Chapter 12.

Rental Markets and Housing Policies in Consolidated Informal Settlements

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The main focus of this book is property owners in consolidated settlements that began informally and are today located in what we have defined as the innerburbs (see Chapter 1). However, in the course of our research we found that those renting their accommodation constitute an important minority in most of the cities of our study. This is not surprising given that renters make up a significant portion of city populations according to UN-HABITAT. Nevertheless, while some institutions acknowledge their existence, others seem to ignore them. Since the 1980s scholars such as Gilbert and Coulomb, as well as international agencies including UN-HABITAT, have argued that public policies should re-adopt rental housing as a valid and necessary option in cities, and since the 2003 Global Campaign for Secure Land Tenure, the search for public policies and programs to support rental housing has intensified. However, despite this there has been little progress.

In this chapter our goal is to highlight the importance of rental housing within the first ring or innerburbs, where we see a clear trend: the higher the consolidation levels and the older the settlements, the larger and more diverse the supply of housing for rent. We begin with a general overview of the rental sub-market’s relative importance and its profile within the first ring of the innerburbs. Then we explain the dynamics of rental housing supply alongside the profiles of renters compared with owners. Our aim is to highlight policies that will assist with the rehabilitation of dwellings for rent, and will increase incentives to let rooms and apartments in consolidated settlements. Therefore, at the end of this chapter, we will take a fresh look at some of the policy lines presented in Chapter 2, and offer some proposals about programs and public policies for rental housing across the four dimensions identified: physical rehabilitation; judicial and regulatory issues; funding policies; and opportunities for social mobilization and public participation.
THE IMPORTANCE OF RENTING IN CONSOLIDATED POPULAR SETTLEMENTS

This chapter includes results from Bogotá and Guadalajara, which are two of the three cities where we systematically collected data on rental housing in popular consolidated settlements. The cases included in our analysis are from a random selection within the barrios where we undertook a survey of owners. It is important to note two areas of survey bias that emerged as a result of the lot sampling framework. First is the underrepresentation of rental properties since these are often multi-occupancy dwellings on a single lot (especially in Mexico), and therefore less likely to appear in a lot selection sample. Second, for the same reason, there is likely an overrepresentation of renting of houses instead of single rooms or modest apartments. Our data can still offer qualitative information based on a series of profiles about the nature of renting in consolidated informal settlements in these innerburbs, even though we cannot generalize numerically, not even to the surveyed settlements.

In Bogotá, the range of rental housing considered was much broader than in Guadalajara, since it included 32 neighborhoods, although fewer cases were included in each neighborhood. This wider range of settlements marks a difference from the other ten cities studied in the LAHN project (see also Chapter 7 on Bogotá). In order to improve comparability between Bogotá and Guadalajara we chose three of the 32 Bogotá settlements – La Libertad, Juan XXIII and Isla del Sol – to compare to three settlements in Guadalajara (Echeverría, Rancho Nuevo and Jalisco – see Chapter 3). The data presented will therefore be mainly from the three primary settlements studied in each city, although in some cases we shall refer to the broader universe of 32 barrios in Bogotá, which will be useful for our analysis when there is too little data within the three primary settlements. In Bogotá, there were 150 renters within the 32 neighborhoods (21 in the three case study settlements), while in Guadalajara our analysis comprises 55 cases.

We also collected data on tenants from two neighborhoods in Monterrey, but found too few cases for meaningful analysis (only nine rented properties), so the city was excluded from this analysis. Earlier, a different questionnaire had been applied to owners in Mexico City
where we were able to undertake some in depth case studies (see the methodological
description in Chapter 1), and here we shall refer to one of these cases in order to provide a
more nuanced understanding of some of the complexities associated with rental housing. In
the other eight countries of the LAHN study we did not collect data on households in rented
accommodation systematically.

Latin American cities are experiencing changes not only in their urban structure, but also in
their social dynamics. Specifically, one of these changes is what Coulomb (2010) has called
“the return of the poor to downtown,” which is clearly evident in census data for some
cities. However, this is not strictly a return to the historical or traditional downtown area,
but rather to the innerburbs. We have already shown from some of the cases in the
preceding chapters, that these areas are experiencing densification processes, caused not
only by the growth of families on single lots, but also by shared housing and low-income
renting.

