

URBAN LEGALIZATION: THE EFFECTS OF LEGALIZATION ON LAND VALUE IN
THE SOUTHERN AREAS OF BOGOTA, COLOMBIA

By

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To the urban poor

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TABLE OF CONTENTS

	<u>page</u>
ACKNOWLEDGMENTS.....	4
LIST OF TABLES.....	7
LIST OF FIGURES.....	8
LIST OF ABBREVIATIONS.....	9
ABSTRACT.....	10
CHAPTER	
1 INTRODUCTION.....	12
Defining Slums and Informal Settlements.....	12
Informal Settlements in Latin America.....	13
Research Questions.....	16
Hypothesis Statement.....	16
Research Objectives.....	17
2 LITERATURE REVIEW.....	20
Informal Settlements in Bogotá D.C.....	20
Socio-Economic Levels.....	24
Pirate Subdivision.....	26
Land Tenure.....	28
Tenure Systems.....	28
Types of Tenure in Colombia.....	29
The Land Title Debate.....	32
Opposing Sides of the Debate.....	32
Financial Institutions.....	36
Failure of the Law.....	38
Housing Policies of the City of Bogotá.....	39
The CVP and PMIB.....	43
METROVIVIENDA.....	45
The Legalization Process.....	46
3 METHODOLOGY.....	49
4 DATA ANALYSIS AND RESEARCH RESULTS.....	55
Context of Illegality in Bogotá D.C.....	55
Characteristics of the Selected Zones.....	56
Impact of Legalization on Land Value.....	73

Results.....	75
Conclusion	82
5 CONCLUSION.....	83
Benefits of Legalization.....	83
Limitations and Opportunities for Further Research	86
APPENDIX	
A WORLD POPULATION DATA.....	88
B CHARACTERISTICS OF SLUMS AND INFORMAL SETTLEMENTS.....	89
C BOGOTA'S URBAN GROWTH PATTERNS AND URBANIZATION RATES	90
D BOGOTA'S SOCIO-ECONOMIC LEVELS	91
E DATA RESULTS FROM BOGOTAS CITY HALL SURVEY OF ILLEGAL SUBDIVISIOIN RESIDENTS (ALCALDIA MAYOR DE BOGOTA)	92
LIST OF REFERENCES	97
BIOGRAPHICAL SKETCH.....	101

LIST OF TABLES

<u>Table</u>	<u>page</u>
1-2 Urban indicators	14
2-1 Bogotá: forms of production of housing (1938 - 2000).....	21
2-2 Laws, decrees and policy in the City of Bogota D.C.	41
4-1 Characteristics of formal zones	60
4-2 Characteristics of legalized zones	62

LIST OF FIGURES

<u>Figure</u>	<u>page</u>
1-1 Study area map	19
2-1 Development of informal settlements	21
2-2 Historical development patterns of informal settlements in Bogota	22
2-3 New housing units under construction in Colombia from.....	24
2-4 Urban land tenure.....	31
2-5 Benefits of land title	33
3-1 City localities and study area	52
3-2 Study area	53
3-3 Location of legalized and formal zones	54
4-1 Zone ID's	64
4-2 Legalized neighborhoods in the City of Bogotá	67
4-3 Density of formal and legalized Zones.....	68
4-4 Socio-economic strata of formal and legalized zones.....	69
4-5 Number of legalized neighborhoods per zone	70
4-6 Number of legalized neighborhoods in the selected zones	71
4-7 Number of legalized neighborhoods 1963-2000 in selected zones	71
4-8 Legalized neighborhoods from 1949 to 2000	72
4-9 Land values for formal and legalized areas	74
4-10 Real value	77
4-11 Actual rate of growth for legalized zones	78
4-12 Actual rate of growth for formal zones	79
4-13 Actual rate of growth for formal and legalized zones	80
4-14 Average of actual rate of growth for legalized and formal zones	81

LIST OF ABBREVIATIONS

CGUH	Comite de Gestacion Urbana y Habitacional (Committee of Urban and Habitat Gestation)
CVP	Caja de Vivienda Popular (Popular Housing Agency)
DAPD	Districts Planning Department
DABS	Department of Social Welfare
ICBF	Colombian Institute for Family Welfare
IDIPRON	District Institute for Family Welfare
IDS	Internally Displaced Persons
PMIB	Programa de Mejoramiento Integral de Barrios (Neighborhoods Integral Upgrading Program)
POT	Territorial Ordering Plan
SMMLV	Salario Minimo Mensual Legal Vigente (Current Minimum Monthly Legal Salary)
USAID	United States Agency of International Development
UEL	Executive Local Units
VIS	Vivienda de Interes Social (Housing of Social Interest)

Abstract of Thesis Presented to the Graduate School
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URBAN LEGALIZATION: THE EFFECTS OF LEGALIZATION ON LAND VALUE IN
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Chair: Andres Blanco
Cochair: Dawn Jourdan
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In 2008 a population shift occurred, for the first time 50% of the world's population was living in urban areas (Population Reference Bureau, 2008). This rapid urbanization in combination with the lack of planning has created informal settlements in the developing world with residents having no formal security of tenure and poor access to basic urban services (Durand-Lasserve et al., 2002). In Colombia an estimated 16% of its urban households live in informal settlements, which are a product of rapid urbanization caused by rural migration and poverty. In order to address the problem of poverty and informal settlements the country, in the 1991 constitution, declared that it was a fundamental right of every Colombian citizen to have access to public services and infrastructure regardless of the lands legal status. In order to meet the requirements of the constitution the City of Bogota, Colombia has implemented legalization programs. Urban legalization is the incorporation of informal settlements into city regulations and services.

This study is examining legalization and the effects it has on land value in the southern residential area of Bogotá. It is comparing formal and legalized zones to see

what is occurring with land value in these areas. The research has found that land value in legalized zones are less susceptible to market changes than formal zones but are more susceptible to government intervention programs. Legalized zones are not as affected by the market because there are less transactions occurring than in the formal market, the market in legalized areas tend to be sluggish on the demand side because buyers have limited income and buyers of higher income are reluctant to purchase in these areas because of the origin of illegality. On the supply side residents may be reluctant to sell due to the years of sweat and equity invested in their homes. In terms of government intervention, the programs are improving the quality of housing through services and infrastructure and its adding value to the legalized areas. This research provides insight into legalization programs in Bogotá and what types of affects it has on land values.

CHAPTER 1 INTRODUCTION

The world has become more urbanized than ever before and with this urbanization it has brought an ever increasing migration of the rural poor to urban areas in order to “exploit actual or perceived economic opportunities” (United Nations-Habitat, 2007). In 2008 a population shift occurred, for the first time 50% of the world’s population was living in urban areas. It is estimated that by the year 2030 nearly 2/3 of the world population will live in urban areas¹ (Population Reference Bureau, 2008). The rapid urbanization in combination with the lack of planning has created slums /informal settlements in the developing world². This rapid urban growth has had a negative impact on cities of developing countries because of the inability of governments and the market to meet the housing needs of the urban poor which has resulted in increasing numbers of slums (World Health Organization). It is estimated that cities in the developing world have between 25% and 70% of its population living in irregular/informal settlements³ and these populations have no formal security of tenure and poor access, if any, to basic urban services (Durand-Lasserve et al., 2002).

Defining Slums and Informal Settlements

The two terms that are frequently used in the literature, to refer to the poor living in the periphery of the city, are slums and informal settlements. Slums refer to lower quality or informal housing that lacks clean water, electricity, sanitation and other basic

¹ For further population data see Appendix A.

² Also refers to the global south.

³ According to the UN nearly one billion people worldwide live in slums. Asia has an estimated 554 million slum dwellers, Africa has 187 million and Latin America and the Caribbean have 128 million (Rueda-Garcia, 2003).

services. The UN Habitat definition of the term is “a heavily populated urban area characterized by substandard housing and squalor” (UN-Habitat 2007) Informal settlements are “residential areas where a group of housing units has been constructed on land to which the occupants have no legal claims or which they occupy illegally.” Another definition is “unplanned settlements and areas where housing is not in compliance with current planning and building regulations (unauthorized housing)” (UN-Habitat, 2007). The two terms are interchangeable and for the purpose of this document the term that will be used is informal settlement⁴.

Informal Settlements in Latin America

According to Cira (2002) Latin America is the most urbanized area⁵ in the developing world. Countries in the region are experiencing a trend of rapid urbanization due to land conflicts or economic hardships in rural areas. This rapid urbanization has created massive informal settlements and the governments of the region have been working with international organizations to address the problem. Nearly 60% of the region’s population lives in informal settlements and the number is growing (Magalhaes and Rojas, 2008). A possible explanation for the high percentage of informal settlements can be the income disparity that exists in Latin America. According to Morley (2001) Latin America has the most unequal income distribution in the world. Using Gini coefficient⁶ measurements in the 1990s Latin America had a 49.3⁷ which

⁴ For further characteristics of slums and informal settlements see Appendix B.

⁵ See appendix A.

⁶ Gini coefficient measures the “percentage difference between the actual distribution and a perfectly equal distribution in which each person receives exactly the same income. The Gini coefficient varies between zero and one, with zero representing perfect equality and one a hypothetical situation in which one individual receives all the income” (Morley, 2001).

⁷ See appendix A.

was the highest in comparison to the rest of the world. Latin America also has the highest urban poor households, 39% of urban households are living in poor conditions (World Bank, 2002). In Colombia the trend of income disparity and a high percentage of urban poor households match what is going on with the rest of the region.

Table 1-2. Urban indicators

Region	Urban Poor Households (%)
Africa	38.8
Arab States	28.5
Asia and Pacific	20.1
Latin American Region	39.0
Transitional	23.5
Industrialized	12.9

Data Source: World Bank, Urban Indicators Programme 1994-1996

<http://siteresources.worldbank.org/INTLAC/147256-1268173593354/22559692/EnBreve003EN.pdf>

Adapted by Author

In 2010, Colombia had an estimated population of 44.7 million people, of which two-thirds lived below the poverty line and 75% lived in urban areas⁸ (Central Intelligence Agency, 2011). In 2004, Colombia had 16% of its urban households living in informal or illegal settlements (United States Agency of International Development, 2010). Informal settlements in Colombian cities are the product of poverty and rapid urbanization. Rapid urbanization has occurred over the decades because of internal displacement and poverty. The internal displacement was created by the ongoing civil war that began in 1948 with the assassination of populist politician Jorge Eliecer Gaitan

⁸ In Colombia 40% to 50% of its urban population is living in poverty (Winchester & Szalachman, 2009).

followed by a decade of violence called La Violencia⁹ (Williamson 1965). From the 1948 conflict, of violent land-takings in rural areas, emerged the ongoing civil war between the Revolutionary Armed Forces (FARC) and the Paramilitary militia (which is controlled by landowners, local elites and drug traffickers). People have migrated from the conflict areas and relocated to the cities which have resulted in “massive informal settlements where residents lack tenure security and basic infrastructure.” Colombia has an estimated 3 million registered Internally Displaced Persons (IDPs), which is one of the highest rates of IDPs in the world; this displaced population has relocated to urban areas where city governments do not have the infrastructure in place to accommodate the migration (USAID, 2008). Colombia has a housing deficit of about 36% and 97% of this is low income housing. Because of this deficit low-income families find ways to establish homes for themselves in the periphery of cities where they can afford to locate (Arbelaez, Camacho, & Fajardo, 2011).

In order to address the growth of informal settlements, Latin American countries have, in the last fifty years, implemented various policies and invested in projects to address the issue, from self-help housing to land titling programs (Magalhaes & Rojas, 2008). The methods and the type of programs have changed over the decades due to ideological shifts or because they have failed to work in the manner that was originally intended. In Colombia, the government has invested in the normal upgrading project trends as well as legalization programs. The first legalization programs began in the late 1940s and have been used with more frequency throughout the decades¹⁰.

⁹ La Violencia or The Violence lasted from 1948 to 1958. It was a conflict between the supporters of the liberal party and the conservative party that took place in the Colombian countryside (Williamson 1965)

¹⁰ See Figure 4-4

Legalization programs allow cities to provide basic services like water, electricity and transit to informal areas without the need to go through the formal land titling process. Legalization provides a measure of tenure security to informal settlements because once services are brought in the residents feel a higher level of security that they will not be evicted from their homes. The definition of Legalization, in the context of Colombia, is the “incorporation of the settlement into city regulations and services” (Nagy, 2001). The settlements are granted legal status without the need for individual property titles.

The city of Bogotá has used legalization since the 1940s in order to bring basic services and to incorporate informal settlements into the city but the process has become more important in the 1990s. This process has been implemented at such high numbers in part to fulfill the legislation established in the 1991 Colombian constitution, which states that it is a fundamental right of every Colombian citizen to have public services such as water, electricity, drainage and sewage regardless of the legal status of the land (Aristizabal and Ortiz, 2002).

Research Questions

1. What are the affects of legalization on land values of legalized zones versus formal zones in Bogotá’s southern region?
2. Why has the government of Bogotá pursued legalization programs?

Hypothesis Statement

Legalization allows the city to provide services and basic infrastructure to informal settlements but it will not provide landowners with the same land value as formal zones. Legalized areas have perceived tenure security but they are not part of the formal market, residents do not possess a property title to their land, they only have enough legality to receive services and infrastructure from the city, and therefore land prices will

not reach the same levels as land in formal neighborhoods. Legalized zones are not as affected by the market because there are less transactions occurring than in the formal market. The land market in legalized areas tends to be sluggish on the demand side because buyers have limited income and ability to obtain formal financing and on the supply side residents may be reluctant to sell due to the years of sweat and equity invested in their homes.

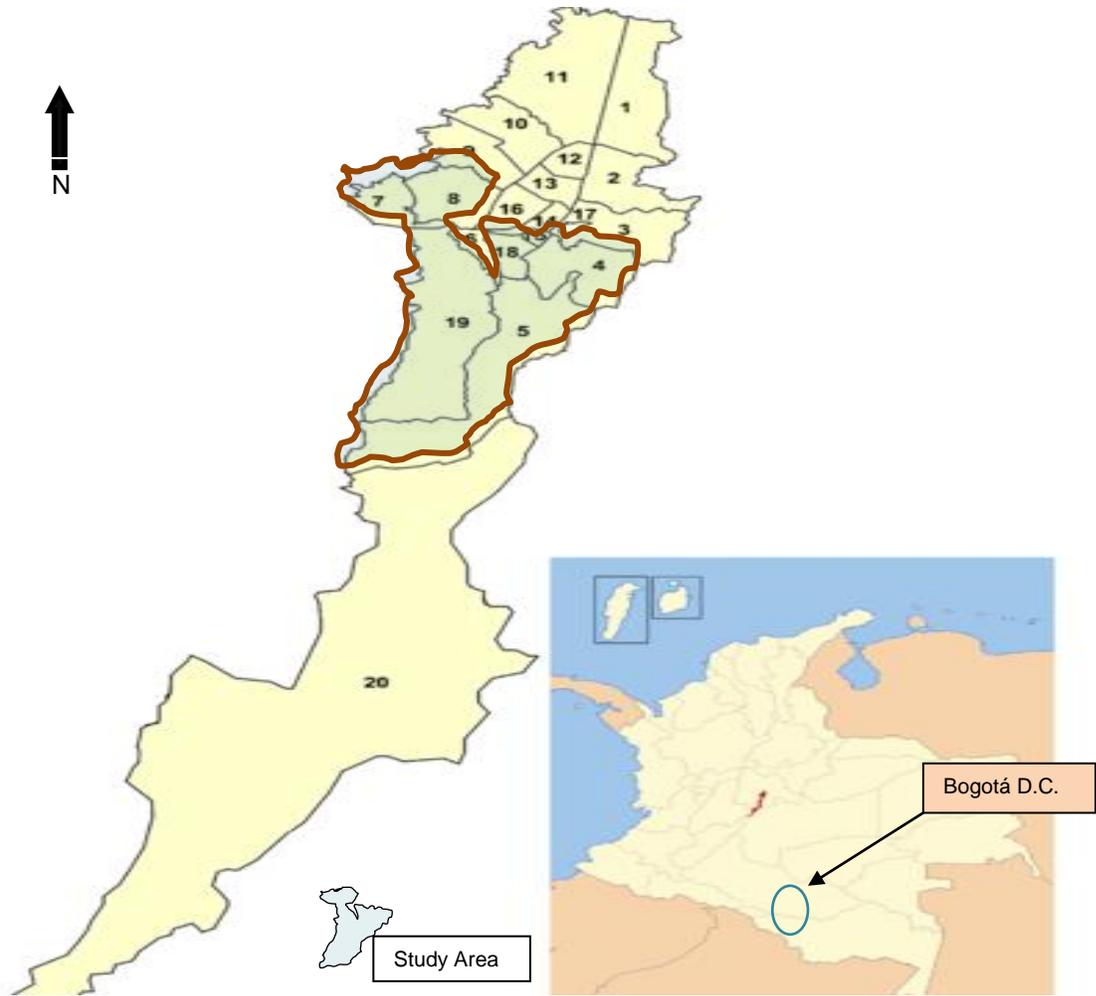
Research Objectives

The objective of this research is to see what kinds of influence legalization programs have on the land market of legalized neighborhoods in comparison to formal neighborhoods where they both have the same or similar economic backgrounds. It will examine land value trends in formal neighborhoods compared to those in legalized neighborhoods.

The research is examining what kinds of benefits legalization brings to the urban poor from access to services and infrastructure to possible increased land values. In order to do so it is important to look at the housing policies that have been implemented in the city and what kinds of services they provide and to see if legalization programs have an effect on land value or what kinds of trends can be derived from the data. This research will examine legalization by using parcel data on Bogota and its legalized neighborhoods, in the Popular Periphery Residential Areas. It will also use land value data to more accurately determine what kinds of patterns or influences are being created by legalization on land value.

The following section will further explore the concept of legalization in Bogotá by first discussing informal settlements in the city. It will then review the literature on land tenure and the land titling debate, followed by Bogotá's housing policies and programs

towards urban upgrading as well as the legalization process. Chapter 3 will discuss the methodology used for this research, Chapter 4 will present the findings and chapter five will conclude with implications and recommendations.



LOCALITIES:

- | | | | |
|-----------------|--------------|-------------------|---------------------------------------|
| 1.Usaquén | 6.Tunjuelito | 11.Suba | 16.Puente Aranda |
| 2.Chapinero | 7.Bosa | 12.Barríos Unidos | 17.La Candelaria
(Historic Center) |
| 3.Santa Fe | 8.Kennedy | 13.Teusaquillo | 18.Rafael Uribe |
| 4.San Cristóbal | 9.Fontibón | 14.Los Mártires | 19.Ciudad Bolívar |
| 5.Usme | 10.Engativá | 15.Antonio Nariño | 20.Sumapaz rural |

Figure 1-1. Study area map (Adapted from Wikipedia.
<http://es.wikipedia.org/wiki/Bogot%C3%A1>. Last accessed August, 2011)

CHAPTER 2 LITERATURE REVIEW

Informal Settlements in Bogotá D.C.

Bogotá is the capital city of the Republic of Colombia and is formally known as Santa Fe de Bogotá¹ Capital District (D.C.) (Hataya, 1996). The city is divided into twenty localities² with more than 1,200 neighborhoods. It has a population of 7 million, 22% of which live in informal/ illegal settlements (World Bank, 2003). Per DAPD calculations 23% of the current urban land has been illegally urbanized (Nagy, 2001) as shown in Table 2-1 between 1993 and 2000 35% of housing production was illegal development compared to 37% of legal development during the same time frame, the rest of housing production was made up of 18% commissioned and 10% state housing. The reason illegal housing production is so high is due to the fact that there is an enormous housing deficit in the low-income sector. Informal or illegal settlements are created (illustrated in Figure 2-1) because of poverty and lack of housing for the urban poor. As can be seen in Figure 2-2, informal settlements in Bogotá developed in the 1960s and have continued to expand further from the city center, on the periphery. The periphery of the city is the only available option for the urban poor in terms of affordable land because no one else wants to live there; the land is located in environmentally hazardous areas prone to flooding and landslides (Payne, 2002).

¹ From now on it will be referred to as Bogotá or the city.

