58.2 percent of ground and upper floors respectively are used as residences. The data shows that the use change policy introduced by the recuperation plan did not result in an exodus of residents from the HCS. To the contrary, the data presented in Table 17 are surprising, as they show that the downtown area has managed to remain attractive in terms of housing, after almost 20 years of applying a policy focused on tourism, entertainment, and recreation.

Tourism is the main activity supporting the HCS. The rehabilitation project was conceived to establish a new tourism attraction area for the city. For a long time Salvador has been one of the most important tourism destinations in Brazil (see Table 18).

Table 18. Brazil: Most Visited Places by Foreign Tourists (in percent)

| Destination | 2005 | 2006 | 2007 |
|---------------------|-------------|-------------|-------------|
| Rio de Janeiro (RJ) | 31.5 | 30.2 | 30.2 |
| Foz do Iguaçu (PR) | 17.0 | 17.1 | 16.1 |
| Florianópolis (SC) | 12.1 | 15.1 | 15.3 |
| São Paulo (SP) | 13.6 | 12.6 | 13.7 |
| Salvador (BA) | 11.5 | 11.4 | 10.2 |

Source: Embratur and FIPE “Perfil da Demanda Turística Internacional (2005/2007).”

In 2009, the State of Bahia received approximately 4.3 million tourists (national and foreign), which was up from 3.5 million in 2008. The city of Salvador attracted approximately 45 percent of the flow, which in those years involved 1.9 and 1.6 million tourists respectively (Setur, 2009). There are no estimates in terms of the number of visitors to the HCS. Entrepreneurs in the tourism sector indicate the following trends. First, the number of tourists is increasing, but changing in profile. The number of visits by cruise ship passengers has increased significantly, leading to a decline in the average stay of the visitors in the HCS. Furthermore, the average spending of the tourists today is lower, as they tend to have lower incomes than visitors in the past. Second, there has been a reduction in tourists due to the emergence of new tourism attraction poles, mainly resorts in the northern shores of the state. Tourists staying at resorts tend to spend a day or only a few hours in the HCS. Third, there has been an increase in visits to the HCS by tourists interested in the cultural aspects of the area. These tourists tend to lodge in the area and stay a few days. They also tend to spend more in food and services than the other tourists described. The HCS is prepared in terms of accommodation and support for all types of visitors, and currently offers 71 hotels and inns with 2,914 beds total (see Table 19).

Table 19. Accommodations and Travel Agencies in Salvador and the HCS, 2008/2009

| Types | Salvador | HCS | | | |
|------------------------|----------|---|-----------------------------|-----------------|-----------------------|
| | | Total (% of accommodations in Salvador) | Castro Alves – Misericórdia | Sé – Pelourinho | Carmo – Santo Antônio |
| Types of accommodation | 404 | 71 (17.6%) | 19 | 25 | 27 |
| Beds | 34,592 | 2,914 (8.5%) | 995 | 1,080 | 839 |
| Travel Agencies | 522 | 33 (6.3%) | 7 | 17 | 9 |

Source: Bahiatursa – Embratur (Apud: Queiroz 2009).

Nevertheless, it should be noted that despite the diversity of uses in these buildings, which applies to the HCS as a whole, there are spatial clusters of activities. The Carmo – Santo Antonio subarea contains mainly properties used for residential purposes, while Sé – Pelourinho has a heavy concentration of activities related to trade and services—with a focus mainly on tourism and recreation—, as well as government entities and NGOs. Additionally, the presence of two specialized commercial areas must be stressed: Taboão, which clusters businesses working with leather, plastics, and similar materials, and Saldanha, which specializes in electro-electronic components and goods.

A study conducted by the Bahia chapter of the Brazilian Small Business Bureau (SEBRAE) indicated that, from the territorial standpoint, Castro Alves – Misericórdia comprises mainly commercial activities (28.4 percent) and specialized services (22.1 percent), especially law and accounting firms (18.3 percent). In Sé – Pelourinho, the trend is more towards commerce (49.2 percent), particularly clothing, electro-electronics (17.7 percent) and tourism, basically souvenirs and handcrafts (8.2 percent). In Carmo – Santo Antonio, accommodations and food services prevail (42 percent), mainly hotels and inns (16.1 percent) and restaurants and bars (18.7 percent) (Infocultura, 2008: 18). In the service sector, cultural activities warrant particular attention due to their marked presence in the HCS. Table 20 shows the amount of cultural facilities in this area.

