



The Sustainability of Urban Heritage Preservation

The Case of Valparaíso

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Index

1. Introduction.....	2
2. Valparaiso and the Metropolitan Area	4
2.1 Socioeconomic Profile of the Population	4
2.2 Economic Activity.....	13
2.3 Investment	15
2.4 Accessibility	18
2.5 Evolution of the Urban Economy and Real Estate Investment	21
2.6 The Attractiveness of the Area for Living and Doing Business.....	24
3. Society and its City	30
3.1 Living and Working Conditions	30
3.2 A Sense of Place and Social Commitment	41
4. Urban Heritage Conservation.....	47
4.1 Land Uses	47
4.2 The State of Preservation of Buildings, Public Spaces, and Infrastructure	49
4.3 Regulation of Land Use and Urban Heritage Conservation	52
4.4 Public and Private Institutions	57
4.5 Urban Heritage Restoration Plans and Programs.	59
5. Conclusions and Recommendations	65



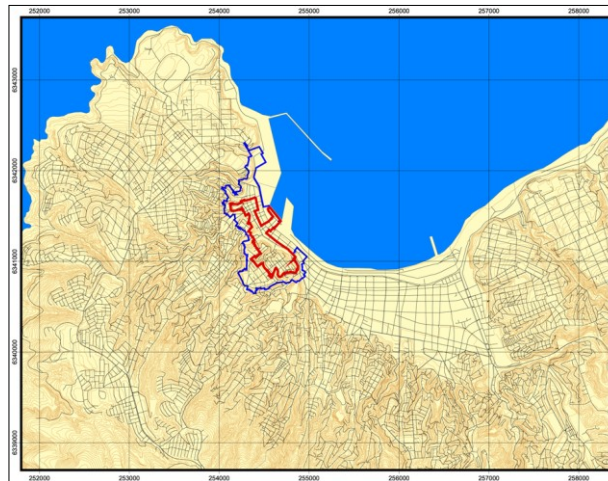
1. Introduction

The declaration of the historic quarter of Valparaíso as a World Heritage Site by UNESCO in 2003 was based on the fact that “Valparaíso bears exceptional witness to the early phase of globalization in the late nineteenth century, when it became the leading mercantile port for the shipping routes on the Pacific coast of South America.”

The city’s vernacular urban fabric and its layout, infrastructure, and architecture characterize the seaport city, which respond to its unique geographical and topographical environment. In Valparaíso’s case, the geographical conditions were so severe that the adaptation of building forms to the environment gave rise to an entirely original result.

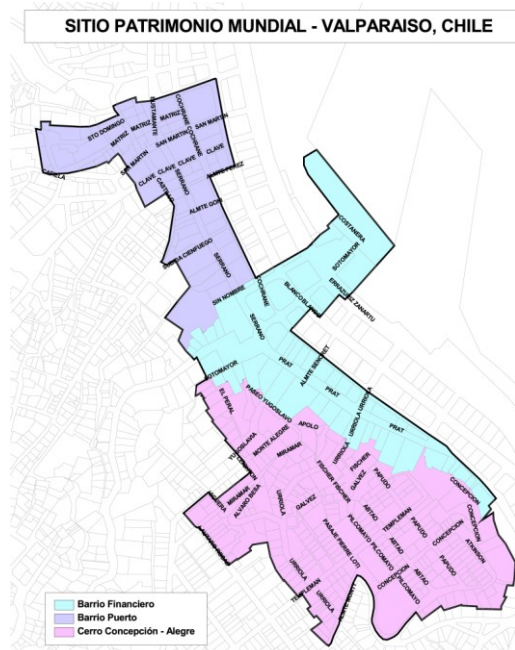
The seaport city of Valparaíso was one of the leading players in the global system of the early period of industrialization and in the worldwide commercial exchanges associated with it. As a result of its preeminence, it took in population and influences from all over the world, fully adopted the technologies and the entrepreneurial outlook of the epoch and applied them creatively to its own particular reality. The result, from the urban perspective of intercultural dialogue, of the drive towards modernization, and the challenges presented by the environment, is an entirely original American city that bears the stamp of the nineteenth century.

Figure 1. Location of the City's Heritage Area



The area declared a World Heritage Site, referred to in this paper as the Heritage Area, is rather heterogeneous. The following analysis has therefore subdivided it into three clearly distinguishable areas: the Port Quarter, which has a range of service functions as well as some residential population, and which evinces the greatest degree of degradation and stagnation in real estate development; the Financial Zone, in which business functions predominate, and which enjoys the highest degree of preservation, but suffers from a stagnated development dynamic, and the Cerro Alegre and Cerro Concepción neighborhoods, which although of a primarily residential nature increasingly offer services for tourism.

Figure 2. Analytical Subareas of the Heritage Area



2. Valparaíso and the Metropolitan Area

The area declared a World Heritage Site is the historic quarter of the seaport city of Valparaíso, which forms part of a greater metropolitan area that also takes in the municipalities of Viña del Mar and Con Con. The Heritage Area itself has a surface area of 23.2 hectares and a buffer zone of a further 44.5 hectares. At the time of the 2003 UNESCO declaration, the occupied urban area of the Valparaíso commune was 2,580 hectares.

Demographic growth in the metropolitan area of Valparaíso has been very slow in recent decades. The population of the Valparaíso Commune has hardly increased since the 1960s and the population of the Heritage Area itself fell by a third in the period between the 1992 and the 2002 censuses. The decline in population growth in both the commune and the city have been conditioned by the decline in economic activity in Valparaíso, a city that proved unable to substitute declining economic activity in the port with other activities that might have enabled it to maintain the prospect of sustainable employment for its population.¹

2.1 Socioeconomic Profile of the Population

2.1.1. Evolution of the Population Structure

The total population in the study area numbered 2,938 inhabitants in the year 2002, which was equivalent to 1.1 percent of the population of the Valparaíso Commune as a whole (275,141 inhabitants). On the intercommunal scale, the population experienced a very low (0.1 percent) annual increase between 1992 and 2002, but on the communal scale the annual growth rate was in fact negative (-0.2 percent), with a net loss of 6,566 inhabitants. This decrease was considerably more pronounced within the Heritage Area (-3.9 percent annually), which signified a loss of 1,458 inhabitants from the census, representing a third of the resident population in 1992.

¹ SOLIN, “*Consultoría Preparación Programa de Recuperación y Desarrollo Urbano de Valparaíso*” (CH-L1004); *Segundo Informe de Avance; (Rev.) Diagnóstico*; April, 2005, p. 12, drawn from this and the following quoted paragraphs.

Table 1. Population. Heritage Area, Valparaíso, and Metropolitan Area

	Sitio Patrimonio Mundial			Comuna Valparaíso			Valparaíso-Viña-Concón		
	AÑO 1992	AÑO 2002	Variación 1992-2002	AÑO 1992	AÑO 2002	Variación 1992-2002	AÑO 1992	AÑO 2002	Variación 1992-2002
Población total	4,396	2,938	-1,458	281,707	275,141	-6,566	585,296	593,630	8,334
Población residente habitual	4,091	2,676	-1,415	274,776	250,838	-23,938	570,301	540,992	-29,309
Población inmigrante	771	539	-232	25,362	26,169	807	69,136	73,648	4,512
% población inmigrante	18.8%	20.1%	1.3%	9.2%	10.4%	-3.4%	12.1%	13.6%	-15.4%

The average age of people in the communal population in 2002 was 33.4 years, very similar to the overall intercommunal population (33.4 years), although the average age in the Heritage Area was 37.1 years. Generalized aging of the population could be detected on all analytical scales compared to 1992, and to an even greater extent in the Heritage Area, in which the average age was 32.5 whereas in the Commune it was 30.9 years and 30.8 years at the intercommunal level.

Figure 3. Average Age of the Intercommunal Population, 1992–2002

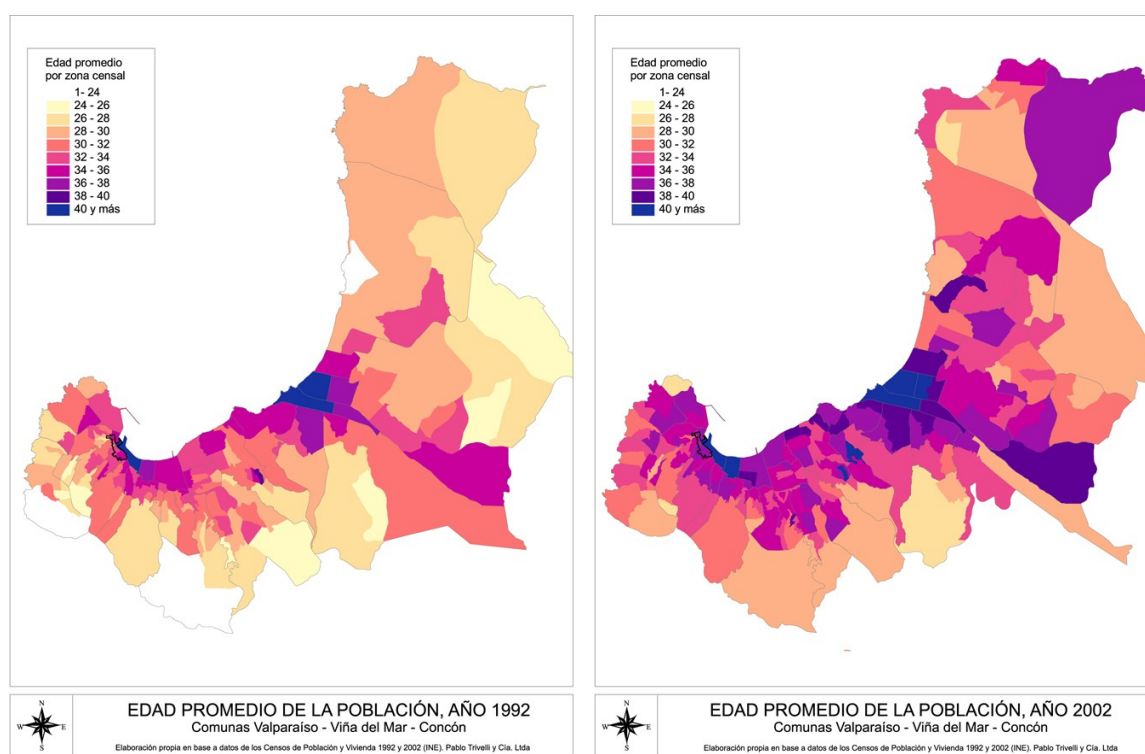
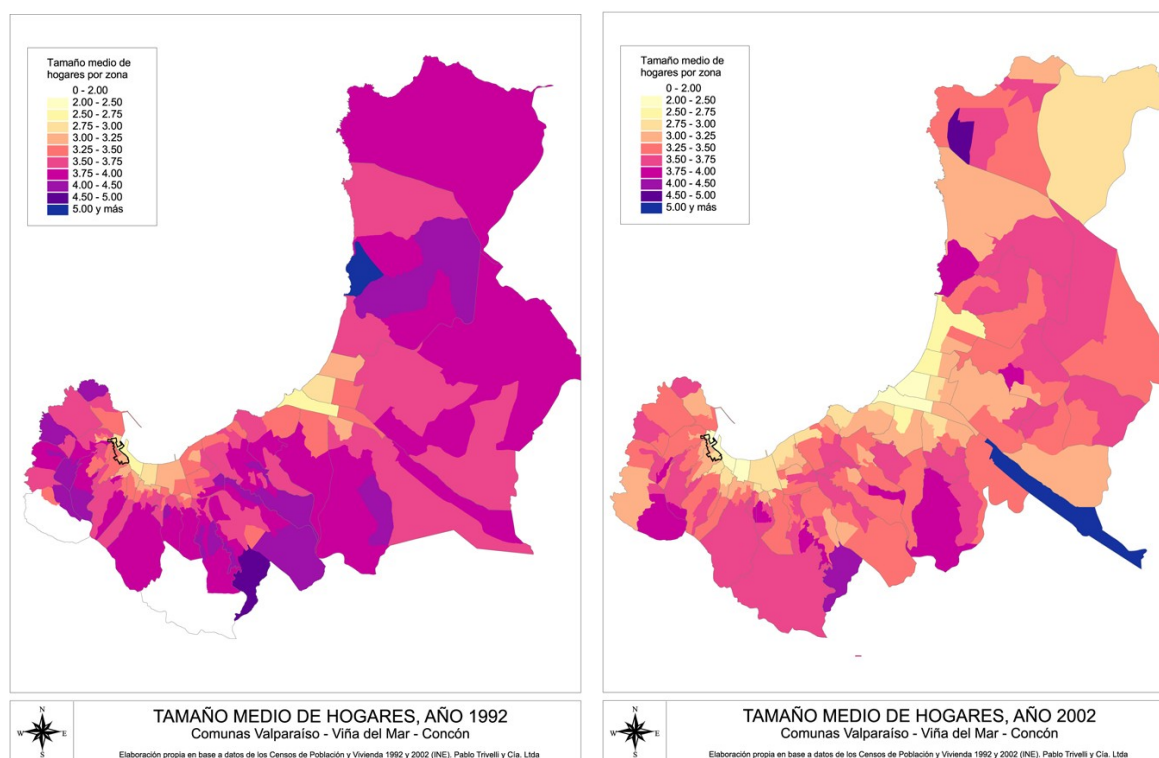


Figure 4. Average Household Size of the Intercommunal, 1992–2002



The average size of households in the Valparaíso Commune and on the intercommunal level was 3.4 persons per dwelling in 2002, representing a decrease in relation to 1992, in which the average per household was 3.7 persons. In the Heritage Area itself the average household size has traditionally been much lower than in the rest of the commune, and was reduced from 3.1 persons per dwelling in 1992 to only 2.8 persons in 2002. The greatest increase in proportional terms in relation to the total number of households corresponds to the increase in one-person households, which made up 26 percent of the total in 2002, a similar proportion to the number of households with two persons. In contrast with the rest of the commune, the most numerous households represent a relatively low proportion of the whole. Within the Heritage Area the number of shared households decreased slightly from 59 households in 1992 to 54 in 2002.²

2.1.2. Employment and Occupation

According to the 2002 census, the *Población Económica Activa* (PEA) (active working population) represented 39 percent of the total intercommunal population, a proportion

² A shared household is defined as all those persons, or groups of people, whether united or not by blood ties, that live in private dwellings with more than one household, which is distinct from the main household. This means that “they have common access, maintain their privacy inside the dwelling by occupying a part of it – except for the bathroom and the kitchen, which can be shared – but they cook their meals separately (economic independence)”. *Instituto Nacional de Estadística INE* (National Statistics Institute)

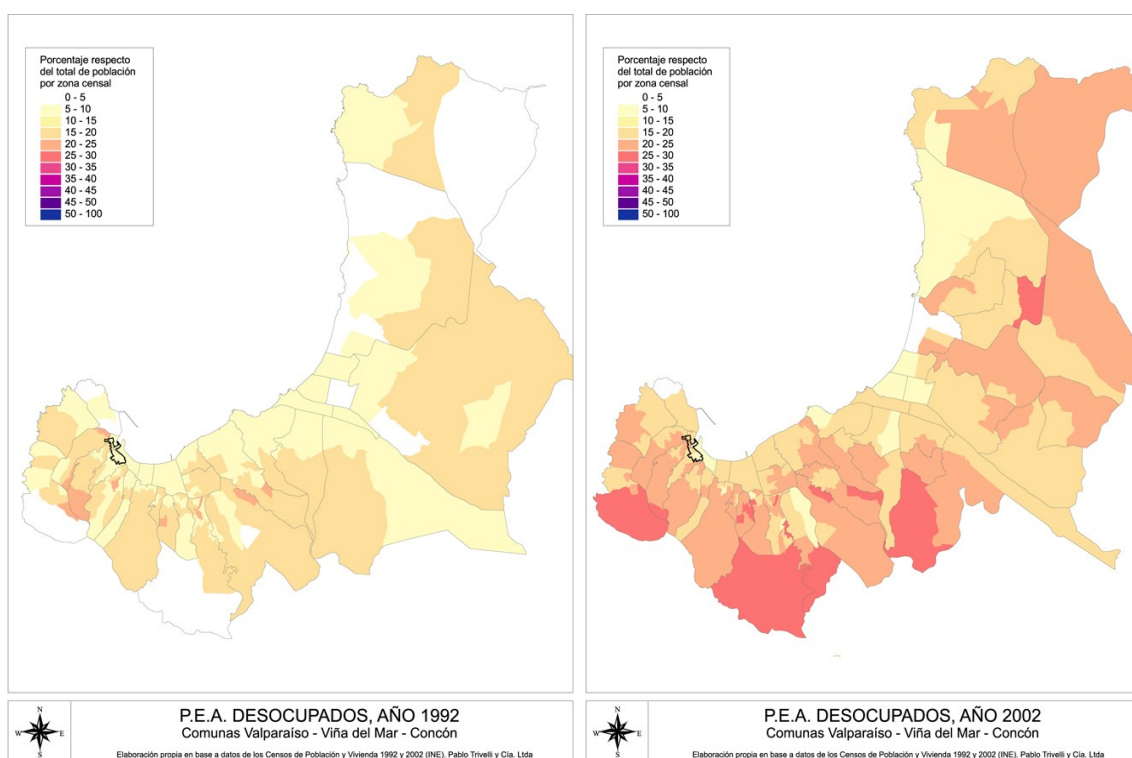
similar to that of the Valparaíso Commune, in which the increase was slightly higher than in the rest of the conurbation. In the study area, the PEA declined in absolute terms between 1992 and 2002, from 1,689 to 1,296, but its proportion regarding the total population, greater than in the rest of the communal territory, increased from 38 percent to 44 percent, implying that a high proportion of those inhabitants who left the area had been inactive.

The employment rate among those living within the Heritage Area is also greater relative to the rest of the commune (90 percent and 85 percent respectively). This situation has been sustained over time with only a slight decrease, given that both the communal and the intercommunal levels of employment rose by around 4.5 percent during the period between censuses. With regard to the population's spatial distribution, the unemployment rates are lower in the more central areas of the cities of Valparaíso and Viña del Mar and greater in zones on the periphery.

Table 2. Employment: Heritage Area, Valparaíso and Metropolitan Area

	Sitio Patrimonio Mundial			Comuna Valparaíso			Valparaíso-Viña-Concón		
	AÑO 1992	AÑO 2002	Variación 1992-2002	AÑO 1992	AÑO 2002	Variación 1992-2002	AÑO 1992	AÑO 2002	Variación 1992-2002
P.E.A. total	1,689	1,296	-393	92,184	106,272	14,088	197,338	230,626	33,288
% respecto de población total	38.4%	44.1%	5.7%	32.7%	38.6%	5.9%	33.7%	38.9%	5.1%
P.E.A. ocupada	1,525	1,157	-368	82,263	90,109	7,846	177,882	197,221	19,339
P.E.A. desocupada	164	139	-25	9,921	16,163	6,242	19,456	33,405	13,949
% P.E.A. ocupada	90.3%	89.3%	-1.0%	89.2%	84.8%	-4.4%	90.1%	85.5%	-4.6%
% P.E.A. desocupada	9.7%	10.7%	1.0%	10.8%	15.2%	4.4%	9.9%	14.5%	4.6%
Pob. Educación Superior	279	336	57	10,485	14,869	4,384	24,680	36,562	11,882
% pob. Educación Superior	8.1%	13.4%	5.3%	5.0%	7.0%	2.0%	5.6%	7.9%	2.3%

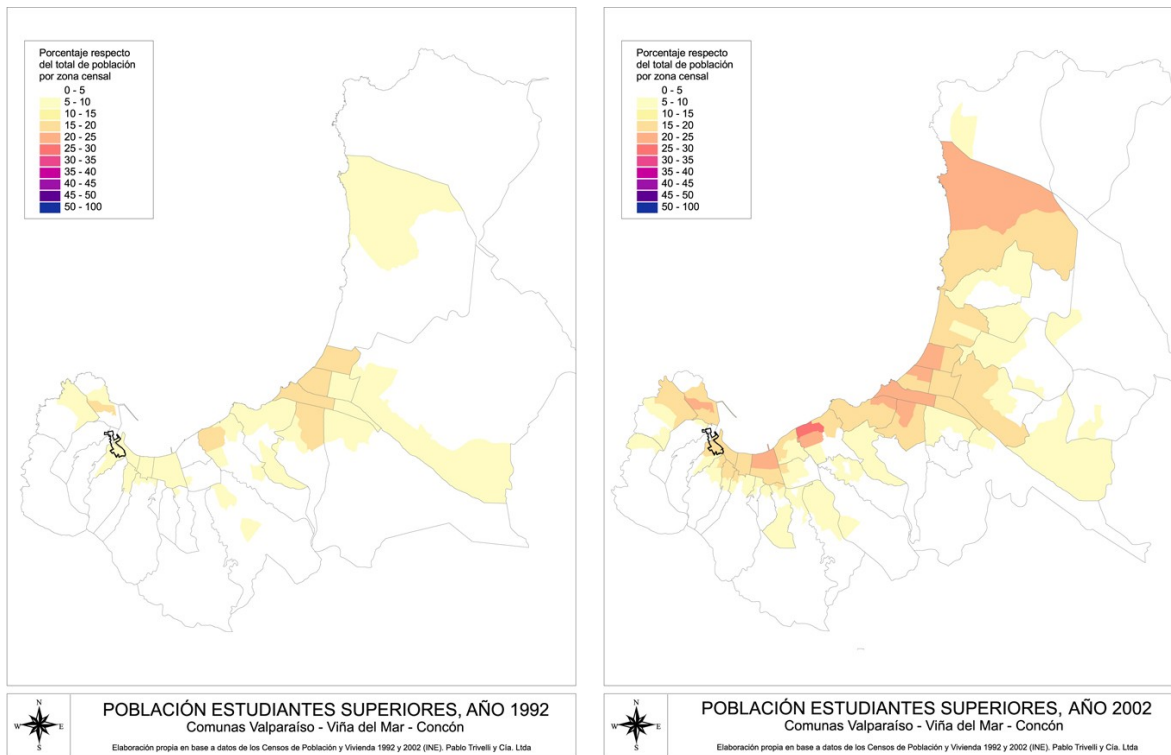
Figure 5. Active Working and Unemployed Population, 1992–2002



Moreover, due to the importance of the availability of higher education in Valparaíso and Viña del Mar, included within this figures is the number of university students, which has undergone significant growth within the region.³ The proportion of students relative to the total population is 7 percent in Valparaíso and 8 percent at the intercommunal level, surpassing the proportions found in other metropolitan cities in Chile. The Heritage Area has been on the receiving end of a growing number of students choosing it as their place of residence.