It is in these first suburbs that supply and demand for housing is most concentrated, for
several reasons. First, access to cheap land has declined in many cities, reducing
opportunities for the poor to create new irregular settlements. Second, and more broadly,
policies to promote social housing schemes targeting the lowest income groups have been
inefficient and inadequate and have created a scarcity of serviced and affordable land.
Other reasons include a lack of urban planning that would allow the construction and
renting of houses of varying quality and price (Abramo, 2006). Most informal properties
have cheaper rents, and therefore are more accessible to the poor. Another reason for
concentration in these areas is that renting offers an income-earning alternative to owners
who find that they cannot easily sell their homes on the open market. Across almost all the
LAHN cities we found modest to low turnover in the property market among owners in the
colonias studied, whereas in the rental market one sees much activity and “churn,” as we
shall explain below.

Although housing policies have promoted universal access to ownership, not all households
are willing or able to become owners. Many studies have demonstrated that rented housing
is related to particular moments in the life cycle, and to the needs, income and life styles of renters (Coulomb, 2006; Gilbert, 2010; Briceño-León, 2010; Bouillon, 2012). Nonetheless, rented accommodation in Latin America as a proportion of total housing is lower than in other regions. For cities in Africa, Asia, Europe and the United States, renting accounts for between 30 percent and 89 percent of housing, while in Latin America the figure is much lower, varying between 11 percent in Lima, and 41 percent in Bogotá. The latter is one of the Latin American cities with a much larger stock of rental housing, around double the regional average (20%). Guadalajara and Buenos Aires fall somewhere in the mid-range with 23 percent of the housing stock rental, while Mexico City and Monterrey are at the lower end of the range with 15 percent and 11 percent respectively (See Table 12.1). The two cases we examine in this chapter confirm these general percentages and show the relative importance of renting in Bogotá and Guadalajara.

<table>
<thead>
<tr>
<th>City</th>
<th>Rental Housing (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bogotá</td>
<td>41</td>
</tr>
<tr>
<td>Santa Cruz</td>
<td>27</td>
</tr>
<tr>
<td>Guadalajara</td>
<td>23</td>
</tr>
<tr>
<td>Buenos Aires</td>
<td>23</td>
</tr>
<tr>
<td>La Paz</td>
<td>22</td>
</tr>
<tr>
<td>Santiago</td>
<td>21</td>
</tr>
<tr>
<td>São Paulo</td>
<td>20</td>
</tr>
<tr>
<td>Rio de Janeiro</td>
<td>17</td>
</tr>
<tr>
<td>Mexico City</td>
<td>16</td>
</tr>
<tr>
<td>Belo Horizonte</td>
<td>15</td>
</tr>
<tr>
<td>Porto Alegre</td>
<td>13</td>
</tr>
<tr>
<td>Monterrey</td>
<td>11</td>
</tr>
</tbody>
</table>

*Table 12.1. Proportion of Rental Housing in Selected Latin America Cities.*

*Source: Gilbert 2003*

Irregular settlements and central city areas accommodate a large proportion of the rental housing stock (UN-Habitat, 2003; Gilbert, 2003; Coulomb, 2006, 2010; Bouillon, 2012). However, few of these studies identify the importance of rental housing in former irregular settlements such as those considered in this volume (see Coulomb 2010: 94). Our study shows that it is precisely in these settlements that much of the rental housing stock is found, and the proportion is growing over time.
THE NATURE OF THE RENTAL HOUSING MARKET

For decades throughout Latin America the formal private sector has built very few housing units for low-income people – either to own or to rent. Informal urbanization, on the other hand, has led to the production of homeowner and rental housing for the poor, the supply of which is diverse in terms of design and quality. In some cases property owners improvise the creation of dwelling units for rent, in other cases they plan and build those units with the specific intention and purpose of renting. In Guadalajara it is more common to find rental housing in irregular settlements that are more fully consolidated and integrated into the city fabric. Although there are rental rooms and apartments in the more recently established settlements, it is much more usual in consolidated neighborhoods, where complete homes are also rented. For many years in Bogotá it was usual to rent out a room in the initial stages of self-building as a way to cover the costs of land purchase in “pirate” settlements, as well as to augment the owner household’s income (Gilbert and Ward, 1985). Later, additional floors would be built either to let or to provide a home for adult children and their families. As noted above, letting is an important option if the market is not performing well and it is difficult to sell one’s home at a fair market value (Gilbert 2001), a feature that we also confirmed throughout the LAHN study.

Below we present data about the nature of the rental housing market, and compare tenant profiles with those of owners. We also explore housing conditions among tenants and owners, and the different types, characteristics and mechanisms of the rental market’s functioning in consolidated informal neighborhoods in the two cities.