² See Figure 1-1

Table 2-1. Bogotá: forms of production of housing (1938 - 2000)

TYPE	1938 - 51	1951 - 64	1964 - 73	1973 - 85	1985 - 93	93 - 2000
Legal Capitalist Product	23,3% 11,290	23,7% 33,050	16,0% 28,014	31,7% 105,525	35,0% 137,214	37,0% 148,000
Commissioned	16,9% 8,189	17,3% 24,125	12,9% 22,586	15,0% 49,933	18,0% 70,567	18,0% 72,000
State	4,6% 2,229	16,9% 23,567	21,2% 37,118	19,5% 64,913	13,5% 52,925	10,0% 40,000
Illegal-Self-Help Product	55,2% 26,748	42,1% 58,709	49,9% 87,369	33,7% 112,183	33,5% 131,333	35,0% 140,000
Total housing	100,0% 48.458	100,0% 139.453	100,0% 175.089	100,0% 332.888	100,0% 392.040 1'087.928	100,0% 400.000 1'487.928

Source: [Adapted from Velandá, Antonio & Borbon, Walter. (2003) Mecanismos y Formas de Enajenación Del Urbanizador Pirata y la Relación Oferta y Demanda que se Genera en el Desarrollo de Vivienda Ilegal en los Estratos 1 y 2. Alcaldía Mayor de Bogotá D.C. Secretaría General. Subsecretaría General de Vivienda. Bogotá D.C. Marzo]

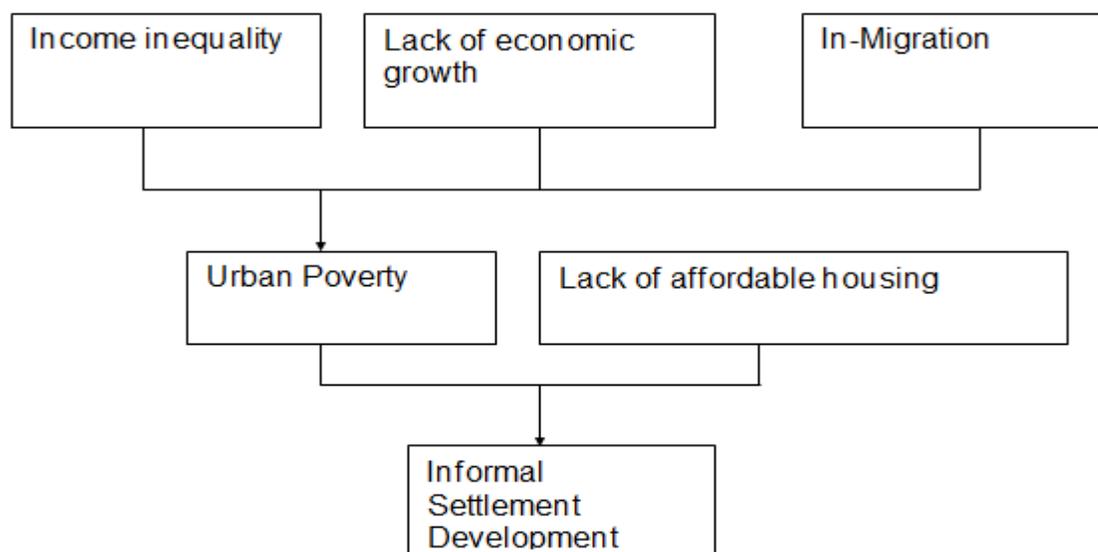


Figure 2-1. Development of informal settlements. [Data Source: Rueda-Garcia, Nicolas. (2003) Understanding Slums: The Case of Bogotá D.C., Colombia. UN-Habitat. Global Report on Human Settlements 2003, The Challenge of Slums: 195-228. http://www.ucl.ac.uk/dpu-projects/Global_Report/cities/bogota.htm]

Adapted by author

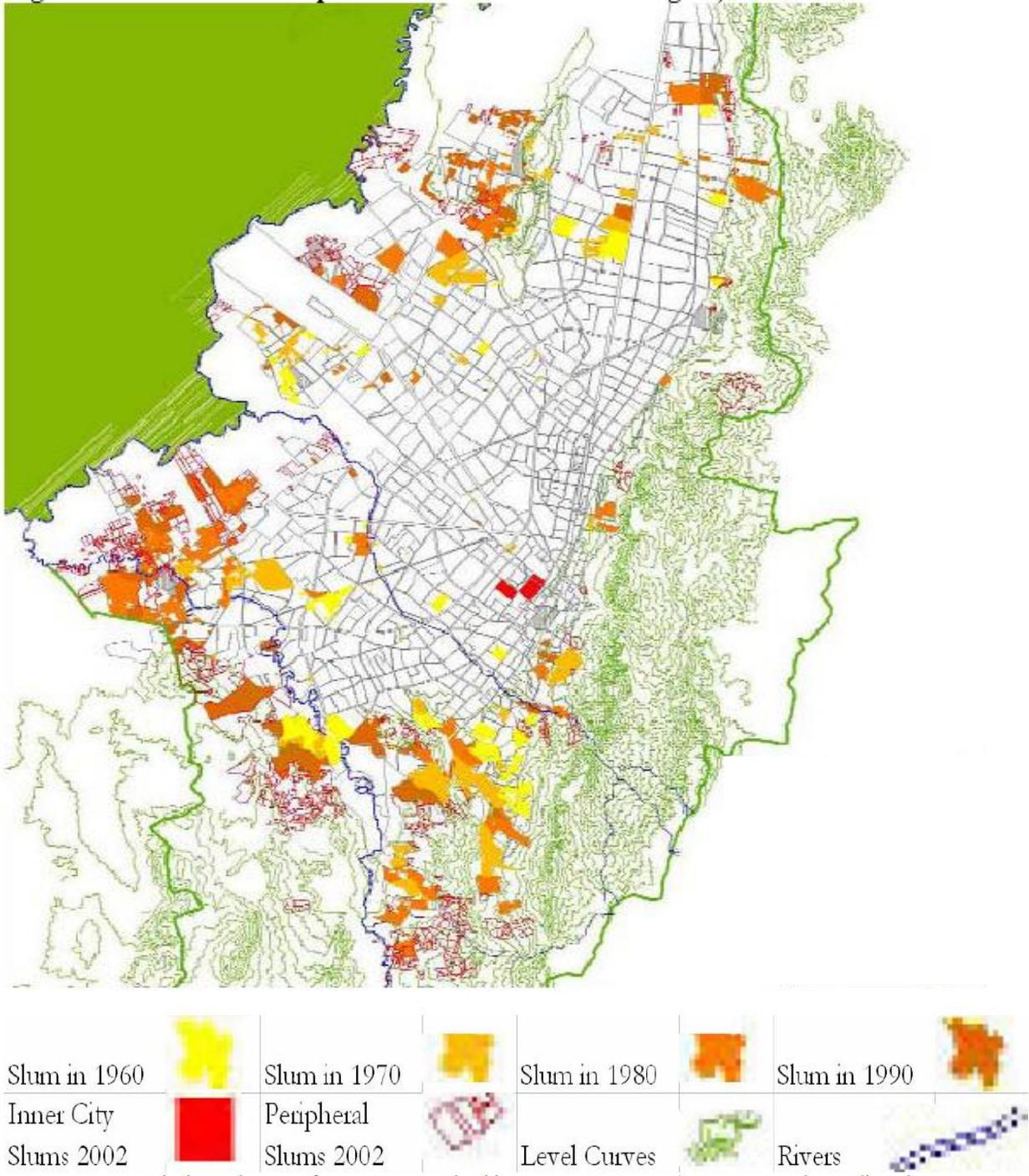


Figure 2-2. Historical development patterns of informal settlements in Bogota 1960-2000.[Adapted from Rueda-Garcia, Nicolas. (2003) Understanding Slums: The Case of Bogotá D.C., Colombia. UN-Habitat. Global Report on Human Settlements 2003, The Challenge of Slums: 195-228. http://www.ucl.ac.uk/dpu-projects/Global_Report/cities/bogota.htm]

According to Hataya (1996), illegal subdivisions and low-income settlements were located and concentrated in the areas of Tunjuelito, San Cristobal, Kennedy Chapinero, Usaquen, Bosa and Ciudad Bolivar. All of these are areas bordering the city center or the periphery. The author also mentions that there are two factors that have caused population increase in the settlements of the periphery, new migration and a movement of residents from the city's central areas to the periphery "in order to find better opportunities for building their own houses."

Bogotá is widely regarded as a model city or a "model of good urban governance" (Blanco, 2011). But the city has a major problem in meeting the housing demands of low-income families; it has a housing deficit in the low-income stratum which promotes illegal subdivision. It was calculated that between 2000 and 2010 the city would need 500,000 additional housing units, an average of 50,000 units a year (Aristizabal & Ortiz, 2002). As shown in Figure 2-3, the country as a whole has only been able to build 173 thousand new priority and social housing units between 1998 and 2009. Bogota has an enormous demand for low-income housing and currently the only solution for the urban poor is to continue acquiring plots illegally through pirate developers (land owners who divide and sell individual plots in the periphery, without any urban services to the urban poor), it has become a way for the poor to be able to afford to live in Bogotá. The city currently has 1433 urban settlements that have illegal origins (Payne, 2002).

Legalization programs are essential in providing better quality housing at the moment since housing construction has not caught up with the demand. Urban legalization is "a tenure type that grants collective tenure rights to users even without deeds" (Aristizabal and Ortiz, 2004).

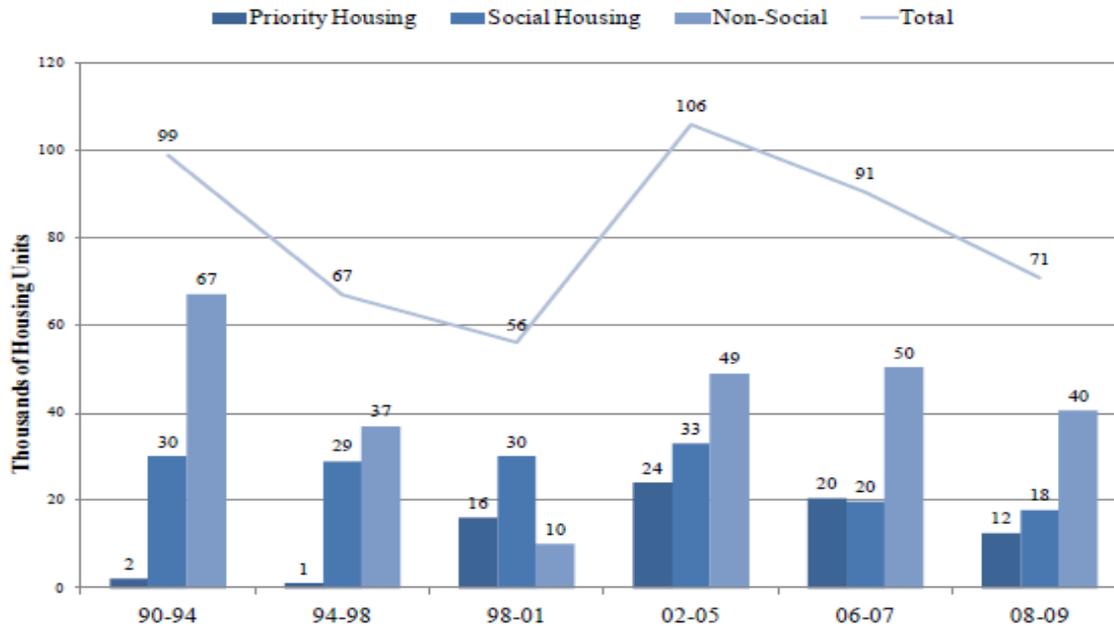


Figure 2-3. New housing units under construction in Colombia from 1990 to 2009.[Adapted from Arbelaez, M.A., Camacho, C.,Fajardo, J. (2011) Low-Income Housing Finance in Colombia. Inter-American Development Bank: Department of Research and Chief Economist. IDB Working Paper Series No. IDB-WP-256, August. <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=36376895>]

Socio-Economic Levels

Bogotá’s population is divided into six socio-economic levels³ (or strata) according to the quality of units and neighborhoods (Blanco, 2011). Strata 5 and 6 are the upper income levels, 4 are the middle, and 3, 2, and 1 are the low income levels. The city uses these socio-economic levels to define poverty. Although strata 1, 2 and 3 are all low income, within these three strata’s there are big differences in terms of poverty and assistance available. The Socio-economic strata’s are used to determine the cost of utilities paid by the different levels, the cost of taxes that must be paid and to target public investment in social programs. Strata 1 families are the poorest and “there are no formal or even informal solutions of land tenure accessible to them,” families in this

³ For a graph of the six strata’s see Appendix D.

stratum are renters and live in “sublet crowded units” as well as the most precarious conditions. Strata 3 and 2 families are the poor who receive the services provided by the city. Strata 3 families are the low-income families who have formal titles but are facing economic hardship; they are still classified as urban poor, and have been the stratum that has traditionally received low-income assistance through services. Strata 2 families are the ones that have acquired illegal settlements and have built self-help housing. Due to new regulations, they have been recently receiving assistance from the low-income programs. Even with all the programs being implemented, to assist the plight of the urban poor, Strata 1 families, the poorest, are not being directly targeted for assistance, due to the fact that most of the programs are geared towards upgrading families who own illegal plots, but they receive indirect assistance because they are benefiting from the services as well (Aristizabal and Ortiz, 2004).

There are many types of informal developments that house the urban poor. But in Bogota the main method that the poor have used has been informal subdivisions. According to Rueda-Garcia (2003), Bogotá’s low-income development can be characterized into three groups. The first is unplanned or informal urbanization, through subdivisions, which develop in the peripheral and marginal areas; it is characterized by initially lacking physical and social infrastructure. This is improved within a few years either through self-help, city administration or a combination of the two. The second type is squatter settlement which are in more dire physical and social circumstances, the author points out though that this category historically has been of low importance. The third type is inner-city urban deterioration zones “ that came about through the progressive move of 19th-century industrial, military and other functions adjacent to the

traditional urban centre to more appropriate locations, and the social, economic and physical deterioration that followed in the wake of this urban abandonment.”

Pirate Subdivision

According to Blanco (2011) pirate subdividers are a Colombian invention and it wasn't until the 1970s that the phenomenon was studied and analyzed. In Bogotá most lands are privately owned and through pirate subdivisions “property has been protected and open expressions of social conflict have been avoided” (Blanco, 2011). Pirate subdivision is where settler families purchase land, without services, from a proprietor or developer (Gonzales, 2009). This type of illegal subdivisions are the way low-income families can afford to purchase land to build self-help housing; they began in Bogotá in the 1960s after landowners realized that there was a low risk market in the selling of illegal subdivisions (Payne, 2002).

The way that pirate subdivisions work is that the pirate developer⁴, who has secret political support, owns or obtains a large plot of land outside the urban area (where the land is usually in high risk areas prone to landslides or flooding⁵) and then divides it into small plots and sells it to low-income families (Payne, 2002). The property is first bulldozed “to establish the street pattern, and stakes or other markings are driven to indicate the boundaries of specific lots” then a small scale office is established near the site “generally consisting of one room equipped only with a desk and a plot plan of the subdivision” where the plots are to be sold (Doebele, 1977). The plots are located near low-income sectors and have no public services or infrastructure, which is the

⁴ Pirate developers “often give communities a manual which explains how to exert pressure to local authorities and politicians in the search of public services, social facilities and legal titles” (Payne, 2002).

⁵ “Or may even be in areas that have been reserved by the city planners for future metropolitan infrastructure” (Payne, 2002).

reason the lots are so affordable. In most cases the land “is sold informally by the real owner to a figurehead, to avoid legal problems and prosecution.” The figurehead tends to be someone older than 60, “because under Colombian legislation, senior citizens cannot be prosecuted” (Payne, 2002).

These subdivisions are illegal because they do not conform to local land use planning or regulatory controls and lack basic infrastructure and services. Once the land is subdivided very quickly low-income households start occupying their individual lots and begin construction dwellings. They acquire many of the services like water, electricity and other essential services through illegal hookups and manage to create a functioning neighborhood. The residents of these illegal subdivisions are not owners they are “really possessors” (Foster, 2009). They do acquire the land under some form of title but it is not a conventional title, it is more of an informal mortgage note or a *promesa de compraventa* (promissory note) (Foster, 2009). Pirate developers do not take “into account the buyer’s economic stability.” They rely on “threat groups” who ensure that everyone pays and collect the money (Payne, 2002). The resident’s pays the mortgage note in installments and at the end will receive a document to support the transaction, but it is not legally registered⁶.

Illegal subdivisions may not guarantee the “possessor” a legal title but they know that they are the owners from the day that they pay their deposit to the illegal subdivider” (Foster 2009). They build their homes knowing full well that they will not be evicted; they have a type of tenure security. The city authorities know that illegal

⁶ It is a private agreement.

subdivisions are emerging, “but they turn a blind eye” because self-help housing is a way to accommodate the poor “at little cost to the state⁷” (Payne, 2002).

Land Tenure

Understanding land tenure is important in order to understand tenure security. Studies have indicated that tenure security rather than land titles are “critical with respect to investment” (Gonzales, 2009). There exist many types of tenure in the world but the most common types of tenure in developing countries are customary tenure, private tenure, public tenure, and non-formal tenure categories. Payne (2001) defines land tenures as “the mode by which land is held or owned, of the set of relationships among people concerning land or its product” and property rights as “a recognized interest in land or property vested in an individual or group and can apply separately to land or development on it.” The agreed upon definition of security of tenure is “the right of all individuals and groups to effective protection by the state against forced eviction” (Augustinus & Benschop, 2011)

Tenure Systems

According to Payne (2001) customary tenure is found in Africa and the Middle East, it evolved out of agricultural societies where there was little competition for land⁸ so land had no economic value. In this type of system land is regarded as “sacred” and

⁷ “In spite of the lower cost in the short term, the cost for the municipality in the long term is much higher, according to the budgets of the service companies” because they have to provide services within the already established neighborhood plan and sometimes the roads are too narrow or there is no public land set aside (Payne, 2002).

⁸ Little economic value to land because “survival was often precarious and depended upon careful use of the land to ensure an ecological balance” (Payne, 2001).

mans role as one of “stewardship” in order to protect the interests of future generations⁹.

Private tenure was brought to developing countries by colonial settlers. It is generally concentrated in urban areas and may co-exist with indigenous tenure systems. This tenure system permits the “unrestricted use and exchange of land and is intended to ensure it’s most intense and efficient use.” The problem with private tenure is that it is difficult for lower income groups to access. Public tenure or public land ownership is where the rights are vested in the state¹⁰. (Payne, 2001)

Non-formal tenure¹¹ includes “varying degrees of legality or illegality. It includes regularized and unregularized squatting, unauthorized subdivisions and unofficial rental arrangements. Non-formal tenure represents the most common tenure category and it “accommodates the majority of lower income households.” It is also the tenure category that is growing faster than any of the other categories (Payne, 2001).

There are a range of tenure systems from illegal or legal, formal or informal systems. Because of this mixture of systems within the same city it becomes a challenge for policies to be implemented in one tenure system without having unintended consequences for others (Payne, 2001).

Types of Tenure in Colombia

According to the UN-Habitat (2005) there are three types of official tenure in Colombia, state property, private property and communal land. There is also a non-

⁹ Allocation “are determined by the leaders of the community according to its needs, rather than through payments” (Payne, 2001).

¹⁰ In capitalist countries “it may be restricted to a narrow range of public requirements, such as strategic or communal use” (Payne, 2001).

¹¹ “In some cases, several forms of tenure may co-exist on the same plot” (Payne, 2001).

formal tenure type in Colombia which is where the informal settlements fit into.

Aristizabal and Ortiz (2004) define ten tenure forms that exist in Colombia, which are listed below:

- Pavement Dweller
- Squatter tenant (partial possession)
- Physical possession
- Squatter owner
- Tenant in unauthorized subdivision (Informal document)
- Urban legalization (Collective intermediate tenure)
- Owner in unauthorized subdivision (Declaration of possession)
- Legal owner unauthorized construction
- Tenant with contract (Community land trust)
- Free-holder

The first seven categories, mentioned above, are considered non-statutory tenure which gives residents “de facto security and rights.” These types of tenure give residents a sense security that they will not be evicted even if they do not have property titles. Figure 2-4 shows the level of security offered by each tenure category. Aristizabal and Ortiz give a detailed discussion of the different tenure categories from Pavement Dwellers to Free-holder. According to the authors, pavement dwellers have the least security since they are occupying land that is for public use, they are also the only ones from the list that have no associated rights¹². Squatter owners on the other hand have a higher security of tenure because they are protected by law. All the squatter has to demonstrate is that he is the owner of the property and he will not be evicted, even if it’s a squatter unit. Tenants in unauthorized subdivisions have a 50% security that the government will not evict them; pirate subdivisions are at this tenure level. They have a high level of security from the government¹³ and residents begin to have rights to some

¹² “They cannot occupy/use/enjoy, dispose, buy, and inherit, develop, improve, cultivate/produce, sublet, obtain any pecuniary benefit, access services, or access to formal credit” (Aristizabal & Ortiz, 2004)

¹³ The government is highly tolerant of them. (Aristizabal & Ortiz, 2004)

urban services. In unauthorized subdivisions a resident will not only have their home on the lot, but in some cases will also have an informal enterprise of some kind that will help them improve their income level. They do not have access to formal credit however since they do not own a legal title to the lot (2004).

