Real Estate Market, State-Entrepreneurialism and Urban Policy in the ‘Gentrification by Ground Rent Dispossession’ of Santiago de Chile

Ernesto José López-Morales
Facultad de Arquitectura y Urbanismo, Universidad de Chile
Development Planning Unit, University College London

Abstract
This paper claims the existence of a particular form of gentrification by ground rent dispossession in Chile, a consequence of a unique mix of entrepreneurial strategies linked to large-scale urban renewal, flexible local building regulations that enlarge potential ground rents, and a form of ‘institutional’ redlining which limits the methods of small-scale housing upgrading in inner city areas targeted for urban renewal. As a result, the largest portion of potential ground rent produced is realized and accumulated by large-scale developers. Consequently, dilapidation spreads as many owner-occupiers – which are around 80% of Santiago’s inner city low-income residents – struggle to add further exchange value to their properties. Capitalized ground rents decrease and, in the event of large-scale renewal, residents have to sell out at lowered price and find replacement accommodation in disadvantageous peripheries.

Keywords: Gentrification, dispossession, rent gap, entrepreneurialism, Santiago de Chile

Resumen
Se plantea la existencia de una forma particular de ‘gentrificación por desposesión de renta de suelo’ en Chile, resultante de la interacción entre estrategias estatales pro-mercado (entrepreneurial urbanism), regulaciones urbanas locales que aumentan rentas potenciales de suelo, y una devaluación del espacio construido a través de políticas públicas que limitan la renovación urbana en baja escala. Como resultado, los propietarios residentes – cerca del 80% de los habitantes del espacio peri-central popular (inner city) de Santiago – encuentran dificultad para añadir valor de cambio y uso a sus propiedades, mientras que la mayor parte de las rentas potenciales producidas son acumuladas por un número limitado de desarrolladores inmobiliarios. De esta forma, el deterioro avanza, las rentas de suelo socialmente capitalizadas disminuyen y, ante la eventual renovación urbana en altura, la única opción para los residentes es vender a bajo precio y emigrar a localizaciones desventajosas en la periferia urbana.

Palabras clave: Gentrificación, desposesión, brecha de renta, estado pro-mercado, Santiago de Chile

Introduction
Globalization propels urban centers in peripheral countries to compete for access to global markets and so attract regional branches of global firms, ‘trans-national classes’ (Sklair, 2005) and off-shore financial capital in search for profitable local real estate business. In this context, since the 1990s, most Latin American cities attempt to expand their Central Business Districts (CBDs) and restructure their declining inner
cities, promoting restoration of colonial heritage, repopulation and the allocation of local- and international-scaled financial functions, whilst trying to boost their local property markets (De Mattos, 2000; Rojas, 2004).

Since 1990, with a return to democracy after 17 years of General Pinochet's dictatorship, and with the highest national GDP growth rate in more than 30 years (around 7%), a process of restructuring began in Santiago's inner city. It started with a combined national and municipal strategy of rebranding Santiago's core as a regional global financial centre with several state-financed, medium-scale emblematic architectural and urban projects. Santiago's inner city was, in fact, 'rediscovered' by local policy makers who struggled to convince hitherto reluctant local developers to operate in the decayed Santiago-Centre municipality. A second incentive was a high-density, state-financed Urban Renewal Subsidy (URS) program, consisting of a voucher equivalent to US$ 7,500 or 10% of the price of the new units to be produced, aimed at attracting professional middle-classes into a well-delimited 8,500-hectare Urban Renewal Subsidy Area or URSA (examples of such developments are illustrated in Figure 1). This policy was officially justified by the need to reverse several decades of depopulation and filtering in the inner city (Arriagada et al., 2007), as it was also expected to trigger an increase in the revenues of inner city municipalities via the issuing of construction permits (1.5% of the total construction cost).

During the 1990s, the URS successfully promoted the renewal of an important part of the 19th-century historical inner city neighborhoods, usually the most fashionable areas with best environmental conditions and already existing amenities. This strategy soon fulfilled some of its goals, by attracting new higher-income residents to the inner city and increasing tax revenues in several municipalities benefited by the subsidy. Nonetheless, the strategy cannot be deemed a total success. These high-rise developments resulted in little significant repopulation at municipal level as, between 1992 and 2002, 10 of the 11 municipalities included within URSA saw rates that range from -5% to -15% (López, 2005). The real estate market in URSA also contributed to environmental damage related to the large-scale construction (Valenzuela, 2000), loss of historical heritage and low architectural quality in many redevelopments designed with standardized layouts (Rojas, 2004). Furthermore, as will be examined below, the main result of this policy on the housing market has been a rapid form of accumulation of rising ground rents.

Yet by the late 1990s, Santiago's market of urban renewal proved unable to operate in the fringes of the URSA, considered as 'too risky' by developers. These areas are comprised of a mixture of former large industrial sites, now abandoned, and a number of small, owner-occupied residential plots in traditionally working-class enclaves called poblaciones (some of them were historical self-help or state-built settlements produced amidst a process of national modernization and industrialization from the 1930s to 1973). Yet, as these areas present large rent gaps and vacant and/or inexpensive plots which could be attractive for renewal, a 'second phase' of large-scale renewal has taken place from the 2000s onwards, expanding to the fringes of URSA, with more active involvement by state agencies in the management of the projects and the creation of favorable conditions for developers (Zunino, 2006).

This article hypothesizes that, in the context of this second phase, a process of gentrification by ground rent dispossession takes place in Santiago. Whilst the 'easy' stage of renewal of the 1990s implied that potential ground rents were increased via infrastructure investment, direct subsidy, tax exemptions and—very decisively—liberated building regulations to large-scale developers, from 2000 onwards, differently, three elements inherent to that market became evident:
First, the way developers can acquire and accumulate large portions of inhabited land is by buying, at relatively low prices, from inner city owner-occupiers, and they often hold it vacant while passively waiting (or actively lobbying) to get building regulations loosened. Second, these values paid, as will be seen below, are clearly not enough for most owner-occupiers (who usually host two or three ‘drop-in guest’ families in a multi-occupied dwelling) to find replacement accommodation with similar quality and centrality, as house prices in the expanding peripheries of Santiago are usually above the ground rent capitalized (per family) in the inner city. This is considerably a social problem, since around 76% of Santiaguinos are owner-occupiers (MINVU, 2008a) and
20% of them host drop-in guests, a number that increases in low-income poblaciones. Third, as land prices need to be kept low to attract the market, stiff national-level building guidelines and, in some cases, state programs for social housing upgrading are under-implemented by local administrations, as a form of ground rent devaluation. Therefore, the real choices for traditional inner city residents are either to capitalize only a minor portion of the potential ground rent by selling out to the market, or to ‘stay put’ (Newman and Wyly, 2006) at the risk that their plots devalue even more, as an effect of state-led devaluation or the externalities produced by high-rise construction nearby. The resulting larger portions of potential ground rent is therefore accumulated by the market of large-scale renewal, which currently corresponds to a small number of large-scale developers.