Comparison of owners’ and tenants’ characteristics

In consolidated settlements of both cities, nuclear family structures predominate, and extended households are a significant minority. In Guadalajara, nuclear families are more common among tenants than owners (a difference of 10%); while, in Bogotá the opposite is true, 16 percent more nuclear families are owners rather than tenants. In Bogotá, a distinctive characteristic is the relatively large number of single person households among tenants (11%), and of single female-headed households (16%) (not shown in Table 12.2). In both cities, tenants are much younger than owners, especially in Guadalajara (by 23 years
on average) compared with Bogotá (by 18 years on average - See Table 12.2).

<table>
<thead>
<tr>
<th>Characteristics*</th>
<th>Guadalajara</th>
<th>Bogotá</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owners</td>
<td>Tenants</td>
</tr>
<tr>
<td>Nuclear (%)</td>
<td>67</td>
<td>78</td>
</tr>
<tr>
<td>Extended (%)</td>
<td>31</td>
<td>22</td>
</tr>
<tr>
<td>Single (%)</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Average Age</td>
<td>58</td>
<td>35</td>
</tr>
</tbody>
</table>

*The data correspond only to the main house, and do not refer to other dwellings on the lot.

Table 12.2. Comparison of Owners’ and Tenants’ in the neighborhoods studied in Guadalajara and Bogotá

In both cities, owners’ homes display better living conditions than those of tenants. In Guadalajara, owners tend to live on larger lots than tenants (26 m$^2$ larger on average). Their dwellings are also bigger and enjoy more facilities such as bedrooms and bathrooms. In Bogotá there is less difference in lot size, but as in Guadalajara, owners have homes with more bedrooms and bathrooms. Some studies have begun to argue that where policies seek to increase the supply of rental housing in order to achieve higher densities in consolidated low-income settlements, this could be achieved through vertical construction, and not by crowding more people into existing dwelling space (Bouillon, 2012: 97). However, in the absence of appropriate policies, overcrowding characterizes the densification of settlements in both Guadalajara and Bogotá, especially in rental tenancies. With regard to overcrowding in owner occupancy, there are important differences between the two cities: Bogotá showing less overcrowding than Guadalajara (a difference of 18.5%). The situation is worse for tenants in both cities, where 70 percent are found to be living in overcrowded conditions. However, in terms of “critical” overcrowding, Guadalajara is much worse (See Table 12.3).
### Table 12.3. Comparison of Owners’ and Tenants’ Housing Characteristics in the neighborhoods studied in Guadalajara and Bogotá

The quality of rental housing units varies, although studies show that low quality is prevalent, and that some rental units are considered slums (Coulomb, 2006). Also mentioned in the literature are the “significant incomes” that some owner self-builders are able to generate through renting (Coulomb, 2006: 126, see also Abramo, 2010: 75-76). Such arguments are probably not universally applicable, since our research shows that some owners earn a bare subsistence-level income, while others earn only a modest complement to their incomes by renting. In Bogotá, 25 percent of the owners add to their income by renting a section of their house, a proportion that rises to 35 percent for those owners who report incomes below the city’s minimum wage. In short, in the cases we

<table>
<thead>
<tr>
<th>Characteristics*</th>
<th>Guadalajara</th>
<th>Bogotá</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owners</td>
<td>Tenants</td>
</tr>
<tr>
<td><strong>Subdivision size (m²) median</strong></td>
<td>167</td>
<td>141</td>
</tr>
<tr>
<td><strong>Number of Bedrooms</strong></td>
<td>2.9</td>
<td>2</td>
</tr>
<tr>
<td><strong>Number of Bathrooms</strong></td>
<td>1.3</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Number of People per Bedroom</strong></td>
<td>1.8</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Overcrowding (%)</strong></td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td><strong>Critical Overcrowding (%)</strong></td>
<td>14</td>
<td>39</td>
</tr>
<tr>
<td><strong>Total Overcrowding (%)</strong></td>
<td>44</td>
<td>70</td>
</tr>
</tbody>
</table>

* The data correspond only to the main house, and do not include information from other houses or apartments on the lot. Overcrowding is defined as 2–2.99 people per bedroom; while critical overcrowding is more than 3 people per bedroom. Overcrowding percentages for Bogotá refer to the 3 neighborhoods, while the percentages in parenthesis correspond to the 32 neighborhoods.
studied the additional income that owners gain from renting is modest at best.

