

# EVALUATING THE IMPACTS OF URBAN REGENERATION COMPANIES IN PORTUGAL: THE CASE OF PORTO

**Abstract:** Cities have been undergoing many changes since the 1950s, such as the expansion of urban areas to the detriment of the historic central areas, which have been left to decay. In Portugal the most visible results of this phenomenon are found in the metropolitan areas of Lisbon and Porto. To address this problem, the Portuguese Government conceived the first legal instrument for urban regeneration in 2004, which allows the local administrations to form publicly owned companies (SRUs) designed to actively endorse urban regeneration in historic city centres. This paper discusses the activities of the Porto Vivo SRU, one of these companies created in Porto, in the context of the Portuguese milieu of urban regeneration and seeks to carry out an evaluation of Porto Vivo's operations.

**Keywords:** Urban revitalization, urban regeneration, urban rehabilitation, historic centres, evaluation, assessment, Porto, Portugal.

## 1. INTRODUCTION

Contemporary urban centres have undergone numerous transformations over the preceding decades. Urban sprawl, as Burchell *et al.* (1998) noted, first appeared in the nineteen fifties and came to form the landscape of our cities changing many facets of everyday life. The inner areas of cities have seen their population flee to suburbia with direct implications on patterns of land use and commuting characteristics (Robertson, 1995). These processes are part of what is normally recognized as urban decline (Couch and Dennemann, 2000). Historic centres have a tendency to become more or less degraded districts and are susceptible to being transformed into deserted areas, with their buildings becoming dilapidated, and in some cases over occupied (Spandou *et al.*, 2010). They turn into less pleasing neighbourhoods for their residents and are likely to be areas where the elderly, immigrant communities, and the less privileged congregate. This phenomenon is transversal to many, if not all, of the developed countries where the populations have been placing greater value on the choice for low density developments located on the outskirts of cities.

Portugal has not been exempt from these global tendencies. Indeed its situation has been worsening, with a continuation of public policy of rental freezing, originally imposed by the dictatorial Administration in the 1940s and 1950s, in conjunction with the great urban growth experienced during the 1980s and 1990s. One of the most significant outcomes has been exceedingly low rents in the historic cores of cities and towns, inducing a disregard for the preservation of buildings, and the ongoing ruin and desertion of their inner neighbourhoods.

It is through taking in hand the city centre's liveability and understanding its significance in the European setting, where cities compete with each other, that methodical urban regeneration has a role in assuring a vital and viable future for city centre areas (Balsas, 2000). In order to address these issues in Portugal, an exceptional legal instrument for urban regeneration was approved in 2004. This legal instrument enabled the local administrations to create public agencies (Urban Regeneration Companies – SRUS) responsible for the urban regeneration of central urban areas.

This paper draws upon the results of research and aims to assess the performance of these companies, focusing on the specific case of Porto and the Porto Vivo SRU. Section 2 consists of a conceptual analysis and a brief literature review of the academic debate over European urban policies related to urban regeneration. Section 3 is centred on the Portuguese case and on the legislation that outlines urban regeneration in Portugal. Section 4 introduces the research on Porto's case study and its urban regeneration company, the Porto Vivo SRU, encompassing a depiction of Porto's state of affairs, in addition to a general portrayal of the company. An effort is made to evaluate Porto Vivo SRU's performance for the first time. This evaluation is based upon a set of structured interviews with a list of representative stakeholders who are linked with the urban regeneration processes in Porto, and also upon a quantitative analysis through the existing data that might be useful for an assessment of the situation before and during the operation of the company.

## **2. THE URBAN REGENERATION CHALLENGE**

With the goal of bringing the spiral of urban decline to an end, contemporary planning practice has seen the emergence of a variety of approaches that have attempted to overcome these problems. While many of these approaches were based upon the injection of massive amounts of public resources, others benefitted from the

mobilization of private funds as well, in order to leverage the regeneration of these specific areas.

Many concepts were proposed for plans and approaches that aim to develop the liveability of degraded areas, varying according to local goals, common practices and institutional/political agendas.

Urban renewal was the earliest concept to be suggested in the post Second World War period, and it was primarily focused on issues of public health and well-being, based upon slum clearance and rebuilding interventions (Guerra *et al.*, 2006), as a result of the enormous problems caused by the pressing lack of new affordable housing in Europe.

After that the notion of urban redevelopment arose, as a new and broader concept, endorsed mainly throughout the 1970s and 1980s, and centred upon socioeconomic topics - such as unemployment and education – with less of a focus on physical planning.

Urban requalification is a more recent designation that aims to surpass stigmas related to certain neighbourhoods, mainly by refurbishing and developing the public realm. Urban rehabilitation, regeneration and revitalization are present-day expressions that are used either as if they have one common meaning or as if they are distinct concepts (Balsas, 2007). Rehabilitation is usually employed for the mere restoration of buildings; revitalization is more related to action plans that attempt to ameliorate abandoned industrial parks; and regeneration appears to be the concept that approaches the territory as whole, addressing tangible and intangible issues in both the private and public realm (Roberts, 2000). The primary concept used in this research is urban regeneration given that the prevalent Portuguese methodology suits this definition, as does the case study of the Porto Vivo SRU. Ultimately, the essential purpose of urban regeneration is to bring life back to a certain territory and to restore a sense of belonging to that place. In this paper, the term rehabilitation is used when referring to construction works on existing buildings, while revitalization is used to describe the process of giving life back to a certain area.

Regeneration schemes affect local communities more significantly than other types of planning processes, since they interact with previously consolidated milieu and, consequently, with residents and businesses that are fully established in the area in question. Some of the consequences of such interventions go alongside the main goals of development plans, namely the improvement of the housing environment, supporting the establishment of new businesses and subsequently the creation of greater

employment, and recovering the perception of the neighbourhood, in the areas of security, aesthetics, comfort and cleanliness (Yuen, 2002). Nevertheless, these actions frequently generate side effects. For example, the increase of land values, which can be good for the owner (Marti, 2009), and an issue for tenants who see their rents rise, leading to situations of gentrification (Cameron, 2003). This can also mean that the setting up of new businesses will not be viable due to higher location costs. Further unfavourable outcomes comprise difficulties correlated with relocation procedures, implying significant disturbances in the neighbourhood's social networks (Yuen, 2002). Current knowledge in this area also reveals that it is the public administration, in its role as a developer, through taking short-term risks in the first instance for, which is essential in encouraging the real estate market, creating the means and opportunities to make long-term investments and risk-taking for private developers (Couch, 2003).