³ Population aged 18 years and over that lives and studies habitually in the Valparaíso Commune, with completed secondary education studies.

Figure 6. Unoccupied Dwellings in the Intercommunal Area, 1992–2002



2.1.3. Forms of Householding

The housing stock within the intercommunal area increased by 28,606 units between 1992 and 2002, which represents an annual growth rate of 1.6 percent. The population, however, remained practically stable during the same period. The unoccupied dwellings increased both in number (5,968 units) and in proportion with regard to the total number of dwellings (reaching 10 percent), with an annual growth rate of 4 percent, which would mostly be accounted for by second residences mainly located in Viña del Mar y Concón. With regard to the Valparaíso Commune, there was an increase of 7,275 dwellings whereas the population underwent a decline in real terms. 5 percent of dwellings were unoccupied in 2002, a quantity that increased from 1,719 in 1992 to 4,104 in 2002, which represents an annual growth rate of 9.1 percent.

Table 3. The Housing Situation, 1992–2002

	Sitio Patrimonio Mundial			Comuna Valparaíso			Valparaíso-Viña-Concón		
	AÑO 1992	AÑO 2002	Variación 1992-2002	AÑO 1992	AÑO 2002	Variación 1992-2002	AÑO 1992	AÑO 2002	Variación 1992-2002
Viviendas total	1,215	1,024	-191	73,146	80,421	7,275	162,746	191,352	28,606
Viviendas ocupadas	1,186	945	-241	71,427	76,317	4,890	150,498	173,136	22,638
Viviendas desocupadas	29	79	50	1,719	4,104	2,385	12,248	18,216	5,968
% viviendas ocupadas	97.6%	92.3%	-5.3%	97.6%	94.9%	-2.8%	92.5%	90.5%	-2.0%
% viviendas desocupadas	2.4%	7.7%	5.3%	2.4%	5.1%	2.8%	7.5%	9.5%	2.0%
Viviendas colectivas	15	30	15	295	652	357	504	1,281	777
Viviendas particulares	1,200	994	-206	72,850	79,769	6,919	162,240	190,071	27,831
Viv. tipo Casa	681	645	-36	54,248	59,966	5,718	112,429	127,794	15,365
Viv. tipo Departamento	221	204	-17	10,829	16,341	5,512	35,058	55,831	20,773
Viv. tipo Conventillo	261	133	-128	3,375	1,409	-1,966	4,705	2,020	-2,685
Viv. tipo Otros	37	12	-25	4,398	2,053	-2,345	10,048	4,426	-5,622
%viv. tipo Casa	56.8%	64.9%	8.1%	74.5%	75.2%	0.7%	69.3%	67.2%	-2.1%
% viv. tipo Departamento	18.4%	20.5%	2.1%	14.9%	20.5%	5.6%	21.6%	29.4%	7.8%
% viv. tipo Conventillo	21.8%	13.4%	-8.4%	4.6%	1.8%	-2.9%	2.9%	1.1%	-1.8%
% viv. tipo Otros	3.1%	1.2%	-1.9%	6.0%	2.6%	-3.5%	6.2%	2.3%	-3.9%

The Heritage Area experienced a decrease in available housing stock, which can be explained in part by the transformation of dwellings into nonresidential usage, or into second residences or others that remain unoccupied, as can be deduced from the increase in unoccupied dwellings. With regard to the differing forms of householding, a progressive increase was observed in the number owner-occupied dwellings in contrast with either renting or other modes, in a proportion of 3:2. In the Heritage Area, as well as in the rest of the historic quarters of Valparaíso and Viña del Mar, this relationship is inverted, and the rented properties greatly predominate over the owner-occupied properties.

2.1.4. Housing Conditions for the Resident Population

The indicators employed for the purpose of measuring the evolution of housing conditions are the following: building material, availability of sanitation service provision and average overcrowding. With regard to the building material, the proportion of dwellings found to be in acceptable condition is slightly inferior in the Valparaíso Commune in relation to the rest of the intercommunal area (74.6 percent and 79.5 percent respectively), which has, in both cases, diminished in real terms relative to the situation existing in 1992.⁴ Within the Heritage Area, the proportion of dwellings in acceptable condition is far inferior (54 percent) and the evident degree of dilapidation relative to the earlier period is very high. Although the best part of the rest of the dwellings are still in a restorable

⁴ Predominant building material of the walls, roof and floors of the dwellings.

condition, the number of unrestorable buildings shows an increase, a state which has tended to decrease significantly in the communal and metropolitan context.

With regard to the sanitary conditions found inside dwellings, the service provision level on all analytical scales is high, reaching 98 percent on both the communal and intercommunal scales. This has increased greatly from the 1992 levels. Within the Heritage Area there is now almost 100 percent sanitary service provision.⁵ The sectors still found to be in deficient conditions correspond to the higher ground of the hills and ravines around the urban periphery.

Table 4. Quality of Dwellings

	Sitio Patrimonio Mundial			Comuna Valparaíso			Valparaíso-Viña-Concón		
	AÑO 1992	AÑO 2002	Variación 1992-2002	AÑO 1992	AÑO 2002	Variación 1992-2002	AÑO 1992	AÑO 2002	Variación 1992-2002
Materialidad aceptable	734	482	-252	53,694	55,491	1,797	120,863	131,016	10,153
Materialidad recuperable	432	403	-29	15,542	18,638	3,096	24,925	33,310	8,385
Materialidad irrecuperable	1	7	6	1,171	213	-958	2,859	473	-2,386
Saneamiento aceptable	1,114	891	-223	58,104	72,664	14,560	124,009	160,653	36,644
Saneamiento deficitario	53	1	-52	12,303	1,678	-10,625	24,638	4,146	-20,492
% materialidad aceptable	62.9%	54.0%	-8.9%	76.3%	74.6%	-1.6%	81.3%	79.5%	-1.8%
% materialidad recuperable	37.0%	45.2%	8.2%	22.1%	25.1%	3.0%	16.8%	20.2%	3.4%
% materialidad irrecuperable	0.1%	0.8%	0.7%	1.7%	0.3%	-1.4%	1.9%	0.3%	-1.6%
% saneamiento aceptable	95.5%	99.9%	4.4%	82.5%	97.7%	15.2%	83.4%	97.5%	14.1%
% saneamiento deficitario	4.5%	0.1%	-4.4%	17.5%	2.3%	-15.2%	16.6%	2.5%	-14.1%

The level of overcrowding within a dwelling constitutes a critical factor in determining a building's habitability and living conditions for its occupants.⁶ In the Heritage Area, 90 percent of dwellings show no signs of overcrowding, only 2.8 percent experience medium overcrowding and critical overcrowding is present in 7.4 percent, proportions far inferior to the situation existing in 1992. This can be directly correlated with the decrease in household size.

⁵ Availability of potable water and sewage service provision inside the dwelling.

⁶ For the purposes of measuring overcrowding, a level of two persons per room is considered acceptable. Between 2.1 and 2.5 is considered a medium overcrowding level and over 2.5 is considered to be a critical level of overcrowding.

Table 5. Overcrowding in Dwellings

	Sitio Patrimonio Mundial			Comuna Valparaíso			Valparaíso-Viña-Concón		
	AÑO 1992	AÑO 2002	Variación 1992-2002	AÑO 1992	AÑO 2002	Variación 1992-2002	AÑO 1992	AÑO 2002	Variación 1992-2002
Índice hacinam. < 1.50	719	638	-81	35,375	41,627	6,252	77,680	98,741	21,061
Índice hacinam. 1.51 - 2.00	236	160	-76	17,049	18,909	1,860	36,473	40,068	3,595
Índice hacinam. 2.01 - 2.50	39	25	-14	4,889	4,232	-657	9,677	8,207	-1,470
Índice hacinam. 2.51 - 3.00	84	36	-48	5,925	4,726	-1,199	11,563	8,875	-2,688
Índice hacinam. > 3.01	69	30	-39	6,845	4,363	-2,482	12,743	7,917	-4,826
% índice hacinam. < 1.50	62.7%	71.8%	9.1%	50.5%	56.4%	5.9%	52.4%	60.3%	7.8%
% índice hacinam. 1.51 - 2.00	20.6%	18.0%	-2.6%	24.3%	25.6%	1.3%	24.6%	24.5%	-0.2%
% índice hacinam. 2.01 - 2.50	3.4%	2.8%	-0.6%	7.0%	5.7%	-1.2%	6.5%	5.0%	-1.5%
% índice hacinam. 2.51 - 3.00	7.3%	4.0%	-3.3%	8.5%	6.4%	-2.1%	7.8%	5.4%	-2.4%
% índice hacinam. > 3.01	6.0%	3.4%	-2.6%	9.8%	5.9%	-3.9%	8.6%	4.8%	-3.8%

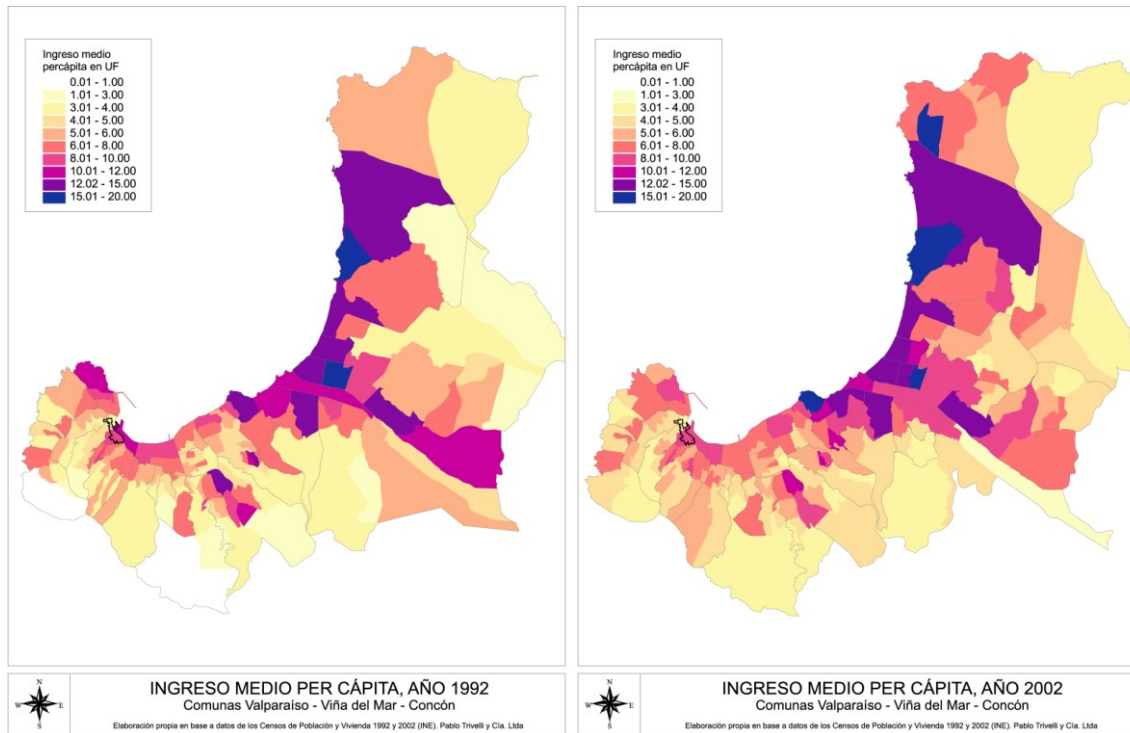
2.1.5. Income Levels

The methodology employed for the purpose of analyzing the socioeconomic stratification took the city of Greater Santiago for its reference parameters, in which four strata were established: High=10 percent, Medium=20 percent, Low=30 percent and Very Low=40 percent. On this basis, it is observable that both in Greater Valparaíso and in the Heritage Area, the distribution of population according to socio-economic strata bears a certain resemblance to the distribution found in Greater Santiago. On the Valparaíso Commune level itself, however, the socioeconomic structure of the population differs widely from the aforesaid parameter, especially at the extreme ends of the scale: there is a much reduced presence of high-income earning population (4.3 percent) and a high concentration of very low-income earners (50.4 percent). This can be mainly explained by the emigration of persons from the higher- and middle-income brackets to the Viña del Mar and Concón communes, a situation that can be clearly visualized by comparing the change in socioeconomic spatial structure from 1992 to 2002.

Table 6. Socioeconomic Stratification

	Sitio Patrimonio Mundial			Comuna Valparaíso			Valparaíso-Viña-Concón		
	AÑO 1992	AÑO 2002	Variación 1992-2002	AÑO 1992	AÑO 2002	Variación 1992-2002	AÑO 1992	AÑO 2002	Variación 1992-2002
% población Estrato Alto	8.3%	8.5%	0.2%	5.8%	4.3%	-1.5%	9.5%	8.6%	-0.9%
% población Estrato Medio	25.6%	22.4%	-3.2%	19.5%	15.9%	-3.6%	21.5%	18.6%	-2.9%
% población Estrato Bajo	25.9%	28.3%	2.4%	28.0%	29.4%	1.4%	26.5%	28.4%	1.9%
% población Estrato Muy Bajo	40.2%	40.7%	0.6%	46.7%	50.4%	3.7%	42.5%	44.4%	1.9%
Ingreso total (UF)	27,536	20,528	-7,008	1,491,598	1,533,852	42,254	3,675,102	3,984,045	308,943
Ingreso medio per cápita (UF)	6.26	6.99	0.72	5.29	5.57	0.28	6.28	6.71	0.43

Figure 7. Average Per Capita Income of the Intercommunal Population, 1992–2002



2.2 Economic Activity

2.2.1. Residential

According to statistics for building permits approved between 2003 and 2008 by the *Dirección de Obras de la I. Municipalidad de Valparaíso*, (Valparaíso Municipal Building Works Directorate) a total of 41 building permits were issued within the Heritage Area, of which only four were for new buildings and none corresponded to permits for residential uses.⁷ The rest correspond to building extension, modification and/or building restoration. About 72 percent of these (26 permits) were granted for the Cerro Concepción and Cerro Alegre sector, only seven of which are intended for residential use. Of the other permits for the area, only one is intended for residential use, for a building situated next to the *Plaza de La Matriz* in the Port Quarter. Building permits granted for residential use represent only a very small proportion of the total number of permits granted inside the Heritage Area between 2003 and 2008 (only 8 out of 41). Informed experts are of the

⁷ Two of them are for new buildings located in Cerro Concepción (register 94-4 and 3012-7). The first of these was granted in 2005 for nonresidential use and corresponded to land belonging to the Valparaíso Municipality, situated in Paseo Atkinson, but was recently rescinded. The second was granted in 2006 and corresponds to a property on the junction of Concepción and Pilcomayo streets, which presently has a commercial use. The remaining two new building works (register 2009-1 and 2009-6) correspond to a single project for a new supermarket in the Port Quarter.

opinion that the true values of buildings are five times greater than the values set by the City Hall for tax and rate collection purposes. These latter values are shown in Table 7.

Table 7. Approved Building Permits According to Type and Sector, 2003–2008

TIPO DE OBRA Nº de permisos	Barrio Financiero	Barrio Puerto	C. Concep.- Alegre	TOTAL SPM	Total comuna	%SPM/ comuna
Ampliación			4	4	588	0.7%
Ampliación y modificación	3	1	5	9	155	5.8%
Ampliación y rehabilitación	1	1	10	12	48	25.0%
Modificación	2	1	5	8	107	7.5%
Rehabilitación		1	2	3	8	37.5%
Obra nueva		2	2	4	852	0.5%
Regularización	1			1	403	0.2%
Total general	7	6	28	41	2,147	1.9%

TIPO DE OBRA Superficie (m2)	Barrio Financiero	Barrio Puerto	C. Concep.- Alegre	TOTAL SPM	Total comuna	%SPM/ comuna
Ampliación			417	417	108,531	0.4%
Ampliación y modificación	82,532	708	1,434	84,672	189,120	44.8%
Ampliación y rehabilitación	1,298	34	5,470	6,800	21,278	32.0%
Modificación	6,370	1,464	3,287	11,121	215,049	5.2%

Table 8. Building Permits granted for Residential Use within the Heritage Area

Rol SII	Sector	Tipo de obra	Año	Superficie (m2)	Presupuesto (M\$)
3006-009	C.Concep.-Alegre	modificación	2003	330	51,777
3004-017	C.Concep.-Alegre	ampliación	2004	99	10,255
3010-014	C.Concep.-Alegre	ampliación y modificación	2005	182	10,334
3010-006	C.Concep.-Alegre	ampliación y rehabilitación	2006	498	55,253
2009-002	Barrio Puerto	rehabilitación	2007	136	38,000
3007-001	C.Concep.-Alegre	ampliación y modificación	2008	218	s/i
3011-005	C.Concep.-Alegre	ampliación	2008	170	s/i
TOTAL				1,633	165,618

Source: Estadísticas de Permisos de Edificación 2003–2008, IMV-SEREX (Building Permit Statistics, 2003–2008. IMV-SEREX)

2.2.2. Commercial

The evolution and dynamism of formal activities carried out in the area can be determined by reviewing the licenses granted by Valparaíso City Hall's *Departamento de Patentes* (Licensing Department) during the 2003–2008 period. Only commercial licenses (alcohol and professional), which add up to a total of 314 for the entire period, representing an average of 52 new establishments per year, have been taken into consideration.⁸ The total number of licenses granted in the Valparaíso Commune in the same period was 4,105, of which 3,998 correspond to commercial licenses (alcohol and professional). This means that only 8 percent of the licenses of this kind granted in the commune were located inside the Heritage Area. The Financial Zone is the sector enjoying the highest level of activity

⁸ No licenses for industrial activity, market stalls or newspaper kiosks were granted within the Heritage Area.

(163 licenses), followed by the Cerro Concepción and Cerro Alegre sector (99 licenses) and, finally, by the Port Quarter (52 licenses). As there is no information of licenses running out, it is not possible to know the duration or permanence of these activities.

2.3 Investment

2.3.1. New Buildings

According to the statistics for building permits granted by the Valparaíso Municipal Building Directorate, no new building work was approved in the study area throughout the year 2008. In previous years, (2003–2007) three permits were issued for new buildings in 2005 (3,439 m²) and one permit issued in 2006 (106 m²). Based on the payments collected for the building permits, the budget for the building work can be estimated at US\$1,121,884. In the commune as a whole, the number of building permits approved for new buildings between 2003 and 2008 was 852, corresponding to 2,100,000 m² and a budget total of US\$238,300,000.

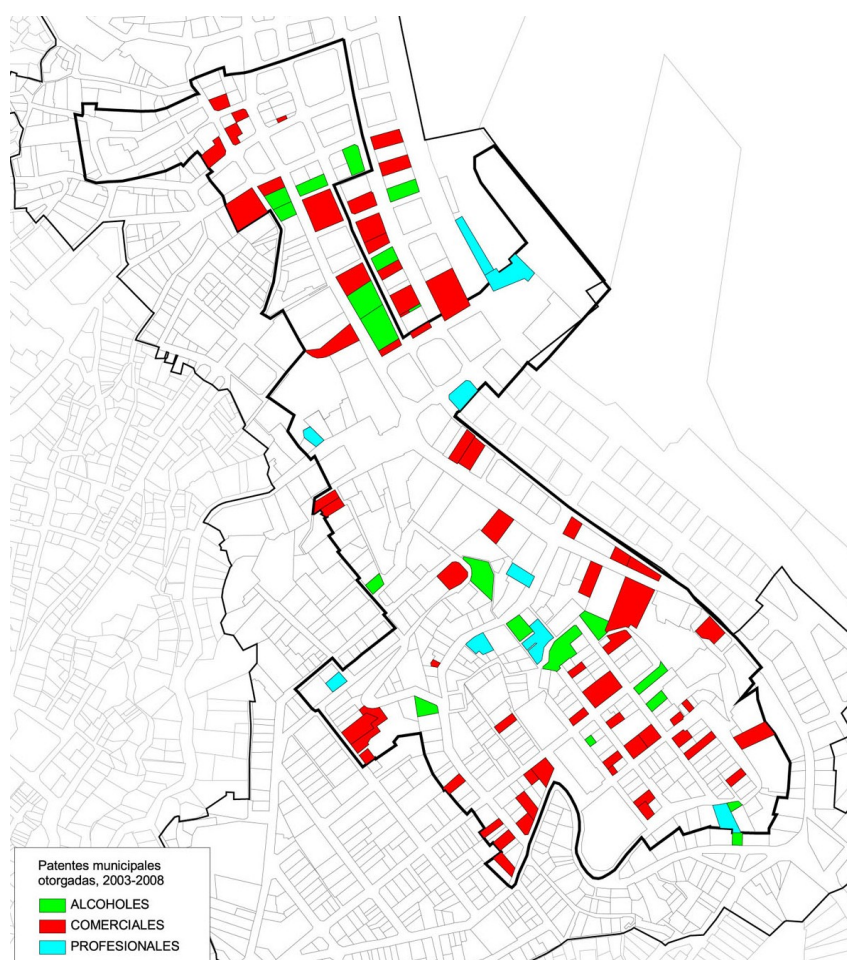
Table 9. Building Permits Approved per Year, 2003–2008⁹

TIPO PATENTE	Barrio Financiero	Barrio Puerto	Co. Alegre-Concep.	Total SPM	Total comuna	%
Comerciales	82	37	64	183	3,213	5.7%
Alcoholes	0	14	17	31	233	13.3%
Profesionales	81	1	18	100	552	18.1%
TOTAL	163	52	99	314	3,998	7.9%

Source: Building Permit Statistics, 2003–2008 (IMV-SEREX).