Whereas gentrification is seen here basically as a form of class-monopoly ground rent accumulation, dispossession is understood as a contemporary expression of ‘primitive accumulation’, i.e. commodification and class-monopolization of the use value of the land (Glassman, 2006), with the consequence of creating indirect forms of displacement. A focus on this process of ground rent accumulation in Chile is relevant for several reasons. First, because forms of class-monopoly rent appropriation are evident throughout the contemporary history of Santiago (Espinoza, 1988; De Ramón, 2000; Kusnetzoff, 1990) and this article aims at providing more recent evidence on the matter. Second, because after 17 years of iron-fist imposed neoliberalization and almost 20 years of continued market-oriented forms of urban development, active developers and local states seem to clearly play a leading role in gentrification. Third, in many inner city neighborhoods of Santiago, which have been historically deprived but with good centrality, the dispossession of the ground rent and its related forms of indirect displacement are central social problems, and only their detection can be a relevant contribution towards more inclusive policies of inner city redevelopment. Fourth, borrowing Slater’s words (2006), this approach might help demur mainstream urban studies that celebrate gentrification as a positive process and deny displacement and other negative effects produced.

All in all, in Chile, inequalities related with market-driven inner city redevelopment seem to emerge less as a matter of direct displacement (as the global-northern literature claims for those realities; see Atkinson, 2000b; 2000a; Freeman, 2005; Newman and Wyly, 2006; García-Herrera et al., 2007) but more as an indirect, invisible form of ‘exclusionary displacement’ and ‘displacement pressure’ (Slater, 2009) in addition to other forms of physical rupture of vibrant working-class neighborhoods. The fringes of URSA resemble Neil Smith’s metaphor of the ‘urban frontier’ (Smith, 1996a; 2005), or the particular spaces where state entrepreneurial agendas, a rent-seeking market and mid-and low-income communities collide (Leitner et al., 2007; Wyly and Hammel, 2008). The goal of this paper is precisely to demonstrate the production of these decisive material conditions that lead to gentrification in the inner city ‘frontier’ of Santiago, documenting the roles played by entrepreneurial state agencies and large-scale developers in this process.

The paper follows with a discussion on the theoretical approach to gentrification and urban entrepreneurialism. Next there is an observation of the particular way potential ground rents are increased and accumulated by market operators in Santiago, with the specific roles undertaken by entrepreneurial public policies in this processes. Finally, it is concluded that the concept of ‘gentrification by ground rent dispossession’ is basically a dual structure of ground rent capitalization, namely a low level of capitalized ground rent (CGR-1, i.e. capitalization achievable by current residents under the current building regulations) and a higher capitalized ground rent (CGR-2, i.e. class-monopoly rent given the oligopolic conditions of the market).
Gentrification: rent-seeking, state-backed entrepreneurial activity

The production of conditions for gentrification

Gentrification is usually defined by public sector policies as a way to reversing urban decline. However, inner city decline is far from being a ‘natural’ process of urban change but epitomize the dialectical oxymoron creation-destruction, which is inherent to the production cycles of capitalism (Schumpeter, 1976). In fact, as Smith (1979, 1987, 1996b) argues, urban decline is itself a necessary phase in the production of gentrification, and is mostly produced when large scale land-owners, investors or financial institutions stop committing capital to the preservation of deteriorating neighborhoods and turn to investing in the development of different areas. The latter creates a huge difference between the capitalized ground rent (CGR, the actual amount received by the property owner) lowered by the dilapidated condition of the buildings sited there and a potential ground rent (PGR) which is in market terms, the highest and best use that the plot could host. This difference is called ‘rent gap’. The continuous process of urban land devaluation increases the rent gap to an extent that the potential maximum exploitation and appropriation of the rent by developers becomes highly profitable.

Gentrification thus results from a complex pattern of infrastructural investment, disinvestment and reinvestment that allows that large rent gap areas (when other conditions are fulfilled) can be widened and closed through redevelopment. It has been established by Smith (1979) that the ‘production’ of rent gap comprises phases of: i) new construction and first cycle of use; ii) landlordism and homeownership; iii) blockbusting and blowing-out (i.e. acceleration of building devaluation via exploiting racist or classist outlooks of decadence among homeowners); and iv) redlining. The latter is an important phase of devaluation and takes place when financial institutions that could operate in a neighborhood declare the area financially not viable, further hampering access to funds for maintenance and repair by local people. Finally, abandonment, as fifth stage of devaluation, takes place when the neighborhood is so deteriorated and building values so diminished that each of the properties can be bought for very low prices. This is the time when gentrification becomes a real profitable possibility (Darling, 2005).

This production-based approach to gentrification was largely debated during the 1980s and 1990s (Lees et al., 2007). Currently, although some authors see gentrification as an opportunity for social capital reproduction and crystallization of class-identity in local spaces (see for instance Butler and Robson, 2001), most contemporary debates accord some explanatory power to both production and consumption approaches. Clark (2005: 258) gives probably one of the most synthetic definitions of gentrification when he claims this is “a change in the population of land-users such that the new users have a higher socio-economic status than the previous users, together with an associated change in the built environment through a reinvestment in fixed capital” in a context of urban land commodification and polarized power relations, while the role of the urban policy in the channeling of gentrification is also a key factor (Shaw, 2005). This changing process is thus triggered by a synthesis of privately-led rent gap accumulation and entrepreneurial ‘facilitating’ state policies, which are generally speculative in execution and design.

Currently, two key aspects consistently emerge in the research of gentrification, namely: first, whether gentrification begets displacement, and what kind of displacement is generated (Atkinson, 2000b; 2000a; Freeman, 2005; Newman and Wyly, 2006; García-Herrera et al., 2007; Slater, 2009); second, the particularities of how factors such as the rent gap and an ideology of state-entrepreneurialism drive gentrification in different places (Harvey, 1989; Leitner, 1990; MacLeod, 2002; Smith, 2002; 2005; Ward, 2003; Shin, 2009). This paper aims to address the latter and, to a lesser extent, the former of the aforementioned aspects.
The entrepreneurial state and its roles in the production of rent gap

Contemporary writers on gentrification emphasize the crucial roles of the state in processes of privately-led neighborhood change (Leitner, 1990; MacLeod, 2002; Ward, 2003; Shaw, 2005; 2008; Shin, 2009). Precisely, Clark (1995: 1497) stresses the tension between actual and potential ground rents is far from being “neither clinically clean of ties to power in social contexts nor of ties to the imagery of agents.” In fact, it is the opposite. For the appropriation of the rent gap, or the class-monopoly accumulation of the rising ground rent, called here CGR-2, the state and private owners and investors have specific roles to play. The former creates the economic, legal, and administrative framework; the latter responds to its private interests over land rent accumulation. For instance, Hammel (1999: 1291) points out that Potential Ground Rent (PGR) is produced by factors that work at the scale of the entire city (i.e. the logic of rent distribution in the metropolis, the location within the metropolitan area, development of infrastructure, and land use policies). Factors like enterprise zones (the Chilean URSA can be an example of this), liberated building codes, and non-existing mechanisms of value-capture (Smolka and Amborski, 2003; López, 2008), in addition to other forms of state intervention or non-intervention, can be strategic devices for making the PGR ‘more elastic and valuable’ (Hackworth, 2002).

