UCLG Committee on Social Inclusion, Participatory Democracy and Human Rights

STRUCTURE OF THE MESSAGES TO BE ADDRESSED AS PART OF THE MEXICO DECLARATION

Financing the Right to the City for all

Limiting the exclusionary effects of housing markets

The world is urbanizing.

The financial means that cities and metropolitan areas need to respond to their inhabitants' needs and aspirations in terms of public services, housing for all and access to fundamental rights (health, culture, education) have never been as important as they are now. Our urban planet's social and human future largely depends on local powers' ability to meet these challenges –which we characterize as "Right to the City for all". In this context, local finances, the financing of urban development, and their control by local governments with citizens' participation become a democratic challenge for inhabitants' well-being.

However, we too often observe how local finances become adjustment tools of austerity policies, as well as the fact that the urban is perceived by some people only as market of real estate opportunities for land rents sources and private gains (as shown by subprime crisis in 2008, which destabilised the global economic system), far from cities and inhabitants' general interest. The risk we are facing is the deepening of social and spatial exclusion, especially in metropolitan areas. Financialization and commodification of cities result in the diversion of wealth that should be invested in local finances in order to ensure the implementation of public policies for the sake of the right to the city –meaning the full range of urban, social, economic, cultural, political and environmental rights.

We need proposals for local governments, especially those from popular territories, to have at their disposal (and not as philanthropy), sufficient resources to meet citizens' needs and to implement policies for individual and community development.

The New Habitat Agenda to be defined in Quito during the Habitat III Conference cannot ignore this issue. Therefore, it should include recommendations towards:

1) **An increase of public resources devoted to an equitable sharing of wealth:**
    - At the global level, between countries that face high urban growth trends with little resources and rich countries, by creating international solidarity funds –among others, those created to finance the fight against climate change.

- At the national level, by promoting a fairer distribution of wealth through equalization between rich and poor territories –and ultimately enabling the latter to generate local development dynamics.
- At the local level, by equipping local governments with the necessary tools to capture part of the added value that is created in their territories, in order to invest these gains in the development of territories for all.

2) **An effective political and fiscal decentralization**, with adequate resources according to each context, to enable governments to limit market's excluding effects: the real estate financialization, the growth of prices as consequence of housing speculation, gentrification processes, privatization of urban services… Local communities prove day after day their capacity to experiment with concrete solutions to respond to their territories' needs. To do so, they need sufficient means.

3) **A participatory and transparent management of local resources –which means:**
    - **A totally transparent management of public money**: publication of local administration's accounts, local officials' (both elected and non-elected) declaration of assets, reinforced control mechanisms for public markets and local procurement, and fighting against corruption at all administrative levels through simplified review procedures for citizens.
    - **An active participation of citizens in financial decisions, especially through platforms of public services' users, citizen representation in urban improvement operations, or through participatory budgets** –which are especially important, as they put citizens at the heart of planning, assignment, monitoring and assessment of public spending. This contributes to strengthen inhabitants' civic attitudes –also regarding tax payment.
    - **Reinforced fight against corruption and tax evasion**, both at international and local level (focusing on issues such as informal real estate, reporting real estate transactions' …)

4) **The acknowledgement of local governments' role in promoting public policies for a fair and responsible economic development that generates local wealth for the benefit of their inhabitants**. Local governments should be able to benefit from the added value that has been created in their territories, and also to facilitate its direct return in terms of employment and local wealth, and indirectly through fiscal contributions to reinvest in territory development. Tax revenues resulting from these economic activities should be earmarked to improve urban environment, public spaces and community facilities. Additionally, activities that generate negative externalities on the environment (polluting transports, industrial activities...) should be subject to special taxes used in benefit of sustainable development.

5) **Incentivise municipalisation of common goods such as water and energy**, accompanied of adequate transfer of responsibilities and resources, managed either directly by local

governments or as a cooperatives. Common goods' management should always be transparent and include citizen participation, aiming at placing public interest above individual's, at increasing citizens' access to these resources and ensuring their sustainable management.

6) **Public, citizen and sustainable control of public space, both in terms of land and real estate.** This implies making good use of taxation and urban planning tools, which would enable local governments to fight and mitigate speculation over the land and the real estate, as well as to build polycentric cities. To do so, it requires:

   - **Real expertise in urban planning, which should enable local governments to conduct neighbourhood improvement operations by prioritising the needs of the community's most vulnerable**. In this sense, local administrations needs to have adequate juridical and fiscal tools, well-adjusted to each context, such as added value capture, reclassification of land, the transfer of building rights…
   - **Land development and rehabilitation that does not exclude the most vulnerable population from the city.** This implies the regularisation of informal dwellers, which would in turn imply a real estate regulation and the expansion of the local tax base.
   - **The creation of an urban solidarity contribution**, in the form of a progressive tax aiming at funding25% of public housing in each neighbourhood. This would enable to limit the real estate crisis. Municipalities and metropolitan regions would implement this tax.
   - **Real estate and land markets' supervision** by the public sector requires local expertise to management reliable data: addresses' system, creation of land registries, creation of an observatory of prices and rentals in each city area.

7) **Equalization mechanisms, aiming at fixing urban and metropolitan inequalities**. Municipal revenues coming from wealthiest neighbourhoods should enable poorest ones' funding. In some urban areas, difference in public spending per capita between centre and peripheries is up to 1 to 10. To fix this, it is absolutely necessary to harmonize metropolitan taxation and to create compensatory mechanisms based on populations' socioeconomic criteria, in order to achieve an equitable distribution of wealth among territories.