⁹ Monetary values are expressed in U.S. dollars, based on the average exchange rate for the year in question.

Figure 8. Restored Buildings within the Heritage Area



2.3.2. Restored Buildings

According to the same source, eight building extension, modification and/or restoration permits were granted in 2008 in the Heritage Area, representing an area of 4,529 m² and a budget of US\$143,107. Between 2003 and 2007, the total number of permits granted for building extension, modification and/or restoration was 28, corresponding to a surface intervention area of 99,939 m² and a budget total of US\$16,600,000.

Table 10. Approved Building permits per year, 2003-2008¹⁰

TIPO DE OBRA N° de permisos	2003	2004	2005	2006	2007	2008	Total general	Total comuna	%SPM / comuna
Ampliación		1	2			1	4	568	0.7%
Ampliación y modificación		2	2		1	4	9	155	5.8%
Ampliación y rehabilitación	1		2	2	4	3	12	48	25.0%
Modificación	4	1	1	1	1		8	107	7.5%
Rehabilitación			1		2		3	8	37.5%
Obra nueva			3	1			4	852	0.5%
Regularización						1	1	403	0.2%
Total general	5	4	11	4	8	9	41	2,147	1.9%

TIPO DE OBRA Superficie (m2)	2003	2004	2005	2006	2007	2008	Total general	Total general	%SPM / comuna
Ampliación		99	148			170	417	108,531	0.4%
Ampliación y modificación		38,397	310		44,096	1,869	84,672	189,120	44.8%
Ampliación y rehabilitación	85		895	532	2,799	2,489	6,800	21,276	32.0%
Modificación	2,465	728	5,319	1,558	1,051		11,121	215,049	5.2%
Rehabilitación			315		1,144		1,458	5,461	26.7%
Obra nueva			3,439	109			3,548	2,108,497	0.2%
Regularización						4,488	4,488	259,713	1.7%
Total general	2,550	39,223	10,426	2,198	49,089	9,016	112,503	2,967,414	3.8%

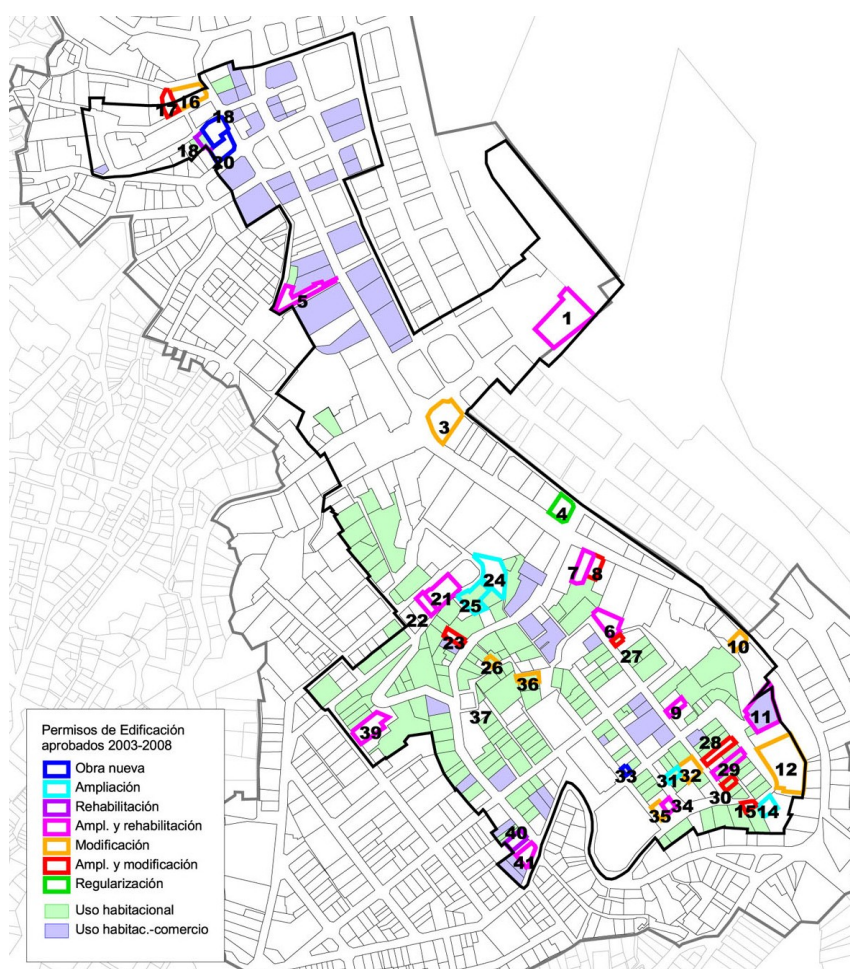
TIPO DE OBRA Presupuesto (M\$)	2003	2004	2005	2006	2007	2008	Total general	Total general	%SPM / comuna
Ampliación		10,255	13,464			s/i	23,719	9,709,612	0.2%
Ampliación y modificación		6,967,310	35,801		1,357,474	826	8,381,412	19,415,019	43.1%
Ampliación y rehabilitación	41,000		42,852	56,549	298,725	73,846	512,971	2,405,854	21.3%
Modificación	107,312	67,564	66,232	283,274	226,358		750,740	10,893,402	6.9%
Rehabilitación			35,150		138,417		173,567	645,558	26.9%
Obra nueva			607,461	19,546			627,007	132,446,644	0.5%
Regularización						13,730	13,730	5,410,887	0.3%
Total general	148,312	7,045,130	800,960	359,370	2,020,973	88,402	10,483,145	185,484,289	5.6%

Source: D.O.M. Valparaíso

In the Valparaiso Commune the number of building extension, modification and/or restoration permits granted for the period 2003–2008 was 886, corresponding to 539,437 m2 and a budget of US\$75,500,000. The total surface area approved within the Heritage Area during this period represents 19 percent of the total surface area approved for intervention in buildings.

¹⁰ Monetary values are expressed in U.S. dollars, based on an average exchange rate in the years analyzed.

Figure 9. Restored Buildings in the Heritage Site



Source: *Estadísticas de Permisos de Edificación 2003-2008*, IMV-SEREX.

2.4 Accessibility

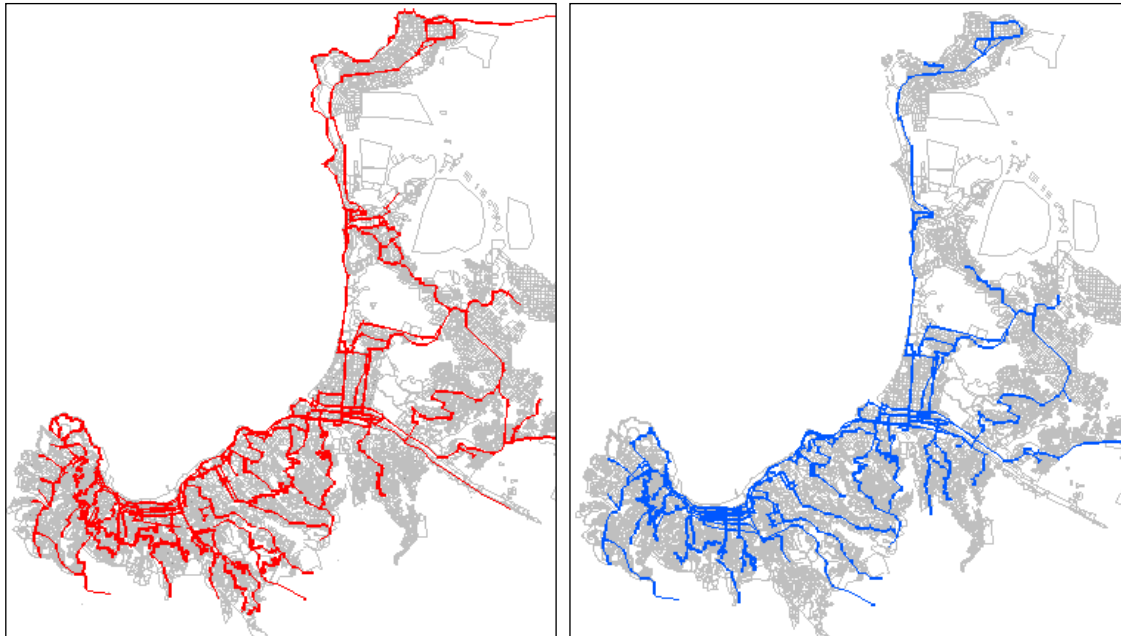
2.4.1. Availability of Public Transport

A public transport system, *Transporte Metropolitano del Gran Valparaíso* (TMV) (Greater Valparaíso Metropolitan Transport) covering the entire conurbation was implemented at the beginning of January 2007. This includes the bus, taxi-bus, metro and collective taxi network, which covers the Valparaíso, Viña del Mar, Concón, Quilpué and Villa Alemana communes. The trolleybus and urban elevator system, however, covers only the urban area of Valparaíso itself.

The Port Metro Station and 12 local and interurban bus routes serve the Heritage Area. The collective taxis are allotted routes serving a smaller area, five of which correspond to the Heritage Area. The trolleybus circulates along the principal commercial

thoroughfares in the center. Of the 14 elevators, five are located within the Heritage Area and the surrounding Buffer Zone.

Figure 10. Bus and Taxi-bus Routes and Collective Taxi Coverage within Greater Valparaíso

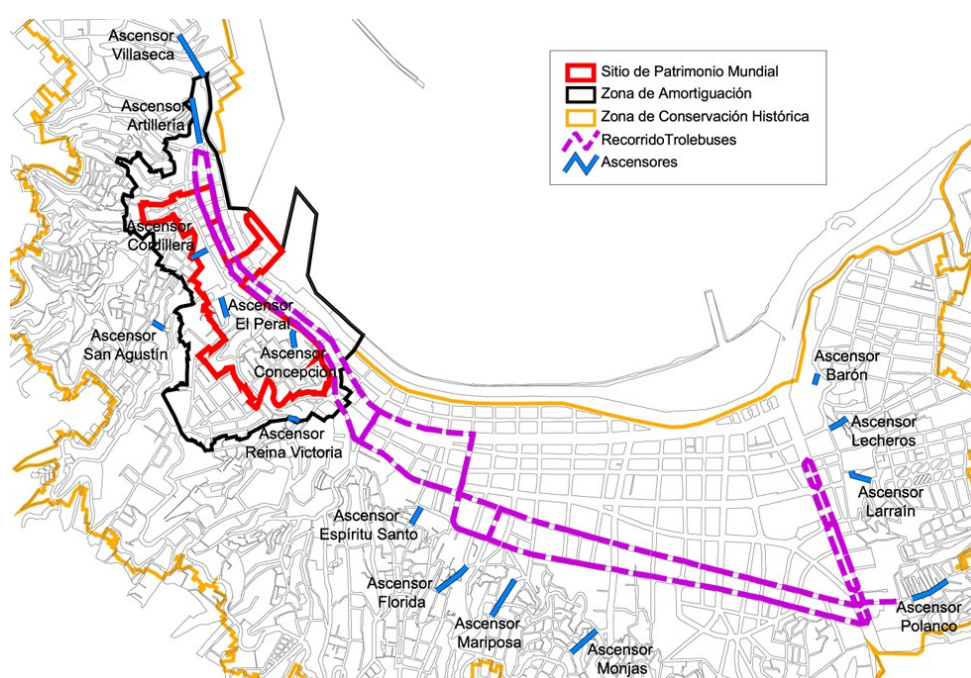


Source: Construcción de Planes Estratégicos de Desarrollo del STU del Gran Valparaíso, Etapa IV, SECTRA - Fernández & de Cea Ingenieros Ltda., 2004. (Greater Valparaíso STU Strategic Development Plan, Stage IV)

2.4.2. Automobile Ownership and Use

According to the 2002 *Censo de Población y Vivienda* (Population and Housing Census), 209 out of a total of 946 households in the Heritage Area (22 percent) possess one or more private vehicles (automobile, station wagon, truck, van or jeep). According to the 1998 *Encuesta de Movilidad del Gran Valparaíso* (Greater Valparaíso Mobility Survey) there were a total number of 818 vehicles (0.4 per household).

Figure 11. Trolleybus Routes and Elevator Emplacement



Source: Author's elaboration.

In the Valparaíso Commune as a whole, the percentage of households that possess one or more vehicles is 18 percent, an inferior proportion to that found in the Viña del Mar and Concón communes, in which the percentage is practically double (34 percent and 37 percent respectively). According to the 1998 Survey, there were a total of 20,588 vehicles in the Valparaíso Commune (0.6 vehicles per household) whereas in the Viña del Mar Commune 46,853 vehicles were counted (1.3 vehicles per household). In Concón, there are 3,510 vehicles (0.7 vehicles per household).

2.4.3. Availability of Parking Spaces

There are two public underground parking lots (Plaza Sotomayor and Bellavista) with a capacity for 310 and 260 vehicles respectively. Except in that sector of the Plan that explicitly prohibits it, the majority of streets can be used for vehicle parking. There are, at present, 1,640 parking meters installed between Argentina Avenue and Pudeto Street (El Almendral Sector).

2.4.4. Pedestrian Access

According to the 2002 Census, 2,938 persons reside in the area declared as a heritage site. A further 21,000 people live within a radius of approximately 500 meters in relation to the

limits of the aforesaid zone, representing 9 percent of the total population of the Valparaíso Commune. According to the 1998 Mobility Survey, no trips to the Heritage Area are undertaken by bicycle, whereas trips made on foot represent 25 percent of the trips that the area attracts (11,169). Of these, 31 percent are work-related, 23 percent study-related, 22 percent for shopping and/or legal formalities and the remaining 13 percent for recreation and/or tourism. In the wider commune, the main motive for trips made by bicycle is study-related (38.5 percent). Of the total number of trips made on foot or by bicycle in the commune, 16.3 percent are directed towards the Heritage Area.

Table 11. Destination of Journeys Made on Foot or by Bicycle, According to Motive

Motivo de viaje	Destino de viaje (bicicleta-caminata)						
	Bicicleta SPM	Caminata SPM	% B + C SPM	Bicicleta total com.	Caminata total com.	% B + C total com.	% SPM / total com.
Trabajo	-	3,482	31.2%	252	16,817	24.9%	20.4%
Estudio	-	2,575	23.1%	76	26,278	38.5%	9.8%
Compras	-	1,739	15.6%	-	8,505	12.4%	20.4%
Diligencias	-	833	7.5%	-	2,372	3.5%	35.1%
Recreación-Turismo	-	1,428	12.8%	160	6,412	9.6%	21.7%
Otro	-	1,112	10.0%	162	7,471	11.1%	14.6%
Total general	-	11,169	100.0%	650	67,855	100.0%	16.3%

Source: Greater Valparaíso Mobility Survey, 1998, *SECTRA*

2.5 Evolution of the Urban Economy and Real Estate Investment

2.5.1. Evolution of Property Rents over the Last Five Years¹¹

In the case of rent values for commercial-use properties, the so-called Financial Zone and Cerro Alegre and Cerro Concepción neighborhoods register an average value of available rents of US\$670.77 (\$350,000 Chilean pesos) during the period 2004–2008. These values are consistently higher than the area under analysis, but inferior to other sectors in which the aforesaid program's area of action has been subdivided.¹² Commercial property rent values reached US\$670.49 (\$349,856 Chilean pesos) in 2004, fell slightly in 2005 and underwent a significant increase in 2006, reaching US\$1,093.51 (\$570,584 Chilean pesos), only to fall again to US\$431.14 (\$224,965 Chilean pesos) in 2007 and finally reach US\$690.72 (\$360,412 Chilean pesos) in 2008.

¹¹ Monetary values are expressed in U.S. dollars, based on the average exchange rate for the year 2008. (1 dollar = 521.79 Chilean pesos.)

¹² The Financial Zone and the Cerro Concepción and Cerro Alegre sector is very heterogeneous, given that the Financial Zone's function is clearly commercial, and therefore has much higher rents than the latter, which is largely residential in nature. It is therefore not surprising that the average value for this sector is inferior to that of the Barrio Barón-Avenida Brasil sector, which includes the city's two most important commercial thoroughfares.

This contrasts with the situation in the so-called Port Quarter where commercial rent values reached levels of around US\$479.12 (\$250,000 Chilean pesos) in the period 2004–2008. In this case, as demonstrated by the following table and figure, the rent for commercial use reached US\$439.90 (\$229,535 Chilean pesos) in 2003, rose to US\$574.50 (\$299,766 Chilean pesos) in 2005, registers a value of US\$372.71 (\$194,475 Chilean pesos) in 2006, maintains a similar value in 2007 when it reaches US\$412.04 (\$215,000 Chilean pesos) and finally rises to US\$540.33 (\$281,941 Chilean pesos) in 2008.

With regard to the values of rents based on asking prices for residential purposes, the Financial Zone, and the Cerro Alegre and Cerro Concepción neighborhoods, show average values of around US\$383.30 (\$200,000 Chilean pesos) for the period 2004–2008. These values are systematically superior to the average found in the study area, and higher than the rent levels found in all other sub-sectors in all recorded years.¹³ The level of residential rent values for this sector reached US\$336.49 (\$175,577 Chilean pesos) in 2004, maintained a similar level in 2005 when it registered US\$331.11 (\$172,771 Chilean pesos), rose somewhat to US\$372.79 (\$194,516 Chilean pesos) in 2006, dropped to US\$349.17 (\$182,193 Chilean pesos) in 2007 and finally underwent another rise, to US\$405.60 (\$211,636 Chilean pesos), in 2008.

2.5.2. Evolution of Real Estate Values over the Last Five Years

Despite great efforts made in this matter, based on the statistical antecedents of property transactions, the results have not been conclusive insofar as it has not been possible to standardize a base unitary value per square meter for either buildings or land. Dialogue with expert advisors, alongside results arising from focus groups, establishes categorically that there have been significant real estate price rises within the Heritage Area, and that a speculative trend has been taking place, starting several years before the UNESCO declaration in 2003.

2.5.3. Evolution of the Housing Vacancy Rate

No antecedents relating to the evolution of the number of buildings becoming vacant in the last five years have been obtained. This theme can be analyzed, however, for the

¹³ The sector denominated Financial Zone - Cerro Alegre and Cerro Concepción is the principal residential area covered by the cited statistics, especially in the case of the two *Cerro* neighborhoods.

period between the 1992 and the 2002 censuses. In 1992, there were 1,215 dwellings in the Heritage Area, of which 29 (2.4 percent) were vacant. In 2002, there were a total of 1,024 dwellings, of which 79 (7.7 percent) were vacant. It has not been possible to precisely determine the reasons that might explain this increase in vacant dwellings, but the most likely explanation is that some dwellings have been acquired as second residences, and are therefore not permanently occupied. This would seem to suggest that the attractiveness of real estate within the Heritage Area was already a factor a long time before its declaration as a World Heritage Site by UNESCO in 2003.

In this respect, it is worth remembering that in the Valparaíso commune itself, the proportion of unoccupied dwellings increased from 2.4 percent in 1992 to 5.1 percent in 2002, and that in the intercommunal area (Valparaíso and Viña del Mar), this figure increases from 7.5 percent in 1992 to 9.5 percent in 2002. This eloquently expresses the growing attraction of Valparaíso and Viña del Mar for tourism and of the importance of the second residence in the real estate market.¹⁴

2.5.4. Property Tax and the Value of Properties in the Real Estate Market¹⁵

Nonagricultural properties without residential use are subject to an annual tax rate of 1.2 percent of their tax assessment, and nonagricultural properties with a residential use are taxed at 1 percent annually, for that part of the tax base that does not exceed \$52,342,100 Chilean pesos (US\$100,313) and 1.2 percent annually for that part of the tax base exceeding the aforesaid amount.¹⁶ All properties with a fiscal assessment of less than \$17,231,662 (US\$33,024) do not pay *Contribuciones de Bienes Raíces* (Property or Real Estate Tax).¹⁷ The tax assessments for properties are far inferior to commercial values. If the tax assessment were 50 percent of the commercial value (in practice it is demonstrably much less) then the real rate would be between 0.5 percent and 0.6 percent of the property's commercial value.

¹⁴ In the *SURPLAN* study “*Análisis de tendencias de localización, etapa II, Caso Sistema Urbano Valparaíso Costa*,” MINVU, March 2008, it was determined that 3 percent would be a reasonable level of vacancy in a normally-functioning property market. The same study found that in the period between censuses (1992–2002) the proportion of second residences as a percentage of new housing reached 25 percent in the Valparaíso Commune and 37 percent in the Viña del Mar Commune.

¹⁵ Monetary values are expressed in U.S. dollars, using the average exchange rate for the year 2008 (1 dollar = 521.79 Chilean pesos).

¹⁶ Existing value for the second semester of 2006.

¹⁷ Existing value for the first semester 2010.

2.6 The Attractiveness of the Area for Living and Doing Business

2.6.1. The Area's Attractiveness

The Heritage Area is an attractive place to visit. The UNESCO declaration has only served to confirm the value of an already well-documented reality. The attractiveness of the area for business or tourism-related activities has been appraised by comparing the analyzed variables that refer to the number of trips with destination on the Heritage Area according to motive (1998), the number of licenses granted in the period 2003–2008, the number of building permits approved for the same period, the transactions undertaken in the property market and the level of land values.