Table 20. Cultural Facilities in the HCS, 2008/2009

| Cultural facilities | Total | Castro Alves – Misericórdia | Terreiro – Pelourinho | Carmo – Santo Antônio |
|---|--------------|------------------------------------|------------------------------|------------------------------|
| Antique stores/ second hand bookshops | 18 | 13 | 5 | - |
| Archives | 5 | 3 | 2 | - |
| Libraries | 7 | 3 | 4 | - |
| Foundations | 6 | 2 | 3 | 1 |
| Movie theatres | 3 | 2 | 1 | - |
| Art galleries | 5 | 1 | 3 | 1 |
| Churches, monasteries, and convents | 13 | 2 | 5 | 6 |
| Museums | 19 | 5 | 11 | 3 |
| Theatres | 2 | 1 | 1 | - |
| Total | 78 | 32 | 35 | 11 |

Source: Santana (2009).

A study identifying and assessing the use of cultural facilities in the HCS (Santana, 2009) concluded that there are several diverse facilities, which are heavily used by researchers and students, and some of them draw high flows of visitors. This survey also made it clear that these facilities depend on the government, either through direct links or some type of financial support. Access to the HCS was mentioned as a factor limiting broader use of these facilities.

9. Economic Performance of the HCS

A recent study examining the economic dynamics of the HCS affirmed that this area:

“(…) continues to be one of the most dynamic parts of Salvador, despite the consolidation of the Pituba macroregion as the main business district of this state capital” (Infocultura, 2008: 20).

Underpinning this affirmation, the authors of this study refer to rising land prices in the HCS, more specifically in the Carmo – Santo Antônio subarea. However, the study does

not present any values for properties in the area, although it reveals important data as grounds for this statement.

The vitality of businesses in the HCS is perceptible through a series of indicators on the health of the enterprises located there. The average lifespan of these companies in the HCS is relatively high compared to those in the city, as 34 percent of these enterprises have been in operation for more than 10 years since they were established (55.2 percent have exceeded five years in operation, which is the average lifespan for companies in the City of Salvador. In the Sé – Pelourinho subarea, 61.3 percent of the companies have been in operation for more than five years (Infocultura, 2008: 19). Table 21 presents the lifespans of companies by the subareas in the HCS.

Table 21. Lifespans of Legally Established Businesses: Subareas of HCS, 2008

| Lifespan (years) | Castro Alves - Misericórdia | Sé - Pelourinho | Carmo – Santo Antônio |
|-------------------------|--|----------------------------|--------------------------------------|
| Up to one | 16.3 | 12.1 | 22.3 |
| 1 to 3 | 13.8 | 13.6 | 15.2 |
| More than 3 to 5 | 18.7 | 13.1 | 17.9 |
| More than 5 to 10 | 17 | 25.6 | 17 |
| More than 10 | 34.3 | 35.6 | 27.7 |
| Total | 100 | 100 | 100 |

Source: Guerra, Gonzalez and Sacramento (2009).

The difference in the lifespans of the companies in the Carmo – Santo Antônio subarea is due to the change in traditionally residential areas over the past few years, with an upsurge in use for services and trade; thus the companies in the area are still new.

Table 22. Ranking of Jobs: HCS and City of Salvador, 2005/2007

| Type of Jobs | HCS | Salvador |
|-----------------------------|------------|-----------------|
| Wage-earner, private sector | 41.6 | 49.1 |
| Wage-earner, public sector | 21.2 | 13.3 |
| Home worker | 6.1 | 9.4 |
| Self-employed | 21.8 | 21.8 |
| Family business | 2.0 | 1.4 |
| Employer | 5.9 | 4.0 |

Source: PED- RMS. SECULT Calculations (Apud: Guerra, Gonzalez, and Sacramento, 2009)

Table 22 shows the employment structure for companies in the HCS. On one hand, this area has proportionally more employers and family businesses than Salvador. On the other, the number of civil servants is far higher, reflecting the heavy concentration of public institutions in this area. The good economic structure of the HCS is also reflected in the income received by its employees and employers. Table 23 shows the distribution of resident households by income level.