Public policy design should take into consideration the diverse nature of renting and rental conditions that we describe here. It is precisely the low quality of rental housing and correspondingly low rent that makes it affordable to the poor. Owners can rent out cheap housing units because they make only small investments in the property in the first place and do not comply with guidelines about construction and land use; maintenance is minimal, and there are no taxes related to these units (Coulomb, 2006; Gilbert, 2013).

Types of Properties for Rent
In consolidated informal settlements with irregular origins, owners rent their properties either partially or totally. Over 18 percent of the properties included in the Guadalajara survey were rental dwellings, while in Bogotá it was 33 percent and the number sometimes rose to more than half of the lots in these barrios (Gilbert, 1997, in Ward, 2011: 13). In Guadalajara we found that rented apartments had basic utilities and in some cases had independent access to the street. The type of apartments rented range from those built on an upper floor of the owner’s dwelling, to rental complexes with 6–10 or more independent units and sometimes more than one apartment per floor. Some rental homes comprise a single dwelling on a lot or on a part of the lot with independent access. Although less frequent, we also found lots developed by a landlord with the primary aim of generating income, and these lots were often combined apartment and commercial units. There were some vecindades (see Photo 12.3) that were built specifically for renting rooms with shared services. There might be 4 to 8 independent households living in the vecindad, sharing utilities (in the patio area). Finally, even though the survey questionnaire did not identify the renting out of bedrooms (usually with shared access to a bathroom), while conducting fieldwork we realized that this type of renting is common.

In Bogotá the nature of renting is also diverse and shows some variation compared with Guadalajara. For instance, it is much more common for tenants to share the housing unit with the owner. The owner rents bedrooms within the dwelling (usually one or two bedrooms at the rear of the dwelling). Some of the in-depth case studies that we undertook
in Bogotá and Guadalajara showed that in conditions of extreme poverty, homeowners used renting out a part of the dwelling as a survival strategy. This was most commonly found among female owners who were older, single, widows or divorced, or women whose adult children had left home. In Bogotá the more frequent scenario was an owner that did not live on site and rented a whole floor separately. In contrast to Mexico, Bogotá does not have vecindades. However in both cities, dwellings located on a corner lot fronting two streets are especially likely to be turned over to the renting of apartments and commercial units (See Photo 12.6).

Photos 12.1 – 12.8. Types of Rented Properties in Guadalajara and Bogotá

Photos 12.1 and 12.2. Renting of bedrooms. In both cities, renting bedrooms (cuartos or piezas) is common, although in Bogotá this practice is more prevalent. Photo 12.1 (left) shows a dwelling in Guadalajara that is still being consolidated while the owner rents single rooms or cuartos. Photo 12.2 shows a consolidated dwelling in Bogotá where the owner rents bedrooms or piezas. Note signs on both buildings that advertise rooms for rent.
Photos 12.3 and 12.4. Apartments. In vecindades, like this one in Guadalajara (Photo 12.3, left), there is common access to the rooms/dwellings, which have individual entrances but shared services. In both cities it is also common to find apartments for rent, which occupy the whole upper floor. Photo 12.4 (right) of a dwelling in Bogotá shows that the apartments have independent access, often via outdoor stairways.

Photos 12.5 and 12.6. Apartments. Photo 12.5 (left) shows a module in Guadalajara with two or three apartments. In this case, the owner lives at the rear, and has independent access and parking. The owner rents three apartments in the front, which share access and a common stairway. In the building in Bogotá in Photo 12.5 (right) there are rooms for rent, apartments, and commercial units. As the dwelling is on a corner it can offer greater access to the property and units.
Photos 12.7 and 12.8. Houses. In order to facilitate mobility, owners in both cities may opt to rent the whole house and move to another dwelling. Letting is an option given the stagnation of the housing market. Although it is less common in Guadalajara, we also found complete houses for rent like the one in Photo 12.7 (left). In Bogotá it is fairly common to rent the whole house. In Photo 12.8 (right), the upper floors are rented to tenants for residential purposes, while the first floor is rented as a commercial unit.