The European Commission (EC) has been promoting urban regeneration investments for the last two decades, through the Urban and Urban II<sup>1</sup> programmes and more recently the JESSICA<sup>2</sup> initiative, despite the fact that spatial planning is a legal competence of the Member States. The EC endorses programmes that deal with the maintenance and rehabilitation of buildings, as well as the consideration of state-of-the-art methods and technologies concerning sustainable development and environmental protection. These programmes promote the use of renewable energy sources, new sustainable mobility systems, and economic revitalization, paying special attention to the creative industries and to the development of knowledge and innovation communities (Porto Vivo, 2009). Therefore, it promotes action plans for urban centres using a broad selection of financial support granted by the European Investment Bank and other European institutions.

Revitalization policies are also a matter of public governance and financing. Many approaches have been used in the past two decades across European cities and regions, both through the support of public companies or public-private partnerships that are devoted solely to urban regeneration. It is argued that both kinds of companies are more

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<sup>1</sup> Both programmes focusing on the economic and social regeneration of cities and neighbourhoods in crisis in order to promote sustainable urban development, funded mainly by the European Regional Development Fund (ERDF) and by Member States.

<sup>2</sup> JESSICA, the Joint European Support for Sustainable Investment in City Areas, is an initiative focused on supporting sustainable urban development and regeneration through financial engineering mechanisms, mainly for the built environment. This initiative is a cooperation between the European Commission the European Investment Bank (EIB), and the Council of Europe Development Bank (CEB).

proficient than the regular processes promoted by the public administration, for their light and well-structured corporate organization, dealing exclusively with the issues of a delimited territory and thus granting a distinctive outlook of their intervention area and reforming processes connected to urban regeneration (Porto Vivo, 2005; SQW, 2005; Foment, 2007).

### **3. THE PORTUGUESE CASE, A POLICY REVIEW**

As a result of the continuous decline of the old centres in large and mid-sized Portuguese cities, urban regeneration was identified as a national priority by the central Administration in the early 2000s. For that reason, an exceptional legal instrument for the urban revitalization of historic centres was approved in 2004. This legal instrument (Ordinance number 104/2004) was focused on the establishment of operative legal tools to enable the promotion of revitalization efforts, from the operational and the economic viewpoints alike (MOPTH, 2004).

The law establishes that it is the landlord's responsibility to uphold the maintenance works on their buildings and, from the public administration point of view, it is the municipalities which are in charge of the urban regeneration actions inside their administrative boundaries, giving them the choice to constitute Urban Regeneration Companies, or *Sociedades de Reabilitação Urbana* (henceforth called SRUs). These public companies are vested with executive powers that derive from a set of legal tools such as expropriation, resettlement procedures, issuing building permits and the regulation of maintenance works in buildings. Additionally, it is stated that the entire process of urban regeneration, and not just building maintenance, are subjugated to the corresponding administration's regulation. The foundation of these companies comprises the identification of the management powers delegated to the SRU and the delimitation of the geographical boundaries for the interventions, which are proposed by the city council and accepted by the municipal assembly. These Critical Areas for Urban Redevelopment and Recovery (*Área Crítica de Reconversão e Recuperação Urbanística*) (ACRRU), have a legal status that grants extraordinary operative tools for land and property management to the SRU, as well as a favourable fiscal framework for property and consumption taxes.

SRUs are companies founded only with public funds and sworn in with social welfare purposes. The Ordinance also gives the Central Portuguese Government an option to take part as a shareholder of any SRU through the Department of Housing and Urban

Regeneration (*Instituto da Habitação e Reabilitação Urbana*) (IHRU), if that is declared to be of public interest. Nonetheless, this selection of SRUs is not supported by any previously agreed norms nor by any organized method. The policy-makers were clearly concerned with speeding up administrative procedures and normalizing the time-span for issuing permits and other bureaucratic procedures, due to the fact that they are considered a key element for contributing to the stakeholders' engagement. It is relevant to emphasize that various procedures are made simpler, the official time limits for legal procedures are reduced and that it is the Public Administration's obligation to control every step of the revitalization process. Ten SRUs were founded in the period between 2004 and 2007, as listed in Table 1.

**Insert Table 1 approximately here**

The practice of urban regeneration in Portugal was structured in legal terms with this Ordinance, and the policy aimed to clearly identify the recovery of the building stock as a means to improve social welfare and not just as a way to promote building renewal as a private matter. The Ordinance, combined with the latest law that regulates the housing rental market, and with the building renovation funds provided by the Central Government, was seen as the most effective way to fulfil the principal goal of engaging all the stakeholders. In spite of the progress and improvements, Pinho (2009) mentioned that this normative represents a backward step in various matters when compared with previous Ordinances. There is an absence of an explicit strategic view, a focus on the material part of the urban regeneration and at the same time an overlooking of the social and economic components. No concern is expressed in guaranteeing the technical capacity of the companies or the proximity with the territory that they manage. The instrument does not contribute with a scheme for monitoring and assessing the developments made and the projected financial support depends solely on the funds that local authorities have and their capability to induce investors.

Later, in 2009, Ordinance number 307/2009 changed the normative structure for the urban regeneration companies, making it coincide with what the SRUs were carrying out by then and creating the structure for urban regeneration plans that regard all the layers of the territory (MAOTDR, 2009).

With this new Ordinance, existing SRUs were considered as regeneration entities, the new legal concept for the entities in charge of urban regeneration.

This legal instrument carries significant modifications to the SRUs' operations. Firstly, the classification of two kinds of procedures: simple and systematic urban regeneration. A 'Simple Operation of Urban Regeneration' is a plan to improve a territory, taking in hand primarily the recovery of buildings, meaning that it only addresses the physical facet of the private realm. A 'Systematic Operation of Urban Regeneration' is a comprehensive plan to revitalize an urban area, dealing with the recovery of buildings and the improvement of infrastructure, public facilities, public open space, and the remaining public realm. This new approach seeks to improve and ameliorate the urban fabric, combined with a public investment agenda. Therefore, the public administration's financial endeavour will complement the landowner's duty to carry out construction works within their buildings. Public participation must be promoted and considered in planning stages, as an alternative to being restricted to the agents that take part in each small scale operation. It is mandatory to promote a public debate in order to define the urban regeneration area and the operative tools for the urban regeneration plan, guaranteeing that the plan benefits from the contribution of all the stakeholders. The regulation also created the 'Detailed Plan for Urban Regeneration', the use of which is optional. It aims to make the licensing procedures for rehabilitation works more efficient since it dismisses the enquiries of other public entities whenever they give their overall agreement towards the SRU's programme.