Table 23. Working Population by Income Level, 2005–2007 (in percent)

| Income level: number of minimum salaries | Salvador | HCS |
|---|-----------------|------------|
| Up to 1 | 31.9 | 23.3 |
| 1 to 2 | 25.9 | 22.5 |
| 2 to 5 | 16.5 | 21.5 |
| 5 to 10 | 6.4 | 9.6 |
| More than 10 | 2.8 | 3.4 |

Source: PED- RMS. SECULT Calculations (Apud: Guerra, Gonzalez, and Sacramento, 2009)

Table 24 shows that the median income of workers in the HCS systematically exceeds that of companies elsewhere in the city. The average difference between the two areas is 20.2 percent. Also the unemployment rate has been systematically lower in the HCS than in the city (Table 25).

Table 24. Median Worker Income: HCS and City of Salvador, 2000–2007

| Year | HCS (a) | Salvador (b) | a/b |
|-------------|----------------|---------------------|------------|
| 2000 | 609 | 520 | 17.1% |
| 2001 | 627 | 508 | 23.4% |
| 2002 | 616 | 502 | 22.7% |
| 2003 | 513 | 456 | 12.5% |
| 2004 | 607 | 475 | 27.8% |
| 2005 | 562 | 472 | 19.1% |
| 2006 | 599 | 498 | 20.3% |
| 2007 | 631 | 531 | 18.8% |

Source: PED- RMS. SECULT Calculations (Apud: Guerra, Gonzalez, and Sacramento 2009).

Table 25. Total Unemployment Rate: City of Salvador and HCS (different periods)

| Period | Salvador | HCS |
|---------------|-----------------|------------|
| 1997–1999 | 23.3% | 19.1% |
| 2001–2003 | 26.5% | 22.0% |
| 2005–2007 | 22.4% | 17.5% |

Source: PED- RMS. SECULT Calculations (Apud: Guerra, Gonzalez, and Sacramento 2009).

Another indicator of the economic performance of the HCS is the number of formal and informal commercial services that exist in the area. Table 26 shows that the percentage of formal activities is approximately four times larger than that of the informal activities. Since 2004, the number of informal activities has declined throughout the city (Guerra and Gonzales, 2010:170).

Table 26. Formal and Informal Activities by Neighborhood: HCS, 2008

| Type of activity | Center | Pelourinho | Carmo - Sto. Antônio | Total |
|-------------------------|---------------|-------------------|-----------------------------|--------------|
| Formal | 75.1% | 84.4% | 92.6% | 81.7% |
| Informal | 24.9% | 15.6% | 7.4% | 18.3% |
| Total | 100% | 100% | 100% | 100% |

- In this table the area called center includes seven more blocks than the Castro Alves—Misericórdia area used in other statistics.

Source: PED- RMS. SECULT Calculations (Apud: Guerra, Gonzalez and Sacramento 2009)

The data presented above clearly indicate that the economy in the HCS has responded well to the efforts of the recuperation plan. These conclusions are corroborated by the opinions of successful merchants, property owners, and technicians/managers in the HCS, expressed during the focus groups. According to these actors, the HCS is an attractive area for setting up businesses, but during the past few years it has faced some challenges to the continuation of this good business performance.

The first challenge is related to the shrinking demand for services and merchandise sold in the HCS among consumers with medium and high incomes from Salvador. As might be expected, these consumers are opting for new commercial areas opening up in the southern part of the city. As understood by businessowners and proprietors, the most important groups of consumers today are those in the medium- and low-medium-income

classes, in addition to the subgroup of the more highly educated middle class that makes use of these cultural facilities.

The second challenge comes from quantitative and qualitative changes in the flow of visitors to the city. Today, the heaviest flows for tourists go to destinations in the northern coast of Bahia State, with visitors spending little time in Salvador. Other visitors are those traveling on cruise ships, which consist mainly of individuals or families with medium incomes in general, but with most of their requirements (food, accommodations, entertainment) provided on board the ships; thus they spend no more than one day in the city and only a few hours in the HCS.

