

# Heritage Preservation, Tourism, and Inclusive Development in Panama City's Casco Antiguo

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Many historic centers in Latin America have been the focus of government and private initiatives seeking to rehabilitate the building stock and position the areas to serve the tourism industry. In most cases these efforts have led to the displacement of low-income residents or of residential activities altogether, due to gentrification and commercialization of the district (Scarpaci 2005). More recently, the rehabilitation of these historic cores has been framed as part of broader debates and efforts that pursue the recovery of the city centers (historical or otherwise) because of their key role as collective symbols or spaces of social interaction, or because of their potential efficiency as dense, well-serviced urban districts (Pérez, Pujol, and Polèse 2003; Rojas 2004).

This article seeks to advance this discussion based on the experience in Panama City's historic center, "Casco Antiguo." It describes some recent, innovative policies that have explored the intersections of tourism, affordable housing, employment, and culture in a historical context, and draws some general insights and lessons.

## **Casco Antiguo and the Inclusive Development Policy**

Casco Antiguo is the second colonial Panama City, founded in 1673 after the first settlement was burned down during a pirate invasion. Its heyday was in the period between 1850 and 1920, when the trans-isthmian railroad and canal projects were developed, and most of the architecture reflects the influence of this era. The neighborhood (some 44 hectares) was declared a national historic site in 1976 and a UNESCO World Heritage Site in 1997.

Casco Antiguo started transitioning from being a multifunctional and socially diverse urban center

to a rental, residential neighborhood for the middle classes and rural immigrants in the 1920s, when the economic elites moved to new U.S.-style suburban developments and the city started its modern expansion to the East. In the following decades, Casco Antiguo lost many of its central urban functions, while its population became increasingly poor. By the 1970s, many buildings had been abandoned by their owners, and squatting had become prevalent. Some key government facilities, such as the Presidential Palace and a handful of institutions, remained in the area, however, maintaining some metropolitan relevance for what was otherwise a large, low-income residential neighborhood.

During the 1970s and 1980s the government drafted the first redevelopment plans with the tourism industry in mind. Public squares and monuments were renovated, but the effort was interrupted by the political crisis that occupied most of the latter decade. By the early 1990s, the private sector began its own renovation projects, which have continued to be primarily high-end condominium developments with commercial space on the ground floors. Fiscal and financial incentives approved in 1997 spurred a flurry of private projects and plans, but many buildings were simply vacated and left unrestored. Between 1990 and 2000 the census revealed that the neighborhood lost close to a third of its population, and by 2004 one in six buildings was boarded up or in ruins.

Two significant developments have taken place in recent years. On the one hand, Panama City has entered into a real estate bonanza fueled by tourism and the international retiree market, both of which have benefited Casco Antiguo in the form of numerous condominium and hotel projects. Government sanctions regarding abandoned buildings also have helped. On the other hand, an explicit social policy has been implemented for the low-income community, replacing a long-standing



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**Aerial view of Casco Antiguo in Panama City**

tacit consensus between government and the private sector on the need to expel these residents and gentrify and/or commercialize the entire area.

The new social policy has focused on two types of programs: affordable housing and job training. Four government-owned historic buildings have been rehabilitated so far, producing 52 one- and two-bedroom apartments rented by a government agency, the *Oficina del Casco Antiguo* (OCA), to long-time residents, most of whom lack credit history. Three other buildings are under rehabilitation, and five more are in the planning process. The buildings offer decent housing alternatives, as well as commercial spaces on the ground floors, now rented to long-time neighborhood establishments that were also facing eviction.

On the job training front, courses have been offered in the building restoration trades, hotel and restaurant services, culinary arts, tourism services, and languages. This experience has shifted the line of work from being simply one of many types of programs implemented by the OCA (together with monument restorations or infrastructure improvements) into a central component of a new vision of “inclusive development” of the neighborhood. The lessons have been numerous and important, and have allowed for a keener understanding of the challenges and impacts of affordable housing, tourism, and cultural heritage policies.

### Seven Key Lessons

**1. Affordable housing is much more than just new housing that is affordable.** Despite the deplorable condition of the housing, many Casco Antiguo residents cling to the neighborhood due to their emotional attachments and a host of practical reasons. In Panama City, low-income households typically have to build their own squatter houses on land located in the urban periphery, far from employment concentrations and decent urban services, and this is also where new public housing projects are usually located. The imposed commuting times and transportation costs can be enormous—up to 5 hours daily and 40 percent of household income, respectively. In this context, affordable housing policies that improve housing conditions only at the price of urban exile are self-defeating and ultimately irresponsible (Espino 2007).