The new Ordinance also establishes a more complete set of implementation tools, which aim to deepen the involvement of private stakeholders. One of the most remarkable and contentious aspects is the possibility to impose a forced property sale to promote building renovation. This legal tool forces landowners who reject or are unable to carry out the rehabilitation works to dispose of their buildings through auction, therefore accepting their substitution by others who are predisposed to accomplish the social responsibility of building maintenance. According to the IHRU, this operative tool is essential given that it is a manner of replacing the use of expropriation, thus reducing the necessity of great sums of public funds for the effective implementation of the plan. More recently, in 2012, the Law number 32/2012 was published and it represents the first amendment for the Legal Framework of Urban Regeneration. This law approves measures to expedite and streamline urban regeneration, such as simplifying the procedures for the creation of areas of urban regeneration; making even more swift procedures for the issuing of permits of urban regeneration operations; controlling the

urban rehabilitation of buildings which are at least 30 years old, although located outside of the delimited areas of urban regeneration.

This new Ordinance was still very recent at the time the research reported here took place and there are no outcomes to be measured to date, also due to the recent (and ongoing) real estate crisis that started in 2008. For this reason, it lies beyond the scope of this article to provide further reflections upon this new legal instrument, and its operative tools and methodologies.

#### **4. METHODOLOGICAL APPROACH**

This research sought to assess the performance of the Portuguese urban regeneration companies; due to a very slow start of the majority of these companies, it was decided to focus on the case of Porto and its corresponding company, the Porto Vivo SRU.

The main research objectives were to understand how the policy is applied, how the policy and its application is perceived in the community, how to properly assess the performance given the limitations of the existing datasets, and what impacts feedback from the SRU in the formulation of national policy.

To answer these questions a literature review for the scientific discussion and a policy review for the Portuguese context were carried out. Furthermore a twofold method for data collection and interpretation was used.

Firstly, an effort was made to understand how the activity of the SRU is perceived and evaluated by conducting structured interviews with a representative group of stakeholders, in a purely qualitative approach. The list of stakeholders interviewed is a sample of the large number of diverse agents involved in the process. The goal was to encompass various sectors of the urban regeneration scene, namely landowners, construction companies, real estate experts, local businesses, and non-governmental organizations. Notwithstanding the time constraints of this research and the refusal/impediment to collaborate of some of the agents, it was possible to cover all of the branches mentioned above, in what can be considered to be a representative sample of the stakeholders.

Secondly, some of the existing but disperse data on demographics, employment, and rent value was scrutinised, in an attempt to devise some simple indicators of the company's performance. It is important to note that the existing statistics were, nevertheless, sparse. It was not possible to collect data at the suitable spatial aggregation level and for the appropriate years on population, tourism activities, and building



conditions. Because of bureaucratic restraints, information on investments in the public realm was not attainable. Numbers on the national rehabilitation funding plan were only presented for the previous two years. A large part of the relevant statistics is solely gathered each ten years in the censuses. The latest available results at the time the research was carried out dated from 2001. For these reasons, the conclusions are insufficient to clearly correlate the SRU's activity with the transformations that took place in the central part of the city, known as the 'Baixa' and are used to illustrate what are the observed trends in this process.

Three vectors of analysis were considered: one based on general demographics and economic data in order to devise how the socioeconomic drivers are operating in the 'Baixa'; another focusing on the albeit little disaggregated data on housing markets for the area of analysis; and a final one focusing on data concerning the dynamics of building permits for new construction and building renewal. Nevertheless, it is possible to indicate some differences that may be related to the SRU's performance with a reasonable degree of confidence.

## **5. THE CASE OF PORTO**

Porto is Portugal's second major city and the centre of Porto Metropolitan Area, or *Área Metropolitana do Porto* (AMP), with a population of approximately 1.7 million according to the results of the 2011 Census (INE, 2011). It is regarded as the most vibrant urban area in the northwest of the Iberian Peninsula, but as a weak Metropolitan European Growth Area (MEGA) in the ESPON analysis (ESPO, 2006). Porto and its hinterland have a significant and long established tradition of commerce and remain as one of the major Portuguese industrial regions.

The research was centred on the centre of the city of Porto, named 'Baixa', which has been experiencing considerable transformations since at least 1996. 'Baixa' includes the Historic Centre, limited by what used to be the medieval walls on the right bank of the Douro River. It is noteworthy for its classification as a World Heritage Site by UNESCO, in 1996. 'Baixa' corresponds to what used to be the city of Porto at the beginning of the 19<sup>th</sup> Century, shaped by the spreading of the city limits after the industrial revolution and the urban consolidation of the early 20<sup>th</sup> Century.

'Baixa' was classified in the year 2000 as an ACRRU, a classification that represents the acknowledgement that this urban territory was facing severe problems and in urgent need of a large-scale intervention.

The centre of Porto has been declining for many years. Its population has been diminishing gradually since the 1960s, whereas at the same time the AMP started growing endlessly and rising in importance as a principal component of the national urban system. For example, in the ten year period 1991-2001, Porto's population shrank by 40,000 despite the fact that it increased by 133,000 throughout the remainder of the AMP. The national competition with Lisbon as a development pole, the materialization of new centres both within the metropolitan area as well as in the interior of Porto's municipality, drew many companies and employers away from 'Baixa'. To aggravate this situation, Porto and above all the 'Baixa' and the Historic Centre have a very old, deserted, and profoundly degraded urban fabric.

### **5.1. Porto Vivo SRU**

Porto Vivo SRU (henceforth referred to as SRU) was created in November 2004 in accordance with Ordinance 104/2004, having the IHRU (with a 60% share) and Porto's Municipality (40%) as shareholders. This distribution is a consequence of the Central Government's recognition of the extent of the problem that Porto's 'Baixa' was facing (Branco, 2006).

SRU is in charge of the ACRRU, but due to its large and diverse territory, a priority intervention area (ZIP) was established, as depicted in Figure 1.

**Insert Figure 1 approximately here**

It is argued that Ordinance 104/2004 was explicit in its main rationale, 'to recover the historic centres' buildings'. Still, the SRU made an effort to define a more comprehensive strategy and operative method, establishing its own goals:

1. 're-housing', an innovative housing strategy to promote new dwellings in the city centre;
2. business endorsement, making an effort for the establishment of new companies;
3. revitalization of the retail sector, boosting competition, supported by its individuality and uniqueness;
4. the encouragement of tourism, culture and entertainment;
5. regeneration of the public realm, rehabilitating the existent infrastructures, creating new public facilities and public space, and restructuring the transport system by facilitating pedestrian mobility and public transport (Porto Vivo, 2005).