The third challenge arises from the existence of a duality in terms of the people running businesses in the HCS, especially in the Sé – Pelourinho subarea. The businesspersons leasing commercial facilities from IPAC generally lack a corporate culture, and the low incomes that they receive only maintain their consumption and facilities in operation, provided that they do not need to pay rent or settle the loans that they took out to set up their businesses (Fernandes, 1998: 64). These businesspersons tend to switch their activity rapidly to a focus on low-income consumers or tourists intending to spend little during their visit. This type of conduct reduces the offer of goods and services that could attract higher-level consumers. Additionally, it adversely affects the conformation of the property and the public areas in front of these facilities.

The fourth challenge comes from the new housing policy implemented by the GSB for the HCS focused on the renovation and construction of multifamily buildings for residents with low or extremely low incomes. For the members of the focus groups, these families might not make their purchases from the businesses currently operating in the area, unless there is a radical change that results in a drastic drop in the quality of the facilities and the type of goods and services sold. They also were warned that these families have no way of maintaining the buildings where they live, which will downgrade the level of conservation of the properties in the area and the public facilities, reducing the appeal of the site.

In order to understand this dynamism as outlined above, a survey of property prices was conducted in selected areas in Salvador.²² The hypothesis that the survey attempts to test out is that dynamism is reflected in the relative rise in property prices in these areas. Three areas (districts) were selected for this survey with characteristics similar to those of the

²² See details in the Methodology Annex.

HCS: being a protected historic area and a consolidated area of the city. The differences between the selected areas were the following:

- Nazaré: an old district close to the HCS that underwent a wave of intensive substitutions of old properties during the 1960s and 1970s, and which currently is not an area with a strong real estate market; however, it has a fairly dynamic local economy that is of importance within the context of Salvador. The Nazaré district has not been subject to any interventions through urban revitalization programs or any attempts to add dynamism to the local economy.
- Península: a historic district to the north of the city on the banks of the Todos os Santos Bay. This area is not very significant in the real estate market of Salvador, with an economy focused on meeting the more immediate demands of its residents.
- Rio Vermelho: a historic district south of Salvador that is undergoing a real estate boom, replacing its unlisted historic urban fabric by the construction of multifamily high-rise buildings, as well as malls and service centers. This is one of the frontiers of the real estate market in Salvador.

Table 27 displays the findings of the property price survey. The first remark is that the HCS presents an average price that is 10.5 percent higher than the reference area (Nazaré), while reaching only 54.6 percent of the prices noted in Rio Vermelho. These findings are coherent with expectations, indicating that the HCS is in fact an attractive area from the standpoint of private investment. The average price of the properties is higher than the reference area price, and not so far from the price in one of the most dynamic areas in the Salvador real estate market.

Table 27. Property Prices: Selected Areas in Salvador (2010)

| Area and subarea | Price per square meter |
|-----------------------------|-------------------------------|
| HCS | US\$844.00 |
| Castro Alves – Misericórdia | US\$632.00 |
| Sé – Pelourinho | US\$984.00 |
| Carmo – Santo Antônio | US\$888.00 |
| Nazaré | US\$764.00 |
| Península | US\$651.00 |
| Rio Vermelho | US\$1547.00 |

Source: Direct survey.

An analysis of the prices in the subareas forming the HCS shows that there are three different real estate dynamics. The Sé – Pelourinho subarea has a value that is 55.7 percent higher than the *Castro Alves – Misericórdia* subarea and 11 percent higher than the Carmo – Santo Antônio subarea. This difference is justified by heavy investments in urban rehabilitation allocated to the Sé – Pelourinho subarea during the past 18 years. An important fact to stress is that the properties in the Carmo – Santo Antônio subarea are pricey. This area has not been subject to intervention through the recuperation plan, but has benefitted from the economic revitalization of the Sé – Pelourinho subarea. Its property owners have wisely made good use of positive outside factors to create a dynamic real estate market in this area. The real estate market for the HCS is based on changing ownership and property rentals, as new buildings are quite rare—limited to a few vacant plots of land—or ruined beyond repair. Table 28 shows the expanded area and the constructed area in the HCS and the Nazaré district, which was subject to analysis by the urban control entity of the Salvador City Government.