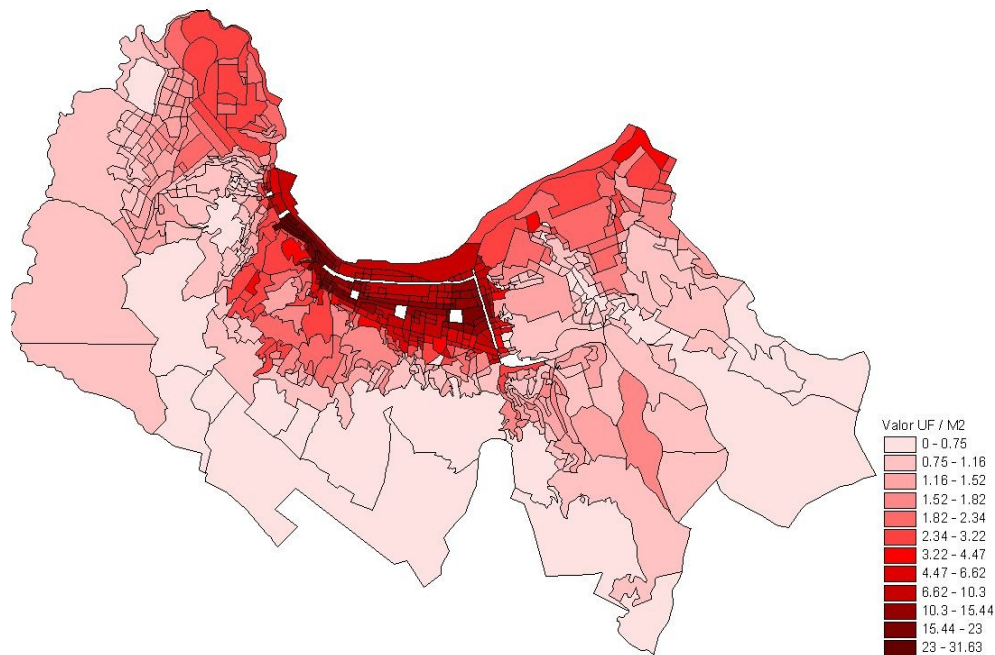
From the residential perspective, in the years prior to the UNESCO declaration (1992–2002), the Heritage Area of Valparaíso underwent a decrease of 33 percent in its residential population and lost 15 percent of the number of dwellings, which represents a relative loss with regard to the rest of the commune from 1.6 percent to 1.1 percent in terms of population and of 1.7 percent to 1.3 percent in terms of the housing stock. This can be explained by two seemingly contradictory factors. Urban obsolescence and deterioration, on the one hand, and, on the other, the conversion of uses from predominantly residential ones towards service provision geared towards tourism.

The Heritage Area includes part of Valparaíso's *Distrito Central de Comercio y Negocios* (Central Business and Commerce District). In 1998, the study area attracted a total of 14 percent of all trips originating in the entire conurbation. Broken down according to motive, 18 percent of the work-related trips ended in the Heritage Area, meaning that one in five of all jobs in the metropolitan area are located within the Heritage Area. It also attracts 17 percent of the recreational trips made by metropolitan area residents and 16 percent of the trips undertaken for other reasons, which are primarily for shopping and errands.

These statistics are consistent with real estate values. As can be seen in the following plan, the highest land values are partly to be found within the Heritage Area, which constitutes a true reflection of the importance of the Central Business and Commerce District in the city. In this sense, it is also noticeable that 18 percent of the professional licenses issued within the Valparaíso Commune within the study period are located within the Heritage Area, which serves to show that it remains an attractive place from the employment perspective.

From the building dynamic perspective, it can be shown that only 1.9 percent of the building permits granted inside the study period correspond to the Heritage Area. Although it is logical that there are very few permits for new buildings, given that there are only a reduced number of vacant lots, the quantity of permits conceded for intervention work in the existing housing stock does not indicate a high level of dynamism. The thirty-six permits granted represent intervention in only 10 percent of the sites and in less than 3 percent of the registered property. This constitutes an indication that the Heritage Area has not managed to become a dynamic focus for development, or rather, a catalyst for the revitalization of the city as a whole.

Figure 12. Real Estate Values according to the 2006 Tax Assessment¹⁸

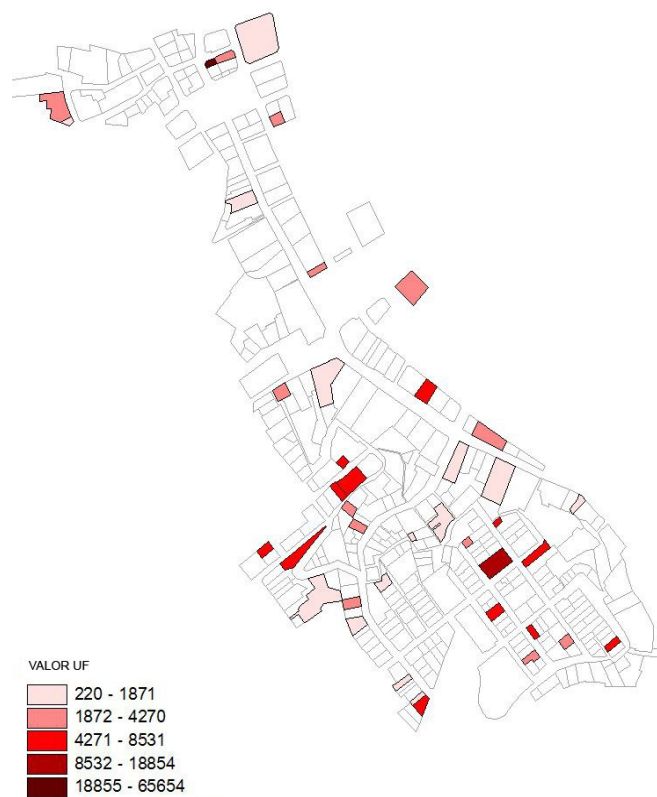


Source: Author's elaboration, based on antecedents from *Servicio de Impuestos Internos*.

¹⁸ The conversion rate for the *unidad de fomento* (UF) (Unit of Promotion) throughout this paper is equal to US\$40.03 (average value for the first semester of 2010).

Information about property market fluctuations, gained from examination of the title deeds of sale of real estate transactions, indicates that only 1 percent of the changes in ownership in the Valparaíso Commune were registered in the Heritage Area. The average value of the property transactions was UF 2,250 (US\$90,068) and UF 1,927 (US\$77,138) respectively. Within the Heritage Area, there is a concentration of operations in the Cerro Alegre and Cerro Concepción neighborhoods, where the highest property values are also noted.

Figure 13. Real Estate Transactions for the Period 2003–2008
(values in UF)



Source: Author's elaboration, based on property sales deeds.

Data concerning property transactions registered at Valparaíso's *Conservador de Bienes Raíces* (Real Estate Registry Office), for the period 2003–2008, indicate that the property market within the Heritage Area is relatively inactive. It is also noticeable that the value of transactions there is not the highest, which is not consistent with the land values, the presence of very important functions and the greater intensity of land use recorded in this space.

2.6.2. Financial Zone

The Financial Zone inside the Heritage Area forms part of Valparaíso's Central Business and Commerce District, and has a life of its own, due to the functions at the city level. Although it is dynamic, and a significant number of building permits are recorded there relative to the number of existing buildings, there is some evidence of a loss of attractiveness insofar as there are empty buildings, if only partially and on the higher floors.

As in other Chilean cities, some of the most important functions have begun to abandon the center and move to other places, following the spatial tendency of higher-income households. In this case, the move has been towards the north of the Metropolitan Area, especially by the most modern elements of the tertiary sector. Commercial interest in the Financial Zone is reflected by the prices of urban land (see Figure 8). Compared with the rest of Valparaíso, the Financial Zone reaches the highest values, which falls into line with the greater hierarchy of functions that are located in this area.

2.6.3. Port Quarter

The second sector, located from Plaza Sotomayor towards the South, is that fraction of the Heritage Area that forms part of the Port Quarter, including the sector around Plaza La Matriz. It is a thinly populated area in which nonresidential functions predominate and where the buildings evince a greater degree of deterioration than in other parts of the Heritage Area. It also has value as a tourist destination but, in this case, despite the investments made to improve the public spaces and local enterprise support programs, it is, at present, an area of little attractiveness for business.

Examination of the land value structure reveals that values are much lower here than in the Financial Zone and also relatively lower than in other places where commercial activity occurs in Valparaíso and Viña del Mar. There are far fewer real estate transactions in this sector of the Heritage Area and they reach lower values than in the rest of the area studied. This is consistent with its lower commercial attractiveness and with the general stagnation recorded in the area in urban and real estate terms.

It becomes clear that when faced with the absence of market attraction due to a strong presence of negative externalities, public intervention is necessary to promote urban heritage restoration and for the revitalization of urban spaces. In this particular case, there have been efforts made by State institutions aimed at improving public spaces and encouraging existing commercial enterprises. These actions, however, have not been

framed within a wider strategy of direct public intervention, or on such a scale as to lead this area out of the deteriorating situation that at present characterizes it, and stimulate the private sector by overcoming the handicaps that negative externalities represent for the market.

2.6.4. The Cerro Alegre and Cerro Concepción Neighborhoods

The situation in Cerro Alegre and Cerro Concepción is different because: (a) the heritage listed buildings are in better state of conservation; (b) it constitutes one of the spaces that receives the influx of a greater number of tourist visits within the Heritage Area and (c) it is the most highly populated part of the Heritage Area. It is an area that, in common with the rest of the Heritage Area, enjoys excellent accessibility and is furthermore served by three urban elevators, which lead to various vantage points and constitute an important tourist attraction.

The influx of tourists has stimulated an active process of new enterprise creation to attend to the demand. In the last few years, hotels, bars, restaurants, boutiques, and galleries have been opened, as is clearly shown by the evidence of the statistics detailing the commercial patents granted. There is a generalized opinion that property prices have risen so much that new projects are today unviable in this area and these are, therefore, locating on the other hillsides, such as Bellavista, Cordillera and Cárcel, which are also found within the limits of the *Zona de Conservación Histórica* (Historic Conservation Zone) and have buildings of heritage value that can be restored and given new uses. This constitutes an important decompression valve for the speculative pressure experienced in Cerro Alegre and Cerro Concepción and for the speculative property values that have, in the opinion of many experts, affected the property market.

This is the sector that has registered the greatest number of property transactions within the Heritage Area, which is an eloquent statement about the sector property market dynamic. Transaction values, higher in many cases than those recorded in the Financial Zone, which is of an eminently commercial nature, also constitute a clear indicator of the real estate potential that has been reached in this sector.

The greatest threat to the sector, however, is posed by its very own real estate dynamic. The property cycle is profit-driven by individual actors, without taking into consideration the overall vision from either the perspective of the city, or of its urban heritage value. This dynamic tends to lead to a point which, once maximum returns on property investment have been reached, begins to generate an overload of negative

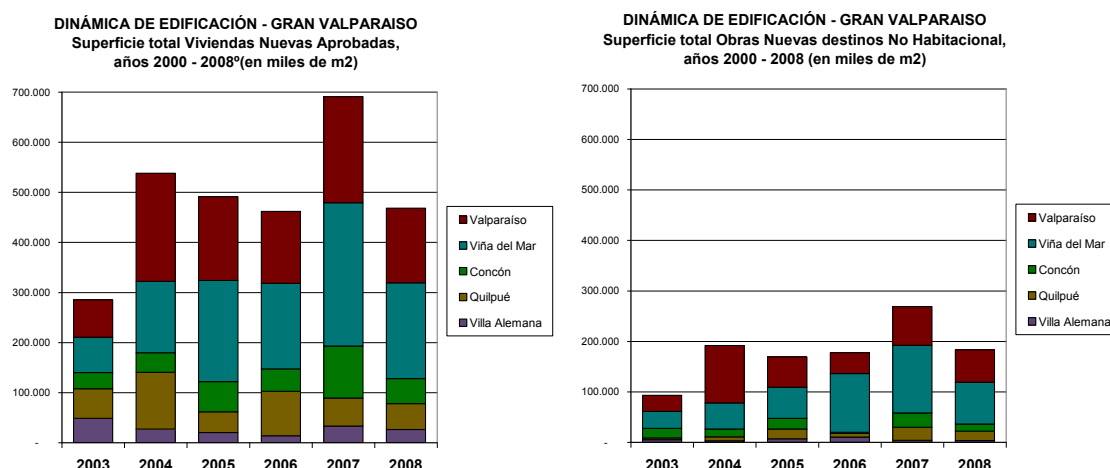
externalities that give rise in turn to a cycle of degradation and loss of value, especially when there is a lack of clear and decisive action on behalf of the public authorities to define the rules of play according to the objective image sought.

This area of the city enjoys excellent access, a good-quality environment, a service provision network covering the entire space, service facilities of all types for both neighborhood and city use, and it also has the unique advantage of being an UNESCO World Heritage Site. But there are still pending challenges regarding citizen security and the upgrading of public spaces.

The Heritage Area offers clear opportunities for the development of investment, commerce, and services. It does, however, suffer from some disadvantages in comparison with other city sectors. First, because the property prices have higher values than in other sectors; second, because building restoration costs are higher than the costs of building new constructions; third, because the procedure for obtaining permits for building, restoration or alteration is longer and more demanding; fourth, because the properties in the Heritage Area are not readily accepted as guarantees for mortgages and are difficult to obtain fire insurance for and, finally, because regulations governing the intensity of land use set a lower limit to that permitted in alternative areas of potential property development.

Accordingly, although the area declared to be a World Heritage Site has undergone a gradual change of use alongside the creation of new businesses (shops, hotels, etc.) and a progressive increase in the price of properties, it also displays signs of backwardness in relation to other areas of the city that have also grown, but in a much more significant manner, such as the Curauma sector in the same commune, or the other communes that make up Greater Valparaíso (Viña del Mar, Concón, Quilpué, and Villa Alemana).

Figure 14. The Construction Dynamic



Source: Author's elaboration based on building permit statistics, 2003–2008, www.observatoriourbano.cl

3. Society and its City

3.1 Living and Working Conditions

3.1.1. Typology of the Dwellings of Low-Income Households Living within the Heritage Area

Social housing has never been built within the study area. The presence of lower-income households can be explained by a development dynamic in which higher-income households have successively abandoned the area only for their dwellings to be taken over by lower-income households. This gradual process of degradation is a consequence of rent racketeering and leads to the presence of lower-income households in buildings that are dilapidated, but in which the rent paid for each room might be considerable.¹⁹ This explains the advanced state of decay shown by some properties.

Population loss is one of the most notable phenomena during the period between censuses (1992–2002). While the Valparaíso Commune as a whole lost 2.3 percent of its population, the population of the Heritage Area diminished from 4,396 to 2,938 inhabitants, representing 33 percent of the total. There is not only a loss of population, however, but also a high renewal level of the resident population. In 1992, 19 percent of the population had come to live in the Heritage Area in the previous five years and in 2002

¹⁹ In the Port Quarter, 43 percent of residents live in rented rooms, in contrast with the 51 percent that rent apartments. See CORTAL, “Diagnóstico y Propuesta Plan de Conventillos Valparaíso” and “Diseño de estrategia para la Rehabilitación del Uso Residencial del barrio Puerto de Valparaíso.” PRDUEV, November 2007.

this figure had reached 20 percent.²⁰ Although there are immigrants from all socioeconomic strata, the majority is from the low or very-low strata. Associated with this phenomenon is the recorded fact that two thirds of the resident population of the Heritage Area is lessees, whereas in the Valparaíso Commune as a whole this figure is only one-third. This implies that it is an area that attracts population, but does not manage to retain its residents.

The number of dwellings in the Heritage Area diminished from 1,215 in 1992 to 1,024 in 2002 and the number of vacant dwellings rose from 29 in 1992 to 79 in 2002. This means that the area is losing its residential status, which might be due to the conversion of housing into hotels, art galleries, bars and restaurants, as well as the adverse impact generated by the surrounding quality of life, which induces emigration towards other places of residence. It is also due, however, to the growing deterioration affecting various properties, both as a consequence of degradation due to rent-racketeering and to environmental effects caused by termites, climactic conditions and fires.

An estimate 41 percent of the population in the Heritage Area belongs to the very low socioeconomic strata, a figure which is inferior to the 50 percent registered in the Valparaíso Commune. There are also 28 percent who belong to the low social strata, a level similar to that recorded in Valparaíso (29 percent). The average income level of residents of the properties studied by *CORTAL* situates them in the second quintile of the urban population of the Greater Valparaíso region. There are some households that find themselves beneath the poverty line, and many that are only partially above it. The situation of social precariousness is exacerbated by the advanced age of the heads of households and/or situations of unemployment.

The majority of residents form small households of one or two persons; there are a low proportion of children and youths. The majority of the active population has a precarious hold in the labor market, principally in the informal sector. Despite the precarious living conditions, the low-income residents display a sense of belonging and a desire to remain there, as a consequence of the advantages arising from its location in terms of access to services and employment. This would seem to be completely reasonable

²⁰ The *CORTAL* studies confirm that there is high residential mobility. In its survey of tenement buildings (the so-called “*conventillos*”) it establishes that only 37 percent of residents remain for more than ten years in the same place.

when compared to the alternative situations of social housing on offer today in the Greater Valparaiso area, which are located on a periphery ever further from the city.²¹

Figure 15. Examples of Degraded Dwellings



According to the study *“Factibilidad de Proyectos de Viviendas Sociales en Zona Plan de Revitalización de Barrios Patrimoniales de Valparaíso”* “the number of lessee families increases the occupational density of residential units available for rent in the sector by 257 percent. This translates into a visible lack of control of their use: there are many lessees who sublet rooms and thereby overload the capacity of the sanitary and other services; physical solutions inappropriate for inhabitability and comfort are common; there is a complete lack of maintenance of facilities and buildings in general, and there are high levels of overcrowding that generate social and family problems.”²²

The average monthly income level arising from the tenement building survey is \$152,000 Chilean pesos (US\$ 290) per household and the average monthly rent paid per household is \$61,000 (US\$ 116), a relatively high figure in relation to the income levels considering that according to commonly accepted standards no household should have to

²¹ See, Hugo Zunino, Lily Álvarez, and Rodrigo Hidalgo *“El desborde de la vivienda social hacia la periferia del Área Metropolitana de Valparaíso: aspectos socioeconómicos y espaciales 1990–2005”* Project FONDECYT 1060759.

²² Paz Undurraga: *“Estudio de Localización de Viviendas Económicas en Área Plan de Revitalización de Barrios Patrimoniales, Casco Histórico de Valparaíso; Factibilidad de Proyectos de Viviendas Sociales en Zona Plan de Revitalización de Barrios Patrimoniales de Valparaíso”*, SEREMI MINVU, V Region, December 2003.

assign more than 25 percent of the family budget to pay for housing.²³ In the Port Quarter, the income levels are slightly higher, but there are still 75 percent of households that receive less than \$200,000 (US\$381) and only 2.7 percent of households have an income level above the third quintile.

An alternative source of information establishes that the offers of housing for rent on display in the highest-circulation local newspaper during the period 2004–2008 showed that figures of around \$100,000 (US\$191) to \$120,000 (US\$229) were reached in the Port Quarter.²⁴ This obviously refers to the formal market, which usually registers higher rates than the informal one in which many of the lower-income households operate.

3.1.2. Social Housing or Subsidized Housing

No housing in the Heritage Area has been built as a result of social housing programs. In 2002, the *Ministerio de Vivienda y Urbanismo* (Ministry of Housing and Town Planning) created the *Subsidio de Rehabilitación Patrimonial (SRP)* (Heritage Restoration Grant), which is aimed at restoring buildings in the Historic Conservation Zones. This subsidy is not targeted on lower-income households, but rather on families with saving capacities from the middle sectors, who are able to obtain a mortgage loan to pay for one of economical dwellings made available either due to the restoration of a building located in the Historic Conservation Zone, or by the restoration of a Historic Conservation Building. The Historic Conservation Zones are defined by the *Instrumento de Planificación Territorial (Plan Regulador)* (Regulatory Plan of the Instrument of Territorial Planning). The area declared a World Heritage Site complies with this requisite. The subsidy is 250 *UF* (US\$10,000). The recipient must have savings of at least 100 *UF* when the desired dwelling has a value of up to 1,200 *UF* (US\$48,000), and 200 *UF* (US\$8,000) when the desired dwelling has a value of up to 2,000 *UF* (US\$80,000).

Official information provided by SERVIU Valparaíso establishes that in the period dating from 2002 to 2007, 280 Heritage restoration grants were approved in the Valparaíso commune, 136 in *Tramo I* and 144 in *Tramo II* (I and II brackets).²⁵ Over time, however, subsidies granted show a declining trajectory. In 2002, there were 103, then 43 in 2003,

²³ Monetary values are expressed in U.S. dollars, based on the average exchange rate for the first semester of 2010 (1 dollar = 524.52 Chilean pesos).

²⁴ G.A. Fouré, “*Estudio sobre los Efectos del Programa de Recuperación y desarrollo Urbano de Valparaíso (PRDUV) respecto de la puesta en valor del Patrimonio Urbano de Valparaíso*”, Valparaíso, June 2009, *Dirección de Presupuesto, Ministerio de Hacienda*. (The Ministry of Finance’s Budget Directorate).

²⁵ SERVIU, “*Subsidios Habitacionales*,” SEREMI MINVU; Greater Valparaíso, June 2009.

then 36 in 2004, a rise to 45 in 2005, a decline back to 30 in 2006, with only 13 granted in 2007 and the same figure in 2008. The total number of effectively paid-up subsidies for the period 2004–2006 was 30.

This subsidy has not brought about the desired results. In a report published in 2006, it was established that of the subsidies granted in Valparaíso, very few have been materialized: more than 40 percent of the persons who obtained them later decided to forego them and nearly 30 percent of persons missed out on the subsidy when the time limit for application expired. These figures reveal that it has not been an effective instrument either for promoting the restoration of physical urban heritage, or for attracting population back into the Heritage Area.²⁶

There are many reasons that might explain this result. First, the restoration projects have higher costs than those engendered by new construction, and these higher costs are not covered by the subsidy. Second, this higher cost means that the total project value often surpasses the maximum value of the dwelling to which the subsidy can be applied; due to the high costs of land; the longer time period needed to carry out the work compared to new building construction and the lower density of land occupation permitted in the Heritage Area. Third, the subsidy is granted on demand, but there are very few investors willing to take a risk on the supply side. Fourth, there is a competitive offer of high-density buildings that can be produced at a lower cost and, finally, it should be mentioned that the *Subsidio de Rehabilitación Patrimonial* are at a disadvantage when competing with projects that can also apply for the *Subsidio de Renovación Urbana* (Urban Renovation Grant) which, although having a ceiling of only 200 UF (US\$80,000), is applicable to new dwellings within the designated areas, which cover a wide range of Valparaíso, including the Heritage Area itself.