State-entrepreneurialism comprises the use of governmental powers seeking to attract private sources of funding, new external investments, and/or new employment (Leitner, 1990; MacLeod, 2002). Entrepreneurialism denotes that initiatives for urban reconfiguration are no longer rationed planned and developed under managerial rationales but, conversely, speculative in execution and design. They also tend to redevelop predefined specific places rather than comprehensive hinterlands, even if the latter are spaces in need of investment for social or urban development (Harvey, 1989). Entrepreneurialism is also twinned with a planning ideology that has globally become a widespread global rationale, of exploiting images of urban regeneration oriented, for instance, to attract ‘creative’ middle-classes to the dilapidating inner cities (Florida, 2002a; 2002b). Initiatives for redevelopment (projects, strategies, enterprise zones, etc.) usually originate from the private sector but they are enhanced by business-friendly environments set by local and national governments (Mitchell, 1998). Entrepreneurial urbanism not only means active state engaged in real estate business but also openly involved business elites and other groups of interests into strategic spheres of the state and urban planning systems (Ward, 2003).

The entrepreneurial state is willing to assume financial risks without properly guaranteed returns (Zukin, 2006), as the public sector needs to be speculative in stages of design and execution. Since the state-backed infrastructure reduces costs and risks to private interests, those back-ups make the private investment more volatile; therefore, it cannot be predicted exactly which endeavor will succeed and which not, in a global context considerably unstable and hazardous. As a result, mobile private capital involved in high-rise renewal needs the maximum public investment for itself as a way to assure better local comparative advantages (Harvey, 1989).

Some authors even observe that “it is the global narratives instigated and fostered by real estate capital that are most pivotal in generating a relationship between gentrification and globalisation.” (Davidson, 2007: 491) Under this rationale, the state usually appears playing a zero-sum game of public-private investment, deeply easing the increase in transnational capital circulation and revenue competition (Peck, 2005), privileging investments in certain spatial nodes and mechanically supposing that social benefit would trickle down into surrounding low-income areas. Nevertheless, the evidence
that this trickle-down happens is not conclusive (MacLeod, 2002), and there is solid evidence that capital trickles out of the local space towards other sectors and/or circuits of capital to be invested in offshore trusts or hedge funds (Boyle and Simms, 2009).

A state which is deeply involved in the production of the material conditions for gentrification is concomitant to the current neoliberal stage of capitalism. “The public subsidy of zero-sum competition [...] rests on the economic fallacy that every [neighbourhood] can win, shored up by the political reality that no [municipality] can afford principled noninvolvement in the game.” (Peck and Tickell, 2002: 393) That game is precisely what neoliberalism is about. Neoliberalism is understood here as the extension of “market (and market-like) forms of governance, rule, and control across – tendentially at least – all spheres of social life.” (Peck and Tickell, 2007: 28) The next section briefly accounts the process of neoliberalization in Chile started in 1973.

Much as effect of this, the “shifting role of the state from provider of social support for lower-income populations to supplier of business services and amenities for middle- and upper-class urbanites” diverts public funding from untargeted, non-competitive areas (Wacquant, 2008: 199). As a consequence, major concerns arise in the territories and residential communities which are adjacent to areas of concentrated redevelopment, insofar as land speculation and rapid changes in land prices take place while the entrepreneurial resource distribution diminishes the local provision for the underprivileged. The entrepreneurial normalization of a ‘growth first’ approach has made social investment and distribution antagonistic to the anticompetitive common good (Peck and Tickell, 2002).

Entrepreneurialism bans and replaces collective, non market-based forms of social organization developed for instance by resort of working-class mobilization. Instead, market-driven logics are taken as normal societal and economic behavior, such as choice, social competition for resource allocation, aggressive economic competition between urban areas and even the punishment of non-competitive zones or economic sectors.” Hence a de-politicized and de-ideologized society becomes vital for assuring the entrepreneurial forms of localized growth. Distinctively, entrepreneurial urban policies and governance oil the transformation of ‘hard’ working-class interstitial areas, by socially ‘cleansing’ the space and undervaluing existing social milieus, in ways that have been called revanchist due to the class contradictions they involve (Smith, 1996a; c; 1998; 1999; Atkinson, 2003a; b; Coleman et al., 2005; Niedt, 2006).

The production and accumulation of potential ground rent in Santiago

The theory stated above has been seldom tested in a semi-peripheral, ‘third-class’ world city like Santiago de Chile (Taylor et al., 2002), where the theoretical definitions of rent gap and entrepreneurialism might not be applicable. Therefore, in order to avoid incorrect hermeneutics, it is important to consider that the Chilean urban apparatus is radically different to urban states in most industrialized countries, regarding budget, scale of operation, objectives and the lack of comprehensiveness of its social programs. For instance, the Chilean system of land taxation (known as contribuciones) is nationally rather than locally redistributed. This reduces municipalities’ financial autonomy, especially compared, for instance, to North American or Western European realities. Despite the strong rhetoric of state decentralization since the 1970s, the Chile state is still regarded as a highly centralized structure, not only in terms of budget but also in political terms. Urban entrepreneurialism in Chile, as ideology and practice for economic growth creation, is also more reliant on the central-state apparatus, and so is irradiated towards local administrations, heavily influencing the drafting of their policies and programs.

In fact, it is impossible to understand current Chile’s market-oriented economy without the facilitating and protective roles of its entrepreneurial state. This
was evident during the 20th century and especially from the beginning of the process of national neoliberalization initiated in 1973. Seventeen years of military dictatorship were necessary conditions for applying Chicago-inspired policies of rolling-back the previously consolidated state apparatus and planning roles, as well as obliterating any potential source of contestation against neoliberalization (Kusnetzoff, 1990; Salazar and Pinto, 1999; Klein, 2007). But necessary conditions for neoliberalization were ‘spatial’, i.e.: inner city de-industrialization (Gatica, 1989; De Mattos, 2000) with devaluation and informalization of the local workforce (Chateau and Pozo, 1987), deregulation of urban sprawl (Trivelli, 2006), reinforcement of urban segregation via specific policies of massive working-class relocation, and privatization of the social housing production (Hidalgo, 2005). Further, there was a consistent policy of military attack on the inner city spaces traditionally associated with working class consciousness and mobilization (Lawner, 1984; Finn, 2006). The transfer of core state functions (mainly education and health) to newly created municipal apparatuses without real capacity of management and planning deprived the inner city space even more (Morales and Rojas, 1987). Since the end of the dictatorship in 1990, subsequent democratic governments and their urban policies have operated within the boundaries of the euphemistically called ‘social-market’ economy, which is, in fact, market-led rules of urban development and injection of privately-led entrepreneurial agendas within the public policy. The state-subsidized market of urban renewal is a recent example of this.