**2. For many low-income families, a home is also a business.** While the middle and upper classes can usually afford to separate residence from work, and thus live and work almost anywhere in the city accessible by private car, the urban poor frequently need to combine both uses. In many Latin American cities informal activity constitutes an important source of household income, and the residence typically houses commercial activity, which in turn requires a good location. The resi-



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**Before and after views of La Boyacá, an historical building renovated for affordable housing.**

dents benefit enormously from living in active, accessible parts of the city, and historic neighborhoods like Casco Antiguo have just the right urban structure for this type of activity.

Many Casco occupants of the new affordable housing units have established services and businesses, such as crafts, shoemaking, or dressmaking, that serve a metropolitan clientele from among the increasing local and international foot traffic that tourism has brought to the neighborhood. Ironically, when such centrally located neighborhoods can finally start benefiting from the improved security and environment that tourism brings, the families are typically expelled.

**3. Urban social mix is essential for inclusive development.** Renovating a historic neighborhood only for the poor makes as little sense as gentrifying it completely. Everyone needs safety, nice urban landscapes, and plenty of pedestrians with buying power, not least the urban poor. A healthy mix of up-scale and affordable developments benefits everyone.

**4. Affordable housing projects do not threaten high-end investment (at least not in historic neighborhoods).** In Casco Antiguo, the affordable housing projects have actually become the spearhead of high-end private investment by

serving as pioneers in highly deteriorated sections of the neighborhood, opening the door to more risk-averse private developers. High-income Casco residents and users also tend to be more tolerant of social diversity to begin with than the typical middle-class household. As a consequence, property values in Casco Antiguo continue to rise.

**5. Central-city affordable housing opportunities should be permanent.** In highly inflationary environments like Casco Antiguo, building affordable units and then selling them in the market can stimulate resales, speculation, and loss of affordable stock. Resales of affordable units must be strictly controlled through deed restrictions, and nonprofit renting should be considered a serious option in such cases. The romanticism of homeownership should be replaced by a firm commitment to serve the existing population and to extend the benefits of urban inclusion to future generations. Governments and nonprofit agencies have to secure a reasonable building stock for this purpose.

**6. Some segregation is good, but don't overdo it.** The Panama government's affordable housing projects are concentrated in a specific area for historical (accidental) reasons. This sector is surrounded, nonetheless, by areas slated for high-end development. This geography allows for both



social cohesion and interaction, concentrating an active community life and adequate community services. Businesses such as corner stores and barber shops that serve low-income populations are quite different from their middle-class counterparts, in terms of products and services offered, prices, or working hours. A critical density of customers allows these establishments to play their roles, while an open urban grid increases their potential customer base to other social classes.

One must keep in mind that urban segregation, in both its positive and negative aspects, does not affect only housing, but also the whole repertoire of activities that makes up a neighborhood. This is why protecting formal, low-income neighborhood businesses from displacement is an integral part of affordable housing programs in gentrifying areas. On the other hand, space should be allowed and promoted for high-end institutions in the midst of or in close proximity to these areas. Museums, foundations, cultural centers, or tourist attractions can benefit from being part of these communities, and vice-versa.


**7. There is more tourism in popular culture than meets the eye.** Low-income populations are as eager to participate in the tourist trade as anyone else, but they tend to be included only if they have some folklore to sell or perform. The contemporary daily culture of these groups, including their food and music, tends to be shunned as vulgar or uninteresting. To date the OCA has worked mainly to promote the neighborhood's culinary culture, by helping to organize vendors and incorporate them into mass cultural events in the area. In another project, life histories of long-time residents have been recorded and are being published in a book format. Their residences are then promoted as places that tourists can visit for an informal conversation about the "old times." This promising field of popular cultural industries is still wide open.

### Conclusions

Due to their nature as cultural attractions, historic districts benefit in a unique way from social diversity. Above all, tourists want to experience a neighborhood that is representative of the local culture, not just another open-air, international, high-end mall. To keep the neighborhood culturally grounded, social diversity is essential, in both its housing and commercial components. On the other hand,

planning in historic districts is inevitably linked to broader discussions about centrality, affordable housing, and the "right to the city" (Lefebvre 1996).

In Panama, the Casco experience has been part of a broader, central-city effort to restore dignity to affordable housing policy through the rehabilitation of traditional buildings and neighborhoods. It represents a departure from previous policies focused on either peripheral development or lifeless apartment blocks in residual areas. It also transcends the narrow focus on housing, and engages issues related to employment, culture, and location.

We believe these lessons and experiences have a lot to teach about how inclusive urban development can look. The lessons are interesting because they don't deal with abstractions, but with concrete needs and desires of different agents bound to an urban space. They also rely on purposeful action rather than simplistic expectations of trickle-down economic or social benefits. Can they contribute to more general discussions of urban development paradigms in Latin America and elsewhere? 

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