



Notes for a Planning and Public Policy Framework for Housing in Puerto Rico

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Puerto Rico has now fully entered the stage of reconstruction after hurricanes Irma and Maria. Nearly \$30 billion in federal funds have been designated for post-disaster work,¹ of which over \$20 billion corresponds to Community Development Block Grants-Disaster Recovery funds (CDBG-DR) from the U.S. Department of Housing and Urban Development (HUD) and the Federal Emergency Management Agency's Public Assistance program. Just as shortcomings in the energy infrastructure defined the emergency and relief stages immediately after the hurricane, this phase of recovery and reconstruction will be defined mainly by the urgent need for housing. Nonetheless, there is a profound fragmentation of visions and interests with respect to how housing and land ownership issues should be addressed—even more pronounced than the fragmentation that was seen with respect to restoring and rebuilding the electrical system. These differences contribute to the lack of a comprehensive framework for planning and public policy that will determine the path forward in both the short and long term. Given this situation, the Center for a New Economy (CNE) is seeking to complement existing efforts to arrive at a collective definition that can serve as a roadmap during reconstruction.

Housing is an area of great importance for the economic development of any country. In Puerto Rico, in 2017, the expenses associated with housing (such as rent and mortgage payments, electricity, water, etc.) represented, on average, some forty percent of total personal spending.² In addition, the housing market is, for good or ill, an essential pillar of the island's financial system. But more important than its role in the island's economy, housing provides the security and minimum foundation needed for the material well-being of families in Puerto Rico. It is also the basic unit that defines the social fabric of communities. Therefore, a comprehensive framework for planning and public policy should start from, at a minimum, the following principles: (1) to provide decent, safe,

¹ It is hard to specify the exact amount of federal funds designated for the reconstruction, as the numbers presented by various Puerto Rican government agencies vary considerably. This is due, in part, to the inconsistency and lack of promptitude on the part of the federal government in designating and disbursing those funds, but also to the practice of some Puerto Rican government agencies of including in their estimates funds unrelated to the reconstruction, such as funds for the nutritional assistance program (PAN) and Medicaid.

² Calculations by the Planning Board (2018). Table 6: "Personal Consumption Expenses by Principal Type of Product, at 1954 Prices, by Fiscal Year." *Apéndice Estadístico del Informe Económico al Gobernador y a la Asamblea Legislativa*. <http://jp.pr.gov/Econom%3%ADa/Ap%3%AAndice>

and affordable housing for all; (2) to develop inclusive, healthy communities with full opportunities for social mobility; and (3) to foster community participation in all decision-making processes. Neglecting these priorities in the post-disaster reconstruction stage would be a grave error.

It should be made clear that the foregoing does not imply that the government of Puerto Rico has not delineated strategies for meeting housing needs on the island. Both the Action Plan approved by HUD for accessing the CDBG-DR funds³ and the Recovery and Reconstruction Plan presented to the U.S. Congress⁴ established several specific actions to solve a variety of housing problems. The government of Puerto Rico has correctly identified the problems that arise with respect to the lack of families' titles to their homes in several communities, housing units that have suffered physical damage,⁵ the demand for public and accessible housing,⁶ the increase in evictions after the hurricanes,⁷ and the lack of data that would allow us to analyze and design solutions to these individual problems. Given its analysis and identification, the government of Puerto Rico has announced proposals for initiatives aimed at granting titles to homes, repairing and rebuilding homes, relocating families out of flood zones, building new housing units, rehabilitating abandoned buildings, and developing a complete and updated property registry.