Renting occurs on larger lots in Guadalajara than in Bogotá (133 m² vs. 104 m²) with the modal lot size being around 100 m² in Guadalajara compared with 72 m² in Bogotá. The average length of the lot frontage is the same in both cities (7.1 m). The difference in lot size explains why tenants in Guadalajara live in dwellings with double the amount of space of those in Bogotá (35 m² vs. 12 m²). Furthermore, in Guadalajara one sees fewer families per lot (1.5 compared to 2.3 in Bogotá), fewer housing units (34% vs. 81% of lots had more than 2 housing units) and fewer people per housing unit (see Table 12.4).
Table 12.4. Characteristics of Lots

<table>
<thead>
<tr>
<th></th>
<th>Guadalajara</th>
<th>Bogotá</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subdivision Size, median (m²)</td>
<td>133</td>
<td>104</td>
</tr>
<tr>
<td>Subdivision Size, mode</td>
<td>100</td>
<td>72</td>
</tr>
<tr>
<td>Families per lot</td>
<td>1.5</td>
<td>2.3</td>
</tr>
<tr>
<td>People per lot</td>
<td>5.6</td>
<td>8.6</td>
</tr>
<tr>
<td>People per housing unit (household)</td>
<td>4.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Square meters per person</td>
<td>35</td>
<td>12</td>
</tr>
<tr>
<td>Lots with 2 or more housing units (%)</td>
<td>34</td>
<td>81</td>
</tr>
</tbody>
</table>

In both cities tenants move frequently, and stay for relatively short periods (3.3 and 2.7 years on average in Guadalajara and Bogotá, respectively). Renting provides for greater flexibility of movement. Poor housing conditions, and evictions by the owner also contribute to high turnover.

There is a general assumption that renting is a temporary expedient and that most people aspire to own at some point. However, we found tenants who had been in the same property for more than 10 years, or even 20 years in Bogotá, and only half of the tenants expressed any interest in becoming homeowners (56% and 53% in Guadalajara and Bogotá, respectively), either through buying a lot or a dwelling. In Bogotá everyone who wanted to buy, wanted to buy a house. This is a lower percentage than the one found in other studies that also inquired about ownership aspirations. For instance, Parías (2008), whose research in Colombia includes a range of informal settlements (consolidated and non-consolidated), found that 72 percent of tenants aspired to be owners some day. Torres and Pérez (2008), working in Colombia with low-income tenants earning less than three times the minimum wage, found a unanimous desire to become owners (2008: 75). The lower levels of ownership aspirations that we found among tenants in consolidated areas may indicate greater satisfaction with rental housing conditions, possibly due either to the location or to the range and diversity of the housing that they have found in such areas. It may relate to a
selection bias operating in the consolidated settlements where we worked, but it is clear all the same that these areas are important neighborhoods for a range of renting opportunities to meet the high demand.

The rental housing market in the innerburbs works on the basis of informal mechanisms, relying on word of mouth and relations of trust, embedded in social networks and relationships. Although in both cities owners tend to rent housing units to people with whom they do not have any kinship links, generally they do at least know them beforehand (81%). In the case of Bogotá, a somewhat higher proportion of tenants have a kinship relationship with the owner (14-26%) and between 29-38 percent are friends or acquaintances. More than half of the tenants in Bogotá had heard that the owners had rooms to let through relatives or friends (60%), and only 10 percent had found out from advertisements or by visiting the neighborhood.

In 2009, most of the tenants were paying an average rent equivalent to US $98 per month in Guadalajara, while in Bogotá rent fluctuated between US $50 and $150. In Latin America, Colombia is one of the countries in the vanguard of rental legislation, and Law 820 of 2003 regulates the renting of urban housing, offering greater certainty to both landlords and tenants. The necessary paperwork and requirements are more flexible in Bogotá than in other Latin American cities. Most tenants in Bogotá (57%) negotiated the amount of the rent with the owner, while in Guadalajara only 17 percent did. In Bogotá, only 29 percent of landlords required a written contract (even though the law allows for the contract to be verbal (Law 820, Chapter II, article 3), whereas in Guadalajara the majority of the landlords (64%) do require a contract. (See Table 12.5).
### Table 12.5. Operation of Housing Rental Market, Guadalajara and Bogotá

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Guadalajara</th>
<th>Bogotá</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years the family has lived on the same property</td>
<td>3.3</td>
<td>2.7</td>
</tr>
<tr>
<td>Families with plans to own a house</td>
<td>56 (House 50%)</td>
<td>52 (House 100%)</td>
</tr>
<tr>
<td>Tenant who is already owner</td>
<td>18 %</td>
<td>n/d</td>
</tr>
<tr>
<td>Tenants without kinship relationship with the owner</td>
<td>81%</td>
<td>73%</td>
</tr>
<tr>
<td>Monthly Rent (US Dollars)*</td>
<td>$98</td>
<td>Between $50 and $150</td>
</tr>
<tr>
<td>Tenant who negotiated the rent</td>
<td>17%</td>
<td>57%</td>
</tr>
<tr>
<td>Tenant who signed a written contract**</td>
<td>64%</td>
<td>29%</td>
</tr>
</tbody>
</table>

*The exchange rate is for 2009. ** In Colombia a verbal agreement is considered as good as a written contract.