²⁶ See Felipe Álamos “*El subsidio patrimonial está en deuda*” *El Mercurio*, Sunday, June 25 2006.

Table 12. Building Restoration Grants (SRPs) Approved between 2002 and 2007²⁷

Subsidios de Rehabilitación Patrimonial otorgados entre los años 2002 - 2007																					
Detalle	2002			2003			2004			2005			2006			2007			Totales y Promedios		
	Total	T 1	T 2	Total	T 1	T 2	Total	T 1	T 2	Total	T 1	T 2	Total	T 1	T 2	Total	T 1	T 2	Total	T 1	T 2
NºSub.Entregados	103	62	41	43	18	25	36	17	19	55	23	32	30	9	21	13	7	6	280	136	144
Ahorro Promedio	171	116	256	174	112	220	174	112	236	S/D	S/D	S/D	S/D	S/D	S/D	S/D	S/D	S/D	173	113	237
Subsidio Promedio	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250			250	250	250
% RP/ Total Otorg. 39.135	1,2%			0,5%			0,5%			0,7%			0,4%			0,2%			0,7%		
T1= Tramo 1 (viviendas hasta 1200 UF)																					
T2= Tramo 2 (viviendas hasta 2000 UF)																					
Subsidios de Rehabilitación Patrimonial pagados entre los años 2004 - 2006																					
Detalle	2004			2005			2006			Totales y Promedios											
NºSub.Pagados	6			11			13			30											
Sup. Promedio	55,67			120,64			85,96			87,42											
Subsidio Promedio	250,00			250,00			245,00			248,33											
% RP/ Total Pag.21.596	0,1%			0,1%			0,2%			0,1%											
Fuente: Informativos Estadísticos DITEC																					

3.1.3. Living Conditions for Residents

Living conditions found in the three sectors of the Heritage Area have clearly distinguishable characteristics. In the Financial Zone, located inside the Heritage Area, there are scarcely any permanent residents. The Port Quarter is very sparsely populated, which is surprising given its location in such a central part of Valparaíso, both in physical and in functional terms. “60 percent of the buildings have no residents. The dwellings usually occupy the top floors of the buildings, given that the lower floors are given over to nonresidential use. The predominant activity in the area is retail commerce. The bars, cabarets, discos, and pubs normally associated with the Port Quarter occupy 23 percent of the buildings and lend it its bohemian air, flavoring the neighborhood with their presence. The Trades Unions’ headquarters, offices and service activities related to the port, are present in 37 percent of the buildings but this does not, in fact, translate into a significant presence in neighborhood life. In general, except for commerce, the nonresidential activities tend to favor the construction of façades that are closed for at least a large part of the day, which explains the low level of activity present in some streets.”²⁸ The reduced residential activity can be explained by the low attractiveness of the Port Quarter caused by the aforesaid factors, especially for households with children, given the lack of

²⁷ UF is equivalent to US\$40.03 (average value for the first semester of 2010).

²⁸ CORTAL Op. Cit.

attractive public spaces, the lack of security and the contextual problems affecting the area.

The situation in the Cerro Alegre and Cerro Concepción neighborhoods is very different. This is a prominently residential area in which the state of preservation of the dwellings is better than in the other two sectors of the Heritage Area. It is mainly occupied by medium-and upper medium-strata households, except for some buildings and blocks with a congregation of tenements and deteriorated dwellings, in which low- and very low-strata households reside. The area has acquired a tourism interest that has given rise to a process of circular causation. Attracted by the tourism potential of the area, activities offering tourist-oriented services have been set up, which in turn promote the area, making it better known and even more attractive. This has positive and not quite so positive effects. The increase in property prices and the functional revamping of buildings has meant that many residents have left the area. It has also had an adverse effect on the quality of life for those still living in the area as a consequence of the negative externalities generated.

The residents of Cerro Alegre and Cerro Concepción have shown their open opposition to uncontrolled development for nonresidential uses and the granting of alcohol licenses in places that were once purely residential. Although these licenses do comply with the existing local regulations, no study of the area's capacity to absorb them has been undertaken. As the zoning regulations do establish the possibility of mixed uses, it means that residential activities might coexist with commerce and service provision. What the regulations do not establish, however, is in what proportion there can be dwellings alongside other uses.

Another adverse effect is the loss of the local commerce that supports residential life, such as bakers' shops, greengrocers and grocery stores, which have begun to disappear insofar as they are replaced by more profitable activities geared towards satisfying tourist demand, rather than local domestic life. According to statistics detailing the municipal licenses granted between 2003 and 2008, there were 31 alcohol licenses issued within the Heritage Area, and 17 of these were for premises located in Cerro Concepción and Cerro Alegre, where the near totality of all new licenses issued within the Heritage Area is concentrated.

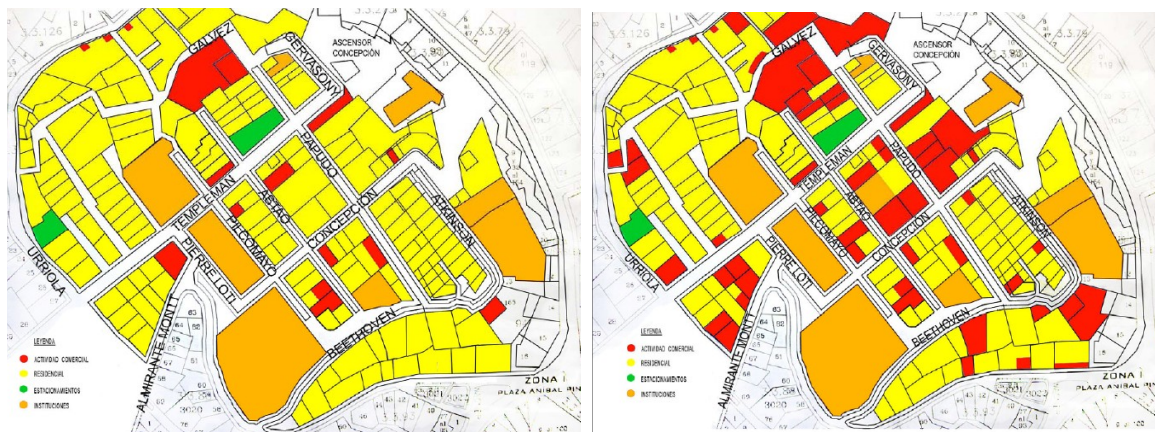
In a recent study, it became very clear that the dynamic of developing commercial activities aimed at profiting from the business advantages offered by potential tourism is bringing about a change in the character of the neighborhood, thereby threatening its

residential future.²⁹ This becomes very clear when it is ascertained that the number of registered properties for residential use have decreased from 159 in 2001 to 131 in 2008, whereas the commercially-oriented registered properties of differing types has risen from 14 in 2001 to 43 in 2008. Of these, 35 percent are hotels, 31 percent are restaurants, 15 percent are family accommodation, 5 percent bazaars, 5 percent cafeterias, and 9 percent others. The spatial expression of the evolution of the nonresidential activities is clearly evident in the following set of figures.

Figure 16. Changes of Land Use within the Heritage Area

Land Use 2000–2003

Land Use 2007–2008



Source: Salas, Iván. *Op. Cit.*, p. 62.

3.1.4. The Urban Population's Access to Services

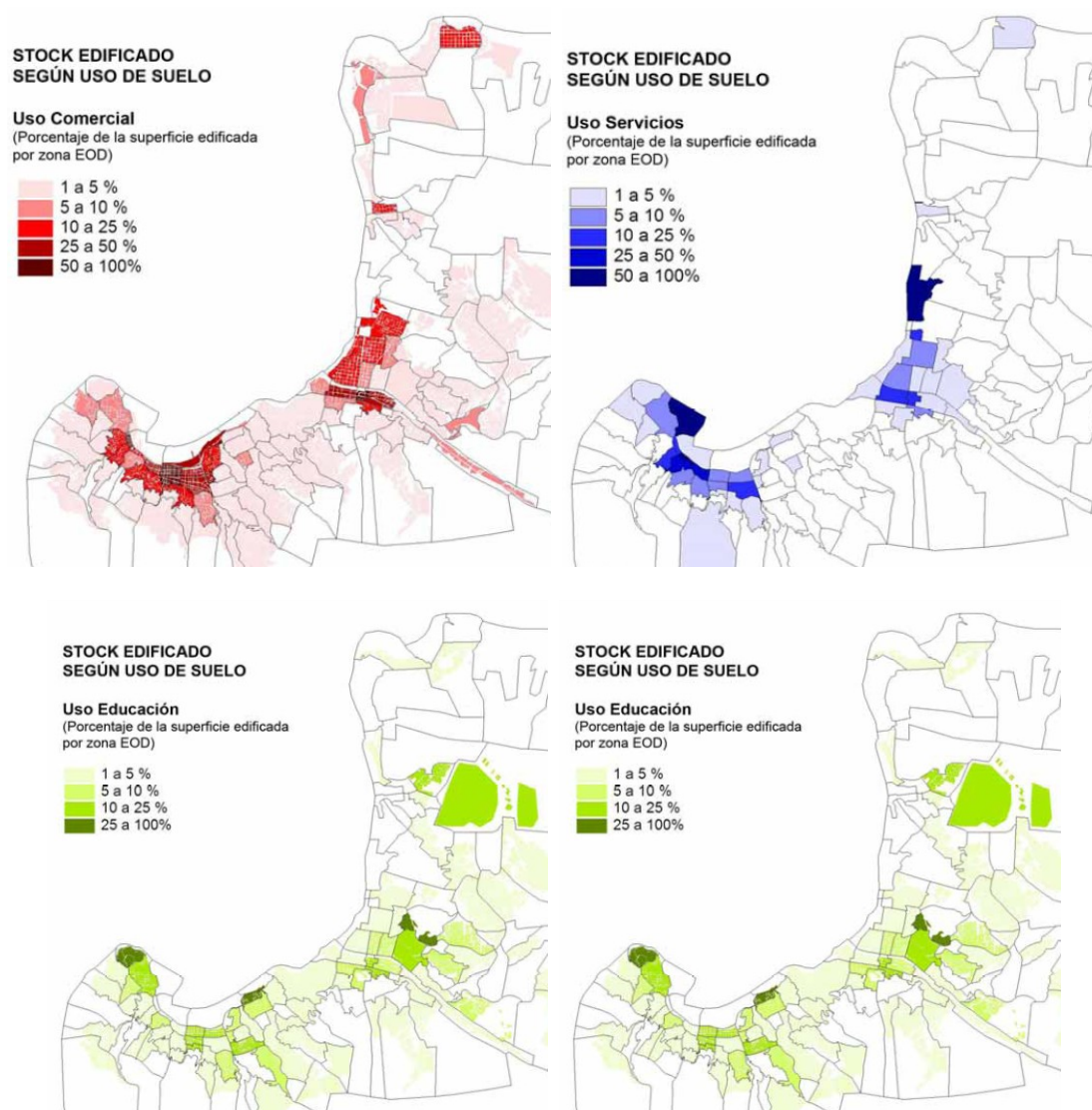
The centralized location of the Heritage Area within the city of Valparaíso ensures a very favorable situation for the area's residents, at least from the physical accessibility perspective. There is a varied offer of services in a wide range of activities of varying hierarchy. The following set of figures showing the territorial distribution of different activities in the urban space of Greater Valparaíso clearly demonstrates the advantages of the Heritage Site's location with regard to access to services and amenities. This is clearly established by these figures, which show that one of the two most important centers in the metropolitan area of Valparaíso with regard to commerce and service provision, Viña del Mar, is partially located within the Heritage Area and its immediate surroundings. All in

²⁹ Iván Salas: "Competencia por el uso del espacio e incidencia de la proclamación de Valparaíso como sitio del patrimonio mundial. El caso del Cerro Concepción, Valparaíso, Chile", Thesis presented for PhD in Socioeconomic Sciences, *Facultad de Ciencias Económicas y Administrativas* (Economic and Administrative Sciences Faculty), Valparaíso University, Valparaíso, April 2009.

all, it is worth mentioning that new commercial and real estate development of the shopping mall kind has taken place outside of the center of Valparaiso, mainly in the Viña del Mar Commune. In the same way, the most prestigious schools have abandoned the sector, moving towards the spaces that are today occupied by the higher-income households in other communes of Greater Valparaiso.

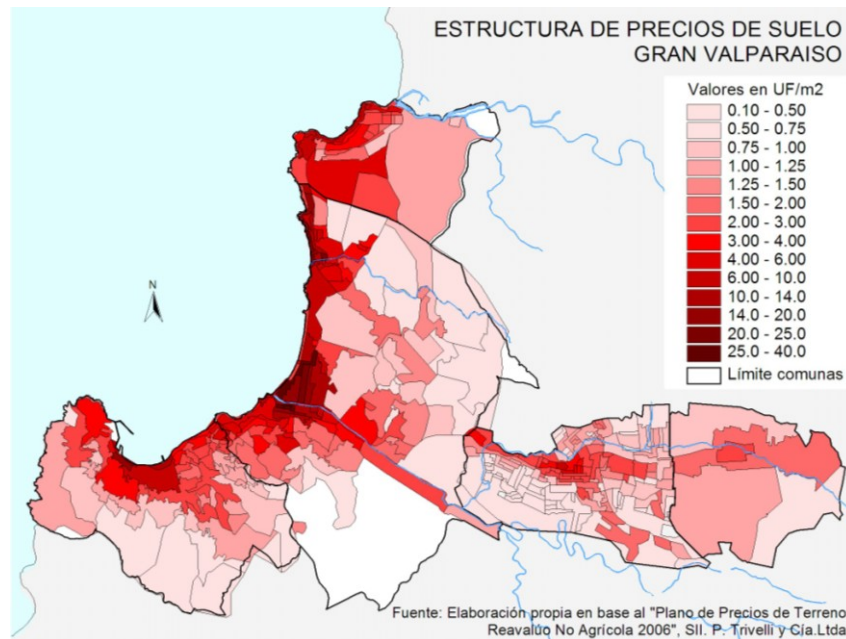
Something similar occurs, albeit to a lesser degree, with education, whose greatest territorial concentrations are conditioned by the presence of higher education establishments. A similar phenomenon happens to the territorial distribution of healthcare provision, which displays higher concentration in places where the most prestigious establishments are settled, which are outside of, but not far from, the Heritage Area. Although the Heritage Area does have certain infrastructure of an institutional nature and a very wide ranging offer of commerce and services of all kinds, there are no educational or healthcare institutions or establishments located within the area itself.

Figure 17. Availability of Developed Land According to Use



Source: “Análisis de tendencias de localización, Etapa II, Sist. Urbano Valparaíso Costa”,
Surplan Ltda., 2007–2008.

Figure 18. Land Price Structure in the Metropolitan Area of Valparaíso³⁰



Source: Author's elaboration.

Finally, the spatial structure of fiscal land values is presented as a summary of all the preceding values, with the purpose of emphasizing the high relative valuation of land in the consolidated central areas. If it is accepted that fiscal land values correspond proportionately to commercial land values, and if it is also accepted that the value of land constitutes an unequivocal expression of its real estate potential, then it can be concluded that the areas of greatest importance at the intercommunal level are located in the center and in Viña del Mar, and then extend all along the coastline towards Reñaca Bajo. In the Valparaíso Commune itself, the most important area takes in a fraction of the Heritage Area, and fiscal land assessments reflect a high valuation in the immediate surroundings, including the greater part of the Heritage Area.

3.1.5. The Heritage Area as a Place to Work

According to data contained in the Greater Valparaíso Mobility Survey (1998), 18 percent of the total number of work-related trips undertaken within the Valparaíso Commune head either towards the Heritage Area or to its immediate vicinity. On the other hand, the antecedents presented in previous sections of this paper dealing with living conditions and access to amenities and services clearly establish that the part of the Heritage Area in which the Financial Zone is situated in the Valparaíso city plan constitutes part of its

³⁰ UF is equivalent to US\$40.03 (average value for the first semester of 2010).

Central Commerce and Business District. The Port Quarter, as an extension of the center, and in view of its proximity to the seaport, also hosts mainly nonresidential functions that generate employment, although to a far lesser degree than in the center. From the commercial perspective this is a depressed zone. As previously mentioned, the Cerro Concepción and Cerro Alegre neighborhoods have a predominantly residential character, but they have also begun to develop nonresidential activities that generate employment.

A Sense of Place and Social Commitment

3.1.6. Citizen participation in urban heritage restoration

Valparaíso, like any other city, is alive and in an ongoing process of change. This takes in all the stages of any life cycle: there are physical, social, functional, economic and cultural transformations, which are manifested in the urban spaces. Various projects, of varying scope and scale, have been put forward in recent years, engendering reactions on the part of the community's citizenry.

Although there is quite a wide network of organizations that are very active in defending the city in general, as well as the Heritage Area in particular, there is a lack of efficient participation mechanisms that clearly express community movements of resistance and confrontation towards public- and private-sector investment initiatives and projects in the Valparaíso Commune in general, and in the Heritage Area in particular, as well as towards proposals to modify territorial planning instruments.³¹ The antecedents relating to community organizations indicate that decisions made by State institutions have not been open to citizen participation. There is permanent criticism of the lack of citizen participation in decision-making on urban heritage aspects and, in general, about large-scale projects that affect the citizenry, even when these are neighborhood-upgrading works.

3.1.7. The Expulsion of Residents

The significant loss of population undergone in the Heritage Area is a consequence of the urban property development dynamic, rather than of judicial eviction orders. As mentioned in the previous section, there is no social housing in the Heritage Area, and

³¹ Many of the examples concerning active social organizations presented here were taken from Sofía Vargas K's thesis: "*Del Conflicto Urbano a la Innovación de las Redes Sociales; el Capital Social de un Cerro de Valparaíso en la web 2.0*" presented for the purpose of obtaining a Masters degree in Architecture from the *Facultad de Arquitectura, Diseño y Estudios Urbanos* (Architecture, Design and Urban Studies Faculty) at the *Pontificia Universidad Católica de Chile* (Catholic University).

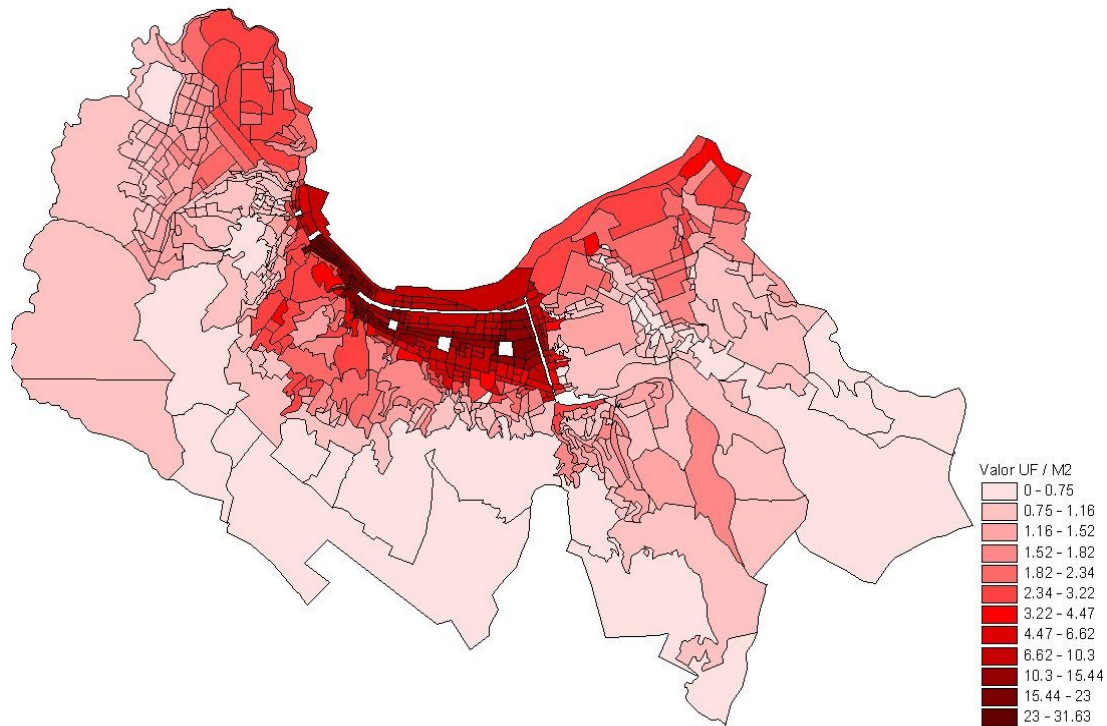
there never has been. The lower-income households began arriving in the area as a consequence of the emigration of the households that had developed and occupied the area up until the 1920s, Valparaíso's boom period. The replacement, however, of higher-strata residents was never absolute. Some buildings are still in the hands of the families that constructed them. In subsequent years middle-strata households occupied many of these, and these now predominate in the more residential neighborhoods, especially in Cerro Concepción y Cerro Alegre. Many buildings, often the largest ones, were progressively sublet, first by sections and finally by room, until they were occupied by persons or households with lower incomes.

From the end of the 1990s the area has undergone a property market revaluation, especially in Cerro Concepción and Cerro Alegre, a process that accelerated after the UNESCO World Heritage Site declaration. In some cases, this signified an increase in rent rates, and subsequent repopulation by persons enjoying higher income. On the other hand, the property development dynamic has also signified the development of hotels, restaurants, bars, and cafes, based on the functional recycling of dwellings, which undoubtedly means that the population previously living in those dwellings, if there were any, would have had to leave the neighborhood.