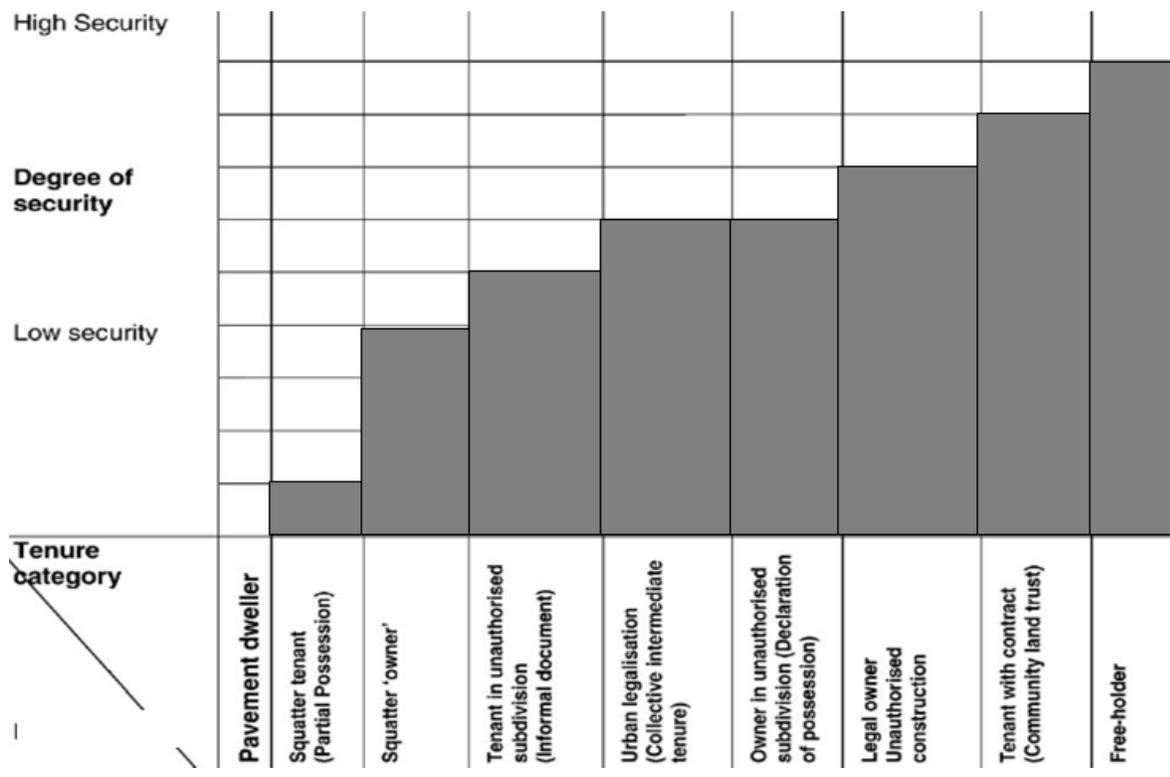


Figure 2-4. Urban land tenure.[Adapted from Aristizabal, Nora & Ortiz, Andres. (2004) Improving Security Without Titles in Bogota. Habitat International 28: 245-258.]

For Aristizabal and Ortiz (2004), urban legalization tenure is the “first state of legal and real security,” residents in this category are on the path to becoming part of the formal city. When residents are in this category they benefit from an added value generated by constructions and utilities that the city installs without having legal title. The only thing that this category lacks is access to formal credit, mainly because the residents tend to work in the informal market and cannot show a steady monthly income. The authors also discuss owner in unauthorized subdivision, legal owner of

unauthorized construction, tenant with contract, and freeholder. All of these tenure categories have high levels of tenure security, as can be seen in Figure 2-4, and are not in any danger of eviction.

Tenure security is important for informal settlement dwellers but also perceived security of tenure is very important. If residents think that they will not be removed then they begin building and upgrading their lots. Aristizabal and Ortiz (2004) and Gilbert (2002) argue that for informal settlement residents in Bogotá, it is more important to fight for utilities than to acquire land titles because the risk of being evicted is very low.

The Land Title Debate

The Oxford English Dictionary defines title as “a legal right to the possession of land or property; the evidence of such right.” Land titling is a controversial issue in developing countries when it is discussed as the solution to informal settlements. The main discussion revolves around Hernando De Soto’s claims about the cause of informality and what kinds of benefits land titling will provide the urban poor. There are currently two opposing positions on the issue: those who support land titling because they accept De Soto’s claims that it brings economic mobility to low-income families and those who believe land titling provides few economic benefits to low-income families.

Opposing Sides of the Debate

The literature (De Soto, 2000; Feder, 1999; Holstein 1996) supporting land titling argues that it will give residents, of informal settlements, access to the formal markets with all the protections and benefits that come with it. Land titles will encourage informal settlers to invest in upgrading their homes and it will give residents access to credit. The title and access to credit will help them tap into the wealth they already have but were unable to use before. This concept is illustrated in Figure 2-5. Land titling will also make

property markets more robust because each family can transfer lots without first consulting the neighbors.

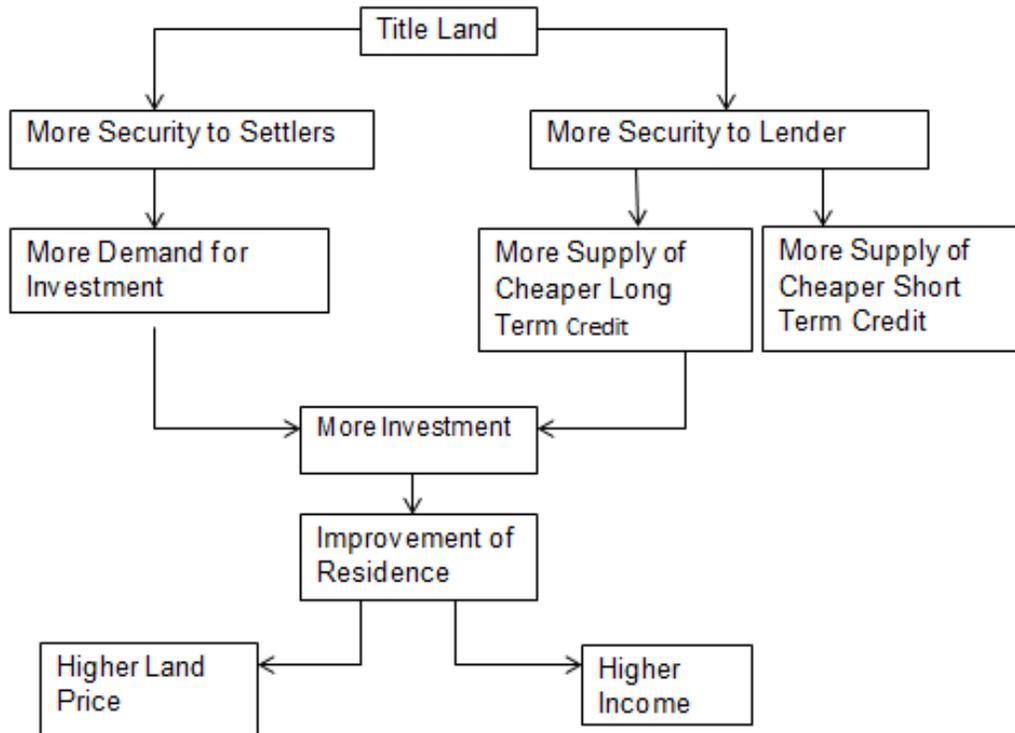


Figure 2-5. Benefits of land title. (Source: Adapted by author using the literature)

De Soto, Feder and Holsetein (2002), argue that land titles empower people because it gives them a sense of security. They now have complete control of the land and it legally belongs to them so they are no longer living in fear or doubt, they know no one can remove them and thus provides them a sense of stability. They also argue that with land titles people will be more likely to improve the quality of their homes because they have a stake in the property. According to De Soto land titles are an incentive for people to invest in their homes.

The authors argue that land titling programs will be more affordable and faster for the government to implement. By providing residents of informal settlements with

property rights the government will be solving a multitude of problems with one solution. It is argued by De Soto (2000) that one of the obstacles facing people wanting to become part of the formal market is the government bureaucracy that impairs easy acquisition of property rights. The titling process in some countries can take up to 20 Years because of the bureaucratic system in place so if that obstacle is removed more households would be willing to go through the process. This long and costly process deters many residents from obtaining land titles.

The literature against De Soto's land titling claims, argue that land titles are not essential to create wealth. They are not against land titles per se but they do not believe it is the solution to the inequality problem. Alan Gilbert (2002), states that "Evidence...suggests that possession of a legal title makes little or no difference to the availability of formal finance." A legal title on its own does not guarantee access to credit; there are many regulations in place make it quite difficult or impossible for poor people to acquire financing from banks or other private institutions even with a land title. According to Gonzalez (2009), many poor families are hesitant to take out a mortgage because they don't trust formal financial institutions and they are not willing to risk their homes. They would rather use the unsecure credit base because it is flexible and they know the people they are dealing with. Gonzalez also mentions the situation in the United States in terms of justifying a cautious approach by poor families and "underscores the danger of formalizing property rights without implementing regulatory measures to protect the poor from predatory lending."

Land titles may also be an economic hindrance instead of a benefit to the urban poor because with legal titles comes additional costs that they may not be able to afford.

The residents have to pay for the titling process and any extra expenses that come with it. It may also “raise the living expenses of others who are not direct beneficiaries, for example, tenants may be hurt by rent rises in newly legalized settlements.” Research has shown that if residents knew the real cost of titling, they probably would not want to go through the process (Gilbert, 2002).

The argument of the improvements of homes, due to land titles, is also disputed. Lack of title has not acted as a barrier for residents to invest in their homes. Residents already feel a sense of ownership in the house they live in; as soon as the city provides them with some type of services they feel a sense of security even without the legal title (Gilbert and Gugler, 1992).

The literature discusses how households will improve the structure as long as they feel secure with the land, security of tenure or perceived security of tenure alone encourages people to improve their lots. Geoffrey Payne’s (2001) research has found that there is evidence that “considerable investment is being generated simply by an official statement that a settlement will not be removed, by the provision of services, or by the issuance of certificate of use.”

De Soto’s claim that informal development does not allow the development of robust property markets is also disputed. Gonzales argues that on the contrary there is evidence, in the city of Bogotá (and other parts of the world) of the development of an active untitled market. Studies have also been done in major cities¹⁴ of Latin America where it shows that title makes little difference for property markets in low-income neighborhoods because the markets “tend to be sluggish on the demand side due to

¹⁴ In Bogota, Santiago de Chile, Caracas and Mexico city (Gonzalez, 2009)

potential buyer's limited income and limited ability to obtain formal financing." And on the supply side home owners "who have acquired land titles may be reluctant to sell their homes due to the many years of sweat equity invested in their dwellings" (Gonzalez, 2009).

Financial Institutions

Land titles are also seen as a secure form of collateral to get access to credit because property titles "encourage lenders to use land as collateral by lowering the risk of collateral loss, the information costs involved in verifying ownership and the foreclosure costs under default, thereby reducing the effective leverage ratio and increasing the net collateral value of land" (Fields, 2004). But the reality is that banks are less likely to take land titles as collateral when dealing with people of very low resources. Banks are more likely to look at the capacity of the individual applying for the loan to have some kind of saving mechanism in order to approve the loan. Erica Fields' (2004) research, which is looking at households who changed from owning no collateral to owning collateral and if they gain access to credit from formal institutions, proves that little importance, is placed on titles. Banks look at other factors when deciding on loans. The most important consideration when banks are approving loans is the ability for the person to repay it. Fields (2004) states "collateral is irrelevant unless households can satisfy this initial criterion, since responsible institutions would be reluctant to provide loans only to have to foreclose on them soon afterwards." Banks look at adequate levels of income or savings when approving loans and this excludes the poor.

Another argument is that many community based finance institutions, like the Grameen Bank or Banco Sol, pay more attention to "credit worthiness achieved through small savings" than they do titles (Payne, 2001). Also when finance institutions do

approve loans based on title, they find it difficult to foreclose on defaulting loans because it is politically unacceptable for the authorities to remove poor people from their homes (Gilbert, 2002).

In terms of the argument that land titles help improve the property tax base. Payne (2001) states that, “the provision of titles may not generate a corresponding increase in tax revenue.” The reason is that households that know their land is secure through titling refuse to pay taxes, or the taxes on the property are too high and the household may not be able to afford the payments, or the taxes are too low that it is more expensive to collect than the actual revenue. Therefore titling alone will not increase the tax base if the people cannot afford to pay the new taxes on their property.

Land titles will improve efficiency of land and housing markets but the beneficiaries are not exactly the poor. Just the prospect of formal tenure can increase the commercial value of land in informal settlements and this can bring about reduce tenure security for the poor (Payne, 2001). The idea behind this argument is that entitled land owners can now increase rents to uncontrollable levels because they feel more secure in terms of legal power and this can actually hurt poor families renting the units located on the newly titled land. Another argument is that tenure is “unidirectional” that once rights are granted it is almost impossible to revoke them. Tenure policies are also not easy to implement or control and governments in developing countries don't have the experience necessary to formulate such policies. Because tenure policies are so inflexible and unpredictable it can be difficult to apply them and this effects how beneficial it can really be to the efficiency of land and housing market (Payne, 2001).

Failure of the Law

One important argument that De Soto (2000) makes is that the reason urban informality exist is due to the failure of the law in developing countries. That the solution to the problem is to, “privatize, deregulated and de-bureaucratize the state.” Gonzalez (2009) argues that De Soto makes it seem that the problem is inherently part of developing countries when in developed countries informal settlements also exist. In a study conducted by Ward, in the state of Texas¹⁵ there are about 1,600 settlements housing roughly 400,000 people¹⁶. These settlements are called colonias and they are distributed throughout the periphery¹⁷ of urban land and inhabited by the working poor. The residents of these colonias purchase¹⁸ “unserviced” land, in installments, and construct their own homes or purchase trailers (Gonzalez, 2009). According to Ward, it is a rational response¹⁹ by the “working poor to a statewide shortage of affordable housing and income inequality between high-income professionals and low-paid service employees.” (2004). In the United States there is also an informal market²⁰ in unlicensed street vendors, house and office cleaning services and sweatshops. Gonzalez argues that informality is not caused by bad laws in developing countries but that “informality is a rational response to poverty and inequality,” and will exist in

¹⁵ Colonias in the United States are usually located on border towns in Texas, Arizona, New Mexico and California (Ward, 2004).

¹⁶ Are populated by Mexican-Americans, whites and African Americans. (Gonzalez, 2009)

¹⁷ The colonias are located in the periphery because it is where low-income households can afford to live in cities with high housing costs (Gonzalez, 2009).

¹⁸ The land is legally purchased.

¹⁹ Colonias offer the only affordable homestead for low-income households (Ward, 2004)

²⁰ Informality in the United States is due to the “decline of the middle class, the growth of a high-income professional and the expansion of the low-income population” (Gonzalez, 2009).

developed or developing countries as long as the “Underlying economic causes persist” (2009).

Legalization programs are implemented before informal settlements go through land titling. In the literature there are those who argue, De Soto and company, that land titles will access economic wealth for the urban poor by giving them access to credit through mortgages and that it will allow them to sell their homes because they would be part of the formal market. Land titling is an approach that all Latin American countries have implemented in order to bring economic wealth to the urban poor and to formalize informal settlements. But titling does not necessarily mean services and the time it takes to go through the process can be a long one. The land titling approach, proposed by De Soto, has been heavily criticized for not bringing about the economic improvements for the urban poor that he proposes. Colombia and more specifically Bogota have implemented a step before titling to provide services to areas before they are fully formal through legalization. This process has been implemented in part to fulfill the legislation established in the 1991 Colombian constitution.

Housing Policies of the City of Bogotá

Bogota’s current housing policies aims to achieve two goals. The first is to increase the low-income housing stock and the second is to upgrade the current low-income housing stock formed by self-produced housing in the informal market (World Bank, 2003). The city has taken many steps in order to meet the objectives and be able to provide a better standard of living for the urban poor, by creating new legal tools, putting together institutions, and creating upgrading programs to meet the housing stock shortage and the poverty problem (Rueda-Garcia, 2003).

The current housing policies geared towards low-income families have been implemented in part to fulfill the legislation established by articles 49 and 51 in the 1991 Colombian constitution. Under article 49²¹ of the Constitution “public health and environmental protection are public services for which the state is responsible. All individuals are guaranteed access to services that promote, protect, and rehabilitate public health.” Under article 51 “all Colombian citizens are entitled to live in dignity. The state will determine the conditions necessary to give effect to this right and will promote plans for public housing, appropriate systems of long-term financing, and community plans for the execution of these housing programs.” These two articles make it an obligation of the city to bring services and provide public housing to low-income families living in substandard conditions.

Bogotá’s legal tools, to address the problem of poverty, are made up of laws, decrees, and policies. Table 2-2 has a detailed description of the most important measures that the city has implemented. The laws and policies address a range of issues from strengthening urban policies to improving citizen participation in the upgrading process. Law 388 aims to improve the quality of life of the target population by creating planning and territorial administration for local authorities; Law 563 address the rights of citizens to participate and have access to public information, this will empower the poor and allow them to be a more active and informed participant in the upgrading process which will allow the city to provide better services ; Decree 619 aims

²¹ According to the Constitution “it is the responsibility of the state to organize, direct, and regulate the delivery of health services and of environmental protection to the population in accordance with the principles of efficiency, universality, and cooperation, and to establish policies for the provision of health services by private entities and to exercise supervision and control over them. Public health services will be organized in a decentralized manner, in accordance with levels of responsibility and with the participation of the community” (1991).

to improve the sustainability of urban development, social equity and increase urban productivity. The Development plan decentralizes the administrative district so power is spread among twenty smaller localities versus all of it being centralized in one locality. Decree 425 strengthens the development plan and establishes rules to regulate local plans. Executive Local Units (UEL) aim to provide more transparency to the process of public contract, this allows for better efficiency by the government and also as a way to dissuade political favors and corruption. All of these policies address important aspects that make development programs work (Rueda-Garcia, 2003).

The legal tools that have been implemented address many issues that are important in order to intervene and bring a better quality of life to the urban poor. The laws address the issues of transparency, city participation, improvement of the urban space, improvement of quality of life, the reorganization of the administrative through decentralization, and strengthening the development plan. All of these are seen as a political transformation at the local level that “promote and consolidate a process of integral improvement of the city” (Rueda-Garcia, 2003).

Table 2-2. Laws, decrees and policy in the City of Bogota D.C.

Type	Year	Description
Law 388	1997	Concerning Territorial Ordering. Puts together the principles for planning and territorial administration that must be used by local authorities. The objective is to improve the quality of life of the population.
Law 563	2000	States that any citizen or organized group has the right to and the obligation to participate as observers, in order to have access to all the public information in which they are interested. To activate a participatory mechanism of social control.

Table 2-2. Continued

Type	Year	Description
Decree 619	2000	Territorial Ordering Plan of the Capital District (POT) Valid for ten years. The aim is the construction of a desirable image of the city and its objectives is to orient the government's action, public investment private acts towards long term previsible outcomes. Aim is to emphasize sustainability of urban development, social equity and to increase levels of urban productivity.
Bogotá Urban Improvement Policy		Aims to complement reorder and improve the urban space and housing that the illegal settlements on the city margins have produced.
Development Plan for Bogotá	1992-1994	Administrative decentralization of the district. Motivated by the 1991 constitution. Division of the city into 20 localidades (localities) in 1992.
Decree 425	1995	Strengthened the Development Plan. Established the rules by which local plans are regulated, turning the planning process into a learning process of community commitment.
Executive Local Units (UEL)	1998-2001	Purpose of giving more transparency to processes of public contracts and the use of transfers by the local Mayors of Bogotá

Data Source: Rueda-Garcia, Nicolas. (2003) Understanding Slums: The Case of BogotáD.C., Colombia. UN-Habitat. Global Report on Human Settlements 2003, The Challenge of Slums: 195-228. http://www.ucl.ac.uk/dpu-projects/Global_Report/cities/bogota.htm

Adapted by author

Bogota has put together a group of institutions aimed at eradicating poverty in the city; this is an important component for upgrading programs. The most important institutions that have been created and have had a major impact are, the Administrative Department for Social Welfare (DABS), and the District Institute for the Protection of Children (IDIPRON). (Rueda-Garcia, 2003)

The DABS was created to attend to the needs of “the populations of the substandard neighborhoods,” the purpose is to incorporate communities into the

national life. The DABS takes care of children under five and the priority is displaced populations because they are more vulnerable. It offers counseling services for those who have been mistreated or in conflict. The DABS has 20 operational centers, one in each locality, so that they can have a presence in the neighborhood and be able to attend to the needs of its target population. The IDIPRON targets children between 8 and 22 years of age who live in the streets and are involved in delinquency. The mission of this institution is to rehabilitate these youths through programs²² of help for those who come to their centers.

These two institutions address the problems or issues of the most vulnerable, the children living in poverty. Social programs are an important component of any upgrading intervention because there are so many social problems created by living in poor neighborhoods with little or no social or physical services. The children are also the future and if they are living in substandard conditions the health and psychological consequences will be with them the rest of their lives.

The CVP and PMIB

The city has various housing programs that address housing need and urban service needs for the urban poor. In 1942 Bogotá created the Caja de Vivienda Popular (CVP) to promote housing for the working poor. The CVP is structured under the Comité de Gestión Urbana y Habitacional (CGUH) where it participates as an executive agency along with Metrovivienda, Urban Renewal, and the Sub-secretariat of housing. The CVP was originally created to build direct housing for low-income families and now it is the coordinator for titling programs. The CVP has three main functions;

²² “The coverage of these programs increased in 2000 by 56% compared with 1999” (Rueda-Garcia, 2003).

one to coordinate the Programa de Mejoramiento Integral de Barrios (PMIB), two the improvement of housing through physical upgrading and land tenure, and three to resettle populations located in high risk areas.

The PMIB, coordinated by the CVP, promotes development strategies to improve physical, social, and institutional conditions in “non-consolidated areas with deficiencies in infrastructure, accessibility, public space, and services.” The main function of the PMIB is to improve infrastructure by planning and legalizing barrios, constructing storm water drainage and water and sewage systems, upgrading and rehabilitating access roads, resettlement of population in high risk areas, constructing and rehabilitating public space and community services, and technical assistance of home improvement and land titling. It also promotes community participation, when proposing neighborhood improvement activities, citizen cultures and strengthens social organization (World Bank, 2003). Over time other “entities” have been created to address the growing housing deficit.