In 1991 the Urban Renewal Subsidy (URS) started to operate within URSA. Following the already traditional Chilean state modus operandi, the URS aimed at repopulating the inner city by boosting a private market of high density, new-build renewal. The core instrument was a direct, non-refundable subsidy granted to individual or collective applicants to help them to finance the purchase or construction of a new ‘affordable dwelling’ (i.e. with a built area of under 140 m²) priced up to 1,000 UF and 2,000 UF (US$ 37,500 and 75,000), with either minimum required downpayment of 100 UF and 200 UF respectively, and this had to be saved in no less than one year. This housing policy was defined from a spatial perspective of locating housing stock inside a delimited main inner city area, currently of 8,500 hectares. Since then, the policy comprises a ranking system of application, whereby applicants that save their downpayment in shorter time are prioritized, with the effect that better-off households benefit more from the subsidy. This represents a noticeable class-difference between URS and the rest of the subsidies in Chile (Sugranyes, 2006).

Yet so far, although these subsidized local real estate markets have produced revenues in local tax bases (through construction permits), the major goal of demographic recovery at municipal level has not been fulfilled. For the period 1992-2002, the ten municipalities within URSA experienced depopulation at an average rate of -9.1% (Figure 2), while the 34 metropolitan municipalities of Greater Santiago increased their populations at an average of 13.7%, and the five fastest growing peripheral municipalities (outside URSA) saw an average increase of 51.4% (INE, 1992; 2002). Reasons for this are manifold: first, the power of demographic recovery associated with the URS has been limited only to the most fashionable central and inner city neighborhoods, mainly in the several districts of Santiago-Center and San Miguel with positive results, as shown in Figure 2. Second, the fixed 200 UF bonus per unit (around US$ 7,500 granted regardless of the built area of the flats), propels developers to produce mainly small units, currently as small as 20 m² studio-flats, that attract only small households. These households tend to leave those flats as soon as families expand. Third, as Rodríguez (2007) claims, in Santiago-Centre municipality, some of those in-movers actually come from the same municipality and thus might not represent real repopulation. Although they do not come
from the highest Chilean social groups, they usually are young, middle-class households in 
search for affordable first residence, and with capacity to save the required downpayment 
in short time. This represents a noticeable social upgrade in the renewing neighborhoods.¹²

Figure 2: Santiago population growth in Census Districts, percent variations, 1992 – 2002
Source: own elaboration based on INE (1992; 2002)
However, developers within URSA have increased their annual sales of apartments, from around 1,500 units sold in 1995 to around 10,800 in 2005, much underpinned by the existing direct and indirect forms of public subsidy. The latter number is relevant as the Chilean state directly subsidizes more than 100,000 applicants a year for new housing construction or upgrade, in the entire country. In comparison, in municipalities not benefited by URSA, the production of apartments did not reach 4,000 units in 2005. As a recent report has substantiated, the speed of sales in URSA municipalities is also considerably higher than the metropolitan average, and the subsidy has even attracted non-subsidized developments priced over 2,000 UF into the area (Arriagada et al., 2007). In Santiago-Center municipality alone, which is the inner city’s core and largely the most renovated municipality so far, this market increased ten times its share in the metropolis, from a 1.1% of the units and 1.16% of the square meters produced in 1989, to a 13.8% of the units and 11% of the square meters produced in 2001 in Greater Santiago (Rojas, 2004). All these factors reveal that this is an expanding real estate activity.

Figure 3: Average land values (UF/m²) in metropolitan districts (1990)¹³
Source: Own elaboration based on Trivelli (2005).
Consequently, the impact on the land price structure of the city has been considerable. According to official land market data (Trivelli, 2005), whilst the average gross appreciation per square meter between 1990 and 2005 in the suburbs did not reach 3.6 UF/m², and in the whole metropolis it was 4 UF/m², in the 20 most renewing districts within URSA, land prices visibly increased at an average rate of 9.5 UF/m², peaking above 15 UF/m² (around US$ 560/m²) of net increase in the ‘trendiest’ hotspot of Santiago-Center. These areas are also those with the best connection to the Metro system, as can be seen in Figures 3 and 4. Furthermore, in these areas,
the fastest land price increases occurred mostly during the 1990s and have remained relatively stable since 2000 onwards (López, 2008). This post-2000 leveling-out of land prices in redeveloped municipalities result less from either the developers’ and/or buyers’ temporary withdrawal from the market, and more from the exhaustion of easily redeveloped parcels in trendy districts. This fact suggests that there might have been rent gap closure in some particularly renovated zones as large-scale developers depart towards other soon to-be-renovated inner city neighborhoods like Recoleta and Independencia. In these zones, by 2000, land prices were still low (around 4 UF/m^2) and the chances for fully capitalization of increased rent gaps were (and are) still high, public action provided.

Nonetheless, in terms of land taxation (as direct benefit to local states), the effects of this market are more limited. In the first place, the market helps to increase local revenues by construction permits, but not by land taxation because, as mentioned above, land taxes (contribuciones) are collected and redistributed centrally in Chile (Smolka and Amborski, 2003). Second, since 1959, every new dwelling built with a floor area under 140 m^2 is exempted of land tax from 10 to 20 years (Ministerio de Obras Públicas, 1959). Third, the state returns 65% of VAT to builders. Fourth, land taxation in Chile is far from constituting an efficient system of value capture, since the determination of cadastral values is relatively unable to keep the pace of land appreciation (Smolka and Amborski, 2003). In fact, it is generally acknowledged that infrastructure-generated ground rent increases are to a great extent privately accumulated in Chile (Sabatini, 2000).

In contrast, an important factor to take into account is the speculative tendency of this urban renewal market. Land plots are generally acquired in advance by developers seeking to fully capitalize the ground rent increased by the externalities generated by public investment or rezoning. In Santiago’s inner city, the number of properties awaiting redevelopment largely exceeds the number of properties actually developed. A report in 2006 counted a total of around 8,000 hectares of empty or unused lots within the urban perimeter of the Greater Santiago (this is only 500 hectares less than the entire main URSA) and a total of 1,000 hectares of abandoned or sub-utilized plots in the inner city area (Trivelli, 2006) that produce further devaluation in their surrounding areas. This phenomenon is possible in Chile because the law against land speculation was removed by the military dictatorship (1973-1990), and regulations to control these practices have been left extremely soft by the more recent democratic governments.