Also, from the residential perspective, although a Building Restoration Subsidy scheme was implemented that did have a positive effect in terms of urban heritage restoration, it never signified the introduction of social housing development, nor was this ever its aim. Today, most dwellings can only be purchased by households situated in the fifth income quintile.

There has also been active movement in the buying and selling of existing properties within the Heritage Area, especially in Cerro Concepción and in Cerro Alegre. These transactions also imply a change in the resident population, often because households acquire the dwellings as second residences, meaning that they will not be permanent residents of the area. Property transaction values are quite high, which means that they are only within the reach of potential home-buying Chileans from the higher-income bracket, because foreign buyers with a greater purchasing power also exert inflationary pressure on housing prices. Relocation programs provided for the population forced to leave the area as a consequence of the property development dynamic and so-called gentrification have not been identified in this research paper.

Figure 19. Land Values according to Fiscal Assessment, 2009³²



3.1.8. Stakeholder Perceptions and Opinions

Urban stakeholder perceptions were gathered from a series of interviews with four focus groups carried out in December 2009. The groups included community leaders, residents and traders from the historic city center, and municipal experts.³³ The opinions expressed on the principal problems facing the Heritage Area can be summarized as following.

Economic situation during the last five years. Residents and community leaders emphasize that the economic situation has worsened, giving rise, simultaneously to an influx of outside commercial actors. The municipal agents and business owners, on the other hand, highlight the positive changes by indicating that the general situation has improved relatively, given that they have created better conditions (albeit insufficient and not ideal) for the development of tourism-oriented services and for the incipient property market. Development of the tourism sector, however, has taken place mainly in Cerro

³² The exchange rate for the USD is \$524.52 Chilean pesos (average value for the first semester of 2010).

³³ Work with the focus groups was carried out by the consultancy *Territorio Sur - Cooperativa de Trabajo para el Desarrollo Sustentable* (Working Cooperative for Sustainable Development).

Alegre and Cerro Concepción, in detriment to the Port Quarter, which still struggles to offer the necessary conditions (and is, moreover, deemed an unsafe place).

The differences in opinion, nonetheless, express an inherent tension between different ways of understanding development of the Heritage Area. For the residents, community leaders and business owners, urban heritage development should promote the active inclusion of the port dwellers themselves, the residents and/or the small businesspeople, in its projects and programs and, in general terms, in its benefits. For municipal agents, however, urban heritage development involves creating the necessary conditions that allow investment by private actors, and establishes specific measures to support residents or small traders. As far as the municipality is concerned, the more opportunities and conditions for investment available, the greater the development of the Heritage Area.

Situation of the urban heritage listed buildings. On this point, the opinion of the representatives of all four groups consulted formed a consensus, and was also sharply critical. Most properties have not been upgraded and are currently in a state of deterioration or abandon. The difficulty of intervening in the buildings for restoration purposes is related both to the scant resources available to government, and to the obstacles imposed by the rules that regulate the Heritage Area. In this sense, private investment consortia have been mainly responsible for the restoration or rebuilding of the few urban heritage listed buildings that have been upgraded. On the other hand, the residents, the municipal agents and community leaders all report the tremendous difficulties that hinder low-income residents from accessing the available public funds for the restoration of their dwellings.

The community's commitment. Those interviewed in all groups recognize that the average port dweller is not aware of, does not understand or, therefore, place value on the importance of having their city declared as a World Heritage Site. All agree that it is necessary to take action to mitigate this situation. What stands out is the diversity of opinions regarding the role that the citizenry has played, or should play, in the destiny of the Heritage Area. For the residents, community leaders, and business holders, citizen participation is a fundamental component for improving the quality and relevance of interventions in the Heritage Area. This means including commercial actors and community leaders in negotiations and decision making. The municipal agents, however, express no significant opinion about citizen participation. In fact, almost the opposite

occurs: they perceive that the citizenry is unaware of, or misunderstands, the public policy of intervention in the Heritage Area, on behalf of which they are working.

In the opinion of all groups consulted, the most important player missing from the task of urban heritage conservation is the *Empresa Portuaria de Valparaíso* (Valparaíso Port Company). This is inexplicable, considering not only its immediate physical proximity to the Heritage Area, its size, and the profits it obtains, but also mainly given the urban impacts of all kinds that it generates both in the Heritage Area as well as in the city itself.

Sustainability of the Heritage Area. The sustainability discourse is, in general terms, shared by all those interviewed among the four groups. The creation of a new set of institutions and the approval of a specific Valparaíso Act emerge as concrete proposals. On the other hand, community leaders, residents and business holders call for the notion of urban heritage to be widened and/or the concept to be made more complex, in order to transform the area into a more inclusive space, meaning that all stakeholders (especially the citizens themselves) become partners in planning and decision-making, as well as beneficiaries of the public policies implemented for the Heritage Area.

Support for the revitalization of the Heritage Area. On this subject, there was once again consensus among those interviewed: the Government (whether it be central or regional) has not significantly supported revitalization of the Heritage Area. It has acted without adequate planning and resources. This discourse becomes most pronounced and critical among community leaders and residents (*“the Government hasn’t supported anything, and if it has, it has been to lend support to the big investors”*), but is more moderate and qualified among business holders and municipal agents (*“the Government does help, but too little, uncoordinated and slowly”*).

Risk to the Heritage Area’s future. According to the aforementioned interviewees, the risk to the Heritage Area’s future is fundamentally institutional: the State must promote more and give better support to the area’s development.

Final comments. The discourses of interviewees belonging to all four groups yield, in our opinion, two fundamental images. The first is that the UNESCO declaration seems to involve and intertwine such a quantity of political, social, economic and normative elements that the situation has become far too complex and difficult for the actors interviewed to understand or to tackle. This complexity becomes patent when their stories illustrate the multiple problems, deficiencies and/or difficulties that end up, in the long

term, impeding fulfillment of the objective of effective development for the Heritage Area, whichever discourse is listened to.

In effect, the difficulties mentioned by the interviewees are of a very varied nature: some are structural (loss of commercial structure within the city), political (lack of political willpower to support urban heritage development) institutional (normative difficulties, public institutions with scarce powers and resources, associated management problems, inadequate teams of professionals), economic (high unemployment levels in the city) and even cultural (low appreciation of urban heritage by the citizens themselves). What is interesting is that the complexity of the urban heritage problem is what makes all stakeholders interviewed call, in unison, for the State to make a greater act of presence so that it can, at least, begin to understand the difficulties.

The second image evokes the important differences in appraisals of urban heritage development expressed by the municipal agents *vis-à-vis* opinions expressed by the other actors interviewed. This difference, in our opinion, seems to express the need to reexamine both the original purpose of the UNESCO declaration and the actions that have so far been implemented—along with their medium-term consequences.

Therefore, whereas the municipal agents' discourse emphasizes "investment promotion" (in the tourism and property sectors) as the principal strategy for achieving urban heritage development, residents, community leaders and business people call for both the concept and the practice of urban heritage development to be widened, in order to actively include all interested social and economic sectors, especially those who have, with some justification, previously resented such activity due to the lack of government support (such as retail traders and long-term residents, for example).

The challenge is gigantic. How can the Heritage Area overcome the contradiction between economic development and social well-being? How can economic development be achieved whilst including all stakeholders in its benefits—and costs—and not just favoring certain private interests? If these challenges are not confronted then there is a risk of social segregation and exclusion within the Heritage Area, a situation that all the interviewed groups warn about.

4. Urban Heritage Conservation

4.1 Land Uses

Figures 20, 21, and 22 analyze the evolution of land uses within the Heritage Area from the time of the World Heritage Site declaration up until 2008 and demonstrate that the study area is a space currently undergoing a very dynamic process of change. The changes in land use observed in the study area during the 2003–2008 period verify that the process of functional conversion has been quite unequal within the aforesaid area. Of the 128 cases that show a change of use (34 percent of the total number of properties), 85 correspond to the Cerro Concepción and Cerro Alegre sector, 29 to the Port Quarter, and 14 to the Financial Zone. Of these, 105 correspond to cases of changes from residential use to other—predominantly commercial—uses; 4 are cases of change from nonresidential to residential and 19 correspond to cases of accident or other situations in which the building has fallen into disuse, or becomes a vacant lot, which constitutes an eloquent symptom of deterioration.

Figure 20. Distribution of Land Uses within the Study Area at the Time of the World Heritage Site Declaration, 2003

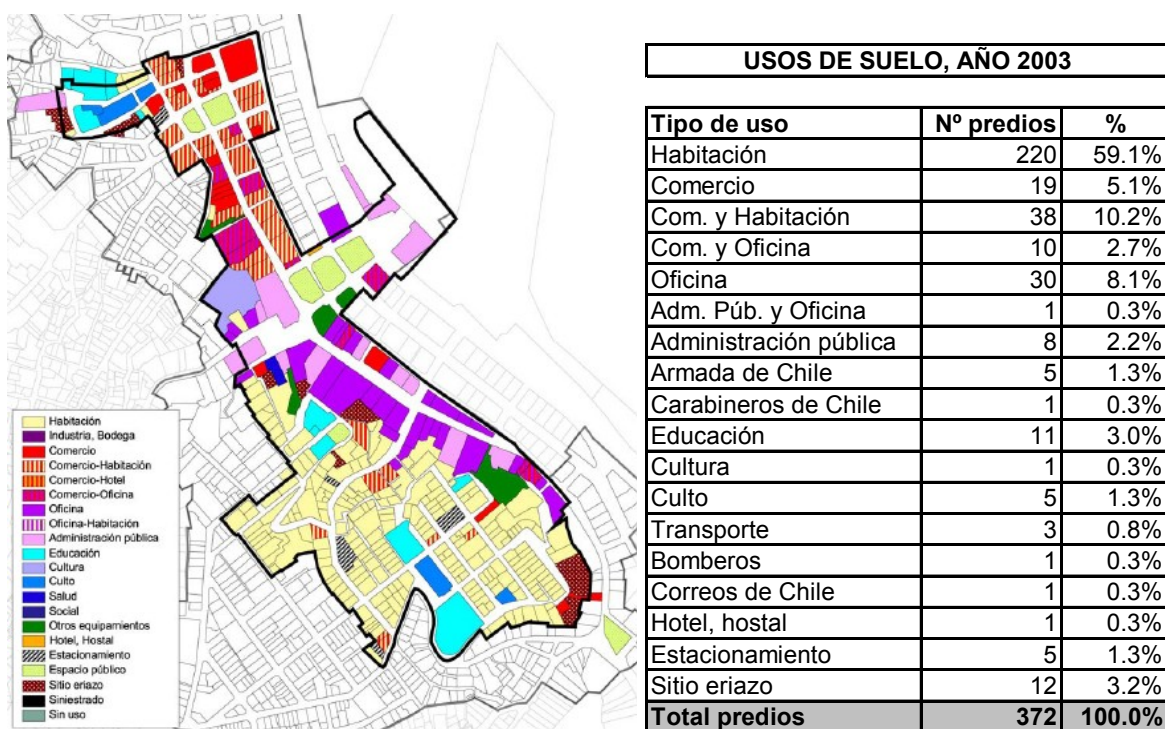


Figure 21. Current Distribution of Land Uses within the Study Area, 2008

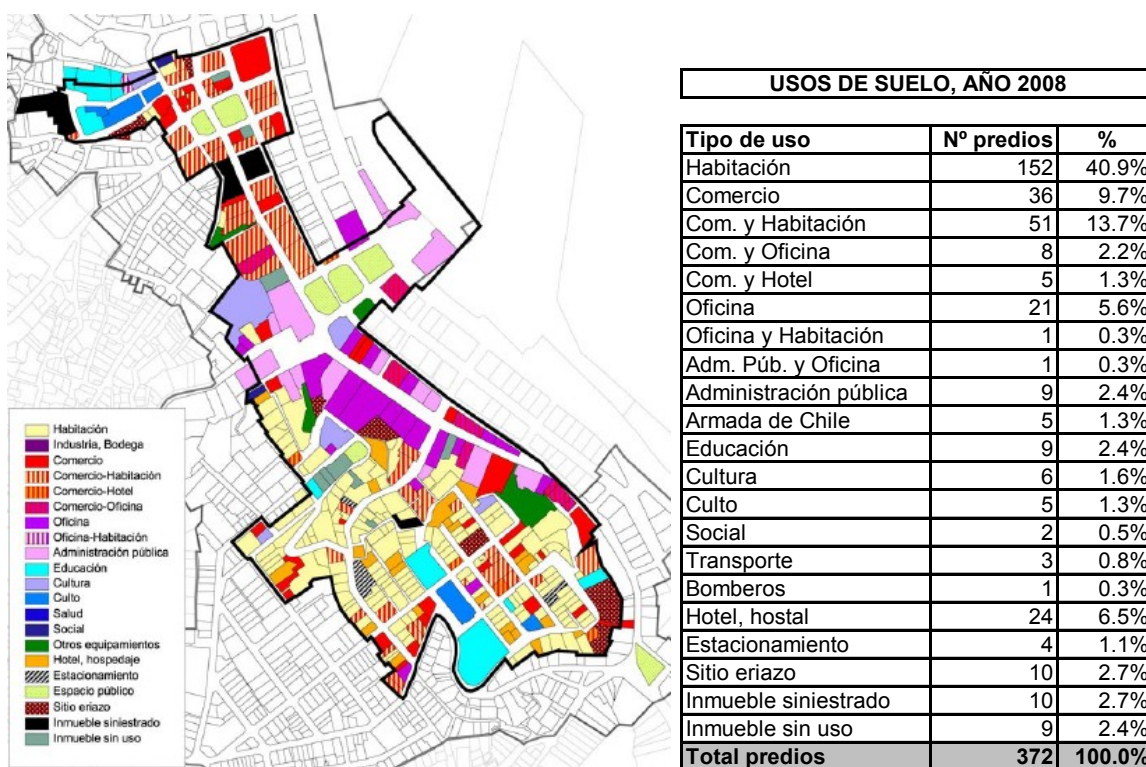
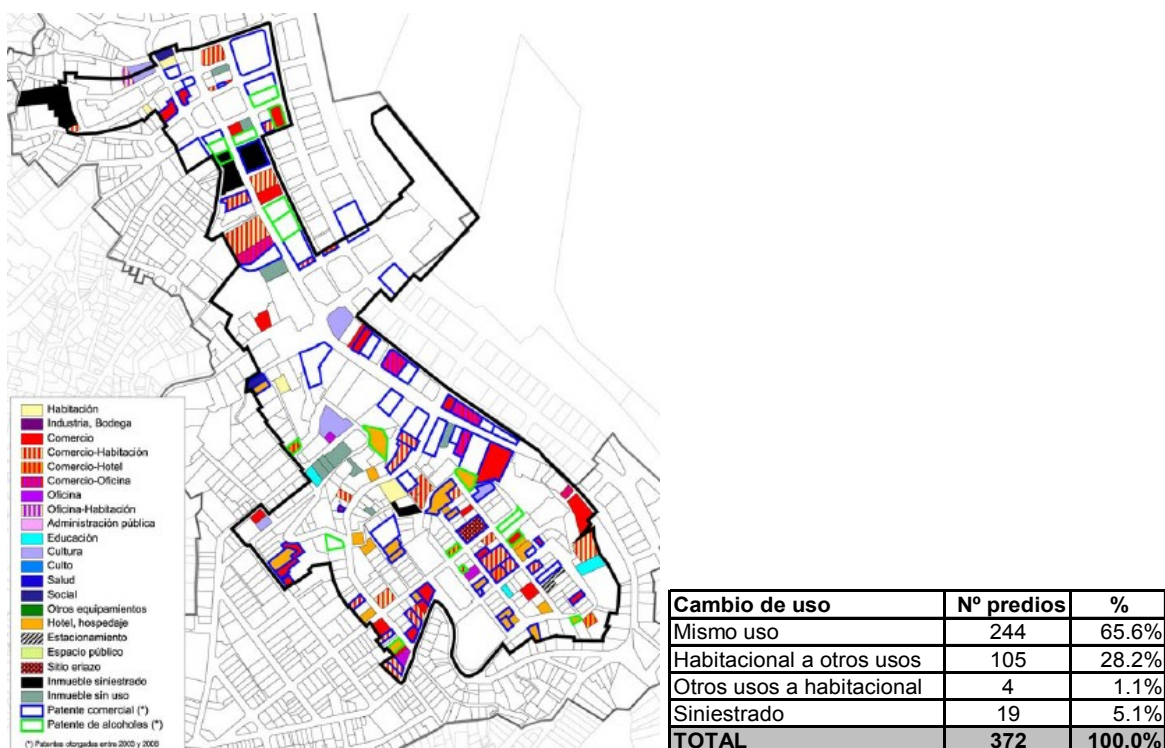


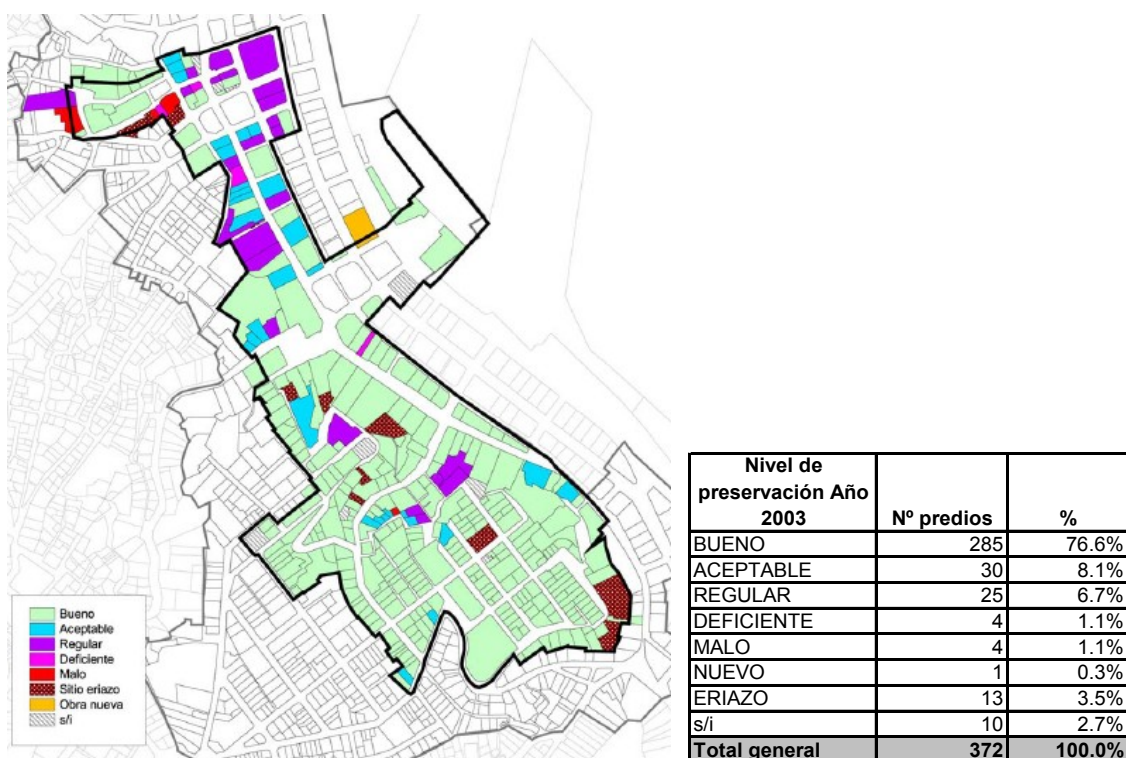
Figure 22. Changes in Land Use during the Study Period



4.2 The State of Preservation of Buildings, Public Spaces, and Infrastructure

During the process leading to the proposal of the historic center of Valparaíso for the UNESCO World Heritage Site list, an evaluation of the state of preservation of the buildings therein was carried out based on the categories assigned by the *Base Catastral de Predios No Agrícolas del Servicio de Impuestos Internos del 2001*, (the Internal Revenue's Cadastre of non-Agricultural Properties), *las Fichas Técnicas de Inmuebles y Espacios Públicos Relevantes insertos en el Área de Postulación* (the Technical Specifications of Relevant Buildings and Public Spaces included within the Proposal Area) and field studies.³⁴ However, it should be pointed out that said evaluation corresponded to only a partial diagnosis of the buildings given that in the majority of cases reference was made only to their external aspect and to their general state of preservation, without considering structural aspects and material conditions inside each building.

Figure 23. State of Preservation of the Buildings, 2003



³⁴ Drafted by the *Dirección de Arquitectura del Ministerio de Obras Públicas (MOP)* (Architecture Directorate of the Ministry of Public Works) and the I. Municipality of Valparaíso for the proposal to include Valparaíso in the UNESCO list of World Heritage Sites in 2001.

The general diagnosis about public spaces drawn up by the *Programa de Recuperación y Desarrollo Urbano de Valparaíso* (PRDUV) (Urban Restoration and Development Program) establishes that “when Valparaíso was declared a World Heritage site, the peculiarity of its public spaces was highlighted among its many virtues: areas that form a unique urban fabric that fosters social encounter and collective activities, and sustains participation and citizen debate. The high level of deterioration of the streets, squares and vantage points now in evidence impairs the environment and the quality of life for the residents, as well as for the thousands of tourists who visit the city.”

With regard to the infrastructure, it should be highlighted that the Heritage Area enjoys almost total coverage by basic service provision networks, including drinking water, sewerage, electricity, gas, and telephone. Data contained in the 2002 Population and Housing Census indicates that the majority of dwellings located within the study area have high basic service provision levels (electricity, water, and sewerage), although there are exceptional cases of dwellings that have no connection to the public electricity, water and sewerage networks.

Table 13. Heritage Area: Number of Dwellings without Basic Service Provision, 2002

Cases of dwellings with no electrical power supply	15
Cases of houses with no connection to the public drinking water network	11
Cases of dwellings that have no internal drinking water supply	1
Cases of dwellings that are not connected to the public sewerage network	1
Total dwellings	892

Source: Author’s elaboration.