Table 28. Expanded and Constructed Area: HCS and Nazaré, 2005–2009

| District | | 2005 | 2006 | 2007 | 2008 | 2009 | Total |
|----------|------------------|-------|-------|------|------|-------|--------|
| Nazaré | Expanded area | 725 | 6,966 | 862 | 46 | 1,456 | 10,056 |
| | Constructed area | 7,417 | 745 | 0 | 277 | 118 | 8,556 |
| Total | | 8,142 | 7,711 | 862 | 323 | 1,574 | 18,612 |
| HCS | Expanded area | 696 | 430 | - | - | - | 1,126 |
| | Constructed area | - | 2,237 | - | - | - | 2,237 |
| Total | | 696 | 2,667 | - | - | - | 3,363 |

Source: SUCOM, Salvador Municipal Government. Spreadsheet provided by the institution.

Between 2005 and 2009, the constructed and expanded area of the Nazaré district increased five and a half times compared to the HCS.²³ Despite the larger number of new buildings and renovations, the market price of properties in the Nazaré area is lower than that for the HCS. This difference can be explained only by the limited supply of properties in the HCS compared to high demands.

Another important aspect to help explain this phenomenon lies in the licenses issued by the Salvador City Government for intervention in properties and installation licenses for

²³ In the survey presented in Tables 28 and 29, the Nazaré geographical area is unknown. The Salvador Municipal Government still does not have any formal demarcation of the city districts. Thus, the information in these tables comes from records in which the license applicant stated the districts.

new uses (businesses). As shown in Table 29, between 2005 and 2010, the Land Use Control Superintendent (*Superintendência de Controle e Ordenamento do Uso do Solo do Município*) (SUCOM) received 775 applications for operating licenses in Nazaré and 188 applications for the HCS, meaning that the number of applications for Nazaré is four times higher than for the HCS.

Table 29: Annual Number of Applications Granted and Refused for Expansions: HCS and Nazaré (2005–2010)

| District | License / service | 2005 | 2006 | 2007 | 2008 | 2009 | 2010* | Total |
|----------|---------------------------------|------|------|------|------|------|-------|-------|
| Nazaré | Expansion or renovation license | 1 | 3 | - | 1 | 1 | 1 | 7 |
| | Construction license | 12 | 2 | - | - | 1 | - | 15 |
| | General repairs license | | 4 | 8 | 10 | 9 | 1 | 32 |
| | Location license | 81 | 100 | 114 | 190 | 192 | 35 | 712 |
| Total | | 94 | 109 | 122 | 201 | 203 | 37 | 766 |
| HCS | Expansion or renovation license | 1 | 1 | - | - | - | - | 2 |
| | Construction license | | - | - | - | - | - | - |
| | License for general repairs | 2 | 1 | 1 | 2 | 1 | - | 7 |
| | License general repairs license | 28 | 30 | 22 | 41 | 41 | 5 | 167 |
| Total | | 31 | 32 | 23 | 43 | 42 | 5 | 176 |

* Partial data up to February 2010.

Source: SUCOM, Salvador Municipal Council. Spreadsheet supplied by the institution.

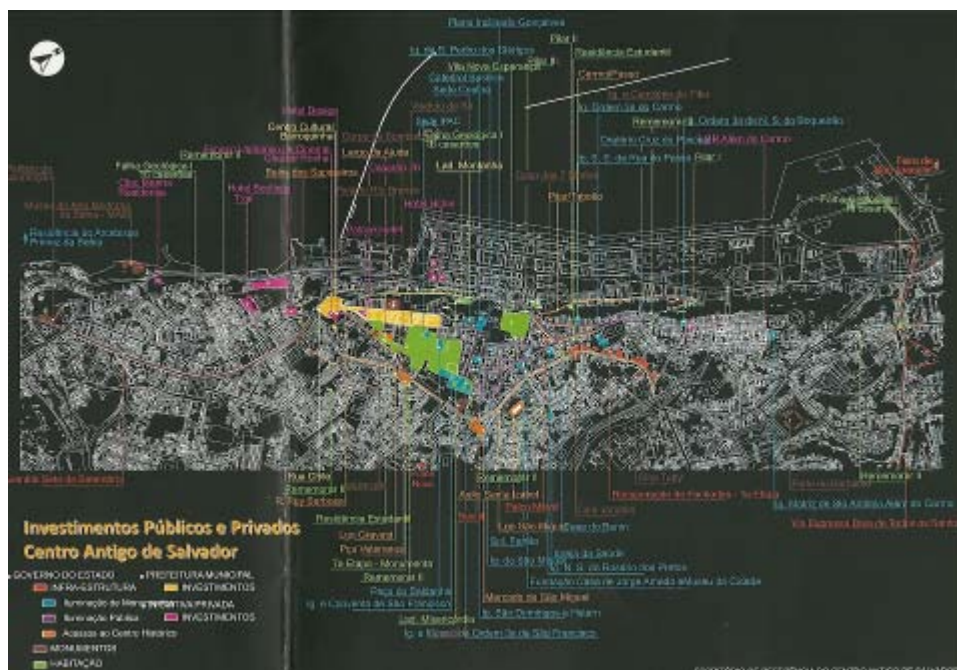
The greater appeal of the HCS for businesses was also noted in the focus groups held for property owners and local businessowners. The opinions were unanimous in terms of the good business potential of the HCS, while mentioning some hurdles to complete fulfillment, especially the following:

