ON JULY 29 of this year, a group of NAHRO representatives traveled to central Mexico. The four-day trip to the Leon region in the State of Guanajuato was part of a study exchange organized by NAHRO’s International Committee in partnership with local government officials. The author was one of eight delegates (see page 7 for a full list). International Committee Vice-Chair Stella Madrid of the Denver Housing Authority led the delegation, with the support of Joe Saenz of the City of McAllen (Tex.) Housing Authority.

The purpose of the study exchange was to learn how our counterparts in Mexico approach affordable housing issues. It was also an opportunity to gain a first-hand understanding of Mexico’s housing industry, communities and culture. Finally, it was an opportunity for us as housing professionals to build ongoing relationships with local government officials—all of whom were both welcoming and generous with their time.

The study exchange builds on a 45-year sister city relationship between the City of Irapuato and the City of McAllen, which is located in the Rio Grande Valley at the southern tip of Texas near the U.S.-Mexican border [see page 10]. It is the first NAHRO-sponsored study
exchange to Mexico. Previous exchanges had been limited to U.S. representatives from Texas; this one included housing professionals from across the United States, many of whom had never traveled to Mexico previously.

We caught our first glimpse of the region from the air, as our plane approached the “Aeropuerto Internacional de Guanajuato.” The sun was shining and the sky was clear. Open ranchland in shades of brown, dotted with trees and brush, spread below us, gradually transforming into the lush green of cultivated farm fields as we approached the city.

Though the airport serves a metropolitan area with 1.6 million people, the lines were short, leaving time to retrieve fumbled passports and paperwork as we made our way through customs. While Leon is the fifth largest city in Mexico, it is far from the tourist destinations along the coast. It is also a region in transition. The shift from an agricultural to an industrial economy was evident on our drive from the airport to Irapuato, where we spent the first two days of our visit. Manufacturing facilities and new housing developments dotted the landscape; along the highway, farmers let cattle graze along the unfenced right of way.

Irapuato is located roughly 50 miles southeast of Leon and about 125 miles east of Guadalajara, near the geographic center of Mexico. At an elevation of 5,656 feet on Mexico’s central plateau, Irapuato is...
about 200 feet higher than Boulder, Colorado. The combination of classic Spanish architecture and mild weather year-round gives Irapuato, like other cities in the region, a Mediterranean feel. The area is faced with the dual challenges of addressing the housing and social services needs of “los pobres de los pobres”—the poorest of the poor—while coping with rapid regional growth and demand for housing an expanding middle class.

The Role of Local Government

Our first evening included dinner with the host committee from Irapuato and a presentation by the mayor’s wife, Sra. Olivares de Turrent. We learned that, in Mexico, political spouses play a very direct role in the local government administration. Sra. Olivares de Turrent oversees a department with 230 staff members responsible for delivering a broad range of social services. As in the United States, local government leadership and policy shifts with election cycles. In Irapuato, the “Presidente Municipal” (Mayor) is limited to a single three-year term. Local officials expressed concern that such a short election cycle can complicate long-range planning.

Sra. Olivares de Turrent discussed efforts to coordinate and improve delivery of social services to low-income families in Irapuato. The “Desarrollo Integral de la Familia,” or Family Integral Development, includes 16 different programs for urban and rural communities. Each year, three rural communities are targeted for comprehensive service delivery. Financed with support from the state government, comprehensive services include a dental program aimed at promoting self-esteem, a family-centered approach to children with disabilities, and a family-focused program to prevent physical violence.

The Local Housing Market

The following morning, the delegation visited Centro Fox, the presidential library and cultural center founded by former president Vicente Fox (2000-2006). Located in San Francisco de Rincon, Guanajuato—about 50 miles from Irapuato—Centro Fox is built on the ranch of the former president’s family. The Center provides academic opportunities, including youth-aimed classes in basic studies, arts and culture.

The center includes modern features, such as a theater, electronic media and Internet access, while preserving the historic architecture and broad, open feel of the original ranch. Most of the single-story buildings retain the original brick structures. An open plaza surrounded by brick archways that was once used to keep livestock is now used for art exhibitions and performances. Following a tour of the facility, the delegation met in a replica of the former president’s cabinet room (the Mexican equivalent of Camp David) to hear presentations from the Mexican Chamber of Construction Industry, the National Housing Commission and the Irapuato Municipal Planning Institute.