Information concerning the actual state of building preservation (for 2008) does not comply with a similar qualification criterion to the one employed in the base situation in 2003. An evaluation scale was therefore established from the perspective of the desirable state of preservation that the buildings should have, in their capacity as elements protected by various instruments due to their Heritage value.

Only 27 percent of the buildings existing in the Heritage Area qualify for the optimum grade of preservation, meaning that have been the object of restoration and/or

maintenance operations. About 51 percent are found to be in an acceptable condition, which makes the total for this category (good or acceptable) 78 percent; 13 percent are found to be in average condition; only 2 percent of the buildings in the area are found to be in a bad or deficient state; and the remaining 7 percent corresponds to damaged buildings or vacant lots.

When the situation at the time of the heritage list proposal (2003) is compared to the current one (2008), it indicates that 70 percent of buildings maintained a good or acceptable state of preservation, 9 percent of buildings suffered some form of relative deterioration, whilst 3 percent actually improved their condition. About 12 percent maintained their condition, irrespective of their state of preservation and 3 percent (11 cases) suffered grave or irreversible damage due to fire or demolition.

Figure 24. Current State (2008) of Preservation of Buildings, Public Spaces and Infrastructure (Information Complemented by Field Studies)

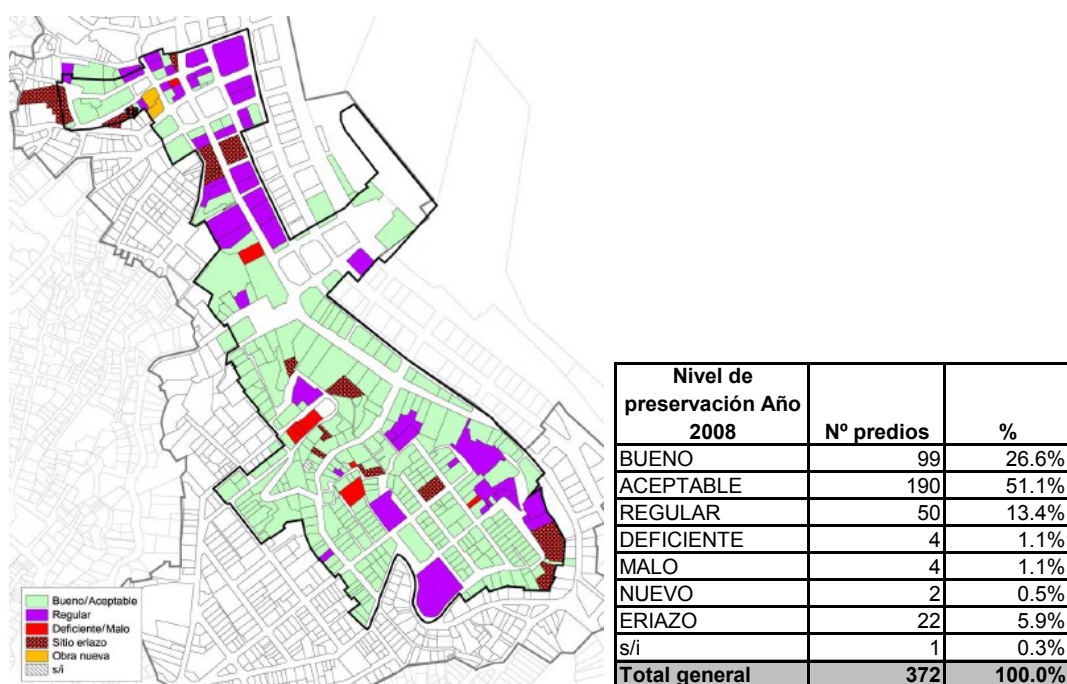
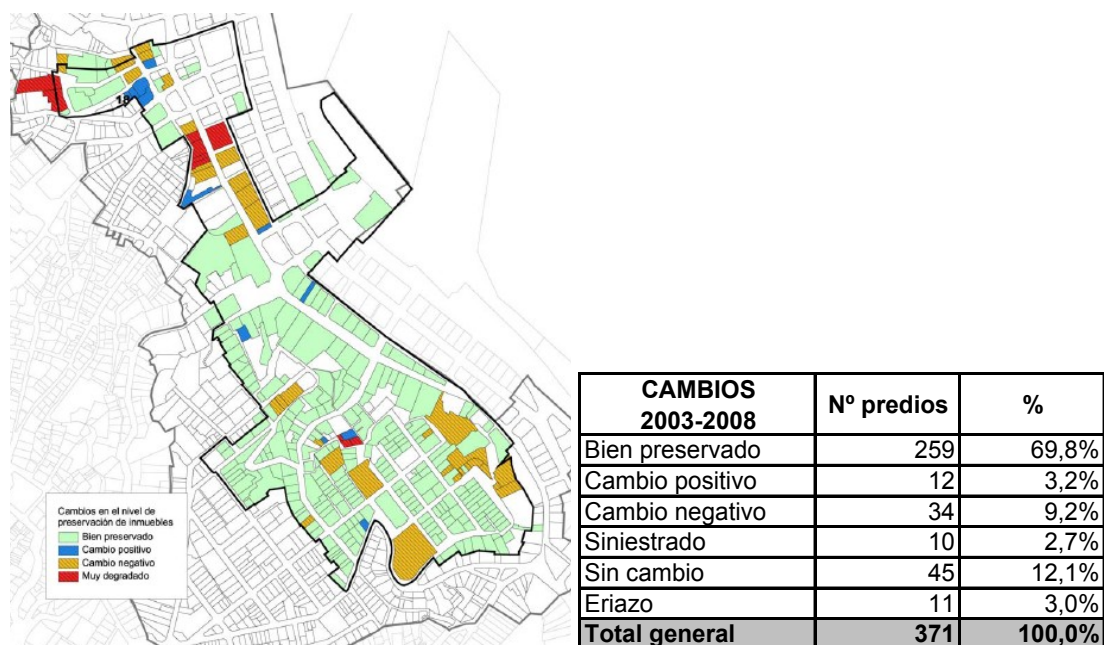


Figure 25. Heritage Area: Changes in the State of Preservation of Buildings 2003–2008



4.3 Regulation of Land Use and Urban Heritage Conservation

4.3.1. Regulations Aimed at Protecting the Heritage Area

In Chile, two public institutions oversee urban heritage conservation, the *Ministerio de Vivienda y Urbanismo* (MINVU) (Ministry of Housing and Town Planning) and the *Ministerio de Educación* (MINEDUC) (Ministry of Education), and both have independent normative frameworks. The MINVU is regulated via the *Ley General de Urbanismo y Construcciones* (LGUC) (General City Planning and Construction Act) and its *Ordenanza General* (OGUC) (General Code) that permits instruments of territorial planning, at the communal level, to incorporate *Zonas de Protección de recursos de valor Heritage Cultural* (Cultural Heritage Protection Zones—so-called *Zonas de Conservación Histórica* [ZCH] [Historic Conservation Zones]) and *Inmuebles de Conservación Histórica* [ICH] [Historic Conservation Listed Buildings])—into their *Planos Reguladores Comunes* (PRC) (Communal Regulatory Plans). In this case, the aforesaid zones can then only be redefined with the express prior approval of the *Secretaría Regional Ministerial de Vivienda y Urbanismo* (SEREMI MINVU) (Regional Ministerial Secretariat for Housing, and Town Planning).

For its part, the *Ley de Monumentos Nacionales* (National Monuments Act), as well as creating the *Consejo de Monumentos Nacionales* (CMN) (National Monuments Council)—a technical organism that depends directly on the MINEDUC—which exercises control over the *Patrimonio Mueble e Inmueble de la Nación* (National Trust for Heritage Buildings and Furniture), also defines five categories of *Monumentos Nacionales* (MN) (National Monuments), *Monumentos Públicos*, (Public Monuments) *Monumentos Históricos* (MH) (Historic Monuments), *Zonas Típicas* (ZT) (Typical Zones), *Sitios Arqueológicos* (Archeological Sites), and *Santuarios de la Naturaleza* (Nature Sanctuaries).

In this way, the administration and care of national heritage in Chile can be overseen by a maximum of three institutions, and all three are present in the case of Valparaíso and the World Heritage Site: SEREMI MINVU; because there are both ICHs and ZCHs declared in the PRC; the Municipality of Valparaíso, through its Municipal Works Directorate, which administrates the PRC; and the CMN; via its *Comisión Asesora Regional* (Regional Advisory Commission), due to the presence of a ZT “*Área Histórica de Valparaíso*” (Historical Area of Valparaíso), and of various MH within its borders.

Although each ministry is autonomous with regard to its legal powers, attempts have been made to establish coordination mechanisms that permit greater normative efficiency and coherence in the approval processes. The “*Ventanilla Única*” (“Single Window”) protocol was thereby signed in 2002, establishing a centralized system of project reception at the Municipality of Valparaíso, via its Municipal Works Directorate. This department collects all the applications made to the SEREMI MINVU and the CMN, and, via the latter, channels its observations and approvals back to the interested parties. Recently, the three institutions formed a *Mesa Técnica* (Technical Bureau) for prior project assessment, which then emits a favorable or unfavorable report on applications for building permits within the ZT. The CMN advisory commission, however, has recently left this forum, after declaring a conflict of interest.

Figure 26. Historic Conservation Zones within the PRC and their Relation to the Heritage Area

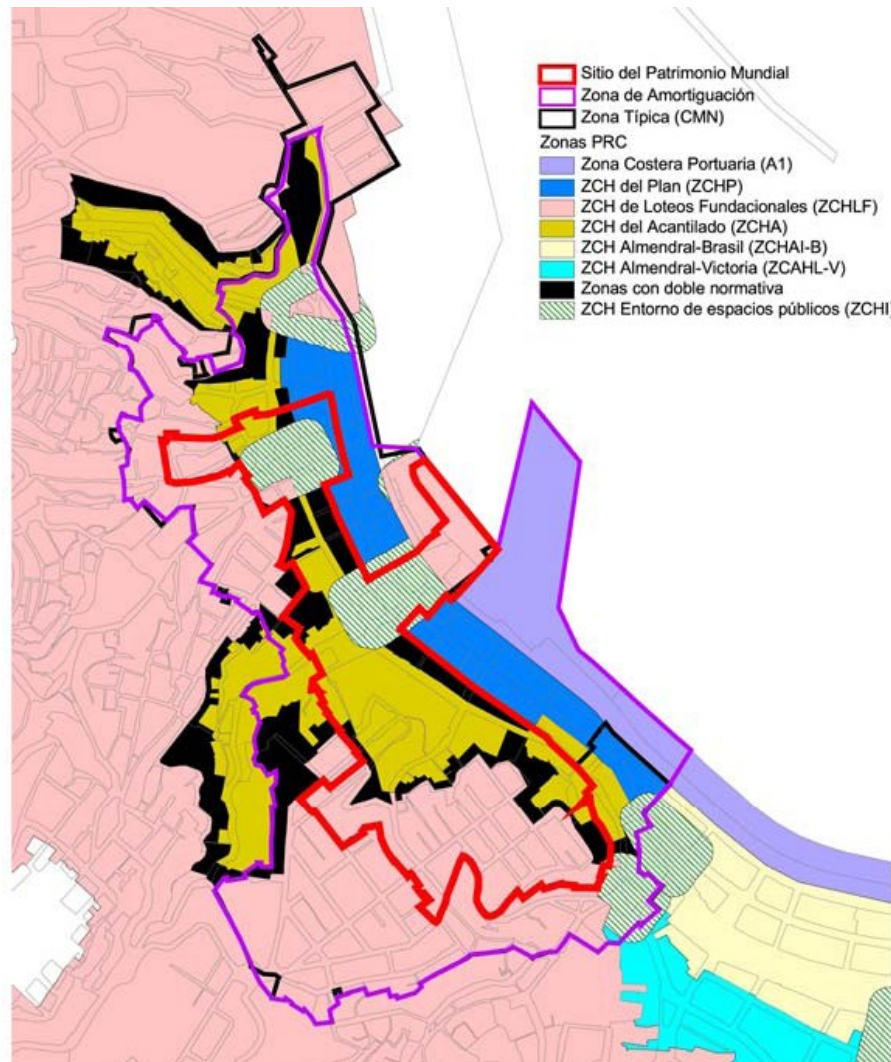
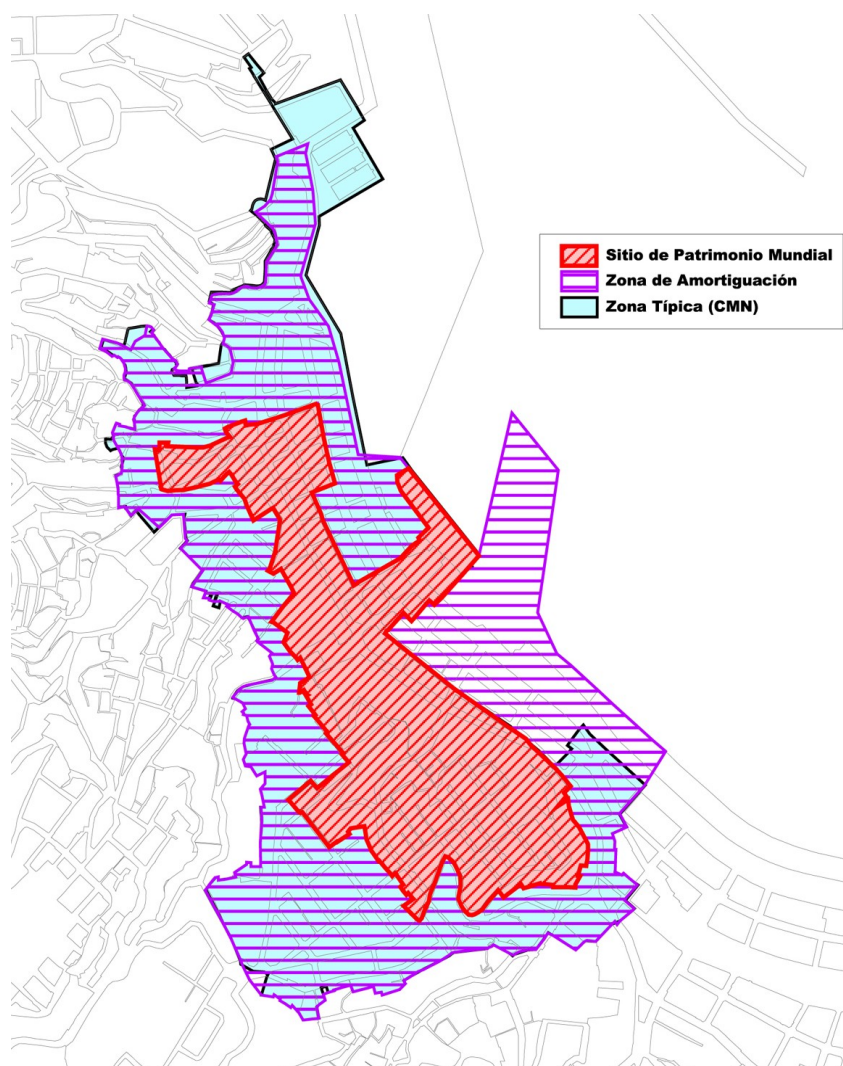


Figure 27. Limits of the ZT, the Heritage Area and the Buffer Zone



4.3.2. Heritage Management Plan

Under the guidance of the MINVU, the “*Plan de Revitalización del Casco Histórico: Cerro Santo Domingo, Barrio la Matriz, Cerro Cordillera (2002–2006)*” (Plan for Revitalizing the Historic Center) was drafted, in the light of which and in agreement with the Municipality of Valparaíso, gave rise to the formation of a *Comité Técnico* (Technical Committee). Public space and housing upgrading interventions were thereafter carried out using tendered funds provided by the sector ministries (MINVU), the *Corporación de Fomento de la Producción* (CORFO) (Corporation for Production Promotion) and the regional government. The Plan also envisages the purchase and revamping of dwellings, and encouragement for production, especially for local traders.³⁵ Later, in 2006, the

³⁵ See the proposal document presented to UNESCO, pp. 47–9.

PRDUV was set up. This program takes in the Heritage Area but covers a much wider territory, as will be examined below.

4.3.3. Incentives for Urban Heritage Restoration

In this case study, there are a great variety of incentives for the restoration and functional conversion of listed heritage buildings, and buildings in general within the Heritage Area and within the wider area of the commune designated as a ZCH, as well as subsidies for the development of productive activities in listed buildings, tendered funds (nonreturnable) for public space upgrading, development of local commerce, etcetera. The Chilean State and the local municipality have set up various tools aimed at attracting private investment and restoring urban heritage. A great variety of plans and programs exist with very variable results.

The “*Subsidio a la Inversión en Inmuebles de Interés Heritage localizados en la Comuna de Valparaíso*” (Investment Grant for Heritage Listed Buildings within the Valparaíso Commune) deserves mention. It is aimed at the revitalization of Valparaíso’s cultural assets, through the use, restoration or alteration of listed buildings of heritage value, and attracting private investment for the development of productive projects. It is a subsidy given for investment in fixed real estate assets that envisage a minimum investment amount of US\$100,000. Up to 50 percent of the investment project is subsidized, with a maximum amount of US\$70,000 per project. A complementary subsidy exists aimed at guaranteeing the success of the projects subsidized, the “*Subsidio al cofinanciamiento de Estudios de Preinversión*” (Cofinance Grant for Feasibility Studies), which covers up to 60 percent of the cost of feasibility studies, with a ceiling of US\$8,000. Up until now, 32 projects have been developed, with investment by *CORFO* totaling \$973,000,000 and private investment worth \$5,631,000,000. These projects have signified the creation of 250 direct and permanent jobs.

This has undoubtedly proved very successful from various perspectives. First, all the projects subsidized by this program are still in operation, which demonstrates the good criteria with which the feasibility studies and grant approvals have been carried out. Second, it has also worked from the perspective of restoring and increasing the value of the listed buildings, whilst the activities carried out therein guarantee the buildings’ adequate physical maintenance. Third, a critical mass has been built up, which makes the Heritage Area today a pole of attraction for the tourism services generated, thereby stimulating the development of complementary tourism services without the help of public

funding. Fourth, it has, without doubt, signified a new source of employment generation, creating more sophisticated jobs that involve direct contact with tourists and, in many cases, the use of foreign languages. Fifth, it has been a very effective lever for mobilizing private investment.

4.4 Public and Private Institutions

4.4.1. Public Institutions

Beyond the aforementioned regulations, there is no specially created institution in charge of managing the Heritage Area, or that holds ultimate responsibility for its destiny. As affirmed in the text that proposed Valparaíso as a UNESCO site, responsibilities for the management of the Heritage Area are dispersed among different state institutions.³⁶ Each has different attributes and areas of action, but the adequate management of this urban ensemble calls for convergence and coordination amongst all of them.

Since 2002, the three public offices have put into practice an institutional agreement called the “Single Window” for processing applications to intervene in Valparaíso’s Typical Zone. Although this agreement has fulfilled an operative function aimed at streamlining the processing of heritage projects during the local bureaucratic phase, via its permanent roster of meetings, the truth is that the role it has played as a technical bureau, through which the three guiding heritage conservation organisms harmonize opinions about specific heritage intervention projects and thereby prevent natural disagreements from arising during the application of regulations has been as, or even more, important. This is not insignificant, considering that heritage regulations in Chile are not characterized by their conciseness but rather, adversely, by an excessive and inconvenient general nature that allows public entities an enormous margin for interpretative maneuvering. In our opinion, the technical bureau has been of tremendous practical help in the process of transformation of neighborhoods and historic buildings, and their conversion into cultural management centers or places serving tourism.³⁷ Nonetheless, due to the characteristics of current legal regulations, there has always been a wide margin of discretion in the evaluation of heritage intervention projects in the city,

³⁶ See the Valparaíso UNESCO proposal document, pp. 70–3.

³⁷ See, for example, Pablo Andueza “*La política de activación patrimonial en Valparaíso: crítica y propuestas*”, a document presented at the first meeting of the *Sociedad de Políticas Públicas* (Public Policy Society) of the Adolfo Ibáñez University, Santiago, January 2010

certainly far greater than that existing in other countries where conservation is a national priority.

Furthermore, the Valparaíso *Plan Director Patrimonial* (Heritage Directing Plan) has still not been ratified. This is an urgently needed instrument, given the speed with which threats to the city's urban heritage operate. A case in point is the Ex-Chile Tabacos building and the Ex-Casa Jacob in Cerro Concepción, an affront to the entire city quite rightly condemned by citizens' organizations. These organizations not only defend their own interests, but also seem rather to work in the void left by the authorities. Neither has an urban heritage institution been set up, despite the announcement in a presidential discourse that an *Instituto del Patrimonio* (Heritage Institute) would be approved within a few months.³⁸

4.4.2. Leaders in Conservation of the Heritage Area

The great variety of public actors involved in heritage conservation efforts, and the complexity of relationships that has grown up between them, has affected leadership of the process. Locally-elected officials—the mayors—lack complete powers and resources to lead the effort, and the organisms of regional and national government lack the necessary defined territorial focus to assume leadership.

Decisions concerning investment and development regulation are taken at different levels without clear coordination. The absence of a *Plan Maestro de Preservación y Desarrollo*, (Conservation and Development Master Plan), more than seven years after declaration as a World Heritage Site, is a serious impediment to private investment and hampers the design and implementation of public initiatives.

The leadership assumed by territorial community leaders has not filled this vacuum, due to the lack of effective participation mechanisms for decision-making and shortcomings in resource allocation. The problems created by this situation are discussed in the previous section dealing with a sense of place and citizen participation.