The problem is that the aggregate of these strategies, irrespective of how sensible each one may be, does not constitute a comprehensive framework for the development of planning and public policy for housing in Puerto Rico. Nor have the strategies been defined with an ear to the voices and ideas that emerge from the communities themselves. Without establishing the mechanisms and principles that can create interconnections between these various initiatives, the actions promised by the government are little more than a catalog of good ideas. In addition, despite the fact that both the Action Plan and the Recovery and Reconstruction Plan describe the proposal to relocate homes in flood zones as a last resort, given the unfeasibility of risk mitigation, this characterization contrasts with statements quoted in the press, in which relocation is described as a

³ Puerto Rico Housing Department (2018). *Plan de acción para la recuperación ante desastres*. www.cdbg-dr.pr.gov/wp-content/uploads/2018/09/Plan_de_Accion_Enmienda_por_Comentario.pdf

⁴ Government of Puerto Rico (2018). *Transformation and Innovation in the Wake of Devastation: An Economic and Disaster Recovery Plan for Puerto Rico*. www.p3.pr.gov/assets/pr-transformation-innovation-plan-congressional-submission-080818.pdf

⁵ On the basis of applications for FEMA's Individual Assistance program, the Puerto Rico Department of Housing states in the Action Plan that more than one million homes in Puerto Rico were damaged by hurricanes Irma and Maria.

⁶ The Puerto Rico Department of Housing's Action Plan estimates that there are more than 25,000 individuals and households on the waiting list for public housing and more than 7,500 individuals and households awaiting vouchers for Section 8 rental units.

⁷ The management consulting firm V2A estimates that almost 4,300 homes are at risk of foreclosure by banks. See <http://www.v-2-a.com/news-detail/128-116-a-wave-of-foreclosed-properties-is-coming-sooner-or-later-how-is-the-real-estate-market-going-to-react/>

permanent solution to informal housing.⁸ Statements like these have provoked a range of reactions, all justified, expressing serious concerns about whether these efforts will result in displacements, given prior decades' experience of forced relocations from informal settlements on the island.

In response to the vacuum left by the Puerto Rican government in the planning and public policy realm, the civil sector has developed a wide range of initiatives aimed at addressing housing-related problems. Red de Fundaciones has begun a project to address, in an urgent yet short-term way, the lack of land ownership. The Boys and Girls Club and Habitat for Humanity are in the planning stages for several programs to repair homes, while several community organizations are doing the same through self-help programs. Ayuda Legal Puerto Rico has provided services and developed strategies to ensure that families without title to their properties can still access aid from FEMA, and coalitions, such as the Jornada de Participación Comunitaria CDBG-DR, are channeling community participation as part of the Action Plan review process for CDBG-DR funds and monitoring their use. The Caño Martín Peña Community Land Trust continues to be a model for collective land ownership as a way of addressing the lack of land ownership. ReImagine Puerto Rico has published a report devoted to the issue of housing; this report is the product of an exhaustive public-consultation effort in which priority actions for recovery and reconstruction were identified. Each of these initiatives has turned out to be essential in addressing particular needs, and there should be a way to translate them into equally essential components of the comprehensive framework for planning and public policy that is yet to be defined.

What is certain is that the combined impact of hurricanes Irma and Maria came on top a range of housing problems that has been developing over the course of many years. Land tenure issues have been growing more acute over several decades, given that the economy of Puerto Rico, even during its best years, has not ensured sufficient economic opportunities or produced enough homes for much of the population. This has led to a socio-economic segregation that inevitably creates serious obstacles to social mobility and increases the possibility of displacement in poor and informal communities. The real estate and financial crisis that struck Puerto Rico in the mid-2000s (and that continues to affect the island today) has resulted in a market imbalance in which there is

⁸ See O'Leary and Chiriguayo (2018). *Puerto Rico governor says to people in informal housing "It's time to go."* Marketplace: <https://www.marketplace.org/2018/04/27/economy/economics-disaster/seven-months-after-hurricane-maria-uncertain-future-lies-ahead>. See also Kusisto and Campo-Flores (2018). *Puerto Rico to Hurricane-Hit Homeowners: Move If You Want Aid.* Wall Street Journal: https://www.wsj.com/articles/puerto-rico-to-hurricane-hit-homeowners-move-if-you-want-aid-1537176602?mod=hp_lead_pos6

excess housing at market prices and an unsatisfied demand for affordable housing, as is demonstrated by the large number of vacant units,⁹ the high rate of evictions, and the long waiting lists for public housing and Section 8 vouchers. Lastly, the large number of homes located in flood zones,¹⁰ the low number of insured dwellings,¹¹ and inadequate construction and non-compliance with building codes¹² have left hundreds of thousands of families vulnerable.