The delegation learned that

Continued on page 12.
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Irapuato—McAllen Sister City Relationship

While located in different countries and about 450 miles apart, Irapuato and McAllen share a long relationship and have common concerns. Cross-border trade affects both cities’ economies; both have experienced substantial growth in recent years. McAllen is home to more than 130,000 residents today. According to the 2005 census, Irapuato has a population of 342,561; the municipality (the Mexican equivalent of county) has a population of nearly 500,000.

Long-standing business relationships link the cities. In 1962, Othal Brand of McAllen, Texas and businessman Guadalupe Martinez of Irapuato formed Marbran, a frozen food manufacturer, which still employs more than 4,000 employees in Mexico, Guatemala and the United States. In 1977, Mr. Brand was elected Mayor of McAllen, where he served for 20 years.

The sister city relationship began in the mid-1960’s, when the McAllen Chamber of Commerce, through its Inter-American Relations Committee, originated the concept of “Friendship Caravans” as a way of promoting better relations between the U.S. and Mexico. Chamber members coordinated three caravans annually, with up to 20 vehicles per caravan promoting McAllen and the U.S. to various Mexican cities. While these no longer exist, McAllen continues its outreach visits by other methods, including commercial buses or air travel.

1 Source: City of McAllen, website: http://www.mcallen.net/info/default.aspx
Irapuato was one of the primary beneficiaries of the Friendship Caravans. This relationship, formalized through the Sister-City Program, continues 45 years later. Irapuato’s long-term relationship with the City of McAllen has fostered many business, cultural, educational and personal exchanges. Both the International American Relations Committee and Sister City Program continue to inform both communities of the importance of this relationship.

In 1989, on the twenty-fifth anniversary of the sister city relationship between Irapuato and McAllen, both communities further acknowledged their relationship by the exchange and placement of recognition plaques at community landmarks. The Irapuato plaque was placed in McAllen’s first park, Archer Park, which was dedicated during the early years following the incorporation of this city. The McAllen plaque was placed in the portico of Irapuato City Hall, which also houses a mural dedicated to the Independence of Mexico.

3 Background on McAllen-Irapuato sister city relationship provided by Joe Saenz, Executive Director, Housing Authority of the City of McAllen.
Mexico’s 1917 constitution includes Article 123, which provides a broad range of protections for workers, including a minimum wage. Influenced by the social reforms of Europe following the Industrial Revolution, Article 123 covers matters including work hours, rest periods, work of minors and women, minimum wages, safety, housing, labor disputes and contracts.\(^4\) Over the past 40 years, financing structures have been established to increase access to affordable housing for workers. Housing affordability targets are defined by the industry as multiples of the minimum wage (“three incomes, four incomes”, etc.). Housing officials informed us that the average Mexican worker earns approximately three times the minimum wage, or $155 pesos (U.S. $11.68) daily.\(^5\)

Mexico has established a national goal of producing one million housing units annually. The goal is being driven, in part, by a national shortage of six million housing units and a strong demand. Current production is around 730,000 housing units annually.\(^6\)

In Mexico, more than 80 percent of housing is owner-occupied. However, much of that housing would not meet U.S. standards for quality.\(^7\) Further, the mortgage markets of both countries are very different. Unlike in the U.S., most Mexicans inherit their homes—just 6 percent of Mexico’s 25.7 million homes are financed with mortgages, compared with 67 percent of U.S. homes.\(^8\)

INFONAVIT, the public agency that grants more than half of Mexico’s mortgages, is funded by a 5 percent payroll tax. The remainder are financed by a combination of banks and “SOFOLES,” or “limited financial associations.” The SOFOLES provide loans to borrowers without documented incomes, such as street vendors and taxi drivers. As of this writing, banks are offering 15-year mortgages at more than 12 percent interest. While high by U.S. standards, this represents a new opportunity for Mexican borrowers as banks return to mortgage lending.\(^9\)

The current situation represents a turnaround for the housing industry in Mexico. When the peso lost 50 percent of its value in December 1994, lending was brought to a halt. The subsequent downturn in the economy resulted in a banking crisis in which the percentage of non-performing assets grew to more than 40 percent. Individual residential mortgages comprised a large portion of the delinquent loans and became a focus of government intervention, including aid to


\(^5\) The minimum wage is currently $1.95 pesos per day or $3.91 United States Dollars in the Irapuato region.

\(^6\) Source: Presentation by National Housing Commission representatives at Centro Fox, July 30, 2009.


restructure these loans.  