To better identify their goals, the SRU produced a strategic document named 'Masterplan' under its own volition, something it was not formally required to do under the Ordinance. This document is not a legally binding planning instrument as defined by the Portuguese planning system, thus having no executive force. However, it includes a comprehensive assessment of the territory and defines the guidelines of the intervention strategy, assuming that the SRU will have the capacity to effectively persuade and encourage stakeholders to engage in the revitalization process.

Following what is stated in the Ordinance, the SRU works at the spatial scale of the street block. Each block that is subject to an intervention must have a planning instrument named '*Documento Estratégico*', or Strategic Document. This document consists of a report evaluating the existing situation and an intervention proposal.

The SRU delimited six smaller 'Priority Intervention Areas' (or AIPs), which are groups of neighbouring city blocks, inside the innermost area of the ZIP, so as to better channel its own resources and to mobilize private investments. These AIPs are the main planning units. In addition, five other blocks were classified as pilot blocks, identified in Figure 2, with the purpose of assessing the operative tools.

**Insert Figure 2 approximately here**

The rest of the ACRRU is not covered by any planning instrument defined by the SRU. Nonetheless, it benefits from property and consumption tax exemptions and landowners may also apply for national funding dedicated to building renewal.

## **6. RESULTS AND DISCUSSION**

### **6.1. Stakeholder perceptions**

Some of the stakeholders argue that the SRUs, in general, are vital for urban regeneration and should be perceived as a main policy instrument to overcome the current real estate crisis. These companies must have additional financial aid from Central Government and an extended independence from Local Authorities, in view of the fact that apparently they have been more proficient than municipalities in addressing urban regeneration.

There is a common understanding that the SRU's operation had a considerable impact in the community by generating a new urban regeneration dynamic that is both

innovative and perceptible. Nevertheless, there are matters that are seen in a different way both from the public and private standpoints and from the Central and Local Administrations.

Even though the IHRU continues endorsing Porto's SRU actions, there are some agents who consider that this SRU's *modus operandi* is not financially sustainable, as it calls for a permanent investment of large sums of public funds with the purpose of financing its interventions. This way of operating cannot be repeated in the remaining SRUs since there are not enough financial resources to bear such a direct involvement in the real estate market, at a national scale. The approach of Coimbra Viva, for example, is regarded as more viable than that of Porto Vivo, as it consists of the establishment of real estate funds which seeks to leverage the investment using commercial bank or private loans. This approach is more reliant on market performance and appears to be significantly less successful in times of economic crisis, as it is possible to witness in the Coimbra case. On top of this, there is a conceptual discussion regarding the inexistence of equity that is inherent in the legal instrument. It is claimed that the law gives preference to the territories that Local Administrations designate for urban regeneration (the ACCRUs), and pays no attention to the other urban areas that equally need intervention, such as the high density suburbia developed around the principal cities in the 1960s and 1970s. Others argue that it is exactly this feature that turns it into a good legal document, given that the present situation of limited public capital requires an approach focused on concentrating the available funds where they are essential.

It was said that the SRU is extremely efficient in recovering buildings but it is not so capable of improving and preserving the public realm, probably because of deficient communication between public agencies. Additionally, it appears that the social concern is a controversial issue, since a few consider that the SRU is focused on social matters and that it benefits from the proximity with the inhabitants, while others assert that, albeit being mainly composed of well-intended individuals, the company does not have the knowledge that is essential to deal with social problems. Despite that, it is obvious that much of their energy is invested in this issue.

It is argued by a few agents that the Administration and the SRUs should find a way of guaranteeing that rents remain affordable for lower income households following the urban regeneration interventions. This could be achieved by Central Government intervention, subsidizing a part of the rent, or by making dwellings available, assuming a public housing strategy. Moreover, to be present in international real estate fairs is of

the greatest importance in order to draw worldwide investors to Porto's city centre. Nevertheless, this effort requires substantial funding for city marketing which the SRU simply does not have at its disposal. The answer could lie in a cooperative involvement with every one of the SRUs being present in such events, with the IHRU supporting a part of the costs. Administrative powers should be granted to Porto's Metropolitan Area, as a new administrative entity which would deal with the AMP as a whole, in order to delineate a strategy for the entire conurbation and to balance the investments made in the territory. In the current context, the competition between municipalities to obtain Central Government and European funds will endure, and the peripheral towns may persist on developing, and especially on expanding, at the expense of the city centre.

There is a common understanding that Porto's urban centre is a lot livelier than it was prior to the activity of the SRU. These modifications may not be linked to factors that are a direct consequence of the company's activity, such as the boost in the tourism influx due to the UNESCO classification or the importance of the low cost airline bases, or, at a municipal scale, the advances made in the accessibility within the inner city.

A final common concern relates to the existence of a large proportion of the housing that is, still today, rented under the rent protection initiatives that took place during the dictatorship period (spanning from 1926 to 1974). This is thought to be the cause of a great rigidity regarding the revitalization processes because of two main issues: (1) land owners are not capable of generating sufficient revenue to reinvest in maintenance; and (2) by making evictions extremely difficult in many cases where buildings need urgent renovation and/or are very attractive real estate products.

Another interesting opinion was that in a scenario where the SRU had never been created, the context in Porto's centre would be much more severe, particularly with regard to the buildings' maintenance. It is stated that the SRU makes the best out of the external opportunities and reduces the consequences of external threats. The agents conclude that the SRU is due to be an important part in the 'Baixa's' transformation process in the midterm, acting mostly as a catalyst, a process accelerator and a fund raiser.

## **6.2. Socioeconomic trends**

Socioeconomic figures connected to employment (Table 2) and businesses show that the ‘ACRRU’ unit of analysis (see Figure 3) experienced a minor increase from 2003 to 2008, if weighed against the ‘Rest of Porto’ unit. Notwithstanding the fact that there was an increase of 3.5% in businesses’ figures, the ‘Historic Centre’ unit witnessed a considerable decline in jobs (-19.6%). At the same time, all the main regional headquarters of large employers, such as banks and insurance companies, that concentrated thousands of jobs in the ‘Baixa’ unit were relocated (mainly to Lisbon), significantly lowering the number of jobs in the area. Nonetheless the increase in the rate of businesses (9.8%) is higher than the increase in the rate of jobs (6.1%). This suggests that the state of the commercial sector located in the ‘Baixa’ unit is not as critical as many predicted, because a greater number of smaller businesses were located here (suggesting more economic diversity) and, at the same time, jobs were also created.