It is clear, therefore, that problems related to land tenure, affordability, and safe housing are not separate issues, but interrelated. Given this context, any recovery and reconstruction effort in the housing sector cannot be undertaken separately from attempts to solve or mitigate the structural problems that existed even before the hurricanes—problems that should be addressed with clear programmatic principles.

With respect to land tenure, we must take into account those factors that lead to a lack of formal land titles, the networks that support and sustain communities (and that would be endangered if a rigid process of “formalization” were followed), the possibilities of community development and social mobility, and socio-economic segregation. Addressing problems of land ownership requires changes in the title regime and how poverty is conceived and addressed, and develop solutions that will improve the possibilities of development without resulting in displacements or hindering community identities and networks. Alternative models of land ownership (e.g., collective ownership, cooperative housing, etc.) should also be explored.

Regarding the lack of affordable housing, it is important to note that this issue involves much more than determining what the price of a house is. Affordability has a direct relationship to other common problems in urban development—problems associated with lack of land ownership, including segregation and concentration of poverty, geographic access to economic opportunities, and gentrification and the threat of displacement. Taking all this into account, promoting an expansion of the inventory of affordable housing requires establishing a clear strategy of urban

⁹ In the most recent Puerto Rico Community Survey, the U.S. Census Bureau estimates that more than 300,000 housing units are vacant and out of the commercial and rental housing market in Puerto Rico. Nevertheless, these numbers are estimates—they cannot be considered an inventory—so there is no way to know the units’ habitability, title status, or whether they are located in flood zones.

¹⁰ FEMA and the Planning Board estimate that more than 200,000 properties are located in flood zones. See *Caribbean Business* (2018): *Junta de Planificación y FEMA estiman que existen 200,000 residencias en zonas inundables* <https://cb.pr/junta-de-planificacion-y-fema-estiman-que-existen-200000-residencias-en-zonas-inundables/>

¹¹ According to the Department of Housing’s Action Plan, hurricanes Irma and Maria impacted 1,067,618 housing units. Of these, some 150,907, or 14%, had private insurance and 3,991, or 0.38%, had flood insurance.

¹² The Department of Housing’s Action Plan states that between forty-five and fifty-five percent of the homes in Puerto Rico were built informally.

development aimed at densification, which makes access to jobs and essential services easier, ensures long-term accessibility, and avoids evictions, gentrification, and community displacements.

Lastly, striving for safe housing entails discussing what social, economic, and geographical factors influence household vulnerability, how these factors should be addressed, what are the possibilities for mitigation, and how to carry out relocations in a sensitive way, should they be necessary. Furthermore, the strategies adopted should be aimed at increasing adaptive capacity in the face of climate change.

Focusing the reconstruction stage on addressing particular housing needs without a comprehensive vision is comparable to patching potholes in a seriously deteriorated highway; it's a process that appears to improve a difficult situation, but whose real consequence is promoting a false sense of security. Postponing the creation of a planning and public policy framework for housing in Puerto Rico leaves a structural fissure unattended, which will result in new vulnerabilities when we face the next disaster.

That is why CNE, through its Blueprint initiative, will be seeking to provide a platform for the exchange of knowledge and information, sponsoring a series of dialogues that will bring together various sectors in an effort to draw clear links between the various strategies that address the needs of land ownership, accessibility, and safe housing. We hope to be able to mitigate the fragmentation of efforts and define a collective picture of what a programmatic framework for housing in Puerto Rico should look like.