Three programs were created during the late 1990s and early 2000 to improve the living conditions of the poor: the program of Demarginalisation, the program of Integral Improvement of the Neighborhood, and Programa Mejoremos el Barrio y la Casa (Program to Improve the Neighborhood and the home). The Demarginalisation program was from 1998 to 2001 and it was created to improve the living conditions and functions “of the numerous settlements of illegal origin and raise the quality of life of its inhabitants.” This program benefited 620,000 residents from the poorest localities through the construction of public services (Rueda-Garcia, 2003). The program Integral Improvement of the Neighborhood was from 2001 to 2004 and was a continuation of

Demarginalisation. The main objectives were to improve quality of life, strengthen institutions, and strengthen decentralization (Rueda-Garcia, 2003). The Program to Improve the Neighborhood and the Home was aimed at improving the living conditions of 650,000 people from low-income neighborhoods. The goal was to integrate these areas into the Cities economy by increasing resident participation in various economic and social activities. The program included the following components legalization of tenure, investment in schools, parks and infrastructure, and the improvement of institutions and community participation (World Bank, 2003)

Metrovivienda

The City of Bogotá created the housing department Metrovivienda in order to target the development of the periphery and the plot fragmentized areas. Metrovivienda was created in 1998 (under the 15th agreement) as a land bank to construct poor housing and as a way to attack the illegal market (pirate developers), it is a public land developer. (Rueda-Garcia, 2003)

The way that Metrovivienda works is that it buys 23 large tracts of land zoned as rural or semi-rural²⁴ from land owners, at low cost, and then develops an integral urban design and contracts the construction of public services and roads (Rueda-Garcia, 2003). It also obtains development permits from the city. Once infrastructure is in place the organization sells parcels to private constructors and non-profit builders, “which commit to construct and sell housing at a maximum price.” The competition for clients helps “control prices and ensure quality.” Builders pass on a “substantial share of

²³ “Payment can consist of cash or of an interest (joint venture) of the landowner” (Ferguson & Navarrete, 2003)

²⁴ “The organization typically pays substantially less than if this land were zoned urban” (Ferguson & Navarrete, 2003)

the great cost advantages created by Metrovivienda resulting from lower land purchase costs, large scale, and quicker development times to homebuyer” (Ferguson & Navarrete, 2003). The cost of a housing unit in 2003 was about 70 minimum legal wages (around US\$9,400), and although these low-income units are aimed at the poorest (in Strata 1) they are not always able to “fulfill the payments of programmed savings plans that the financial enterprise demand,” they are also not able to get subsidies which are destined for Social interest housing (Rueda-Garcia, 2003).

The Legalization Process

Legalization has been used with more frequency in the city of Bogotá since the 1991 constitution. The constitution grants its citizen the rights to services whether they have a legal title or not (Payne, 2002). According to Aristizabal and Ortiz legalization is the most important intermediate tenure system in Bogotá (2004). Urban Legalization grants “collective tenure rights” even without a formal title. Legalization started out as a simple procedure but since 1996 “it has become a strong collective intermediate tenure form in all settlements of illegal origin,” mainly because Colombian law, National Decree 1052 passed in 1998, required the legalization of all illegal neighborhoods created before that year. But even after the law was passed land was still being illegally developed, therefore in 2002 a new Decree 1379 was issued which allows legalization for any illegal subdivision (Aristizabal and Ortiz, 2002 and 2004). According to Velandá and Borbon (2003) the City had legalized a total of 870 neighborhoods between 1950 and 1994 and a total of 709 between 1995 and 2002, an almost 81% increase²⁵.

²⁵ Translated by author

According to Aristizabal and Ortiz (2002 and 2004), Bogota has defined a new framework that grants coverage to all the settlements that need urban legalization. The way it works is as follows:

- Urban legalization may be initiated by the city planning office, the community, the one who disposes, “el enajenador” or the landowner.
- An Urban Plan needs to be submitted to the planning office with areas, topography and plot subdivisions.
- The planning office tries to locate the pirate developer so they can define the plot boundaries and original title. Plot boundaries are defined at the same time as the assessment of property tax.²⁶
- Communal areas provided as public space must be related with the housing units.
- The person responsible for the legalization may commit themselves, independently of the landowner, to hand over to the city areas that will become public space.
- Environmental reserve areas and areas for infrastructure will not be recognized as private.
- The utility companies may offer temporary services to communities, as soon as the urban legalization starts.
- Over time the neighborhoods become consolidated and develop all the necessary infrastructure and roads. Not all dwellers will have title by the end of the process they just have legal access to services and infrastructure.

For the community the property tax assessment is very important because they want to pay this tax²⁷, even without title, because they see it as a way to legitimize their property and gain tenure security (Aristizabal and Ortiz, 2002). One area that the community has problems legalizing is sewage and drainage. In order for the water

²⁶ “Bogotá’s authorities are very interested in the assignment of nomenclature, because at this point people begin paying property tax” (Aristisibal and Ortiz 2002)

²⁷ Property taxes in Bogota are designed progressively which means low-income families are paying low or no taxes.

company to bring in sewage and drainage the whole neighborhood must be a part of company's annual investment and sometimes many residents will not want to become part of it because they don't want meters and monthly bills (Aristizabal and Ortiz, 2002). Legalization is important not only to acquire services but to gain tenure security for its residents.

Urban legalization has become the upgrading tool used in Bogotá due to the national governments laws and decrees. Bogotá has been made to comply with the national law by providing services to the urban poor who reside in pirate subdivisions, with no legal title to the land. The city incorporates the illegal subdivisions into the infrastructure network through legalization and is able to provide the residents with better living conditions.

This research will further explore the benefits of legalization by examining what kinds of affect it has on land values. It will compare the land value trends in formal neighborhoods and informal neighborhoods and analyze the information to see what can be derived from it. The second part of the research will further use the data results to analyze land titling and legalization.

CHAPTER 3 METHODOLOGY

This chapter describes the methodology used to assess legalization and land value in Bogotá D.C., Colombia. The study is a comparative analyzes on the affect of land value on formal zones and legalized zones. A two-prong investigative strategy approach¹ was used to analyze the study area. The first approach is to make a community assessment by looking at zone characteristics, demographic information, and any policy history pertaining to the area. The second approach is a quantitative property value impact analysis to ascertain what kinds of affect legalization had on land value.

This research hopes to achieve the following objectives:

- To evaluate whether selected zones are comparable.
- To examine how the market affects land values in legalized and formal neighborhoods.

The research will seek to achieve these objectives by first using Geographic Information systems to locate the neighborhoods and then evaluating the zone characteristics to determine whether the zones are comparable. For the second objective the study will use residential land values for the legalized and formal neighborhoods to examine what kinds of trends exist.

The City of Bogotá was selected because, based on the literature, it has used legalization as the method to upgrade illegal subdivisions and improve the lives of the urban poor. The city also sees legalization as a form for residents “to secure not only

¹Based on the three prong approach by Galster, Santiago, Smith and Tatian (1999). Their approach was based on community assessment, quantitative property value impact analysis and focus groups. Since this research did not conduct a focus group analysis the three- prong approach was converted into a two-prong approach.

the responsibilities but also the rights of original owners and developers, just with defacto security supported by Colombian Laws” (Aristizabal and Ortiz, 2004).

Legalization is an important tool, for the city, in order to provide services and infrastructure to illegal communities that are living in substandard conditions.

Legalization programs are being used more and more specially since the 1996 and 2002 Colombian Laws requiring the legalization of all illegal subdivisions.

The study area that was selected for this research is located in the south of the City of Bogotá. The Southern residential area was selected because it is where the urban poor are located and where legalization programs have occurred. The residents in this area are families living in strata 1, 2, and 3. The Southern residential area also contains both formal and legalized zones which is essential for the comparison part of the research. The zones for the study were selected based on three criteria's location, economic level or socio-economic strata, and status of neighborhood. The legalized zones are located within the localities of San Cristobal, Usme, Bosa, Kennedy, Rafael Uribe, and Ciudad Bolivar.

The data, used for the study, was taken from “Valor de Suelo Urbano en Bogotá 2005” (Value of the Urban Land in Bogotá 2005) a real estate report done every few years to track the percent increase of land value in different areas of the city. The report does a study of Commercial, Industrial, and residential land values by looking at zones within each locality of the city. For the purpose of this study only the information on the Southern Residential Areas is of any relevance because it is looking at urban legalization. The report contains characteristics of each zone and also land values for each zone which are used in the study in order to evaluate the legalized and formal

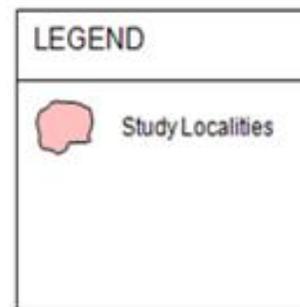
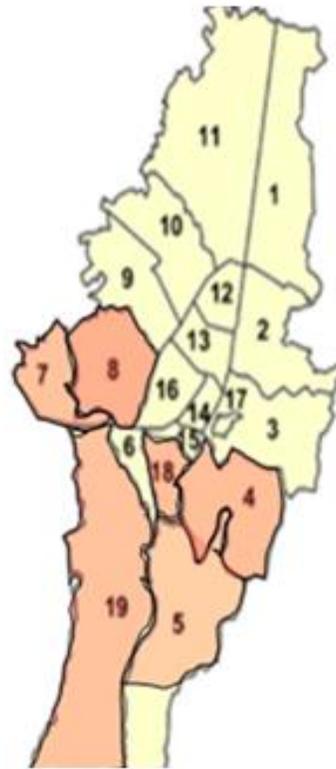
areas. The parcel data, which is explored using GIS, contains the information needed to achieve the objectives of the research. The information that will be used is land values, density, location (in terms of locality), legalized parcels (with date of legalization), and economic strata.

The steps taken to identify the study zones, using GIS, are as followed:

1. Locate all residential areas in order to separate the residential zones from the other two types (commercial and Industrial).
2. Locate low-income and middle low-income neighborhoods by classifying the zones based on socio-economic levels.
3. Locate legalized zones and formal zones.

The area that was chosen for the Study was the Southern Residential Area because it contained two essential parameters, low-income and legal and formal zones. Based on the selection the next step was to locate the land values for each zone in order to be able to make the comparisons.

This study is looking at the low-income to middle low-income populations within a specific location of the city. The research will analyze what is going on in the land market of the chosen zones and what conclusion can be derived from the results.



LOCALITIES:

- | | | | |
|------------------|---------------|--------------------|--|
| 1. Usaquén | 6. Tunjuelito | 11. Suba | 16. Puente Aranda |
| 2. Chapinero | 7. Bosa | 12. Barrios Unidos | 17. La Candelaria
(Historic Center) |
| 3. Santa Fe | 8. Kennedy | 13. Teusaquillo | 18. Rafael Uribe |
| 4. San Cristóbal | 9. Fontibón | 14. Los Mártires | 19. Ciudad Bolívar |
| 5. Usme | 10. Engativá | 15. Antonio Nariño | 20. Sumapaz (rural) |

Figure 3-1. City localities and study area. [Adapted from Wikipedia. <http://es.wikipedia.org/wiki/Bogot%C3%A1>. Last accessed August, 2011]

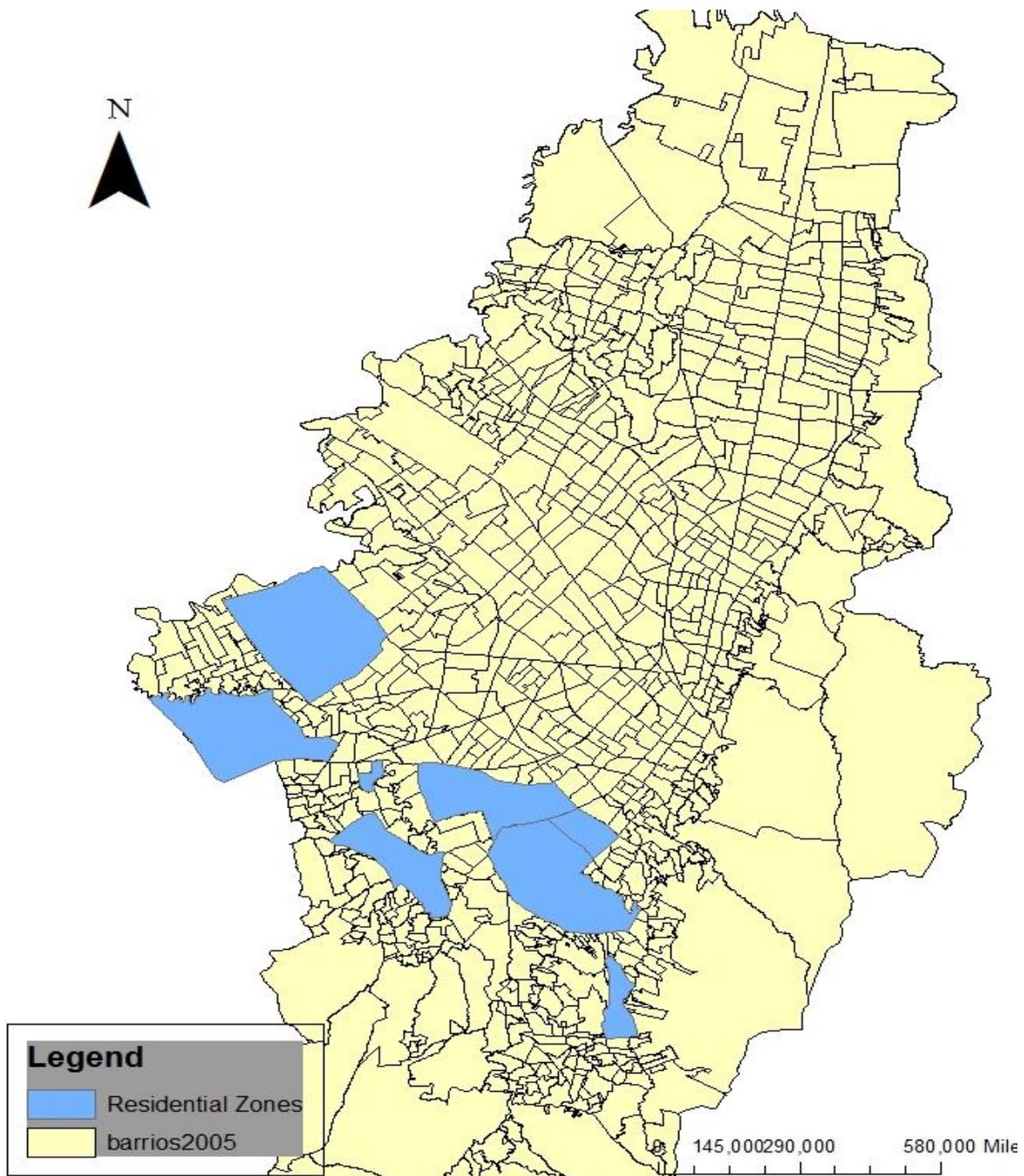


Figure 3-2. Study area (Southern residential zones)

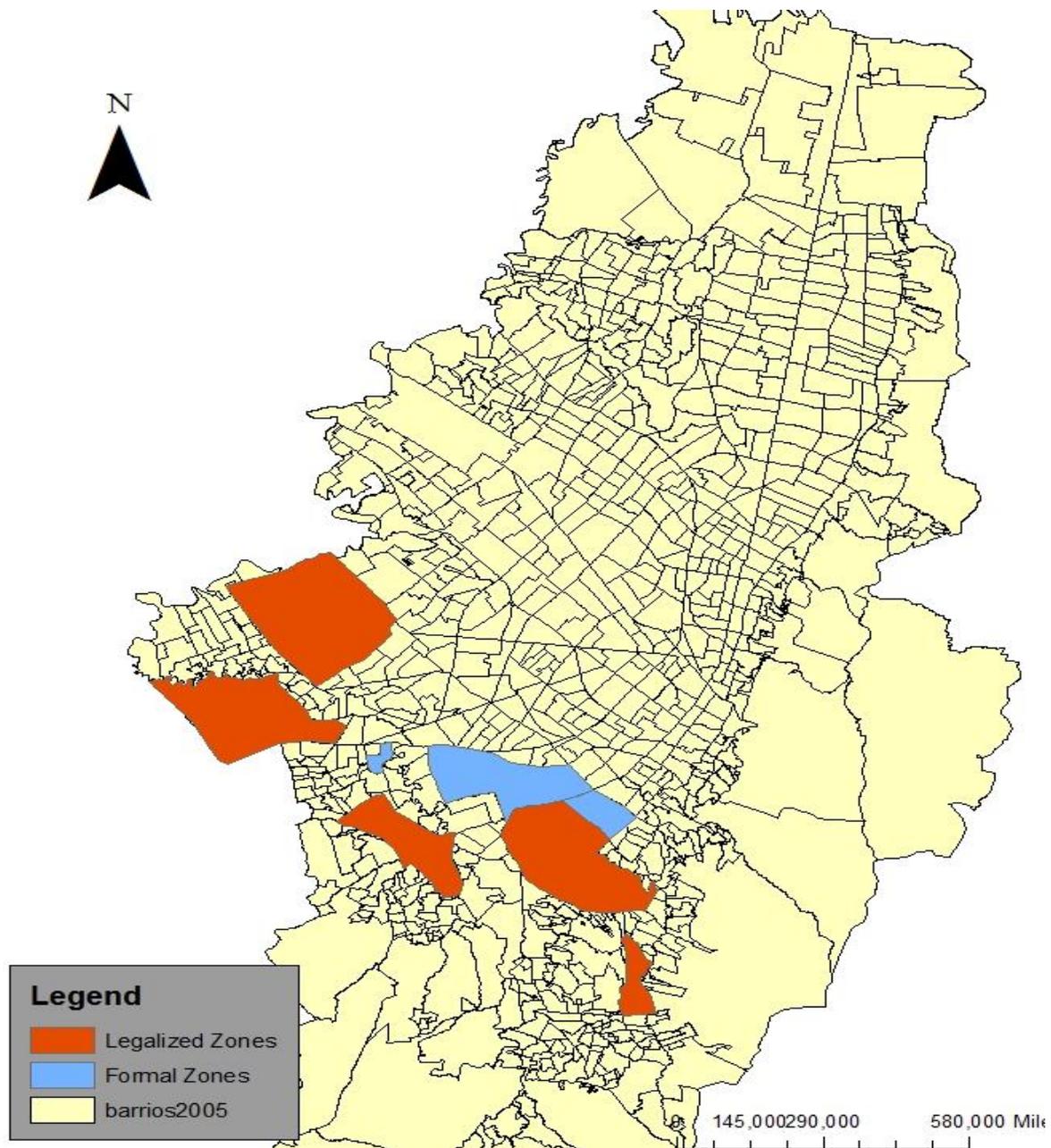


Figure 3-3. Location of legalized and formal zones

CHAPTER 4 DATA ANALYSIS AND RESEARCH RESULTS

Context of Illegality in Bogota D.C.

Understanding illegality requires an understanding of the people who reside in these illegal subdivisions. A survey conducted by the Alcaldia Mayor de Bogota collected data on residents owning or renting plots in eight localities where informal settlements are located in the city. The survey results give a better comprehension on what the residents are like and how they feel about their surroundings. The survey data was compiled to understand the population living in illegal subdivisions and their satisfaction with their homes in these locations. Using the results from the survey this research can understand why people choose to purchase in these areas and why it is necessary to implement legalization programs. The data¹ was not discussed in the methodology because only some results will be used to determine what is going in the neighborhoods and it is not under study but it is being used as background information on the population in these localities.

The survey was of 360 people living in the localities of Usaquen, Chapinero, San Cristobal, Bosa, USME, Kennedy, Suba, and Ciudad Bolivar. The information that will be looked at will be mainly demographic data in order to determine the makeup of the population. Based on the results, 60% of families living in these localities are earning up to 1 SMMLV (Salario Minimo Mensual Legal Vigente or Current Minimum Monthly Legal Salary) which means they are the poorest of the poor. Most of the residents have migrated from outside the city, according to the results 70% came from outside and only 30% are locals. The reason that people are migrating is to find jobs in the city or to

¹ The data results of the information used for the research are located in Appendix E.

reunite with families, 64% said that they migrated to Bogotá because of lack of work in their place of origin and 19% to reunite with their families. One interesting result was that the majority of residents arrived more than 26 years ago (28%) which with a rapidly urbanizing country it would have been expected that the percentage would have been higher with less years of arrival. One important question that was asked was why they relocated to the current site? And the reason the majority (45.6%) of the respondents gave was that they relocated for cost reduction. The respondents are looking for cheaper places to live and that prompts them to move. The second biggest percentage moved (30.5%) because of location of jobs.

Based on the results discussed above it is of importance to point out that the information is very relevant to the literature. In terms of what makes people relocate to the city and why they choose to purchase or rent in places of illegal standing. In the end it all comes down to economics people migrate to the city for economic reasons and the only reason they move, once they have arrived, is in order to find jobs and places to live that they can afford.

Characteristics of the Selected Zones

In order to examine the data of legalization and land value the two prong structural analysis will be used. The first-prong discusses the community assessment analysis and the second prong the quantitative property value impact analysis. The community assessment analysis will look at the characteristics of the zones that were selected to determine if they are comparable.