**Insert Figure 3 approximately here**

**Insert Table 2 approximately here**

It was possible to gather some data about housing rents from a data aggregator and business intelligence company operating on the real estate sector. The housing market statistics (Figure 4) concern just the rent value for the preceding 15 years, measured in Euros per square metre.

**Insert Figure 4 approximately here**

The rents became stable in the period that corresponds to the actions of the SRU and are decreasing in an apparent accordance with the real estate crisis of 2007. In contrast to this trend, the ‘Historic Centre’ unit of analysis once again stands out, since its rental prices have been constantly increasing and more rapidly than the other neighbourhoods as far back as 1998, maintaining the trend throughout the current crisis, and exceeding the values of ‘Baixa’ in the final year of the period considered in this research. It is likely that this is connected to the SRU’s actions and the prospects that they produce. If this is true, it is possible that the prices may rise or at least consolidate and stabilize when the flagship real estate projects that are presently under development in the historic centre are concluded, particularly once the economic crisis ends. A different explanation can be that these are the initial symptoms of a gentrification process.

Building permits data showed a little more about the current dynamics in revitalization. The numbers of permits issued for recovery works are expected to be related more to the effects that the SRU could have made on the 'Baixa', as it is one of the company's duties. Yet, they do not show clear trends as they did not have a noteworthy increase from the moment the SRU was created. Figure 5 shows that the rehabilitation sector is not very significant in Portugal, corresponding to around 20% of the licensed permits for each year.

**Insert Figure 5 approximately here**

Despite that, this weight increases in Porto, mainly inside the 'ACRRU', because these are consolidated territories. A significant increment of the weight of the rehabilitation works over the permits for new constructions can be detected in 2009, both at the local level and nationwide.

Figure 6 presents the annual variation of issued permits for rehabilitation works per area of analysis.

**Insert Figure 6 approximately here**

The year 2006 represented an overturn for urban regeneration in the 'ACRRU' because of the immense increase in rehabilitation permits, which occurred together with the start of a broader performance of the SRU with the beginning of building works in many sites within the 'Baixa'. However, in 2007 the real estate crisis began and echoed in the performance of the building sector. Be that as it may, the figures for 2009 forecast a modification in this trend as the records demonstrate an increase in the amount of licensed permits in each unit of analysis, expressing what could be a changing moment in the Portuguese scenario as several of the agents interviewed predict.

## **7. CONCLUSIONS**

For the time being it is difficult to measure the extent to which the involvement that the Porto Vivo SRU had in the transformations of the 'Baixa'. It is still a very recent company and its earliest substantial deeds (particularly the recovered housing stocks) for the moment have been placed on the market for less than three years. As well there are several external issues associated with the macroeconomic situation that international markets are presently coping with, namely the global real estate crisis that

struck construction and housing markets, which had an immense impact on Porto's urban regeneration. Nevertheless, the twofold method employed here of gaining an insight into the thinking of representative agents and of creating a few indicators using the available data have contributed to detect a tenuous but existent correlation between the SRU's interventions and the revitalization momentum in Porto.

The common belief among stakeholders is that the company is functioning in conformity with its objectives and policies, and also that its achievements are recognized both locally and nationally, and even beyond borders. The coercive operative tools that Ordinance 104/2004 granted to the SRU are one of the features mentioned as a cause for issuing permits more efficiently than the City Council, therefore accelerating the recovery works and increasing the confidence of landlords, residents, and investors in the processes. Many of the dynamics that transformed the 'Baixa' do not have their origins in the company's actions. Nevertheless, it is stated that if the SRU had never existed the situation would be much more severe and that it will play an important role as an agent of change in the medium term. Furthermore, Porto's SRU operational strategy is said to be financially unsustainable and most certainly will have to be adjusted, changing to a strategy with less reliance on public funding.

A noteworthy increase can be observed in the quantity of permits issued for recovery works in the areas of analysis when measured against the rest of the municipality. There is an important rise in the weight that rehabilitation permits have in the total number of permits issued. This could point out that, notwithstanding the problems that the housing markets faced throughout the crisis, 'Baixa' is turning out once again to be an attractive location for real estate investment and for the establishment of small companies. This is illustrated by the growth rate of new businesses since the SRU was founded.

Ordinance 104/2004 led to a fresh standpoint in the Portuguese urban regeneration policy context, with the conception of an array of legal tools to support revitalization as a top-down programme. This corresponds to a substantial change in public policy as it considers decaying historic centres as the main focus areas, as opposed to the universal tendency of urban sprawl that inspires most, if not all, of the land use plans in use in Portugal. Nevertheless, this legal instrument was considered as exceptional since there was an acceptance that urban regeneration procedures had to be officially framed in a manner that could convert it into a key driver in urban planning. A legal instrument for urban regeneration was made in 2009 and it is anticipated to carry substantial adjustments in the operational methods of the SRUs. The participation and involvement



of the community will be improved and will reach a wider array of agents, instead of being exclusive for the parties involved in the street block operations. The rationales of the ordinance were extended to the public sphere and will certainly facilitate more wide-ranging solutions. Nonetheless, socioeconomic matters were left out once again by this new legal instrument, which focus merely on the tangible facet of the operations.

Various subjects have to be tackled by the Central Administration. Even with a fine legal structure for urban regeneration, there are still a number of outstanding issues remaining to be tackled regarding funding, amongst other problems. The Portuguese strategy must assure an equal treatment between all municipalities that are engaged in beginning substantial revitalization interventions, particularly when public funds are involved. The Central Government should define a minimum set of requirements to endorse the formation of more entities (the official designation for the existing urban regeneration companies according to the latest legal instrument), indicating the extent of involvement of the Central Administration in such entities and developing schemes to assist them in optimizing the application of the available funds, whether national or European. If the guiding principle is to preserve some level of influence at a local level, as well as to supervise local initiatives, so as to support a harmonious strategy of urban regeneration throughout the country, the Central Administration has to formulate a way of taking part in the creation of the urban regeneration companies. This implies improved monitoring systems of revitalization operations and allowing for the identification of the most suitable methods for each case, in order to properly distribute the limited funds in accordance with the company's performance.