- Limited supply of commercial properties in the Sé – Pelourinho area due to the retention of units by tenants in default with IPAC, which pumps up the prices of the limited commercial areas approved for lease or sale; and

- Weak commitments among the tenants of IPAC properties to the performance of the businesses; as they are in default with their rents, which are not being claimed, the tenants tend not to invest in improving their businesses, accepting small amounts that are merely sufficient to underwrite their operations.

The focus groups also made it quite clear that the HCS is generally a better area for businesses than the Nazaré district. At the end of the focus group discussions, an enquiry was conducted to figure out what the best subarea in the HCS for businesses was, and whether this area selected was better, the same, or worse than Nazaré. The replies indicated that the best subarea in the HCS was Sé – Pelourinho, followed by Carmo – Santo Antônio. These two subareas were weighted as better than Nazaré, but the Castro Alves – Misericórdia subarea was mentioned as the worst area for businesses.

Figure 12: Investments Planned in the HCS



Source: Old Center of Salvador Reference Bureau.

Over the past five years, the HCS has seen rising expectations of investments among major private investors. A set of government and private actions implemented around this area has helped boost investment expectations. After the establishment of the Pousada do Carmo hotel by the Pestana Group, their investors announced plans to construct other luxury

hotels. It is interesting to note that these new hotels are being located at two opposite ends of the HCS, Castro Alves – Misericórdia and Carmo – Santo Antônio, as these are areas where large properties can still be found for renovation with no stumbling blocks in terms of their management and ownership conflicts (such as those found in the Sé – Pelourinho area).

10. Conclusions

An analysis and assessment of the information presented above leads to the following conclusions, in term of the three questions presented in the introduction of this discussion paper.

Question 1

The good estate of conservation of the properties is guaranteed by IPAC and CONDER, together with private proprietors in the areas where the recuperation plan has been implemented. If the ownership structure changes to include low or extremely low-income proprietors, the maintenance process may be downgraded.

Question 2

The HCS presents a mix of diversified uses with an even balance between residential, trade, and services. Trade and services are designed more to respond to demands from visitors and temporary users of the areas, especially tourists. This leads to a situation where activities servicing the local population are lacking, an issue mentioned during the consultations with the focus groups. However, when observing the supply of these activities around the HCS, it is apparent that this is not minor. The Comercio district in the Cidade Baixa, which is one of the areas best supplied with trade and services in Salvador, together with the Baixa do Sapateiro and Avenida J. J. Seabra (neighboring areas to the HCS), are able to respond to almost all the demands of residents for the consumption of goods and services.

Question 3

The recuperation plan has managed to introduce a new dynamics to the economy of the HCS. Even more important, these dynamics have been upheld through important variations, linked specifically to alterations in the activities mix. The type of activities structure that was imposed over the initial years of the plan's implementation, could not be maintained. Today, this structure seems well adjusted to the economic realities of Salvador. Economic dynamism can be identified when analyzing the property price structure for the city. Properties in the HCS are generally higher in price than those in highly dynamic areas on the real estate

market, outstripping those for traditional downtown areas where no physical and spatial degradation processes or economic slumps have taken place. Investors and property owners consider the current investments of the RPHCS in low-income housing as a risk for the expansion of the local economy.

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