

My House, My (quality of) Life

Hamilton de França Leite Junior *

With the election of Dilma Rousseff as the new Brazilian president, we can expect the production of several million homes for families with income between zero and ten minimum wages¹ in the coming years, since she was the lead manager of the Federal program "My House, My Life (MHML)"² during president Lula's administration.

Our commander in chief must assume her responsibility with our descendants and use all available tools to ensure that in the second phase of the program, the homes will be sustainable in its three dimensions: environmental, economic and social.

In the environmental realm, there are many technologies that can be incorporated into new real estate developments. However, some of them involve an additional investment by the developer to make them "green". It is the developer who assumes these extra costs during construction, which can vary between 3% and 8% of the total cost.

Although the benefits during the operation of the building are reaped by residents, they are not aware of what those benefits are, so they don't pay any additional price to purchase a property with such technologies.

For green building to gain scale, we list three measures, in order to level the economic imbalance between the developer and the user:

1 - The use of the purchasing power of the public sector in the procurement of new construction and existing real estate with these characteristics would be a decisive attitude for it to spread. With increased quantity of construction contracts and equipment produced, their prices tend to fall and there would still be ample learning throughout the production chain.

2-The adoption of lower interest rates by the public banks for the financing of projects demonstrably sustainable, that are certified by the newly launched Green Building Certification from the Brazilian Federal Bank Caixa or by any other green certification. In this aspect, banks need to take into account in the formulation of the interest rates, the lower risks associated with sustainable real estate, compared to the conventional ones. It is important to reiterate that certifications must be earned by companies voluntarily and can never become mandatory. Obtaining it by those who do not have in their "DNA" the concepts and importance of this subject, surely would do it inappropriately. The only effective strategy for the advancement of sustainable construction, tested in various countries, is the economic incentive, not imposition.

3-Federal, state and municipal taxes exemptions. Policies in this direction would certainly bring a surplus to the treasury, since, beyond the gains associated with reducing energy consumption and water, which requires high public investment,³ the improvement of population health would be exceptional. American research³ shows that with an additional investment of U\$4 per sq2 in a green building (between 2% and 5% increase in construction cost), we obtain savings from U\$48.87 to U\$67.31, depending on the certification level, and over U\$36.89, only with health and productivity, in present value, over a period of 20 years of tenancy.

This set of solutions, requires no skill, but only the understanding and political will to be adopted.

The greatest difficulty, however, would be addressing the most relevant, among several aspects related to the projects life cycle analysis, under its social component approach. The one related to the implementation of the MHML in

¹ One minimum wage is equivalent to U\$300

² The Federal low income housing program is called My House My Life (MHML)

³ **The Costs and Financial Benefits of Green Buildings** - Greg Kats, Capital E, 2007

some Brazilian cities: the process of gentrification, which expels lower income residents from noble locations and receives an influx of new residents with higher income.

This occurs because of higher land prices in more central neighborhoods, which causes the program to be deployed in a centrifuge model of occupation, which acts radially from the center towards the suburbs and sometimes goes beyond, to the cities known as “dormitory towns”.

This fact deeply affects the quality of life of the poor families who live very far from work and is only able to live close to downtowns, when they survive in subhuman conditions in hundreds of slums, as many of them are embedded along the richest areas.

According to data recently released by the Brazilian Institute of Applied Economic Research, based on the Census, the population grew more in the suburbs than did in the capitals. Sao Paulo grew 0.75% in population between 2000 and 2010 (from 10.4 million to 11.24 million). In the same period, the population of the suburbs had an increment of 1.24% per year, jumping from 7.4 million to 8.4 million.

Therefore it makes no sense for a real estate development to be considered sustainable without considering this important social factor.

The solution to the problem is not simple and requires coordinated actions between different actors involved in the issue. It passes necessarily by the municipality, as it is in this instance where the zoning models are established, for use and land occupation, which must prioritize the densification and verticalization. The municipality is also responsible for two important taxes in the real estate life cycle. The ISS incidences on the production costs of housing units, and the property tax (IPTU) has an important impact on the family budget during the use of the property.

State governments, must direct resources to cover part of the difference between the limits defined by the federal government and the actual market values of real estate in areas most valued. The last administration in the State of Sao Paulo has complemented these limits, with values between US\$ 12,000 and US\$18,000 per household and this concept should be followed by other capitals throughout the country.

However, it is at the federal level where the most relevant actions should be formulated and implemented. The varying levels of land prices in the same city and between the numerous municipalities in Brazil, should be part of the composition of the maximum price of developments eligible to the federal housing program. And it should be noted, that additional cost must be subsidized by the Union. In a superficial analysis, some could argue that such amount of public funds should not be spent, but by analogy to what happens when you invest in sustainable buildings, clearly exists in this case too, great benefits and a positive balance to the society, since long travels are avoided and, consequently, traffic and all losses related to it. And most important: there would be considerable improvement in quality of life and productivity of the population.

The president must reach for an inclusive new model of occupation, with great social diversity. A model in which low-income families are able to buy their homes where they want, regardless of the cost of land, in order to achieve better quality of life. So, we will not turn our cities into places where the writer Charles Bukowski, defined as a good neighborhood: "The place where we can't afford to live."

* Secovi's (The State of Sao Paulo's Real Estate Companies Association) Real Estate Sustainability Director and Diretor at Casoi Real Estate Development Company www.hamiltonleite.com.br hl@hamiltonleite.com.br