An additional characteristic of the model is the unstable nature of capital invested in the spaces of renewal, which can be observed between 1997 and 2001 during the so-called Asian Crisis that visibly contracted the national economy and reduced the annual average GDP growth to negative terms in 1999. Visibly, this contraction slowed down the market of renewal within URSA. Whilst between 1997 and 1998, in the renewing Santiago-Center municipality, the total production of residential square meters was around 400,000, in 1999 this level dropped to 90,000 m^2 and would only increase up to around 200,000 m^2 during the following three years (MINVU, 2008b). Sales reduction also happened in San Miguel municipality, the second most renewing in Greater Santiago after Santiago-Center municipality. Indeed, the global economic context was unstable and hazardous for the Chilean real estate sector. Thus, in a typically neoliberalized way, privately-led disinvestment in Santiago’s inner city occurred due to the lack of a guaranteed rate of return, as financial capital previously invested in large-scale renewal fled to other more secure economic sectors, proving highly volatile and speculative. Nevertheless, when the national and Santiago’s regional economies recovered by 2003, the flows of capital returned to the urban renewal areas. Yet the financial fragility of this system was denuded again in 2008, when amidst an acute global financial recession, units sold in Santiago-Centre municipality, as one decade earlier, were reduced to 50% (Kouyoumdjian, 2008).
A collateral effect of the Asian Crisis was that financial institutions withdrew support to many small scale companies operating in the area. The whole market of urban renewal in Greater Santiago – composed before the crisis, by a wide range of large and small building companies, able to operate at a broad array of scales of production – was reduced to fewer agents, certainly those of a larger capital base, production scale and financial funding capacity. The ‘survivors’ grew in scale as they also became more cautious and more aggressive in the production and marketing of their projects. The average size of buildings within URSA increased from 11-storey buildings in 1996 to 18-storey buildings in 2006, while the number of apartments built per condominium also soared from 78.5 in 1991 to 207.5 in 2005 (Arriagada et al., 2007). But more important is the fact that until 2008 no more than six large to medium-sized developers seem to have absorbed most of the redevelopment in inner city areas, producing residential blocks of similar scale, density and architectural style, a number that was confirmed by public actors in Chile. Also, as an effect of the Asian Crisis, large-scale developers absorbed both the long-term cash flows (basically, land purchase and construction) and short-term cash flows (marketing, assistance to application to the URS subsidy, and selling), monopolizing the entire process of dwelling production within URSA. The dependence of this market on foreign financial credit, mainly Spanish pension funds, also increased after the late 1990s. By 2008, this accounted for 24% of the bank credits in the country finance property market, 50% of which are controlled by foreign banks, and 27% of which by Spanish banks only (Kouyoumdjian, 2008).

Ground rent appreciation and devaluation: two sides of the same coin

The policy-led increase of the potential ground rent

The reduction of numbers of actors in this local real estate market, since the late 1990s, was key to setting up the current mechanisms of rent gap accumulation in Santiago’s inner city. In fact, there is a connection between local regulation and the oligopolistic characteristic of the large scale market of renewal. Larger developers benefit from regulations and policies, as firms receive state incentives if new-build developments are higher and denser and the volume of the investment is bigger. The National Law of Planning and Construction allows increments up to 50% of the Plot Area Ratio\(^\text{15}\) if several plots are transformed into a larger one (Gobierno de Chile, 2007b), and developers pay taxes only when making a subdivision but not when merging plots.\(^\text{16}\) Moreover, firms profit from tax exemptions, and also from the infrastructure created by the state or private-public partnerships, e.g. new Metro lines and motorways. The permissive guidelines aimed at developments on larger sites produces that the scale of developers has been increasing larger, leading in consequence to a smaller number of developers with enough capacity of undertaking the risks of these operations.

Yet a paradox occurs: whilst the biggest developments are promoted, the market of urban renewal produces increasingly smaller units. As mentioned above, unit sizes are reduced as a way to keep the rate of profit relatively stable without increasing unit prices. Developers claim this is the effect of the increased land values in the inner city. However, land price variations show that, with few exceptions, it has been largely the subsidy of urban renewal applied from 1990 onwards, which has triggered a general increase in the land value of the inner city (López, 2008). The URS is, in fact, a subsidy to the real estate activity.

At the local level, building codes contained in the several inner city municipal Master Plans (planos reguladores) create a highly unequal situation with zones of high density development and zones of little or even no development, restricted by different tighter local codes. In Chile, local Master Plans have equal legal status to laws, becoming strategic devices at the time of targeting neighborhoods for intensive
renewal, coordinating the localization of the developments, and generally regulating the developmental process within the URSA. However, master plans are generally drafted in accordance to entrepreneurial goals set up by the local municipalities (MINVU, 2008a). In fact, since 1990, practically all local governments within URSA and with technical support from the national Ministry, started to redraft their local urban guidelines seeking to increment their Potential Ground Rent and, therefore, attract (or intensify already existing) real estate activities within their territories. These processes have been conducted with frequently insufficient channels of social participation involved.\(^7\)

As an example, inner city San Miguel municipal government approved a new Master Plan in 1988 (San Miguel Municipality, 2005) and then experienced several reforms through the years, helping to set up an adaptive good context for large-scale renewal. Similarly, Santiago-Center's Master Plan received 29 amendments between 1989 and 2006 (Contreras, 2005), with the most radical changes implemented in 1993. These changes responded to developers’ demands and were mainly aimed at cleansing the space of warehouses and minor industrial enclaves, which should then be restricted to specific areas, in plots larger than 2,000 m\(^2\). Further changes in the local zoning aimed at increasing the allowed height (hence the building capacity) of the new edifications, duplicating the allowed Plot Area Ratio in practically all the local zones. In zones of no more than 2- or 3-storey, the new allowed typologies easily surpassed 10 and in some parts 15-storey heights (Contreras, 2005).

In the mid 1990s, Santiago-Center municipal government started to receive a number of complaints from local residents, claiming that the massively destructive effects of the high-rise construction were diminishing their quality of life and devaluing their properties. The local state responded by exerting major control through its local building regulations in certain districts (Devia, 2003). Nevertheless, wherever the municipality tightened their local guidelines in a zone, it amplified the allowed Plot Area Ratio in others, especially in the south of the municipality, and so developers could start to operate in these new areas, also moving into other neighboring municipalities that were, at the same time, liberating their local master plans too. This created a zero-sum system within the broad URSA, as any zone tightened produced a trickledown into adjacent, less controlled zones.

Between 2003 and 2005, PAC, a hitherto non-renovated municipality in the southern inner city (Figure 2) attempted to follow same paths, with very minimized processes of social participation involved and with little success nonetheless. This local government aimed at attracting new higher-income dwellers into some specific residential neighborhoods, bringing amenities and other urban activities to these places (attracted by a potentially reinvigorated residential market), and widening roads and open areas (PULSO S.A. Consultores, 2005). The latter two actions would have implied considerable land expropriations, since the state in Chile has compulsory purchase power in cases of public interest. PAC municipal government attempted to increase as much as possible the building capacity in four of its local districts. This was a form of increasing potential ground rent in loco. From a hitherto average land price of less than 1 UF/m\(^2\), and a permitted building regulation that produced a maximum potential ground rent of 7 UF/m\(^2\) in some specific areas, the new attempted local regulation would have produced potential ground rents above 15 UF/m\(^2\) (López, 2009). However, these regulatory changes in PAC could not be approved because, from 2003 to 2005, the local community of PAC forced the municipal authority to redraw its plan in order to reduce its implicit levels of potential ground rent and environmental impact (Núñez, 2006).