³⁸ See icomoschile.blogspot.com

4.5 Urban Heritage Restoration Plans and Programs.

4.5.1. Objectives and Components of the Program

The PRDUV was established with the aim of contributing to the city of Valparaíso's revitalization, by making the value of the city's urban heritage the foundation for new economic, social and cultural activities that would benefit the population. The Program is financed by central government via the *Subsecretaría de Desarrollo Regional y Administrativo* (SUBDERE) (Regional Development and Administration Sub-secretariat) using resources from the national treasury (70 percent) and a loan negotiated from the Inter-American Development Bank (IADB) (30 percent). The *PRDUV* proposes to invest the equivalent of US\$70,000,000 in five years (2007–2012), in the following items.

a) Urban Restoration. This component's objective is to improve the city's urban environment, in order to encourage productive and residential investment within the Heritage Area. For this purpose, it invests in the upgrading of public spaces, thoroughfares and buildings located in those areas of the city with economic development potential. Moreover, it also invests in strategic services and amenities to ensure the good functioning of the city as a whole. This component includes the financing of consultancies, advisories, tenders, and the commissioning of pre-feasibility and feasibility studies, business design plans and other similar studies necessary for the final definition and execution of the projects.

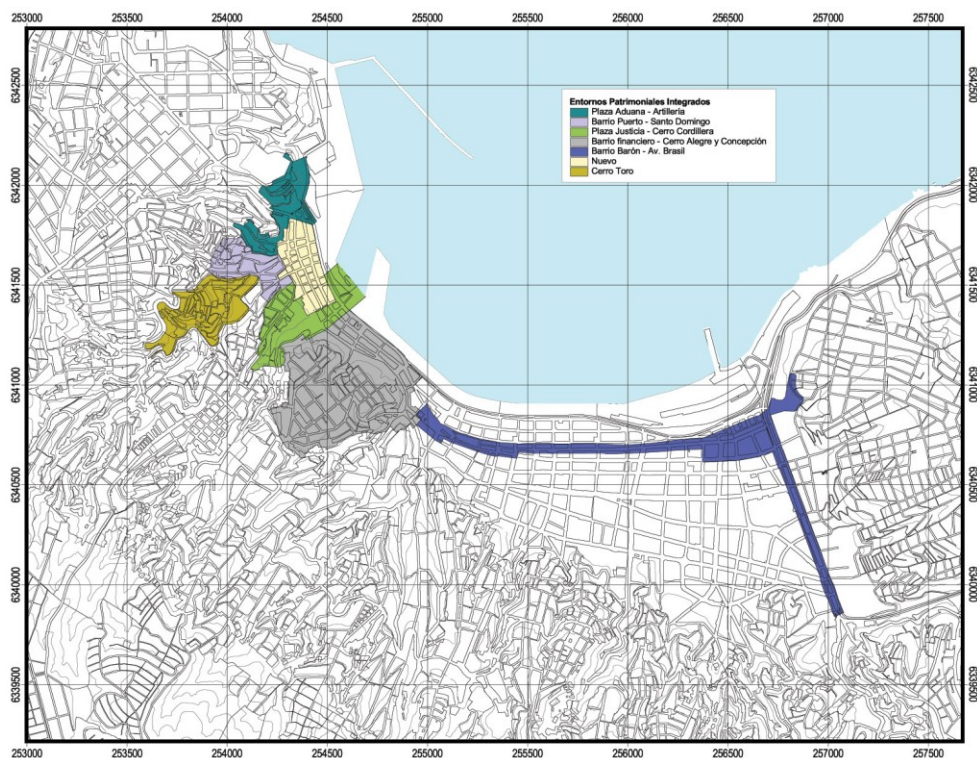
b) Economic and socio-cultural development. The aim of this component is to promote private investment by means of distinct forms of public-private collaboration, and to create capacities within the local area for restoring and diffusing the heritage and cultural identity of Valparaíso, as well as for strengthening communities, and enhancing their self-management and networking capacities.

c) Institutional development of the Municipalidad de Valparaíso (Municipality of Valparaíso). This component's aim is to contribute to the integral reorganization and strengthening of the Municipality of Valparaíso, with emphasis on its financial management, and on urban heritage planning and management, in order to endow it with the capacity to lead the process of revitalization and urban development.

d) *Communication and participation.* This component is designed to disseminate information referring to the Program and its benefits, and to stimulate citizen participation in the definition of the program's actions.

As can be seen in the following figure, the PRDUV's area of operation takes in the Heritage Area, but covers a much wider space, which is broken down into seven *Entornos Patrimoniales Integrales* (EPIs) (Integral Heritage Environments).

Figure 28. The PRDUV Areas of Intervention



Source: "Análisis Territorial de las Iniciativas del PRDUV," PRDUV, 2009.

Figure 29. PRDUV Location of the Investments Financed by the Program

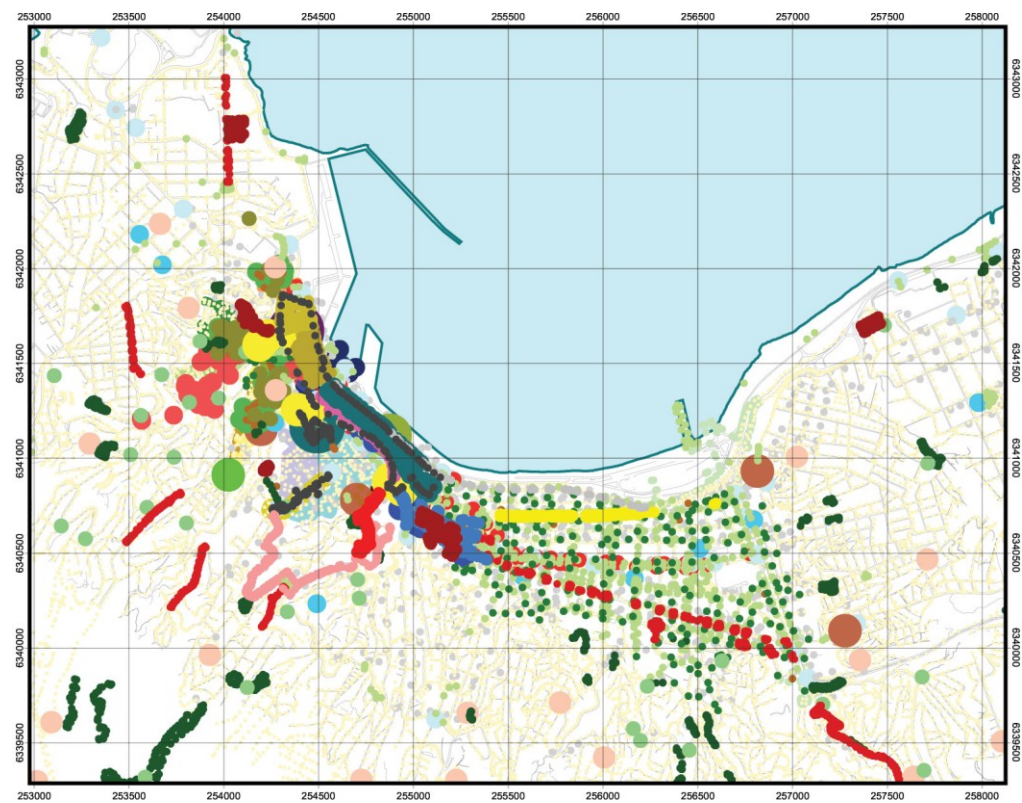
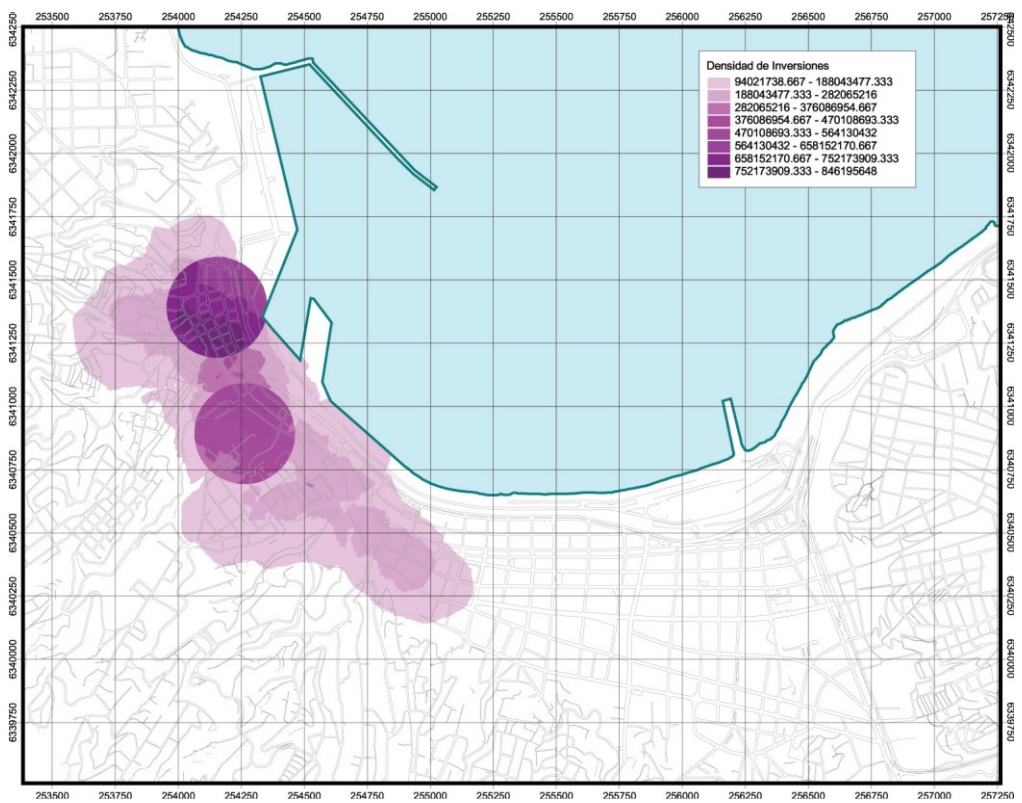


Figure 30. PRDUV Investment Density within the Territory



4.5.2. *The Execution of PRDUV*

There are at present 82 initiatives that PRDUV has set in motion. PRDUV has recently reported the progress of these initiatives in territorial terms, broken down according to the EPIs.³⁹ PRDUV's own presentation leads to the following conclusions:

- In general, all the synthetic maps constructed show a link between the PRDUV initiatives and the defined EPIs. On the other hand, an important quantity (33 percent) of PRDUV initiatives and investments fall outside of the EPIs, which constitutes a transversal improvement wholly indispensable for the city of Valparaíso.
- When the EPIs are analyzed, it transpires that although the majority of initiatives are not specific to an EPI, the whole of the initiatives carried out does show an integral intervention in each EPI. Nevertheless, part of these specific initiatives will be only partially developed when the Program has finished.
- At the same time, when the original guidelines, established during the Program's preparation with regard to the lines of work to be undertaken in each one of the EPIs, are compared to the initiatives carried out, then a high degree of correlation can be seen.
- Although analysis based on Areas of Action does significantly clarify the scope, scale and objectives of the initiatives, it also denotes that location within the EPIs has not been a priority criterion in their development. Nevertheless, there is, in general, a good degree of concentration, except in the *Área de Calidad Urbana y Medio Ambiente* (Area of Urban Quality and the Environment) whose mission is to tackle the city's problems at the general level.

4.6 Measurable Impacts

This paper is not intended as an assessment of PRDUV. It will therefore limit itself to a general review of conservation achievements within the study area. For this purpose, budgetary executive information is employed, alongside the antecedents presented in the above section. These are “input” antecedents regarding the program, but not of impacts or results, which makes this task more difficult.⁴⁰

³⁹ The antecedents that follow do not include initiatives that constitute a general contribution to the city of Valparaíso, and which cannot therefore be considered specialized, such as advisories, pre-feasibility studies, modification of territorial planning instruments, administration, participation, culture, etc.

⁴⁰ Therefore, for example, the citizen security plan has been executed in its entirety, which means that CCTV surveillance cameras have been installed and the police have been given adequate means of transport.

4.6.1. Impact on the Physical Environment

Amongst the general environmental improvements in the city, which are also noticeable in the Heritage Area, the improvements in the sanitation and waste collection systems (including educational campaigns aimed at the community in general), the upgrading of the electrical power supply system and a system of urban signposting can be highlighted. It is worth mentioning that a dogs home has also been constructed, for the adoption and reclusion, as well as sterilization, of stray dogs.

There have also been definite physical improvements in the study area, including the upgrading of listed heritage buildings and public spaces. This is to only to be expected, considering that 25 percent of PRDUEV's budget is allocated to the Financial Zone/Cerro Alegre EPI and that 21 percent is assigned to the Port Quarter. Amongst the achievements that stand out in terms of public space upgrading are the Plaza La Matriz and the Plaza Echaurren, the improvements made in Calle Serrano, in particular, and street maintenance in general.

With regard to building conservation, a general level of deterioration is noticeable or, to put it another way, it is obvious that maintenance has been inadequate. This is borne out when the situation is compared for the period 2003–2008, during which 56 percent of the buildings suffered a relative deterioration and only 24 percent of them conserved their optimum state of preservation.

Public activity in this area has led to the acquisition of three emblematical buildings: the Tassara (Liberty), the Subercaseaux and the Luís Cousiño buildings. Up until now, only the latter building has been sold, (to the Catholic University), and is currently undergoing a restoration process designed to return the building to its pre-1906 earthquake state. The other two are still waiting to be handed over to the private sector for subsequent restoration. The longer that this continues, the longer the funds employed in the acquisition of these buildings will remain frozen, thus hindering the birth of the rotating fund that these resources were intended to generate. The Barburizza palace, which was, until 1997, the seat of the *Museo Municipal de Bellas Artes* (Municipal Museum of Fine Arts) has begun to undergo building restoration work and should be ready to open its first exhibition galleries to the public during the course of 2010.

However, no impact assessment study has yet been undertaken, which would allow for an appreciation of the Program's achievements, either in terms of crime reduction in the target areas, or in terms of the population's perception regarding citizen security.

The private sector has been responsible for the greatest activity in building conservation, in some instances with the support of state subsidies given by both the CORFO and the MINVU. This can be inferred from study of both the building permit lists and the register of property transactions, as well as from the antecedents concerning commercial licenses that bear witness to the changes in land use. Of the 371 properties existing in the Heritage Area, there were 105 properties that changed from a residential use to other uses of a predominantly commercial nature in the study period, a phenomenon that occurs with exceptional vigor in the Cerro Alegre and Cerro Concepción neighborhoods. The adaptation of buildings for other uses necessarily requires investments that implicitly signify physical building maintenance work. In the same period, the Municipality granted 41 building permits, only four of which were for new constructions. The rest were granted for extension, alteration, modification and restoration. The fact that there are 11 cases of damaged buildings, mainly by fire, is less positive news, as it constitutes a clear sign of deterioration and of risk for investors.

4.6.2. Economic Impact

The most noteworthy aspect here is the economic impulse that has affected the system of commerce and service provision oriented towards satisfying the demands of tourism in Cerro Alegre and Cerro Concepción. This question is reflected in the municipal licenses granted during the period, in the dynamism of the property market, according to the number, and value, of transactions registered in the period, and, to a lesser degree, in the number of building permits granted.

A study of these variables confirms that the Financial Zone, in spite of its importance in terms of the urban functions it fulfills, which is reflected in the high values that land reaches in the area, does not display a dynamic economy or buoyant property market. According to informed observers from the real estate sector, it is a neighborhood that has become rather stagnant. In the Port Quarter's case, a low level of investment is set against a context of deterioration and stagnation.

4.6.3. The Social Impact and Mitigation of Gentrification

Available antecedents concerning the demographic dynamic confirm that there has been, in Cerro Alegre and Cerro Concepción, which concentrate the greatest proportion of the Heritage Area's population and which are the predominantly residential areas, a decrease

in the number of dwellings, and therefore a loss of population, as well as a tendency towards constant population renewal.

Due to the nature of the changes and the property prices registered it can be inferred that the new residents are principally from the first income quintile, which constitutes an unequivocal sign that a process of gentrification is underway. Economic success and the nonresidential activities oriented towards tourism are counterbalanced, however, by the adverse effect on the quality of life of the residents still remaining in this neighborhood.

The Financial Zone is not a residential neighborhood. The Port Quarter has suffered a loss of population, without undergoing a process of gentrification, as a consequence of the deteriorated situation exacerbated by the explosion of the underground gas network, which signified the destruction of buildings and the subsequent evacuation of many families. The Port Quarter has never really recovered from this lamentable disaster.

5. Conclusions and Recommendations

The study of economic and social sustainability of the Heritage Area of Valparaíso records a rather dynamic process of transformation that is characterized by a loss of population, a loss of residential function and a change in land use in a third of the properties. In the period 1992 to 2002 the resident population diminished by 33 percent, and 20 percent of the 2002 residents are immigrants who have arrived in the last five years. The number of dwellings fell by 15 percent and the vacant dwellings increased from 2 percent to 8 percent. This is, in part, due to the development of commercial and service activities, which are manifested in the antecedents of change of use, the granting of commercial licenses and active movement in the residential property market, apparently motivated by the second residence syndrome. This latter question is manifested in the predominance of building permits granted for the purpose of building extension, alteration and restoration.

The Heritage Area is located within a commune that shows precarious development indicators, and within a municipality that experiences financial and management problems. There is an absence of a communal development strategy which, combined with the scant dynamism of the metropolitan surroundings constitutes a contextual element that adversely affects the Heritage Area's sustainability.

In general terms, the buildings located in the Heritage Area are found to be in a reasonable state of preservation; 78 percent of the buildings have been catalogued as being in a good or acceptable state of preservation, 13 percent in a regular state and only 2

percent in a deficient or bad condition. In the study period, a gradual process of deterioration has been detected and simultaneously, albeit to a lesser degree, a process of building recuperation and restoration, which is manifested with differing intensity in distinct sectors of the Heritage Area.

The available antecedents indicate that there are buildings that have suffered deterioration, reaching in extreme cases total destruction as a consequence of accidents, which has meant the practical duplication of the number of vacant lots during the study period.⁴¹ Especially significant was the explosion of an underground gas duct located in Calle Serrano in the Port Quarter, which signified the loss of human life, the destruction of buildings, the displacement of many households and a negative impact on the sector's vitality, from which it has still to fully recover.

PRDUV was inaugurated in 2006, with the purpose of promoting economic and social development, including the Heritage Area, with a budget of US\$73,000,000. Public direct action in building restoration takes in a reduced number of properties and is currently in only an incipient state of implementation. Amongst the public incentives for urban heritage restoration, the CORFO program is worth mentioning. This has been very successful in developing production promotion activities associated with the restoration of listed buildings with heritage value. The Ministry of Housing's *Subsidio de Rehabilitacion Patrimonial*, however, has had quite a limited impact.

There is still an outstanding debt with regard to the upgrading of public spaces. The majority of investment initiatives aimed at heritage restoration have come from the private sector in response to business opportunities offered by the tourism sector and the attractive real estate market, some of which have taken advantage of tax incentives for building restoration.

Interviews with informed experts and the information arising from the focus groups indicate that there is a growing real estate interest for the properties located within the Heritage Area. This statement could be further supported by evidence of speculative real estate price increases, but has not been possible to demonstrate in this paper, owing to lack of access to relevant data.

The dynamic of development and transformation within the Heritage Area can be clearly distinguished according to sectors. The Financial Zone forms part of the central business and commerce district of the city of Valparaiso. This is a sector with hardly any

⁴¹ In the period between censuses (1992–2002) the buildings with a material state catalogued as “acceptable” diminished from 63 percent to 54 percent. See Schedule 2, p. 53.

resident population. It has excellent accessibility and attracts a high proportion of work-related trips, as well as trips for shopping and errands. A high proportion of the professional licenses granted in the commune in the study period are concentrated here, as are, to a lesser degree, the commercial licenses. It has land values that are amongst the highest in the commune, consistent with the central function that it fulfills. It does not, however, show signs of a buoyant property market. A basic prerequisite for the vitalization of this sector would be to put in place a communal urban development strategy aimed at reinforcing its role as the central business and commerce district. This should deliberately include the port function and the Valparaíso Port Company in decision-making about the future of the sector, implementing incentive policies and direct actions that enhance its current attractiveness.

The Port Quarter also enjoys considerable location advantages. Its level of deterioration and the heavy burden of negative externalities, however, make the need for vigorous and decisive public intervention indispensable, if the area is to be restored. Simultaneously, combined initiatives alongside the private sector and the local community via joint ventures are needed, although these are infrequent in Chile and the current legal institutional framework offers little leeway for them.

The most dynamic parts of the Heritage Area are, without doubt, are the Cerro Alegre and the Cerro Concepción neighborhoods. These have mainly residential functions, which have recently begun to give way to commercial activities and service provision for the tourism industry. In this case, a vigorous process of property market activity is underway, manifested in the acquisition and upgrading of existing dwellings, or their conversion for other uses. The territorial concentration of tourism-oriented service provision has reached a critical mass, making this quarter the obligatory place to visit within the Heritage Area, and endowed it with its very own development dynamic.

The productive conversion of buildings has been, without doubt, a successful economic real estate phenomenon. However, it also constitutes a threat to the quality of life for the residents, and to the intangible heritage. A process of gentrification has been identified in this case study, against which mitigation measures have still to be detected. The consensus among focus groups and informed expert opinion is for the need to define policies, to design tools and to apply them in the Heritage Area if the exodus of lower-income households, as a consequence of the sector's real estate market dynamic, is to be avoided.

The *Plan Director de Gestión Patrimonial* (Urban Heritage Management Directing Plan) is currently being drafted. This is a necessary contribution towards establishing a clear and explicit vision of what is intended to be achieved in the Heritage Area. It should unify the current legislation in order to better guide public interventions and private initiatives; set out a route map; propose management mechanisms that permit more agile and decisive public intervention; undertake work alongside the local community to carry out project-by-project monitoring and thereby avoid wastage of time and resources due to conflict; encourage energies to be joined together for the purposes of a common objective and set down clear rules for the private sector and for market operation.

The sustainability of the Heritage Area requires clearer and more decisive public action, open to joint ventures with the private sector, and especially with the local community. The historic inheritance of Valparaíso has an indisputable value that must be conserved for future generations as part of humanity's heritage.