In order to properly analyze the data a table was created with certain characteristics for the different zone IDs, see Table 4-1 and 4-2 for a detailed description. The Zones that were selected, see Figure 4-2, for the study are Zones 83,

84, 85, 90, 91, 93, 94, 95, and 96. The characteristics that were used are type of dwelling, type of tenure, floors, level of development, legal status, accessibility, transportation routes, urban infrastructure, road status, and interior finishes. The table does contain descriptions for problems, finance and other but it was not used as part of the comparison. Zones 83, 84, 85 and 90 are considered formal neighborhoods because they did not have illegal subdivision origins and residents have property titles to their land. Zones 84, 85 and 90 from now on will be referred to as the formal zones. They are self-help housing of middle low-income strata (strata 3) and are older developments of more than 25 years. Zone 83 has a different origin because it was a planned neighborhood under the Alliance for Progress in the 1960s, it is the most traditional popular zone in the city. Although it is located in the Southern Residential Zones it will not be part of the data analysis because its origin is too different from the other zones. Zone 84 is made up of single family dwellings built through self-help housing, it is a very old development but there is no specific date available to when it was first developed. This zone has favorable accessibility and numerous public transit routes, it also has good urban infrastructure and the road network is in fair conditions. Zone 85 is made up of single and multi-family dwelling built through self-help housing. This zone had a little of a different origin than the others because it was developed by organized builders but still self-help housing. It was consolidated 25 years ago and has limited accessibility and transportation routes but this is expected to improve with the opening of the massive transportation system of TRANSMILENIO. In terms of road status the internal roads have good continuity but several sectors are in bad states due to lack of upkeep. Zone 90 is also made up of single-family dwellings built through self-

help housing. It has favorable accessibility and TRANSMILENIO has had a positive influence in terms of transportation routes. The local road network is also in good condition and has good continuity. The formal zones all are made up of self-help housing and tend to have favorable accessibility and good internal roads.

Zones 91, 93, 94, 95 and 96, which will be called the legalized zones, tend to be multifamily dwellings with self-help housing of clandestine development or pirate urbanization. They also consist of very poor households and are called Popular Periphery Residential Areas because they are the lowest-income strata. Zone 91 began as a clandestine development though self-help housing more than forty years ago, in recent years it has gone through legalization and regularization programs and has been able to acquire some basic services. Zone 91 also has limited accessibility due to the topography of the area, but the available arterial roads have been improved by the TRANSMILENIO system (public transportation bus system) and there are numerous public transportation routes available. Zone 93 is also a clandestine development made up of self-help housing. There is no specific date available for when it was developed but it shares other characteristics with the other zones. It has gone through legalization and has acquired some basic services and its roads and public transportation routes have improved since the intervention. Zone 94 is more than twenty years old and it also a clandestine development made up of self-help housing. This zone has gone through legalization which has brought services and infrastructure to the area. It has limited accessibility due to the topography and few arterial roads but the roads have improved significantly due TRANSMILENIO. Zone 95 does not have a recorded year of when it was first developed but it is a clandestine development made up of self-help housing. In

recent years many of the neighborhoods have entered legalization programs which have improved the supply of some basic services but there is still insufficient cover by these services. It has limited accessibility due to congestion in the arterial roads. One positive is that the arterial roads are being conditioned for TRANSMILENIO. The urban infrastructure has been positively influenced by the development of large government housing programs for VIS and priority housing promoted by Metrovivienda. The roads lack pavements and houses have common interior finishes and are incomplete. Zone 96 does not have a recorded year of development but it is also a clandestine development made up of self-help housing. It has gone through legalization and upgrading of infrastructure which has improved the conditions of roads and access to public services. The interior finishes are minimal and incomplete and has large areas in subnormal conditions.

Through the legalization process all of the legalized zones have been able to acquire some basic services and infrastructure. They have limited accessibility and the arterial roads are in the process of being improved. The legalized zones have few or no paved roads. They also have common and incomplete interior finishes. All of the zones have been intervened by the District Administration which has improved the urban infrastructure. Although there are many differences in terms of the level of infrastructure and status the formal and legalized zones are comparable because they are all self-help housing in the low-income strata's located within proximity of each other and have experienced legalization in recent years or in previous decades.

Table 4-1. Characteristics of formal zones

	Zone 83-Kennedy-Timiza	Zone 84-Sur Occidente	Zone 85-Madelena	Zone 90-Suroriente 1
Dwelling	Single and Multi Family	Single Family	Single and Multi Family	Single Family
Type of construction	Planned	Self-help housing	Developed by organized builders of middle low-income strata. (strata 3)	Self-help housing
Floors	Five and Seven Feet	One to three	Two, three and up to five	Up to three
Developed	Most traditional popular zone in the city. Developed in 1961. Timiza Developed in 1966	Very old development	Consolidated 25 years ago.	Consolidated in 1960
Status	Formal	Formal	Formal	Formal
Accessibility	Favorable- due to the arterial roads that serve it like avenue 68, Americas, 1 de mayo and boyoca	Favorable- it is served by arterial roads like Avenue 1 de Mayo, Boyoca, Autopista de Sur and Avenida Caracas	Limited- it only has Autopista Sur for direct access (oriente-occidente)	Favorable- It is served by important City arteries like 13th avenue, Roads 7A, 10A and 13 and road 20th south. Roads in good state
Transportation Routes		Numerous public transit routes. With transportation routes from TRANSMILENIO	It is expected that conditions will improve with the opening of the massive transportation system of TRANSMILENIO	The TRANSMILENIO system on the avenue Troncal De las Caracas has had positive influence in central residential areas.
Urban Infrastructure		Matatigres--an intersection was built that decongested and gave access to vehicle transit to these neighborhoods.		
Road Status		Internal road network are in fair condition.	Internal roads have good continuity but several sectors are in a bad state of conservation.	Local road network in good condition and good continuity.
Interior Finishes				

Table 4-1. Continued

	Zone 83-Kennedy-Timiza	Zone 84-Sur Occidente	Zone 85-Madelena	Zone 90-Suroriente 1
Problems	Delivered incomplete housing, were severely criticized. The urban and architectural designs were not suitable. Timiza was the response to the negativity by having a distinguished group of professionals in charge of the project.			
Finance	Initially funded by the Alliance for progress.			
Other	Operated like a research laboratory in diverse methods of construction.			

Data Source: Lonja de Propiedad Raiz Bogota (2005). Valor de Suelo Urbano en Bogota

Adapted by author

Table 4-2. Characteristics of legalized zones

	Zone 91-Suroriente 2	Zone 93-Patio Bonito-Britalia	Zone 94-Suroriente 3	Zone 95-Bosa Residencial	Zone 96-Sur Occidente 2
Dwelling	Multifamily	Multifamily	Multifamily	Multifamily	Multifamily
Type of construction	Clandestine development. Some invaded lands. Self-help housing	Clandestine development. Invasion and pirate urbanization. Self-help housing	Clandestine development, some invaded land. Self-help housing	Illegal development. Invaded or pirate urbanization. Self-Help housing	Clandestine development. Invaded or pirate urbanization. Self-help housing
Floors	up to three	one to three	one to three	one to three	one to three
Developed	More than forty years.		More than twenty years		
Status	Recent year's legalization and regularization programs. Have Acquire some Basic Services.	Many of the neighborhoods have been part of legalization programs, have acquire some basic services	Legalization and regularization programs. Have acquired some public services.	In recent years entered legalization programs. Improving some basic services.	Legalization and upgrading of infrastructure are due to programs advanced by Bogota's Mayor's office
Accessibility	Limited- Has few arterial roads and because of the topography of the area.	Access and transportation have improved. Due to the recovery and maintenance of the arterial roads.	Limited- due to few arterial roads and the topography of the area.	Limited- due to present congestion in arterial roads (Bosa avenue, Agoberto Mejia and Autopista sur)	Limited- due to deficient infrastructure. It has numerous public transit routes.
Transportation Routes	Improved with TRANSMILENIO system. Numerous public transportation routes.	Positive Influence from Portal De las Americas and complementary projects.	Improved significantly with the implementation of new services by the Troncal TRANSMILENIO	Arterial roads being conditioned for the transit system of TRANSMILENIO	

Table 4-2. Continued

	Zone 91-Suroriente 2	Zone 93-Patio Bonito-Britalia	Zone 94-Suroriente 3	Zone 95-Bosa Residencial	Zone 96-Sur Occidente 2
Urban Infrastructure	The urban infrastructure has improved due to the intervention that the Administracion Distrital has advanced.	The urban infrastructure has improved due to an intervention by the Administracion Distrital (District Administration).	Urban Infrastructure, minimum in the majority of this zone, Improved with intervention by Administracion Distrital.	Positively influenced by development of large housing programs, VIS and Priority housing, Promoted by Metrovivienda	Minimal urban infrastructure in the majority of the zone. Improved with intervention by Administracion Distrital.
Road Status	Supports public transit.	Lacks paved roads.	Few arterial roads	Lacks paved local roads	
Interior Finishes	Common interior finishes and incomplete	Common interior finishes and incomplete.	Common interior finishes and incomplete.	Common interior finishes and incomplete.	Minimum interior finishes and incomplete.
Problems				Numerous problems derived from its subnormal character and precarious habitable conditions (insufficient cover of public services and lack of paved roads).	Large areas in subnormal conditions. (Average prices assigned to the zone, correspond to the more developed areas, in a more complete urban condition. Excludes sectors not urbanized or semi-urbanized).
Finance Other					

Data Source: Lonja de Propiedad Raiz Bogota (2005). Valor de Suelo Urbano en Bogota

Adapted by author

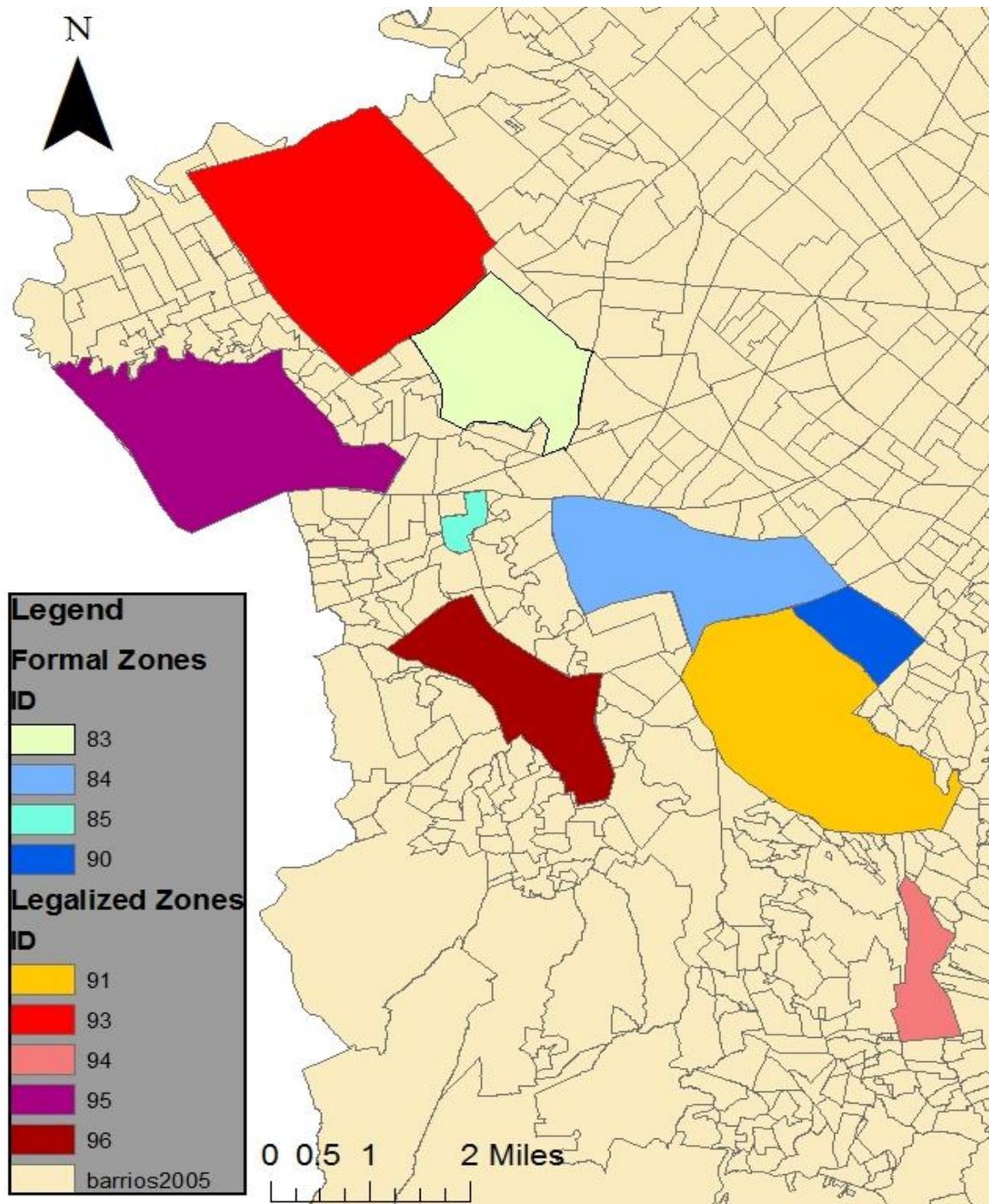


Figure 4-1. Zone ID's

Using GIS the study was able to further explore the characteristics of the zone. Figure 4-2, shows all the legalized neighborhoods of the city according to when the legalization process took place. Based on the map it can be seen that most of the legalization programs took place in the 1990s which is the same trend that can be seen in Figure 4-7 of the study zones. GIS was also used to see if the formal and legalized zones were comparable in terms of density and socio-economic strata. Figure 4-3 shows the density for both legal and formal zones and based on the results both zones are comparable, they have similar densities. The legalized and formal zones have density levels from 0 to 82.53, the colors brown and orange on the map. Both zones are also comparable in terms of socio-economic stratas. The legalized zones have families from economic stratas 1 and 2 and formal zones have families from economic strata 2 and 3. Although the formal zones are comprised of mainly strata 3 families they are all part of the low-income stratas, so in terms of socio-economic comparisons the two study areas share a similar economic background. The zones in terms of density and economic strata are comparable for the purpose of this study.

The characteristics of the legalized zones in terms of number of legalized neighborhoods and when legalization took place is important in order to further understand legalization in the context of these zones and why they were chosen for the study. Figure 4-5 shows the number of legalized neighborhoods per zone and it can be clearly seen that the formal zones don't have legalization programs going on and that legalized zones have a range of 6 to 108 legalized neighborhoods per zone. This shows that the selected zones meet the requirements of the study of having both formal and legalized neighborhoods within the southern region of the city. Figures 4-6 and 4-7 also

give an idea of how many neighborhoods were legalized from 1963 to 2000 in the selected legalized zones. In Figure 4-6 it is seen that in 1996 100 neighborhoods were legalized in the zones and it was the highest number since 1963. Figure 4-7 gives a better understanding of the amount of legalization happening between 1990 and 2000, it is almost 2/3 more than the amount of legalization happening from 1963 to 1990. This shows that legalization was used at a massive scale in the 1990s, mainly as a response to the 1991 constitution. This part of the data analysis described the characteristics of the zones from a detailed description of the different zones to comparing data about the neighborhood in terms of density and socio-economic strata and the legalization process.