Whilst two of the cases shown above – PAC and Santiago-Center – radically differ in terms of municipal capacities of management to set up local real estate markets, both reflect the indisputable role played by municipal authorities in the production of the
material conditions for large-scale urban renewal. Nevertheless, as will be examined next, local-and national-level policies can also reinforce and accelerate the production of rent gap through the devaluation of existing dwellings as a form of reducing capitalized ground rents.

*National building codes and under-implementation of upgrading programs: two mechanisms of devaluation*

Despite its generally high levels of housing dilapidation, Santiago’s inner city ‘frontier’ contains several vital communities, and rich everyday life attached to local neighborhoods. This is related to the working-class origins of this space, which were produced from the 1930s to the early 1970s amidst a vernacular version of national-Keynesianism and Import Substitution Industrialization (Castells, 1985; 1997; Salazar, 2003). Therefore, it is rare for small proprietors to develop stages of landlordism, disinvestment and/or deliberated abandonment of their properties so far (as ‘speculative’ behaviors prior to the gentrification process, according to the rent gap model). Instead of that, the rich social milieu and high use value of the built material, in addition to the high rates of multi-occupation, act as a ‘brake’ that slows down extreme dilapidation, creating collaborative mechanisms of solidarity which, notwithstanding their limited own financial possibilities and virtual absence of support from private financial capital (since generally, low-income residents are rarely granted bank credit in Chile), maintain their dwellings in relatively good condition. Furthermore, these residents usually do not have to pay land taxes given the low cadastral value of their modest properties, and this is a good reason for them to stay put. But, precisely because of that, inner city residents considerably rely on any source of funding or housing upgrading program the national state is capable to supply, in a country where 100,000 units are state-subsidized per year.

Yet the subsidies especially aimed to inner city upgrading and dwelling extension do not work in broad inner city areas of Santiago. The case of the *Fondo Solidario de Vivienda*, probably the easiest and most effective way ever to obtain public funds for social housing upgrading in Chile, is salient. While this program, since its first implementation in 2001, has proven very effective at recovering extensive areas of the Greater Santiago, it is in the inner city (especially in the south) where it appears harder to be applied. This is a problem in a municipality like PAC that exhibits a relatively higher rate of multi-occupation (4.2 people/dwelling, higher than the average in Greater Santiago which is 3.9, according to INE, 2002) problematically concentrated in 20% of the local territory and its most deprived poblaciones (SGA-IBERSIS, 2000). This means, most of these dwellings are inhabited by two or three households.

Between 2001 and 2006, this situation reached paradoxical levels. PAC and San Miguel municipalities showed null results in the application of this funding, also configuring an area of six other inner city municipalities with very low rates of application of the fund, reaching less than 0.2% of the targeted low-income population (López, 2009). Most of these six local governments, but especially PAC and San Miguel, had openly prioritized large-scale urban renewal in their territories. Given the key role that municipal apparatuses should have in the materialization of the FSV program, it is hard not to see institutional liability in this underperformance. In comparison, the municipalities that most successfully implemented the FSV program were usually those with the best managerial capacities, meeting around 7% of their local populations (López, 2009).

The under-implementation of the FSV is worsened by the fact that few plausible material alternatives for small-scale housing and neighborhood reinvigoration exist in the national building codes. At national level, the several structural limitations to dwelling and neighborhood upgrading contained in the national codes of Planning and Construction (LGUC and OGUC laws) restrict small-scale construction. Thus,
low-budget projects of densification and social housing upgrading have to follow strict rules referred to set back plane angle and a certain distance to the adjacent site. Setback planes are fixed by law at 70° from the plot’s boundaries. This means, the wider the plot – or the several plots merged into one – the largest the size of the building that plot could host (Gobierno de Chile, 2007a and b). However, in small, usually 9x18-metres plots that thrive in many poblaciones of Santiago, these guidelines reduce considerably the building possibilities as the predominant building typologies are detached, semi-detached and terrace-type and most of housing upgrading consists of annexing volumes in the backyards from the original dwelling (Figure 5).

Figure 5: Views of two inner city neighborhoods in Santiago
Source: author’s archive.

At local level, guidelines contained in Master Plans can also hamper small-dwelling extension. Furthermore, the necessary qualification of ‘social housing’ (indispensable for being eligible to the exceptionally relaxed guidelines aimed at social
housing redevelopment) is granted exclusively by municipalities. Whilst according to current regulation, to be considered as ‘social housing’, the cadastral value of the plot and the building set on it cannot surpass 400 UF (around US$ 15,000), many inner city plots do not fall into this category because the land can be priced above that value alone. In fact, the issuing of the title ‘social housing’ is monopolized by the local bureaucracy. On the whole, this reflects an internal contradiction within the same Chilean urban policy. On the one hand, there are goals of large-scale construction (culturally associated with a form of sanitation, and so promoted by the national building codes) and on the other, the need of small-scale housing upgrading. The latter goal has been increasingly supported by the national state for the last ten years, as a way to cope with the country’s housing deficit without necessarily building social housing in too-distant peripheries (MINVU, 2006). Nonetheless, this attempt is constrained by the same national regulations.

It seems evident that an ‘institutional’ form of redlining is implicit in the renewal of Santiago’s inner city. In many low-income urban areas, the underperformance of the Fondo Solidario de Vivienda (FSV) and the tight building regulations to small-scale upgrading limit potential addition of use value to residential properties. However, it is within the area of URSA that this devaluation plays a key role, as facilitator of increased rent gaps. The less small-sized properties comply with the national and local building regulations – or the less these areas receive public funding for upgrading – the less small owner-occupiers can add use value to their properties, consolidate their environments, increase their ground rents, and even capitalize them in a different way to the current conditions.

Much as a result of this, in municipalities like PAC, the average value expected by residents in most of the lowest-income areas does not exceed 1 UF/m² (around US$37.5/m²), while the highest ground rent capitalization is 4 UF/m² in the very delimited upper-income neighborhoods of the north-east of the municipality (López, 2009). Under these conditions, few alternatives exist for many low-income dwellers and their extended families. One way is to stay in the place, starved of the material conditions to add use and exchange value to their properties via FSV funds. The other way, and, under the current conditions, this might be more profitable as a short-term rational choice, is to sell out at the current land price and leave the space by heading towards different, usually less favorable, urban locations. This is because those ground rents would be capitalized not by one but many households occupying the dwellings.