While the involvement of banks and government programs in housing finance is short of U.S. standards, it has also led to more consistent quality in housing development. Building codes consistent with international standards are established at the state government level and enforced by local planning agencies; Mexico does not use the International Building Code.

Housing development in Irapuato is driven by rapid growth in employment. The area has experienced substantial investment by foreign corporations, attracting over $1.5 billion dollars in new investments in the past three years alone, mostly from overseas companies including DANONE, Proctor and Gamble, GETRAG, Ryobi, Schaeffler, General Mills, CONAGRA, and other international and Mexican companies. This influx has created about 9,000 direct new jobs. On May 21, 2009, President Felipe Calderon attended the laying of the first stone at a new Procter & Gamble production center. The result of $250 million in investment, the factory will create 1,700 jobs, making it the world's largest of its kind.

Housing Developments in Irapuato

The delegation had the opportunity to visit two sharply contrasting examples of housing development in Irapuato on the afternoon of July 30. The first was the Mision Residential Complex. This housing development targets first-time moderate-income homebuyers in Irapuato's new industrial economy. Developed by a private builder, Grupo Alde, the project aims to deliver high quality housing that is easy to maintain. Marketed as “construccion tradicional”, homes are classic brick and white stucco construction. In spite of the warm climate, none of the homes we visited had air conditioning. The thick masonry walls have thermal qualities that keep the internal temperature cool. Windows are sited to maximize natural light. The price range of these units was between U.S. $55,000-85,000.

While the Mision Residential complex provides an attractive market rate alternative, it does not address the demand for housing to serve Irapuato's very low-income residents—projected by local officials at 15,000 units. A development called “Las Liebres” (The Hares) is one attempt to meet that demand. The development is a project of the local housing agency, the Institute of Municipal Housing Irapuato (IMUVI).

Housing units in The Hares, while modest by US standards for affordable housing, serve a population with no other options. The lots measure 20 by 57 feet, and the units themselves are just 230 square feet. Planned rear additions, to be financed by the owners, allow for an additional 322 square feet of living space. The housing is targeted to households earning three times the minimum wage or less—approximately U.S. $4,200 annually. The residents are street vendors, masons and laborers—the poorest of the poor.

The first stone was laid in February 2008, on the 461st anniversary of the founding of

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12 Source: Ing. Luis Gerardo Hernandez Hernández, Ibid.


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For more information regarding Centro Fox, visit:
http://www.centrofox.org.mx/

City of Irapuato:
http://www.irapuato.gob.mx/

City of McAllen:
http://www.mcallen.net/

Grupo Alde [developer of Mision Residential Complex in Irapuato]:
http://grupoalde.com/

Irapuato economic development:
http://investinirapuato.gob.mx/

Marbran company:
http://www.marbran.com/
Irapuato. While units are still under construction, the completed development is expected to provide housing for 815 families. The concrete slab homes are part of a planned development with paved streets and sidewalks. Due to the lack of a pressurized municipal waterworks, these units, like most new housing in the region, feature roof-mounted water tanks that use gravity to provide water pressure. This is the traditional potable water distribution system nationwide.

Visiting San Miguel de Allende

The second half of our visit was spent in San Miguel de Allende, which is located about 50 miles east of Irapuato. This historic town is now a tourist destination for residents of Mexico City and visiting Americans. With a population just over 139,000 according to the 2005 census, it is also home to a (mostly American) expatriate population of about 3,000. The city’s status as a tourist designation makes it one of the most expensive real estate markets in Mexico, creating challenges to meet the housing needs of even moderate-income residents.

On August 1, 2009, the delegation visited one effort to meet that demand: a new housing development named “La Parroquia” (The Parish). Constructed on a 25-acre site just outside San Miguel de Allende, this development will offer 500 homes with several floor plans ranging from $30-60,000. Higher end units in the same development will sell for as much as $150,000. While this affordable housing is being developed outside the city, we were informed that the same units would cost 2-3 times more to produce in town.

Like mixed-income housing developments in high-cost housing markets such as Montgomery County, Md., the strong demand makes it possible to incorporate good quality, moderately priced units into a market rate development.

Conclusion

On August 2, the NAHRO delegation left San Miguel de Allende. Each of us was changed by the experience, having gained a clearer understanding of the situations of housing professionals in another country, and the richness of a new set of relationships. After such a productive visit, we left with the sense of a great opportunity for continued dialogue with our counterparts in Mexico that can benefit communities in both countries.

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