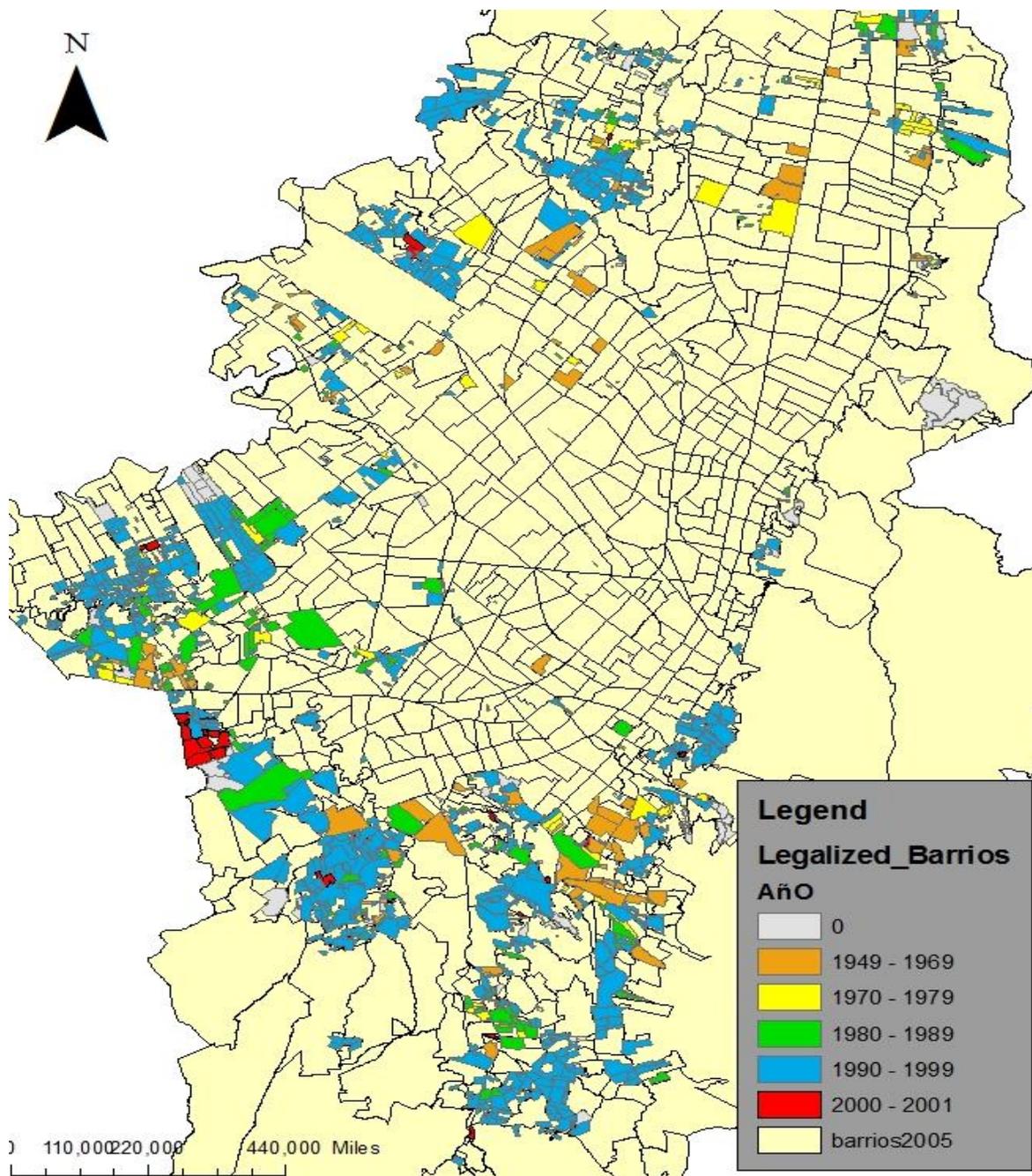


Figure 4-2. Legalized neighborhoods in the City of Bogotá

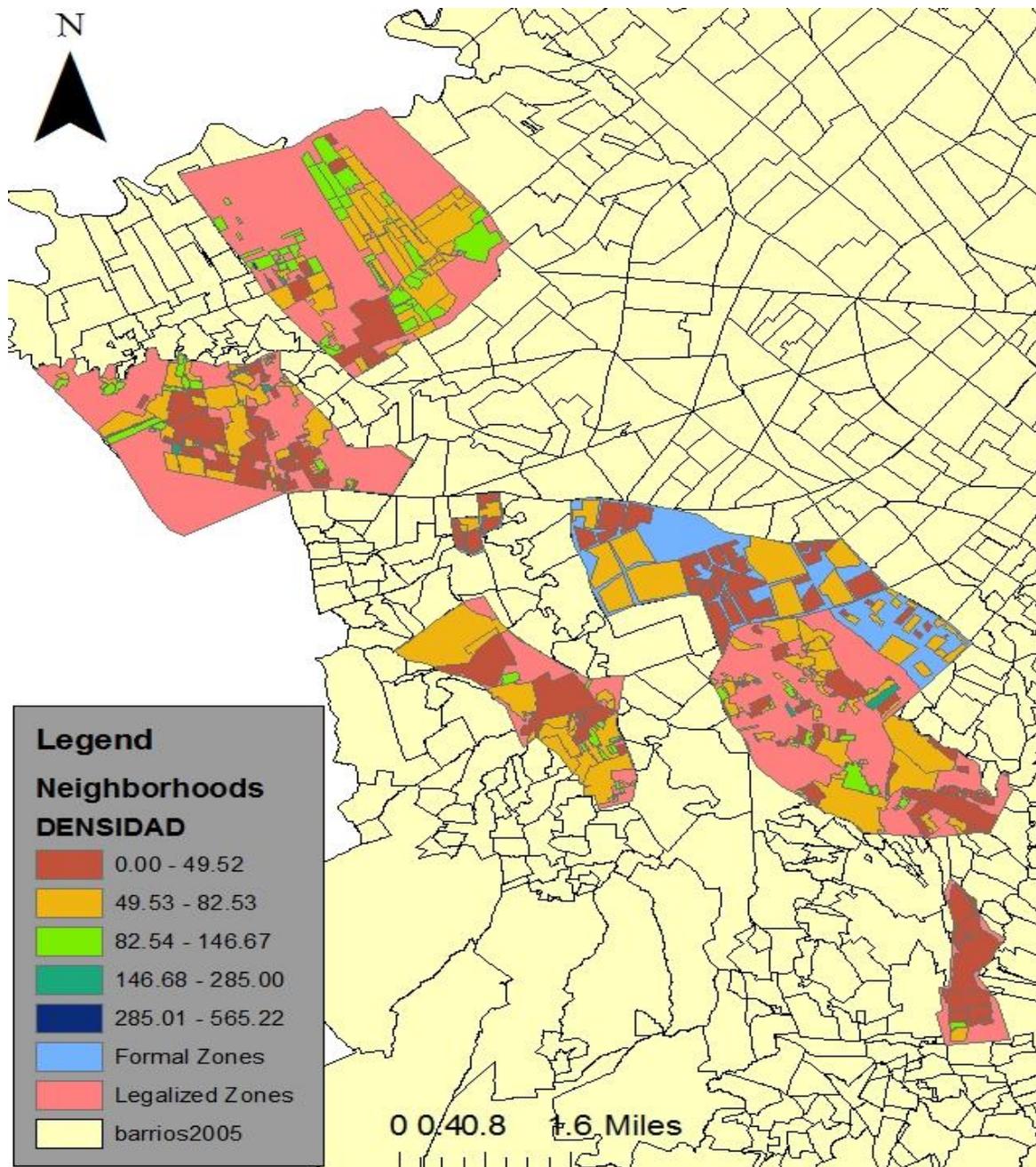


Figure 4-3. Density of formal and legalized Zones

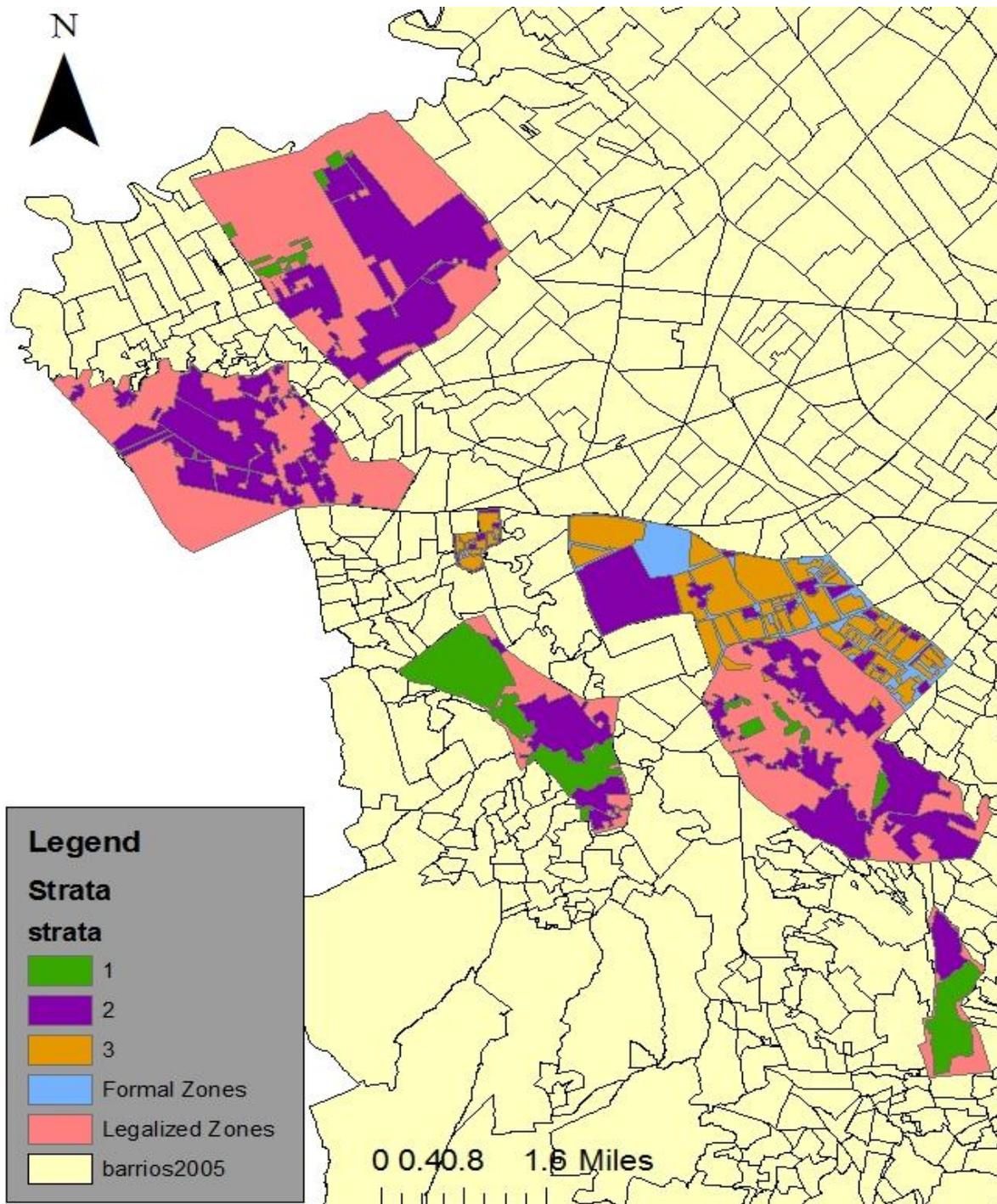


Figure 4-4. Socio-economic strata of formal and legalized zones

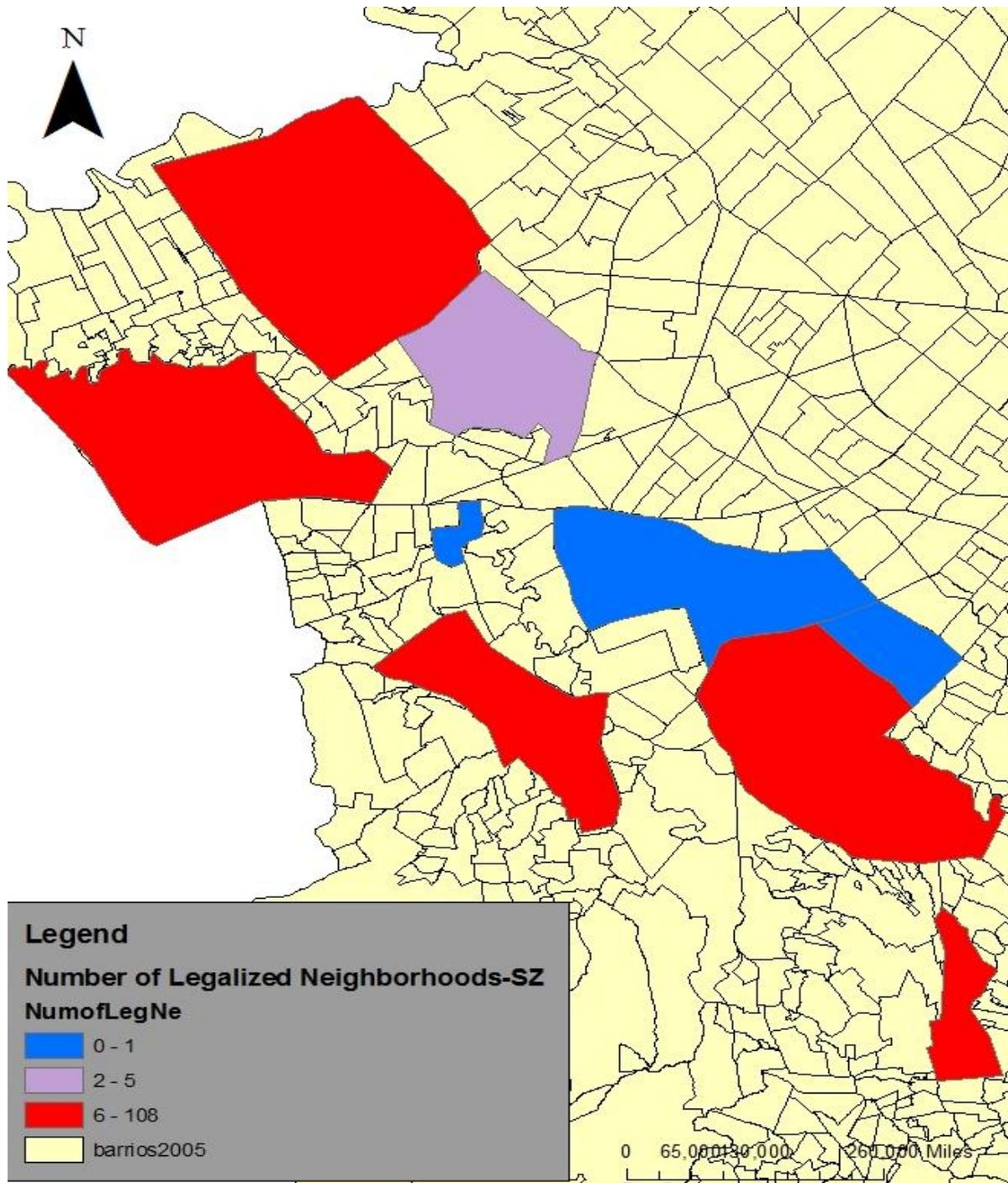


Figure 4-5. Number of legalized neighborhoods per zone

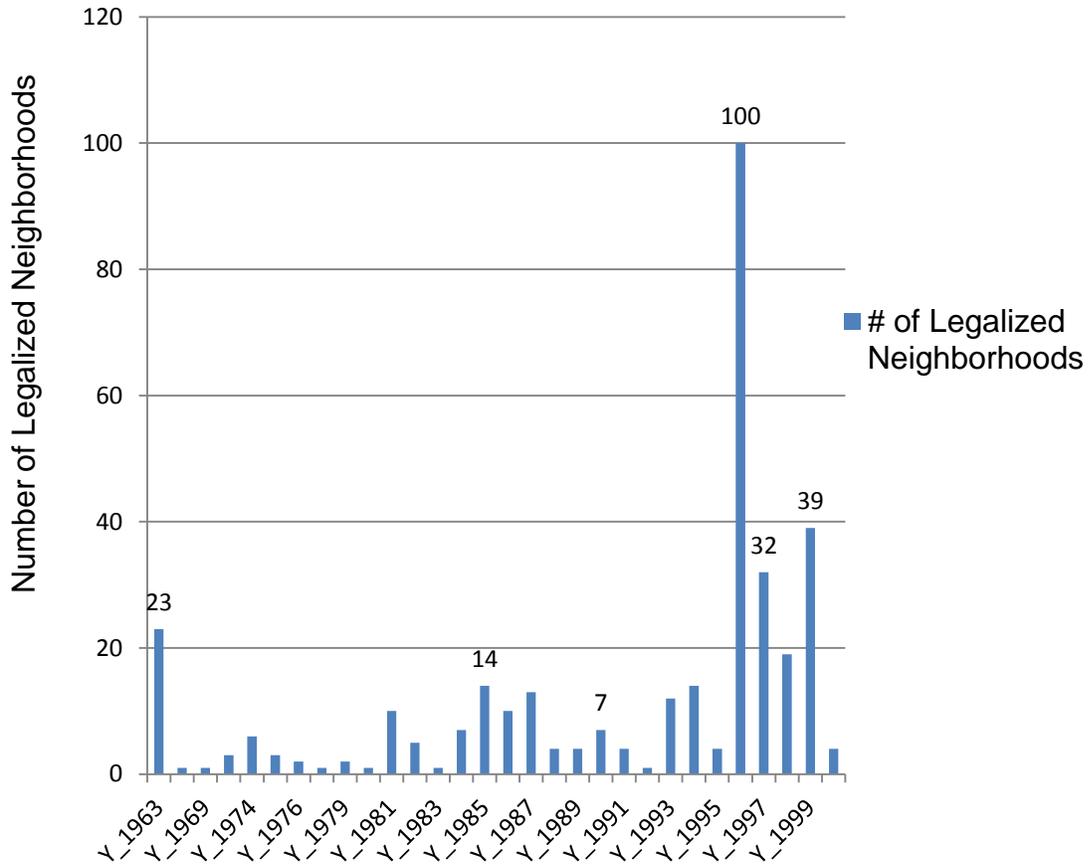


Figure 4-6. Number of legalized neighborhoods in the selected zones

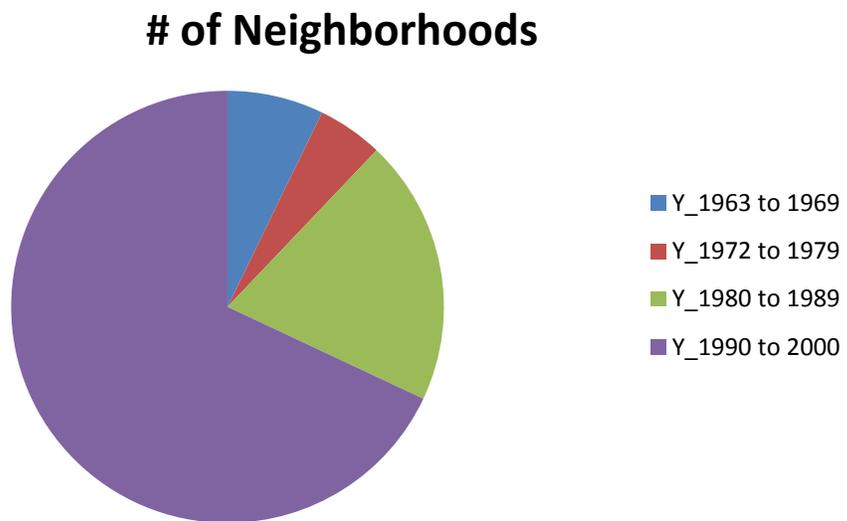


Figure 4-7. Number of legalized neighborhoods 1963-2000 in selected zones

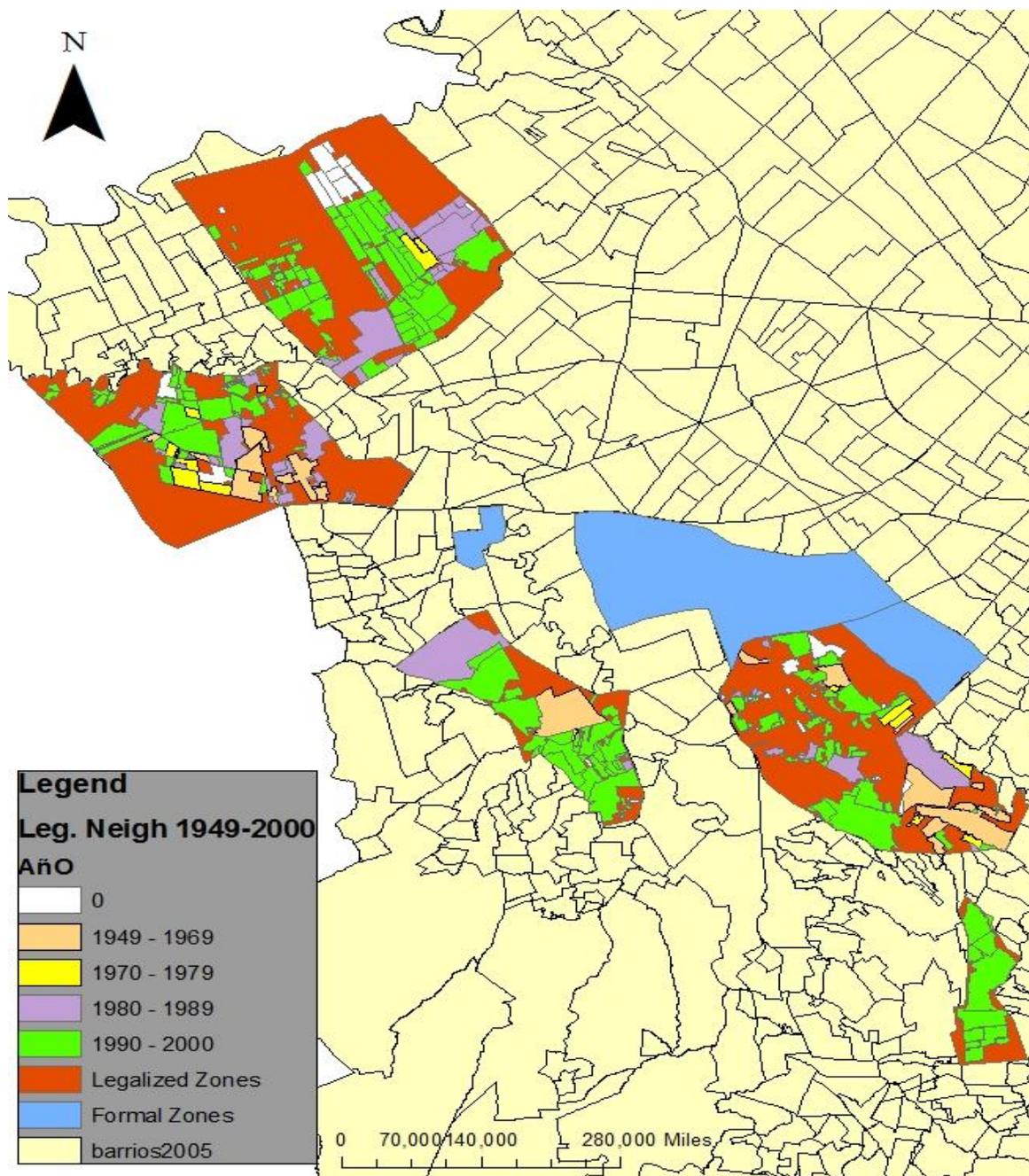


Figure 4-8. legalized neighborhoods from 1949 to 2000

Impact of Legalization on Land Value

The second prong, that of quantitative property value impact analysis, is explored using the data from the Urban Land Value of 2005. The land values that are used are the ones for the formal and legal zones discussed above. The study that collected the data used the land values to find real values and actual rates. Using the land values and graphs the study will explore what kinds of effects or trends are occurring.

Figure 4-9 shows land values for formal and legalized zones from 1990 to 2001. The graph shows that some interesting things were happening between 1990 and 2000 in the formal and legalized areas. There are big dips in the market especially for the formal zones. The data shows that something happened in 1996 and 1997 that made the prices in the formal housing market drop; this can possibly be attributed to what was happening at the global scale. In 1997 there was the Asian economic crisis where many Asian economies were in severe distress and in 1998 the Russian economic crisis followed, which was a result of the Asian crisis (IMF 2011). This crisis had a global affect that was even felt in the housing market of Bogotá. There was a worldwide economic meltdown because there was a drop in consumer spending. This meant that fewer people were purchasing homes and therefore the price of land decreased. Also international companies were reluctant to invest in developing countries economies because the Asian crisis highlighted the risks of investing in these economies (Chung, 2005 and Lozada, 1998). The formal and legalized values seem to follow a similar pattern with the legalized zones always below the formal market but this is to be expected since these markets are still located in the most economically distressed part of the city. The formal market does seem to be having more dramatic ups and downs than the legalized markets. This is due to the fact that formal markets are more

susceptible to speculation; more people are buying and selling according to how the market is doing. There are more transactions occurring in the formal market which makes it less stable and more effected by what is happening in the global and national economy.

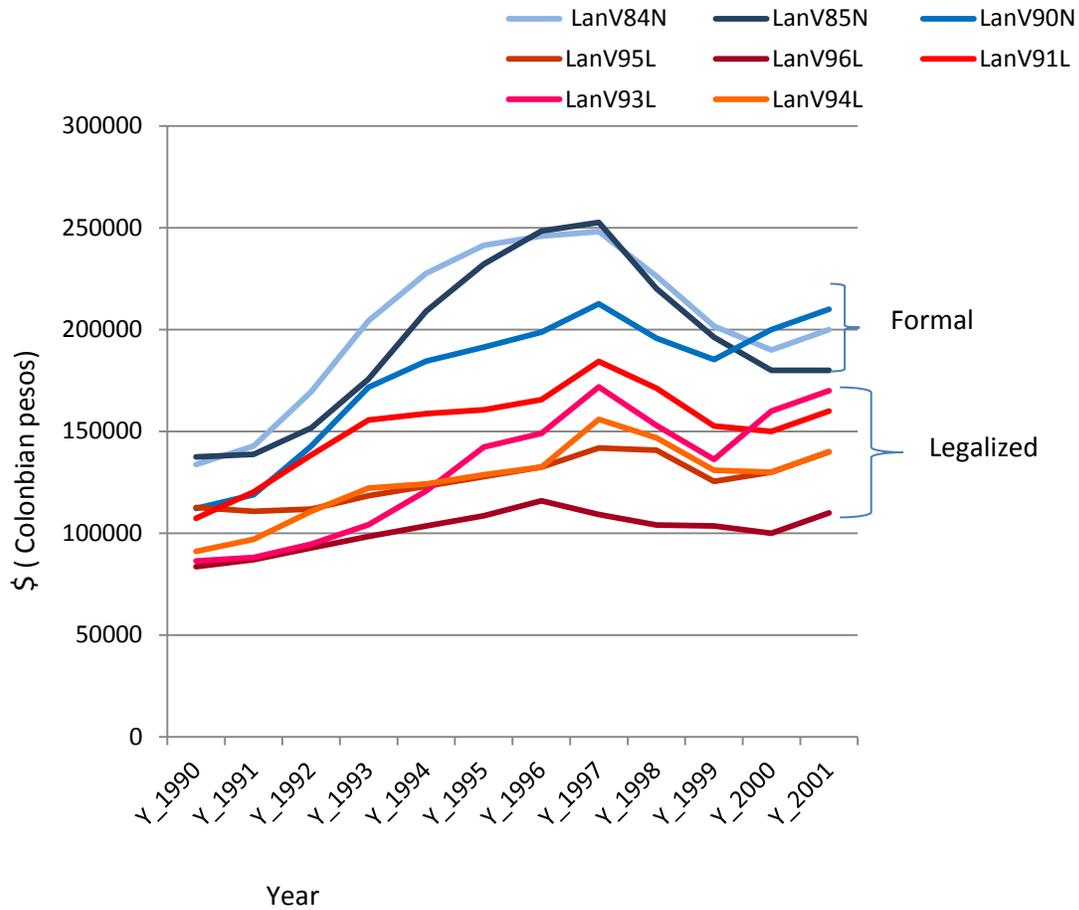


Figure 4-9. Land values for formal and legalized areas from 1990 to 2001

Results

The objective of this research was to examine the land market in relations to the formal and legalized zones and to see what is happening with land value prices in these two areas. In order to achieve this objective it was important to see if the selected zones were comparable. By categorizing and reviewing the zone descriptions it allowed for a better understanding of how the selected legalized zones compared to each other and how the formal zones compared with each other. It was also important to determine if the legalized and formal zones were comparable to each other and by using density and socio-economic strata data it was determined that they shared enough common characteristics.