Supposing that the market enters into a poblacion and even at an extremely generous land price of 4 UF/m² (Figure 4), the real problem of multi-occupation makes this value insufficient for the purpose of finding equivalent replacement accommodation, even if some sellers might resort to buy one of these new properties being built. For example, for a typical plot of 160 m², a land price at 4 UF/m² would have given an ideal selling price of 640 UF. If divided by two (or even three households), the resulting price could only buy a very basic dwelling built in a relatively distant periphery, including a state subsidy of 300 UF. Therefore, the ‘high’ value of 4 UF/m² does not reflect the actual use value of living in the inner city neighborhood.

**Conclusions: towards a definition of ‘gentrification by ground rent dispossession’**

More than phases of evident devaluation of capitalized ground rent, what can be observed in the inner city poblaciones of Santiago is a historical constant of minimum building standards and low ground rents. Yet residents there have greater control over property than most population in poor neighborhoods facing gentrification elsewhere. As most owner-occupiers face the problem of multi-occupation, processes
of landlordism, blockbusting and blowing-out rarely exist in those places, given
the extremely high use value of the residential space. However, insofar as potential
ground rents increase through policy regulation and state infrastructural investment,
an institutionalized form of redlining emerges as a necessary condition for rent gap
enlargement. Institutional redlining works through national building codes and local
master plans that, in some targeted areas, constrain the small-scale redevelopment
and reduce the building values or, conversely, keep them low. This happens not
only in devitalized former bourgeois neighborhoods or derelict industrial zones
but also, and particularly, in vibrant inner city poblaciones. Yet the impact of these
policies and planning instruments in the use value of the space is considerable.

A particular characteristic of the ‘urban frontier’ of Santiago is the twofold
nature of the actual Capitalized Ground Rent produced. For land owned by small
landowners – which is a product of socialized schemes of fragmented property
distribution, like those developed in most consolidated residential inner city areas of
Santiago – there is a certain maximum level of ground rent, a limit of capitalization
which cannot be surpassed by the current owners. This level of capitalized ground
rent can be called CGR-1, and needs to be understood as differential rent, produced by
the currently allowed building capacities and/or by location, given all the externalities
present in the inner city area. For these owner-occupiers, the CGR-1 is the price they
would receive for their plots in an eventual sale under the current regulatory conditions.

However, following changes in local urban and building regulations, a
considerably higher level of potential ground rent emerges. Most of the ground rent
produced in the inner city is thus capitalized by developers with capacity of large-scale
dwelling production. These developers generally have enough financial credit, capacity
of construction at a high scale, and are able to brush aside the strict restrictions imposed
on more modest, smaller-scale housing projects enshrined in national and local building
regulations. This second level can be called CGR-2, and is either a classical form of
Differential Rent II (for the ‘technological’ implications in the monopolization of the
large-scale building production) or class-monopoly rent (in the way defined by Harvey,
2006). At any rate, this is the largest part of potential ground rent that interests large scale
private developers, and the one that inner city municipalities are currently ‘producing’
in their local spaces. But the CGR-2 may be not only a highly profitable potential
rent accumulated, but also a predatory way of extracting ground rent in a certain space,
given the environmental and urban effects that the intensive exploitation of the rent gap
generates in socially consolidated neighborhoods (poblaciones) and its surrounding areas.

In Chile, the division between these two levels of capitalized ground rent
is produced by the capacities of control of land supply by developers and the state-
monopolization of the building capacity contained in its building regulations. Since
developers can acquire land at a faster rate than it valorizes through changes in the
building regulations, they are able to capitalize the highest rent minus the (lower)
price of the land paid to the original homeowner (received by those as CGR-1). It
is important to stress that the Marxian historical contradiction between productive
capital and idle landlordism (Harvey, 1989b; Marx, 1995) seems to be resolved in
Chile through the full appropriation of both resources: the land and the means
of exploiting it, by the urban agents that class-monopolize that exploitation.

The latter point is precisely what makes inner city gentrification in Chile a
form of accumulation by dispossession. Based on contemporary interpretations of
‘primitive accumulation’ (Harvey, 2003; Glassman, 2006), ‘gentrification by ground
rent dispossession’ emerges as a form of market-absorption of a common (i.e. the
socially-produced) space with commodification of its use value, displacement of its
non-marketized forms of property and potential expulsion of residents via depriving them of the crucial landed capital that helps them to stay put. But this case also shows the contradictions between two phases of neoliberalization in Chile: an initial one, until 1990, based on the massive issuing of titles as almost every household had to be turned into a land-owner; and a current phase, characterized by the fact that those high rates of land property obstruct the expansion of the accumulation of rent gap in the inner city.

Some other particular aspects the production of rent gap acquires in Chile are worth insisting on. Besides the harsh social effects related to the uneven accumulation of the rent gap (CGR-1 and CGR-2) and the relevance of state intervention in this process, it is important to stress that the ‘institutional’ forms of redlining observed are exerted not by banks and/or finance institutions (as the rent gap theory predicts) but by central and especially inner city municipal governments that respond somewhat frenetically to entrepreneurial agendas of market invigoration. This is precisely where structural aspects of rent gap production and the more contextual – unpredictable – dimensions of state entrepreneurialism converge.

Yet the latter clearly contradicts other state policies aimed at adding use and exchange value to the low-income spaces of the city, without necessarily depriving their current owner-occupiers of those ground rents. At any rate, the Chilean entrepreneurial state appears here less as a monolithic entity and more as the sum of disparate – usually contradictory – apparatuses and policies. While the national state decisively promotes a model of inner city social housing upgrading (the FSV program), other national- and local-level branches of the state prioritize the high-rise construction. It becomes clear that the state’s role is quite complex, and this complexity results from some combination of pressure for social housing, developer lobbying, and periodic policy shifts at the local and national levels. Although there are several other factors and implications in the renewal of Santiago’s inner city, the devaluation of the CGR-1 and the class-monopoly accumulation of the CGR-2 show how gentrification in Chile is a processes manipulated by national- and local-level policy.

Even though most studies and theorization on gentrification come from the US and Western Europe, it is relevant to note that the structural principles of gentrification apply, with some differences, in peripheral realities of the world. Yet, in more specific terms, Santiago’s case seems to parallel at least three of the four characteristics of ‘post-recessionary gentrification’ by Hackworth (2002; see also Hackworth and Smith, 2001), i.e. corporatized real estate developers behaving as initial gentrifiers after a recession, the state as a main driving force for gentrification, and high variations in inner city land economics as accelerators of the process. Yet, differently in Chile, the heavy role of the state underpinning a rent-seeking real estate activity is not ‘post-recessionary’, not even ‘neoliberal’, but quite regular throughout the 20th century’s history (Kusnetzoff, 1990). Furthermore, URSA’s dual structure of accumulation could also be inherent to capitalist cities similar to Santiago, with relatively deregulated, oligopolic housing markets and high rates of owner-occupancy.20

In sum, gentrification by ground rent dispossession is much more complex than different income groups in conflict for the use of same inner city space, or than a story of individual families facing displacement (as the usual narrative that dominates mainstream accounts of gentrification). Instead, the process of neighborhood change and redevelopment in Santiago’s URSA comprises: a) the class-monopolization of potential ground rents; b) loss of use value and (to a great extent) exchange value experienced by traditional owner-occupiers; c) collective or indirect displacement through the gradual loss of affordable housing available for poor households with children, as a form of ‘exclusionary displacement’ with incapacity for them to find equivalent replacement accommodation.
in the city; and d) contradiction between existing working-class strata and the urban entrepreneurial logic, policies, market and state actors seeking to renew the inner city space.