### RENTAL HOUSING PROBLEMS AND OPPORTUNITIES

In this section, we present detailed insights into the nature of rental housing markets, from an in-depth case study in Mexico City, in one of the more dynamic consolidated low-income settlements – that of Isidro Fabela (See Chapter 4 for more information). This case offers a broad vision of the tenants’ housing conditions, and provides information on the relationship between tenants and landlords. Furthermore, it was possible in this case to take measurements of the whole house, and to interview the owner, as well as most of the tenants. The case shows quite graphically many of the problems that tenants have, not only on this particular lot in Mexico City, but also in Guadalajara, Bogotá and Monterrey. Understanding these problems and issues is important for designing public policies related to the rehabilitation of housing units.

In 2011, when we conducted the case study, thirteen people were living on the property in six domestic units, five of which were rented. The lot owner (father of the current landlord) had built bedrooms with the exclusive purpose of renting them. Room rental is informal and the owner does not offer written contracts or provide receipts for payments. He does
not advertise, and prospective tenants come to him by recommendation. The property has four floors. On the ground floor there is a commercial unit (a taco business) with independent access, and a “parking space” (actually a junk yard with cars in various states of repair) providing another access to the house. The second floor hosts the owner’s own housing unit. Rental rooms are located on floors 3 and 4 (see Figure 12.1). The five domestic units occupy single rooms (cuartos or “redondos”) and share the following: bathroom, shower, laundry area, and clothes rack (on the third floor, not shown). The rental units comprise one co-residential room (shared by two female cousins), two single person units (each occupied by a male), and two rooms occupied by two nuclear families (see location in Figure 12.1). The condition of bedrooms varies widely, and all of them share the common areas, which, as we explain below, are not without significant problems (Photos 12.9 – 12.12).

Figure 12.1. Owner’s house and tenants’ rooms in Colonia Isidro Fabela, 2011. Floor levels 1-4.
Photos 12.9 – 12.12: Problems in the tenants’ private spaces

Photos 12.9 and 12.10. Photo 12.9 (left) shows the building and the top front comprises a large room for a single tenant (18.4 m²). The room is rented by a 35 year old lawyer, who pays rent of US $77 per month. His bedroom is on the third floor, with a window on the façade and an outside balcony. The same amount of space accommodates three people in the room shown in Photo 12.10 (right). The room is rented by a family consisting of the father (21), mother (25), and their daughter (3). He works as “fierro” (metal worker) in construction. Rent is also $77 per month.

Photos 12.11 and 12.12. The room in Photo 12.11 (left) is rented by a single man who works for the owner providing maintenance to the house, in exchange for housing. The room is in very bad condition: unpainted, with poor lighting and ventilation, broken tiles, exposed and oxidized roof truss. Damp is evident on walls and ceiling and the roof is collapsing. Photo 12.12 (right) shows a poor quality shack. The walls are bitumen covered cardboard material. Noted as ‘storage’ in the above diagram but actually is temporarily rented out as well.
Photos 12.13 – 12.18. Problems in Common Use Areas

Photos 12.13 and 12.14. Problems with structural conditions. Photo 12.13 (left) shows a foundation and stone support for the metal stairs that is provisional and insecure. Photo 12.14 (right) shows a roof without adequate waterproofing that has allowed damp to break through the ceiling in most of the rooms so that the roof is in danger of collapse.

Photos 12.15 and 12.16. Problems with structural conditions. Photo 12.15 (left) shows a stairway that is unsafe and lacks adequate support. Photo 12.16 (right) shows a railing that is unsoldered at various points with wide gaps between the bars. There are also gaps in the floor near the railing, making it especially dangerous for a three year old and her mother if they lean over the railing to hang out the washing.
Photos 12.17 and 12.18. In Photo 12.17 (left) gas pipes (covered in green) cross over each other with a water tank below. The gas pipes are not attached to the wall. Each tenant makes his or her own installation and connection. Photo 12.18 (right) shows a common shower space. There is no actual shower; residents wash from buckets.