In terms of the market affects on land value in the formal and legalized zones, the graphs in Figure 4-10 through 4-14 provide a clearer picture on what might be going on. In Figure 4-9, which looks at land values for formal and legalized areas from 1990 and 2001, it shows that formal markets are always above the legalized markets. That is simply because formal markets will have more value than legalized markets due to the history of their origin. Legalized zones have developed in a different manner through illegality and buyers are less likely to want to purchase homes in known economically distressed neighborhoods, unless of course they are redeveloped, which is not the case here. What is more important to look at though is what is going on between 1996 and 2000 between the two zones. In order to further investigate this occurrence the research looks at real value, Figure 4-10, to see what kinds of patterns emerge. It is shown in the graph that the formal zones (ones in blue) are going up and down steeply while the legalized zones are slowly going up. In comparison the legalized zones are more flat while the formal zones have steeper curves. This can be because the formal market is

more susceptible to the market in terms of speculation; people are buying and selling more frequently in the formal market versus the legalized market. Which may point to the fact, that resident in legalized neighborhoods will be less likely to want to sell and relocate, in fact according to Velandá and Borbon (2003), “ a significant number of families, even if they receive offers of a new home, will not leave their current homes⁴⁰.”

Figures 4-11 to 4-14, further investigate the phenomenon by looking at actual rates for the zones and the average actual rate for the legal and formal zone. Figure 4-11 and 4-12 (using actual rates of growth) further shows that legalized neighborhoods are less likely to be affected by the market; the rate goes up and down with some exceptions, zone 93 has a steep decline but recovers quickly. But in comparison the formal market has steep drops and recovers more slowly. Figure 4-14, which shows the average actual rates of growth for the two zones, has very interesting trends going on. Before 1996 the formal zone is above the legalized zones and then in 1996 to 2002 the lines switch and the legalized zones are above the formal zones. This is very interesting because it shows the effect that government intervention has on land values. According to Velandá and Borbon (2003) the government intervenes in the informal sector when the formal market is in crisis in order to stimulate the economy. One of the reasons may be because during economic hardship the ones most affected are the poor. Also by upgrading informal areas they are creating jobs in the construction sector which will help stimulate the economy.

⁴⁰ Translated by author

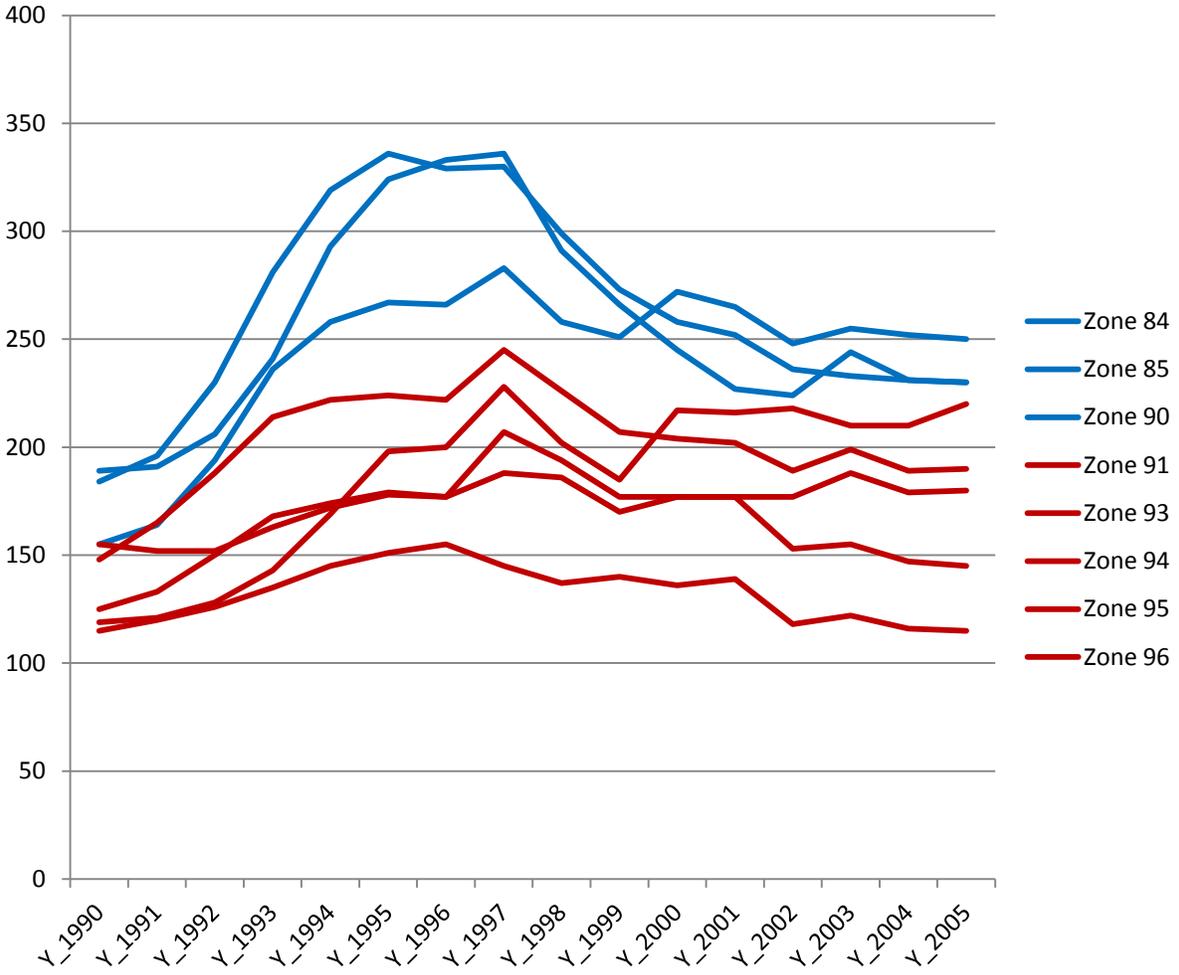


Figure 4-10. Real value

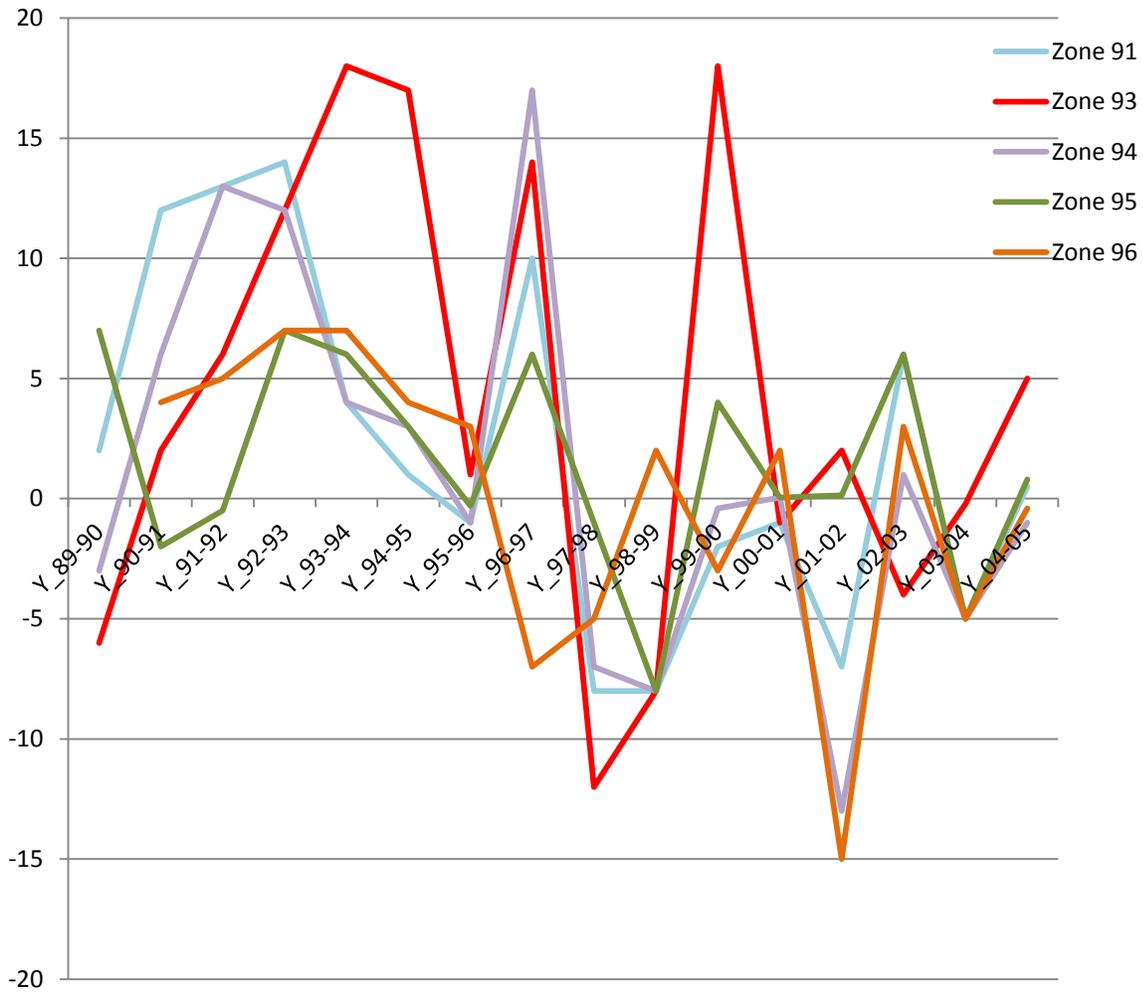


Figure 4-11. Actual rate of growth for legalized zones

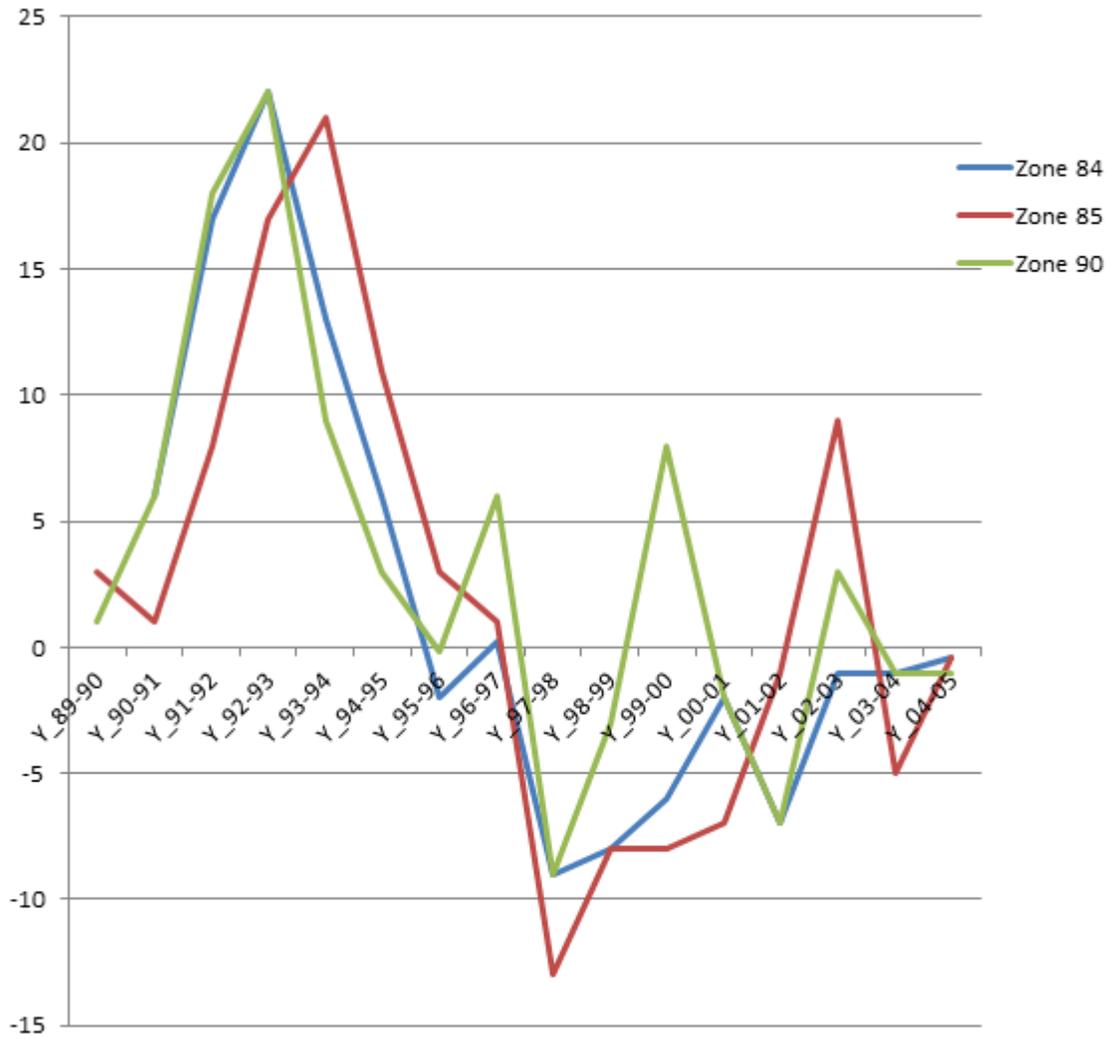


Figure 4-12. Actual rate of growth for formal zones

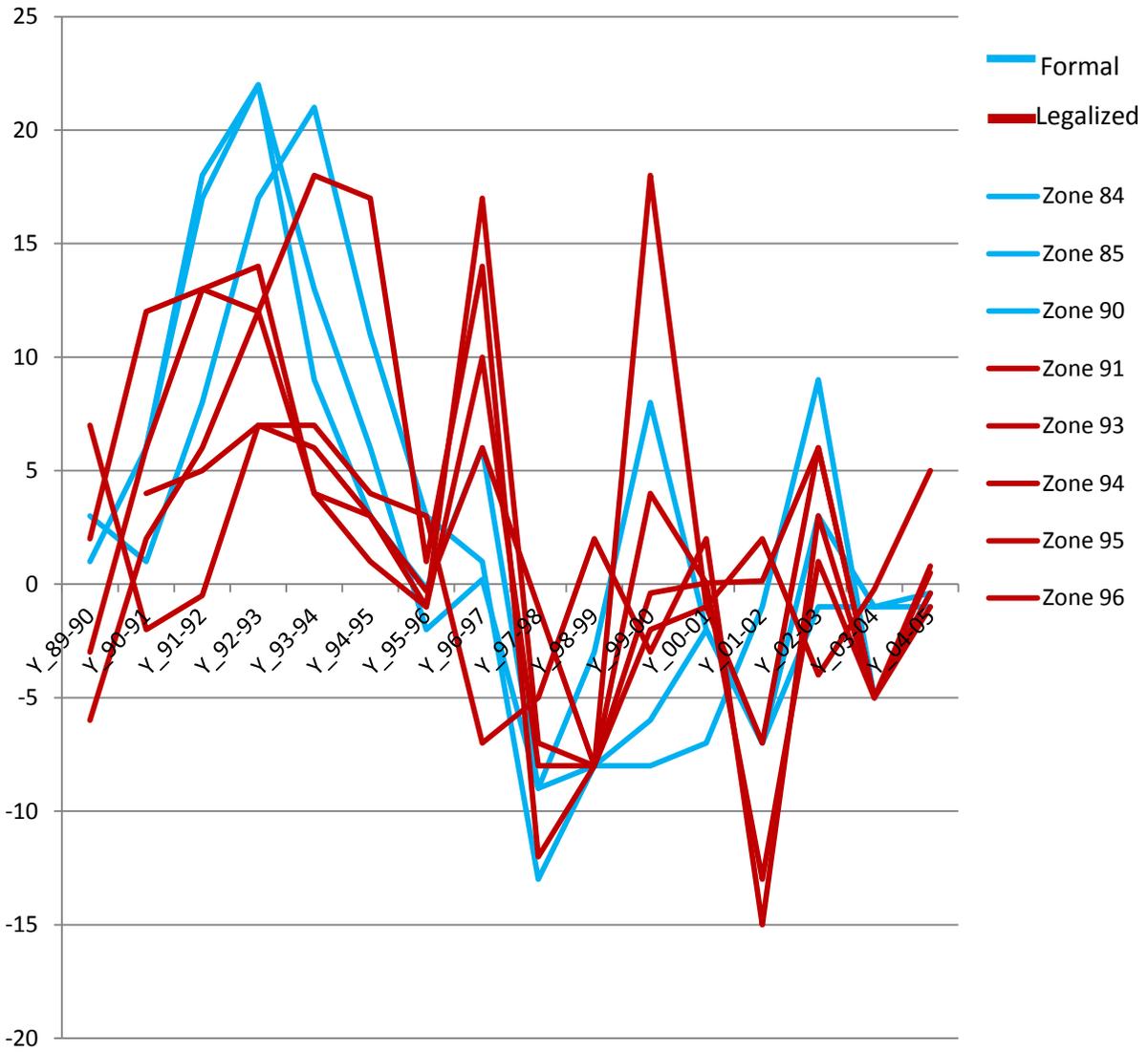


Figure 4-13. Actual rate of growth for formal and legalized zones

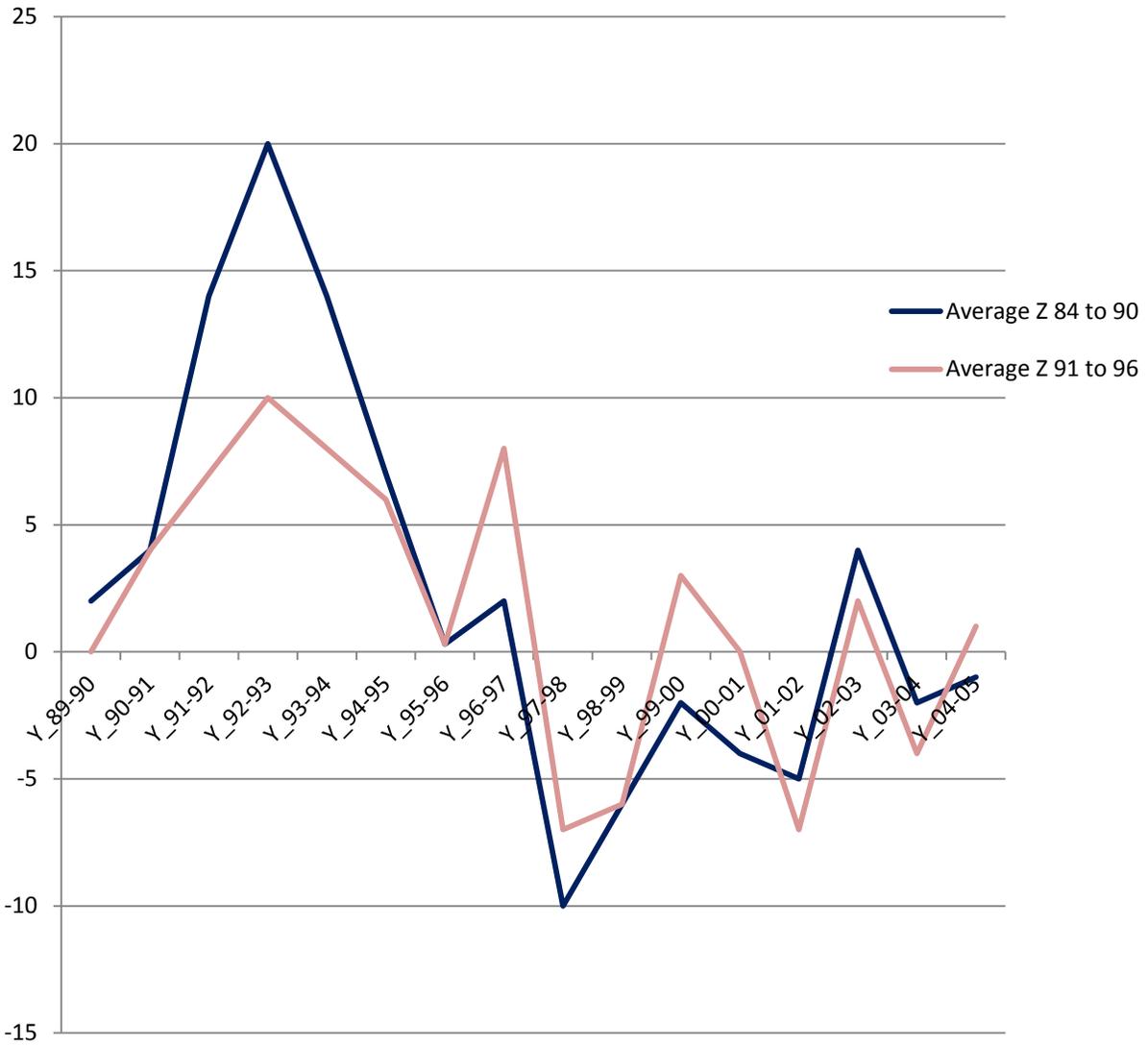


Figure 4-14. Average of actual rate of growth for legalized and formal zones

Concluding Statements

In conclusion some interesting patterns that were observed in terms of land value and legalization zones is that it seems that the land value in legalized zones will always be of lesser value in comparison to the formal zones land values. People with the means will not purchase homes in neighborhoods that are known to have an illegal origin. The second pattern that emerged was that the market had less of an effect on land values in legalized zones versus formal zones, mainly due to the lack of speculation in legalized zone. This shows that there are more transaction occurring in the formal zones and therefore it is more sensitive to the market. Therefore the legalized market will have fewer ups and downs because there is not as much buying and selling going on.