Acknowledgements:
A draft of this paper was presented in the ISA International Housing Conference, held in Glasgow, Scotland, September 2009. Many thanks to Wincent RG Huang, Dr. Kate Jones and Simon Higginson for their thoughtful comments on early versions of this article. Further acknowledgements to Matías Ocaranza for showing me the Brazilian case of gentrification included in the article. Special acknowledgments to the two anonymous referees for their extremely helpful suggestions.

Notes
1 The dilapidation of vast areas of Santiago inner city was denuded by the 1985 earthquake (grade 7 on the Richter scale) that destroyed nearly 200,000 dwellings (around 7% of the national housing stock at the time) plus 178 people dead and nearly 2,600 wounded (Mardones and Vidal, 2001).

2 The conversion of the underused Cerrillos international airport into Ciudad-Parque Bicentenario (CPB) is part of this second approach: a projected 250-hectares new citadel surrounded by freeways, containing high-density middle-class housing, offices, a ‘Central Park’ and several additional amenities, closely connected to fast transport infrastructures (Galilea, 2006; see also www.ciudadparquebicentenario.cl). The Anillo Metropolitano de Santiago is another example: launched in 2001 as a comprehensive intervention aimed at cleansing and renewing the so-called ‘Iron Belt’ of Santiago, a vast derelict industrial zone. The Anillo comprised high- and mid-density new housing, commercial uses and a number of emblematic projects (MINVU, 2003), but it has recently been downgraded only to particular interventions such as a new thematic park in the southern inner city (Allard and Rosas, 2007).

3 Rates of allegamiento or drop-in guests (people or households that inhabits someone else’s dwelling or backyard patio, usually kin to the homeowner, as temporary solution for their economic incapacity to own or rent a dwelling) soared in Santiago, as an effect of the neoliberal urban policy that, from 1973 onwards, prohibited land invasions (Klaarhamer, 1989; Gilbert, 1996). Although the more recent, democratic housing policy has reduced the number of allegados in Greater Santiago, they still agglomerate in inner city poblaciones.

4 Massive issuing of land titles was conducted in the 1960s. Later, the dictatorship’s housing policy (1973-1990) decisively promoted individual property, via providing precarious ‘wet-core units’, contributing to the current high levels of land property in Chilean poblaciones (Hidalgo, 2005). Currently, Santiago’s land market is very particular in Latin America precisely for its higher rates of legalized owner-occupancy in its poblaciones, compared, for instance, to favelas, villas miserias, ranchos or barriadas in other countries.

5 Rojas (2004) accounted only 12 urban renewal firms in URSA, yet most of the market might have been absorbed by six firms by 2007, according to the past CEO of Santiago-Center’s Corporation for Development, in interview given.
Some Chilean authors understand that gentrification can be a positive way towards social mixing in state-built, deprived estates (Sabatini and Brain, 2008). Others doubt about the existence of displacement generated by high-rise construction, in the inner city (Arriagada et al., 2007).

The former represents the impossibility for the gentrified ones to find equally good accommodation in their neighbourhoods. The latter represents the pressure to sell and move out, once the process of ‘regeneration’ has started (Slater, 2009). Newman and Wyly (2006) give a complete ethnography on the effects of these indirect forms of displacement in residents of New York.

Thanks to one of the referees for clarifying these points to me.

The draft New Chilean Urban Policy recently published by the Chilean Ministry of Housing and Planning heavily stresses the concept of ‘competitive advantages’ as a main driving force for urban development in the country (MINVU, 2009).

The Chilean Unidad de Fomento (UF) is a unit of account constantly adjusted to inflation, so that the value of the UF remains constant. By 2009 it is equivalent to US$ 37.5 approximately. Prices of land, houses and real estate financing instruments are defined in UF in Chile.

There are six additional small peripheral URSAs in Greater Santiago. This paper focuses only on the main one.

According to the Chilean statistical classification of Socio-Economic Groups, between 1992 and 2002, some inner city red hot real estate districts have noticeably upgraded from the second lowest group (D), into the ‘middle-class’ C2 and C3 groups (López, 2009).

These are real values, since prices in UF are automatically adjusted to inflation.

This has created an unprecedented over-stock of dwellings within the renewing inner city areas which would not be easy to liquefy. Although this issue is beyond the goals of this paper, it should be observed that the Chilean state has already launched several incentives to buyers, seeking to accelerate the market (Carrasco, 2008).

Also known as Floor Area Ratio in the US. This is the total building area divided by the plot area. In Chile, the PAR is used to limit the amount of construction in cities.

The national guidelines aim at not reducing plots whilst practically all the inner city municipalities try to improve their social status through manipulating the permitted minimum plot size. Small-sized plots are usually associated with low-income strata.

This is a characteristic of the largely questioned Chilean system of municipal governance (Paley, 2004; Rivera-Ottenberger, 2008). The lack of participation in urban planning has been only recently acknowledged officially by the Ministry of Housing and Planning (MINVU, 2008a).
The FSV program is a novel form of subsidy for new residence and/or site-densification (in-situ) with a very low downpayment required (10 UF or US$ 375) per applicant, to be deposited in a special bank account. Beneficiaries are exempt from the payment of mortgages. The condition set by the Ministry is that applications must always be collective (10 households or more) led by an external social developing agency, which must be in direct coordination with the local government (MINVU, 2006).

CGR-2 is Potential Ground Rent (PGR) monopolistically accumulated. It represents the full appropriation of the highest and best conditions of development of a plot, which is greatly determined by national- and local-level building regulations. On the other hand, although CGR-1 might appear as an alternative form of PGR, it is not, because it is relatively independent of the full potential ground rent the plot can generate.

This article’s approach to gentrification could find interesting articulation with processes of displacement taking place in traditional working-class, self-help enclaves like Vila Planalto, Brasilia (Coelho, 2008), and in a lesser extent, with Bromley and Mackie’s (2009) and Swanson’s (2007) account of state-led displacement of informal traders from urban central areas in Peru and Ecuador.

References


Consulta: Propuesta de Política Nacional de Desarrollo Urbano, Ciudades Sustentables.


172 Journal of Latin American Geography


----------. 2006. Sobre el debate acerca de la política urbana, la política de suelo y la formación de los precios de la tierra urbana en el Gran Santiago, antecedentes teóricos y empíricos. Santiago: Centro de Políticas Públicas - Universidad Católica de Chile.