The social and economic subjects of urban regeneration are still absent in the present legal instrument. Further efforts should be made to support a wide and plural social fabric, and to prevent gentrification (which is an acute threat when interventions are solely directed to the recovery of buildings), to attract foreign investors, and to establish a metropolitan strategy that sees the metropolitan areas as cohesive territories.

Forthcoming studies shall persist on developing an assessment method possible to use in all the municipalities where this type of urban regeneration is in progress. A trustful array of statistical indicators will be created to assess the operations using demographic and socioeconomic figures, numbers related to the recurring legal procedures and real estate market information so as to accurately enlighten decision making processes in Portuguese urban regeneration.

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## **Figure Captions**

Figure 1 – ACRRU, ZIP, and UNESCO World Heritage Site within the municipality of Porto.

Figure 2 – Spatial distribution of *Porto Vivo*'s planned activities.

Figure 3 – Units of analysis for the municipality of Porto.

Figure 4 – Rental values of housing (€/m<sup>2</sup>) per area of analysis.

Figure 5 – Share of rehabilitation permits over the total number of permits per area of analysis.

Figure 6 – Annual variation of issued permits for rehabilitation works per area of analysis.

## **Table Headings**

Table 1 – SRUs created since 2004. (Costa, 2010)

Table 2 – Variation of jobs and businesses per area of analysis.

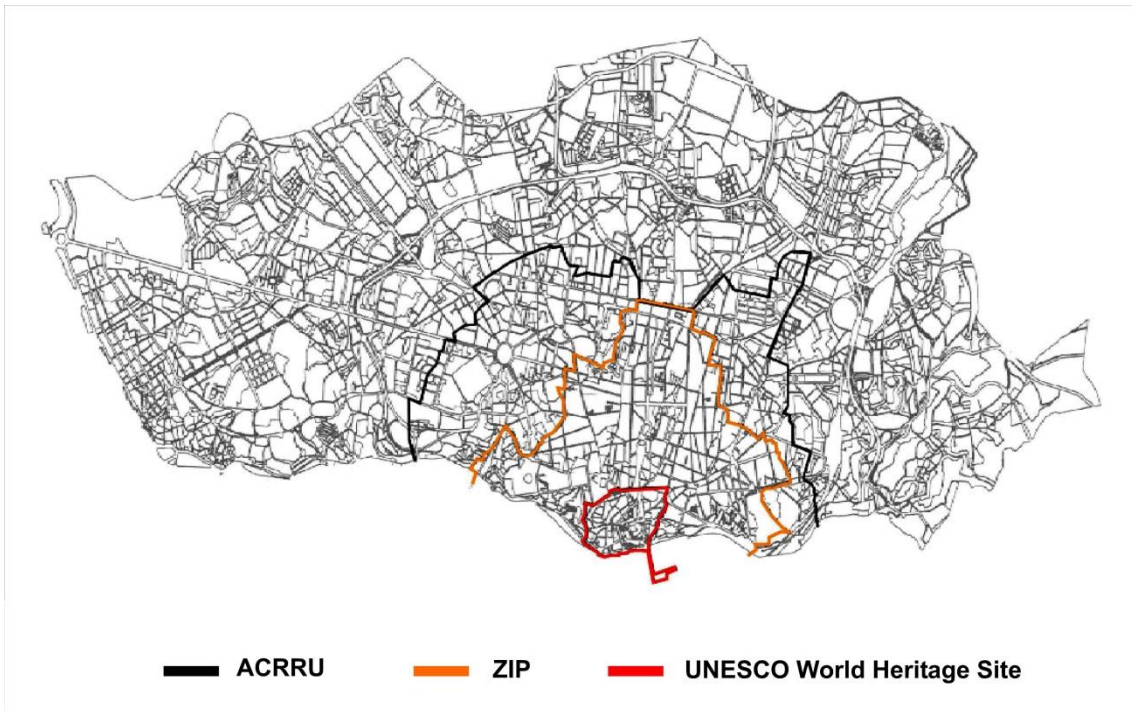


Figure 1 – ACRRU, ZIP, and UNESCO World Heritage Site within the municipality of Porto (Porto Vivo, 2005).

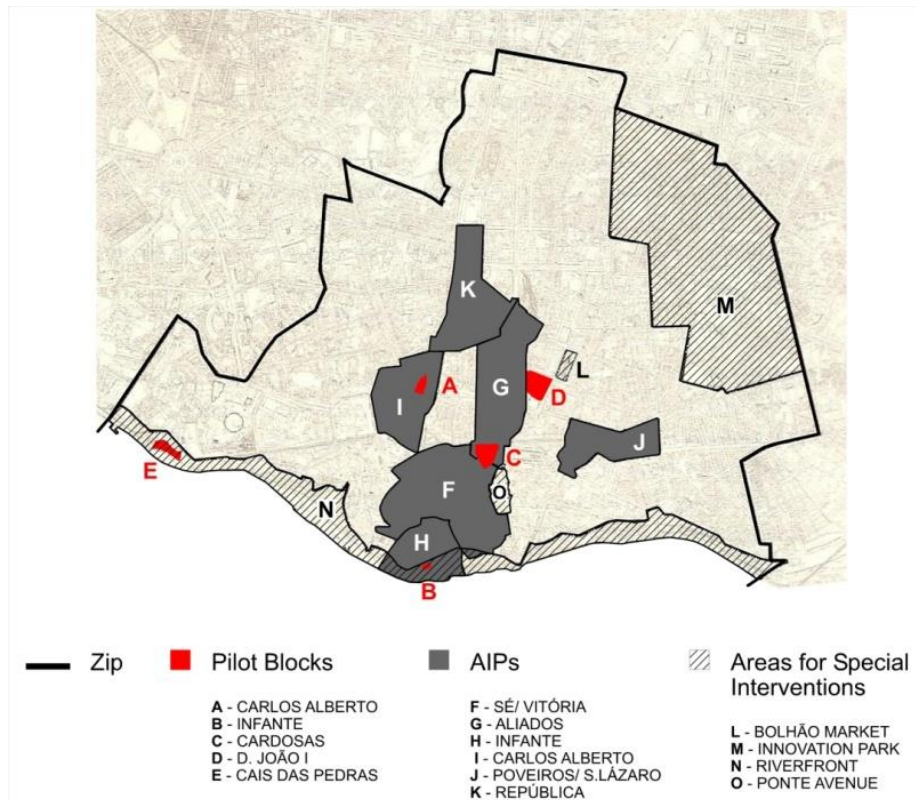


Figure 2 – Spatial distribution of *Porto Vivo*'s planned activities (Porto Vivo, 2005).