This case study illustrates many problems that tenants face when they rent single rooms. As we have shown in previous chapters, owners in other cities also face many similar problems: with structure, installations, operation and maintenance, although for tenants such problems are often more acute. This is because room space tends to be smaller and there is often a lack of privacy, both of which were cited frequently in the questionnaire applied to tenants. In Mexico, a 2009 analysis of the three main metropolitan areas of the country (Mexico City, Guadalajara and Monterrey) indicates that 18.6 percent of rental housing units suffer from “deterioration” or are made of provisional materials and tend to lack maintenance. The same study indicates that a million people, whether owners or tenants, live in dwellings that represent a risk to life and possessions (SHF, 2009: 7).
PUBLIC POLICY FOR RENTAL HOUSING

It is important to note that housing and land use policies will inevitably affect the rental-housing market. Encouraging land speculation and placing restrictions on informal housing production will reduce the availability of cheap land for self-help ownership and will increase the demand for rental housing (Jaramillo, 2010). In many Latin American cities there is already a scarcity of land for new urbanization since developers are promoting mass low-cost housing projects on or beyond the city periphery, and this is likely to raise the demand for renting in more central locations.

As we mentioned earlier, a key problem is that of rental-housing scarcity, notwithstanding the high demand from low-income populations. Few policies exist to promote rental supply throughout the region, especially in the consolidated settlements that form the focus of the LAHN analysis. In part, because housing policies are rarely neutral, but are, according to Krueckeberg, “obsessively” oriented towards owner occupancy (1999: 26, in Gilbert, 2010: 44). The recommendation of academics and international organizations is that governments should design housing policies that support a variety of tenure types to cover the wider population’s needs and preferences (Gilbert, 2012: 41). However, this is not an easy task in informal settlements, since their irregular nature makes them relatively “impervious” to compliance with building codes (Coulomb, 2010: 101). Also, landlord and tenant associations are rarely influential agents in the political arena (Gilbert, 2012: 41). Below we propose some policy recommendations arising from our research that we think can be applied in spite of these difficulties.

Housing Policy Recommendations

It is high time for national housing policies to support rental housing, and not just by law and legislation. Governments need to devote resources, offer technical assistance, and modify legal and financial guidelines to promote the production of rental accommodation. Also, support should be given to alternative forms of housing such as private and public rental housing and housing cooperatives. Here we present detailed policy guidelines related

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1 One novel rental housing project that we came across is offered by Habitat for Humanity in Buenos Aires, where tenants, NGOs, and the home/lot owner manage the project together (Bouillon, 2012: 116 y 117).
to rental property in consolidated popular settlements, using the policy dimensions presented in Chapter 2.

- Offer support through the public sector to increase supply and improve rental housing conditions. During the 1980s Colombia experimented with the program “plan terrazas” in which homeowners received credits to build additional floors for rental. The program proved unsuccessful in Bogotá because the credits were too costly. However that program might be resurrected and made more effective. Similarly in 2010 the United Kingdom designed a program that involves the government, property owners, civil society, non-governmental associations and “building societies”. The program provides owners with loans and subsidies to rehabilitate unoccupied houses, in order to make them habitable. Most of these houses have been let at affordable prices. Loans range from (approximately) US $8,000 to US $23,800 (Empty Homes, 2013). Lessons from this program might prove useful in the case of Mexico.

- Support the construction of public housing for rent along the lines of programs that were suspended in the 1970s (Coulomb, 2010: 100).

- Change stereotypes about landlords and tenants. Landlords offer an important service and are not necessarily avaricious owners wishing to exploit low-income people. In fact, for many owners, the income derived from renting is vital for surviving and not for getting rich. Additionally, the efforts by landlords and tenants to improve rental housing should not be underestimated. One study in Bogotá showed that even low-income tenants are willing to invest money or pay more rent in order to improve their housing conditions (Torres and Pérez, 2008).

- In the design of rental housing policies it is important to recognize that renting is often essential for women and single mothers (Torres and Pérez, 2008; Parías, 2008; Sáenz, 2009; Briceño-León, 2010). The importance of this was demonstrated in our

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2 “Building societies” were originally financial cooperatives and are now banks.
3 It is worth noting that some people consider this to be an unfeasible option, because of the negative experiences of the past (Gilbert, 2012: 43). However, others, such as Topalov (2013), consider that public housing for low income people did not fail because it was public, or because of the program’s design, but because the beneficiaries’ labor conditions got much worse.
4 Coulomb mentions that the lack of knowledge about landlords, who are not a homogeneous group, explains to a great extent the absence of any public policies to improve rental housing conditions (2010: 100).
in-depth cases, where single mothers were found to rely upon the low-cost rental market because it was affordable, in spite of their low income, and it also allowed them to enter the labor market.