CHAPTER 5 CONCLUSION

Legalization is an important tool that the City of Bogotá is using in order to bring people living in the urban fringe into the formal city. It provides families living in substandard conditions, access to important services and infrastructure. It is important to mention that legalization has become the method of upgrading in Bogotá mainly because the 1991 Constitution makes it a right for citizens to have access to adequate water, sewage, and infrastructure. Therefore titling programs would not be the answer, because those programs only give titles and not services.

Benefits of Legalization

The literature showed that many countries pursue titling programs, either because of international organizations like the World Bank or IMF or because they believe it will bring access to credit. The debate on titling was discussed in the literature and many authors argued against each point that is made by land title proponents. They discussed how titling does not bring the economic benefits to informal settlements that De Soto first concluded. Legalization offers an alternative way for governments to intervene in informal settlements. Legalization provides residents with the most important necessities or the ones that are most urgent which are services and infrastructure and a type of tenure security which is more important to them than titles. It also allows governments to tax the land holder even though they do not have a full title. It can be argued that having titles is important, because you have a legal document declaring the land as yours, but not as a main urban upgrading program. It can be a component that residents can pursue on their own if they chose to. But in the case of Colombia land titles are not important because through legalization programs residents have security

of tenure and the government will not evict them from their homes on the contrary through legalization the government is legitimizing the residents claim to the land.

Legalization is important and it is a different method than just providing titles. According to the literature legalization brings improvement to the neighborhoods and also the individual housing unit. Legalization also provides an intermediate security of tenure which for residents is like they have titles. Like the literature mentioned just perceived security of tenure accesses all of the economic advantages that De Soto argues only title will. For the residents being in an illegal subdivision is not always the problem to them they feel a sense of tenure security because they purchased the plot, the problem is not having access to transportation and basic services like sewage, water and electricity. For them it is more important to have security of tenure than title and in the case of Colombia they acquire that security of tenure through legalization programs. Residents in legalized zones have a high level of security the instant the government decides to provide them with services and infrastructure, the government is investing large amounts of money in these areas in order to improve the conditions of the residents making it clear that they support the right of the residents to reside in these areas.

It is important to acknowledge that although legalization is a moral necessity, the policy is in a way supporting further illegal subdivisions. The informal developer is not being penalized and benefits because he is making money in selling land that has no urban infrastructure and will continue to do so since no legislation has been put in place to address that component of illegality. The government has focused on providing the urban poor with a better quality of life and is taking the burden of providing the services

and infrastructure at high costs with no costs being put upon the pirate subdivider to prevent further illegal subdivisions from developing.

The data showed that there are some interesting phenomenon's occurring between legalization and land value. Mainly that legalization is less likely to be as affected by market trends, global trends than the formal market and this is in part due to the fact that residents are less likely to want to sell and relocate. They have invested in the houses that they have built over time and it is not only a financial investment but also an emotional one. They have fought for the services and they know the people in the community, they have established a permanent home. There is also a stigma associated with neighborhoods in legalized areas because of the illegal origins and the lack of title available for the homes. This stigma has allowed the legalized zones from being gentrified, people in Bogota are highly segregated due to income and will not want to purchase land in areas where the urban poor are located.

Legalization is a step in the right direction but it is not the complete solution to the problem. What is needed in order to address the problem is to have a combination of policies that will address the problem. Upgrading is more expensive than planned development but it has not been pursued in Bogota at the same rate as legalization. If the government wants to address the problem of illegality it will need to pursue policies that address many of the problems that come with it, like pirate subdividers, lack of low-income housing and mainly the lack of jobs available to the urban poor.

In order to bring people out of poverty it is important to increase their access to education and jobs. Latin America has the highest income inequality in the world and it is important for the Colombian government to address this inequality if they want to be

successful in preventing further illegal development. Davis said that “the big challenge at the end of the day, more than anything else, is jobs, jobs, jobs” (2006) Legalization is an important step but there is still so much more to achieve in order to address the needs of the urban poor.

Limitations and Opportunities for Further Research

This study was limited by only using land values without any other data type. The data available was also very limited, although there was land values for both formal and legalized zones there was no neighborhood data for the formal zones. This was not of crucial importance because there were neighborhood characteristics but it would have allowed for a better analysis. To also have a proper analysis it is important to have data for more than just land values it is important to have the views of the people that are experiencing the legalization. Because of financial and time constraints the study could not investigate the people’s perceptions but through the literature review there is a universal view point of informal settlement dwellers in terms of what things they want and what they don’t want. It is important to understand what the people in the specific localities want and think. It is important to know how much involvement and input the residents had and after the process how satisfied they were. No upgrading process is successful without the approval of the residents. Although there are limitations to the study some interesting things were shown through the graphs and maps in terms of what kinds of effects legalization has on land value.

In future research it would be interesting to see what the residents perceptions on the legalization programs are and further compare to titling programs to see which one is actually bringing improvements to the lives of the urban poor. It would also be interesting to see how satisfied residents are with the level of tenure security they have

acquired and if they wish to pursue titling. This study looked at one small part but the bigger picture has still to be explored. This is an interesting approach to upgrading and it seems to be working in Bogota in terms of providing the residents with urban services and infrastructure. Although legalization may not be increasing land value to the levels of formal neighborhoods the improvement of the neighborhoods provided through legalization is the ultimate goal of the programs and in that aspect it has been successful because they have improved access to basic services and road networks. They have been unable to meet the demand for housing but they are providing those who have shelter a better quality of life and an improvement of their situation.

APPENDIX A
WORLD POPULATION DATA

Region	Total population (millions)		Total urban population (millions)		Urban population as % of the total population		Slum population as % of the urban population	Urban slum population (millions)
	1990	2001	1990	2001	1990	2001	2001	2001
World	5,225	6,134	2,286	2,923	43.5	47.7	31.6	924
Developing regions	4,106	4,940	1,439	2,022	35.0	40.9	43.0	874
Africa	619	683	198	307	31.9	44.9	60.9	187
Latin America & the Caribbean	440	527	313	399	71.7	75.8	31.9	128
Asia (excluding China)	3,040	3,593	928	12313	30.5	36.5	42.1	554
Oceania	6	8	1	2	23.5	26.7	24.1	5

Figure A-1. Population of slum areas in developing regions at mid Year 2001. (Source: United Nations Habitat , 2006)

Region/Decade	1960s	1970s	1980s	1990s
Eastern Europe	25.1	24.6	25.0	28.9
South Asia	36.2	33.9	35.0	31.9
OECD and high income countries	35.0	34.8	33.2	33.7
Middle East and North Africa	41.4	41.9	40.5	38.0
East Asia and Pacific	37.4	39.9	38.7	38.1
Sub-Saharan Africa	49.9	48.2	43.5	46.9
Latin America	53.2	49.1	49.7	49.3

Figure A-2. Median Gini coefficient by region and decade (Measures inequality levels).(Source: United Nations Habitat, 2005)

APPENDIX B
CHARACTERISTICS OF SLUMS AND INFORMAL SETTLEMENTS

Table B-1. Characteristics of slums and informal Settlements

Characteristics of Slums:	Characteristics of Informal Settlements:
<ul style="list-style-type: none"> 1) Lacks basic services and poor access 2) Sub-standard housing and inadequate structure <ul style="list-style-type: none"> -Structures usually do not meet any building regulation requirements. 3) Hazardous locations <ul style="list-style-type: none"> -Foreshores, hillsides and river basins -inhabitants are exposed to environmental disasters such as flooding and landslides. 4) Overcrowding and high density 5) Lack of security of tenure 	<ul style="list-style-type: none"> 1) Unplanned 2) Informal or insecure property tenure 3) Inadequate or non-participation in government, resulting in lack of basic services, registration and infrastructure. 4) Vulnerability of discrimination for the residents.

(Data Source: United Nations Habitat, 2003 <http://ww2.unhabitat.org/mdg/>. United Nations Habitat, 2007 http://www.unhabitat-kosovo.org/repository/docs/l_s_webfile%202.pdf)

Table by Author

APPENDIX C
BOGOTA'S URBAN GROWTH PATTERNS AND URBANIZATION RATES

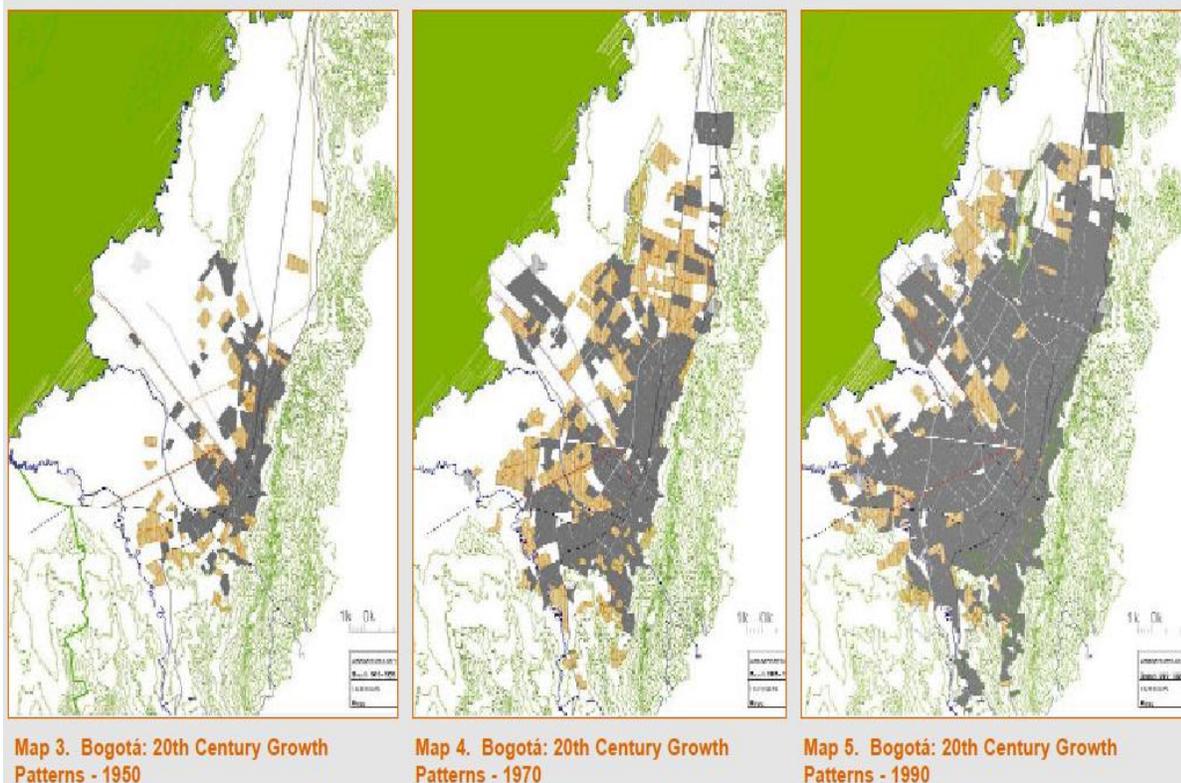


Figure C-1. Bogotá's urban growth patterns 1950 to 1990 and urbanization rates from 1964 to 1985. (Source: Rueda-Garcia, 2003).

	1964	1985
LIMITED REGION OF BOGOTA		
Regional Population (Total)	3,877,676	6,959,157
Regional Population (excluding Bogotá)	2,204,306	2,731,451
Urban Population (Total)	2,236,953	5,329,953
Urbanisation Rate	58%	77%

Figure C-2. Urbanization rates. (Source: Rueda-Garcia, 2003)

APPENDIX D
BOGOTA'S SOCIO-ECONOMIC LEVELS

Economic Level	Wealthy						
	Upper Class						
	Middle						
	Upper Low-income						
	Middle Low-income						
	Lowest Income						
	STRATA	1	2	3	4	5	6

Figure D-1. Socio-economic levels data. (Source: Habitat International, 2005). Table by Author

APPENDIX E
DATA RESULTS FROM BOGOTAS CITY HALL SURVEY OF ILLEGAL SUBDIVISION
RESIDENTS (ALCALDIA MAYOR DE BOGOTA)

Table E-1. Location and neighborhoods selected by UPZ and number of surveys

Location	Upz	Neighborhood	Owner	Renter
Usaquén	Verbenal	Villas de la Capilla y Lomitas	29	1
Chapinero	San Isidro	La-Esperanza Nororiental	26	4
San Cristóbal	San Blas	Laureles Suroriental	37	3
Bosa	Bosa- Central	Manzanares	17	3
	El Porvenir	El Anheló	25	5
Usme	Comuneros	Uval II sector	33	7
		Brisas del Llano		
	Alfonso López	El Tunó		
	El Danubio	San Martín	27	3
Kennedy	Castilla	Lagos de Castilla	26	4
Suba	Tibabuyes	Santa Rita	28	6
Ciudad Bolívar	El Tesoro	República Canada		4
	Monte Blanco	Lagunitas y Paticos	34	6

Table E-2. Income by head of household

Range of Income	No tiene	Hasta 1 SMMLV	De 1 a 2 SMMLV	De 2 a 3 SMMLV	Más de 3 SMMLV	Total
No tiene	1,10%	7,73%	4,97%	2,21%	0,28%	16,30%
Hasta 1 SMMLV	0,55%	29,83%	26,52%	2,21%	1,38%	60,50%
De 1 a 2 SMMLV	0,00%	2,76%	9,94%	1,38%	1,10%	15,19%
De 2 a 3 SMMLV	0,00%	0,00%	3,31%	0,55%	0,00%	3,87%
Más de 3 SMMLV	0,00%	0,00%	0,83%	1,38%	1,93%	4,14%
Total general	1,66%	40,33%	45,58%	7,73%	4,70%	100,00%

Base: 360 Head of Households

Table E-3. Level of satisfaction with site.

		Would you purchase again?		
Do you feel satisfied	Would you suggest it to others			Total
		Yes	No	
Yes	Yes	44,59%	15,61%	60,19%
	No	5,73%	20,70%	26,43%
No	Yes	1,59%	1,91%	3,50%
	No	0,00%	9,87%	9,87%
Total		51,91%	48,09%	100,00%

Base: 314 Owners

Table E-4. Place of origin of the respondents.

Origin	Owner		Renter		Total	
	Total	%	Total	%	Total	%
	Bogota	92	29.30	16	34.78	108
Outside of Bogota	222	70.70	30	65.22	252	70.00
TOTAL	314	87.22	46	12.78	360	100.0

Base: 360 Respondents

Table E-5. Reason for transfer of immigrants.

Reason for Transfer/Migration to city	Owner		Renter		Total	
	Total	%	Total	%	Total	%
Lack of Work	136	61.26	26	86.67	162	64.28
Family Union	46	20.72	3	10.0	49	19.44
Violence	21	9.46	0	0	21	8.34
Better Education	12	5.41	1	3.33	13	5.16
Other	7	3.15	0	0	7	2.78
TOTAL	222	100.0	30	100.0	252	100.0

Base: 252 Respondents

Table E-6. Time and place of arrival

Time of Transfer to Bogotá	Time of Transfer				Place of Arrival to Bogotá	Place of Arrival			
	Owner		Renter			Owner		Renter	
	Total	%	Total	%		Total	%	Total	%
Up to 5 years	5	2.25	6	20.0	Family	143	64.41	23	76.67
6 to 10 years	47	21.27	5	16.6					
11 to 15 years	31	13.96	7	23.3	Rental	38	17.12	3	10.0
16 to 20 years	44	19.82	5	16.6					
21 to 25 years	32	14.41	2	6.67	Other	41	18.47	4	13.33
More than 26 years	63	28.38	5	16.67					
No Answer									
TOTAL	222	100	30	100		222	100	30	100

Base: 252 Respondents

Table E-7. Migration process. location at current site

Have you lived at this Site Since Arrival to city	Owner		Renter		Total	
	Total	%	Total	%	Total	%
Yes	7	96.85	1	99.6	8	3.12
No	215	3.15	29	3.34	244	96.8
TOTAL	222	100.0	30	100.0	252	100.0

Base: 252 Respondents

Table E-8. Migration process. reason to move to current site

Reason You Transferred to Current Site	Owner		Renter		Total	
	Total	%	Total	%	Total	%
Location of Job	65	29.28	12	40.00	77	30.56
Cost Reduction (More Affordable)	99	44.59	16	53.34	115	45.63
Difficulty of Space	8	3.60	1	3.33	9	3.57
Family	29	13.06	-	-	29	11.51
Other	3	1.35	-	-	3	1.19
No contestaron	18	8.11	1	3.33	19	7.54
TOTAL	222	100.0	30	100.0	252	100.0

Table E-9. Process of mobility. type of residence before moving to current site

Type of Residence Before Moving to Current Location	Bogotá Local				Bogotá Immigrant			
	Owner		Renter		Owner		Renter	
	Total	%	Total	%	Total	%	Total	%
Own Home	11	11.96	2	12.50	22	9.91	3	10.00
Rented house	30	32.61	10	62.50	66	29.74	14	46.67
Own Apartment	2	2.17	0	0	3	1.35	0	0
Rented Apartment	17	18.48	4	25.00	53	23.87	7	23.33
Own Room	1	1.09	0	0	0	0	0	0
Rented Room	25	27.17	0	0	63	28.38	6	20.00
Other	2	2.17	0	0	5	2.25	0	0
No Answer	4	4.35	0	0	10	4.50	0	0
TOTAL	92	100.0	16	100.0	222	100.0	30	100.0

Base: 360 Respondents

Table E-10. Regularity of income for owners

Regularity of Income	Bogotá Local		Bogotá Immigrant		TOTAL	
	Total	%	Total	%	Total	%
		67	79.76	172	74.78	239
<i>Male</i>						
Steady	36	53.74	66	38.37	102	42.68
Sporadic	22	32.83	82	47.68	104	43.51
Does Not Apply	9	13.43	24	13.95	33	13.81
	17	20.24	58	25.22	75	23.89
<i>Female</i>						
Steady	6	35.29	21	36.21	27	36.00
Sporadic	7	41.18	24	41.38	31	41.33
No aplica	4	23.43	13	22.41	17	22.67
TOTAL	84	100.0	230	100.0	314	100.0

Base: 314 Respondents

Table E-11. Economic profile. income based on Minimum Monthly Wage for owners
Income in Minimum Salary

	Bogotá (Local)		Immigrant		TOTAL	
	Total	%	Total	%	Total	%
<i>Male</i>	67	79.76	172	74.78	239	76.11
Less than 1 SMLV	34	50.75	110	63.95	144	60.25
1 to 2 SMLV	13	19.40	25	14.53	38	15.90
2 to 3 SMLV	5	7.46	6	3.49	11	4.60
3 or more	6	8.96	7	4.08	13	5.44
No declaration of income	9	13.43	24	13.95	33	13.81
	17	20.24	58	25.22	75	23.89
<i>Female</i>						
Less than 1 SMLV	11	64.71	38	65.52	49	65.34
1 to 2 SMLV	2	11.76	3	5.18	5	6.66
2 to 3 SMLV	0	0	3	5.18	3	4.00
3 or more	0	0	1	1.71	1	1.34
No declaration of income	4	23.53	13	22.41	17	22.66
TOTAL	84	100.0	230	100.0	314	100.0

Base: 314 Respondents

Source: [Adapted from Velandá, Antonio & Borbon, Walter. (2003) Mecanismos y Formas de Enajenación Del Urbanizador Pirata y la Relación Oferta y Demanda que se Genera en el Desarrollo de Vivienda Ilegal en los Estratos 1 y 2. Alcaldía Mayor de Bogotá D.C. Secretaría General. Subsecretaría General de Vivienda. Bogotá D.C. Marzo]

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BIOGRAPHICAL SKETCH

Anelkis Royce was born in Esteli, Nicaragua. In 1991 her family moved to Gainesville, Florida where they have lived since. She graduated from P.K. Yonge Developmental Research School and afterwards attended the University of Florida, where she earned a Bachelors of Arts in political science. After graduation she took a year off to travel and work as a translator in her country of birth. She was admitted to the University of Florida's Master of Arts Program where she studied urban and regional planning. During her last year of studies she interned for the City of Newberry's planning department where she had the opportunity to learn how planning works in the real world.