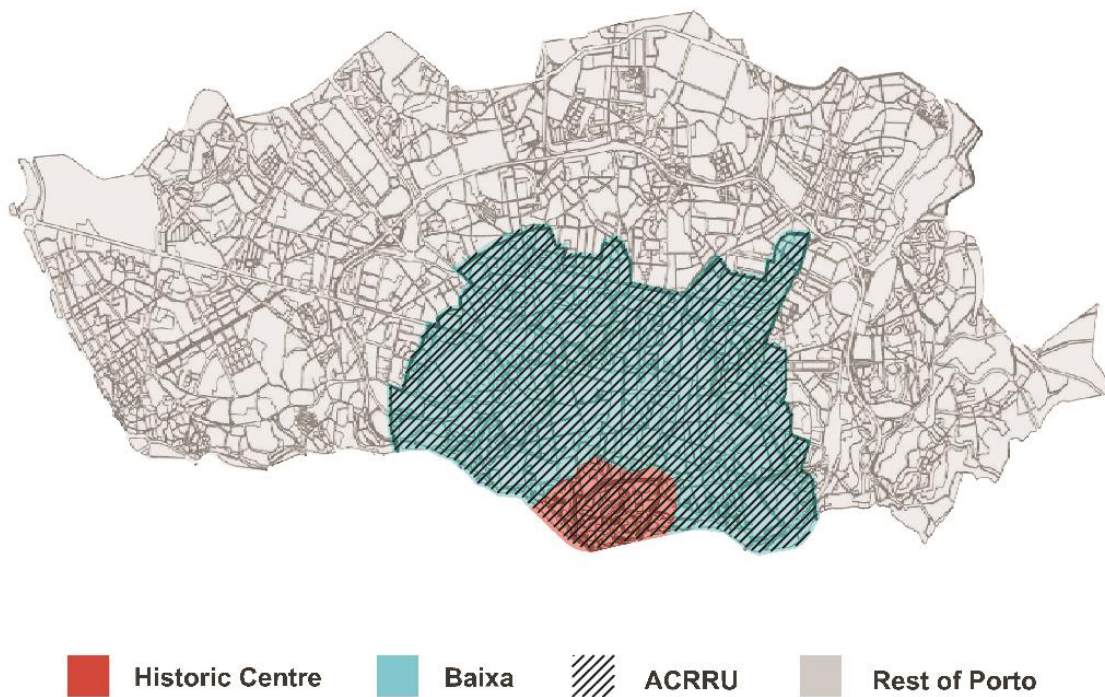


Figure 3 - Units of analysis for the municipality of Porto.

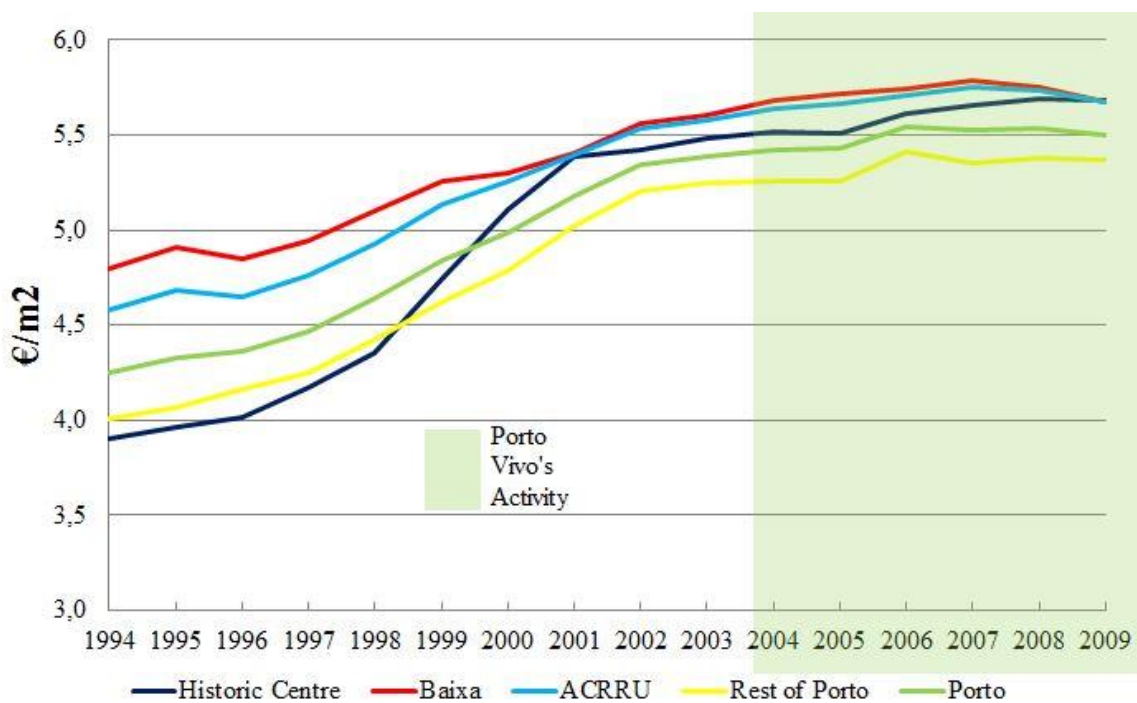


Figure 4 – Rental values of housing (€/m<sup>2</sup>) per unit of analysis.