**Physical Rehabilitation**

- There is an urgent need for public and private sector economic support and technical assistance to improve the habitability of rental housing. In Mexico, private companies offer technical assistance, materials and loans (e.g. Cemex, see Chapter 3). In Bogotá, some contractors offer to develop the construction and to provide necessary structural reinforcements to the dwelling. These companies’ practices and programs require further analysis to assess whether the interest rates charged are fair, or particularly good, and if materials and technical assistance are adequate.
- Public resources for the rehabilitation and expansion of rental housing stock.
- Promote private sector participation in rental housing improvement and expansion of supply.
- Both landlords and tenants have a strong interest in rehabilitation and improved housing conditions, but improvements need to be tied to limits of rent payments.
- The policies to promote the improvement of housing conditions for property owners should increase stability in the rental housing market and create a more stable income stream for landlords.
- Rehabilitation programs might usefully engage tenants as active participants in the rehabilitation process.

**Judicial and Regulatory Issues**

With regard to regulation, it is critical to understand that regulations and formal market norms do not adequately govern the practices of rental housing, which mostly operates informally. In fact, rental housing works in consolidated settlements largely thanks to underlying social networks and the relative “freedom” from regulations in an informal market.

- Rental housing should guarantee adequate levels of permanence and stability to tenants. At the same time landlords should retain ownership of their property
According to Bouillon (2012), the Colombian case offers a good example of changes to regulations that made it easier for owners to evict tenants. It recognized the owners’ rights and allowed them to repossess their buildings under certain conditions. Publicizing the rights of owners and tenants can reduce conflict between them (e.g. by having minimum guidelines for a contract).

- It is quite common for landlords and tenants to develop trusting and often loyal relationships, and this benefits both parties. Public policies should recognize and support these practices.
- Governments can help by providing guarantees to landlords on behalf of specific social groups: such as young people, migrants, etc., as the Uruguayan government did in 2013.
- Policies should aim to support conflict resolution between landlords and tenants through mediation and conciliation tribunals (Gilbert, 2012: 41).

**Funding Policies**

- Create policy mechanisms to offer “soft” (low-interest) loans to owners in order to promote the improvement and expansion of the supply of rental housing.
- Create agencies for low-income groups at the local level in order to offer subsidies (to tenants) and incentives (for landlords). The private sector and academia might also participate in these efforts. In Bogotá, for example, there have been attempts to create a subsidy program for tenants, although skeptics argue that this might lead to rent increases (Gilbert, 2010).\(^5\) To get around this, some experts have proposed the creation of state-managed low-income real estate agencies, supported by academia (which would offer technical assistance), and these agencies would eventually also draw on the support of private real estate and insurance companies. This scheme could help to regulate the allocation and operation of subsidies (Escallón, 2010).

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\(^5\) Nonetheless, Gilbert (2012: 43) also recommends offering direct subsidies to very poor landlords and tenants.
Social mobilization and participation

- There is an urgent need to link landlords and tenants in the rehabilitation of public and private spaces.

SUMMARY

As we have seen in this chapter, the rental-housing market is of fundamental importance in consolidated low-income neighborhoods. The growing scarcity of land available for informal housing development, and inefficient contemporary housing policies are forcing densification in the older informal peripheries (innerbubs), and rental housing is at the core of this densification process. Additionally, as some governments have begun to acknowledge, support for rental housing in consolidated areas would contribute to greater social mixing and a decline in social segregation.

The cases of Bogotá and Guadalajara are of particular importance. In the parts of the city studied, Bogotá has the highest percentage of tenants in Latin America, while Guadalajara is fairly typical in displaying significant levels of renting, especially in the consolidated colonias. Additionally, we found many similarities in the rental market behavior of both cities, with a rich diversity of options for renting. It is worth noting that contrary to popular belief, in both cities, around one-half of the tenants living in consolidated formerly irregular settlements do not plan to become owners in the short term. The critical factors that incentivize the letting of accommodation in both cities are: the prime location that consolidated popular settlements often enjoy today and the fact that the rental housing market is developing with greater intensity in these settlements relative to other areas of the city. The letting of rooms and dwellings will form a key element in the macro (community) and micro (dwelling/lot) rehabilitation strategies considered in this volume.