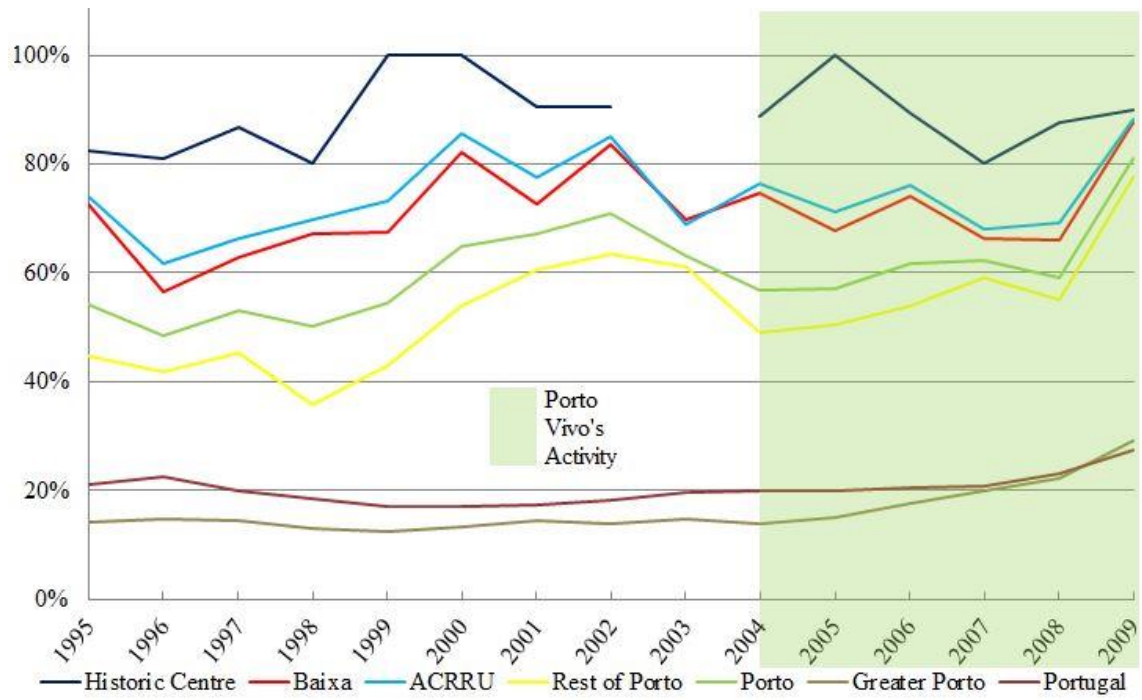


Figure 5 – Share of rehabilitation permits over the total number of permits per unit of analysis (in 2003, there were no building permits of any type issued in the Historic Centre).



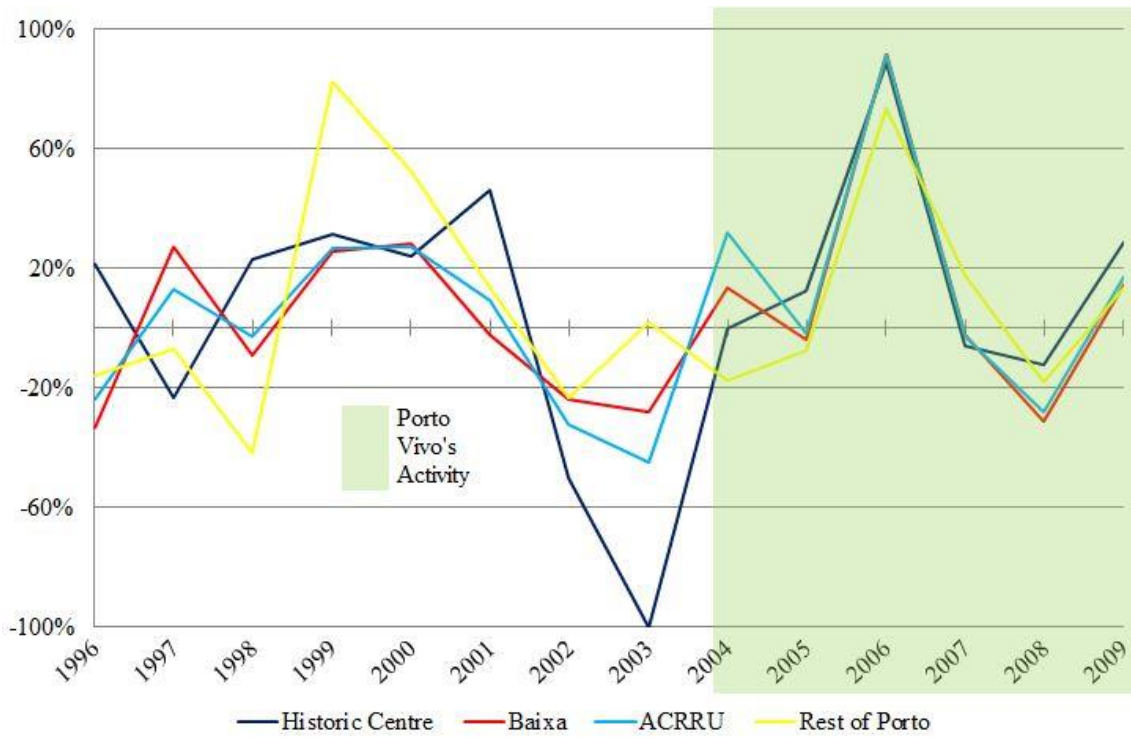


Figure 6 – Annual variation of permits issued for rehabilitation works per unit of analysis.

Table 1 – SRUs created since 2004. (Costa 2010)

SRU	City	Creation (year)	Initial capital (million €)	Capital holders		Intervention Area (hectares)
				Local Adm. (%)	Central Adm. (%)	
Porto Vivo	Porto	2004	6	40	60	1000
Lisboa Ocidental	Lisbon	2004	1	100	0	81
Lisboa Oriental *	Lisbon	2004	1	100	0	213
Baixa Pombalina *	Lisbon	2004	1	100	0	99
Coimbra Viva	Coimbra	2005	1	49	51	14
Viseu Novo	Viseu	2006	1	55	45	26
Cova da Iria	Fátima	2006	1	100	0	104
Évora Viva	Évora	2007	0.05	100	0	113
Cidade de Gaia *	Vila Nova de Gaia	2007	3.5	100	0	152
Vila Real de Sto. António *	Vila Real de Sto. António	2007	0.1	100	0	15
Serpobra	Serpa	2005	0.15	100	0	n.a.
SeiaViva	Seia	2006	0.005	100	0	n.a.
Portimão Renovada*	Portimão	2008	n.a.	100	0	n.a.
Olhão *	Olhão	2009	n.a.	100	0	n.a.
Nova Covilhã	Covilhã	2005	0.5	100	0	n.a.
Lezíria do Tejo	Several Municipalities	2010	0.19	100	0	n.a.

\* Companies that are no longer active

Table 2 – Variation of jobs and businesses per area of analysis.

Area of analysis	Jobs			Businesses		
	2003	2008	Variation	2003	2008	Variation
Historic Centre	12179	9790	-19.6%	1260	1304	3.5%
Baixa	56115	59554	6.1%	6314	6931	9.8%
ACRRU	68294	69344	1.5%	7574	8235	8.7%
Rest of Porto	50527	62509	23.7%	5144	6508	26.5%
Porto	118821	131853	11.0%	12718	14743	15.9%