

# The impacts of urban regeneration companies in Portugal: The case of Porto Vivo SRU

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*Abstract:* - Our cities have experienced severe changes since the mid twentieth century. Many changes are related to the expansion of the metropolitan areas at the expense of the historic central areas, leading to their decay and abandonment. Portugal was no exception to this, where the most visible results may be found in the two largest urban areas, Lisbon and Porto. To tackle this issue, the Portuguese Government elaborated an exceptional legal regime for urban rehabilitation in 2004, which enables Local Administrations to create public owned companies aimed to actively promote urban rehabilitation in historic city centres. In this paper we present the case of Porto, where *Porto Vivo* SRU was created to pursue this goal. We briefly introduce the current Portuguese context of urban rehabilitation and present a first attempt to assess *Porto Vivo's* performance.

*Key-Words:* - Urban rehabilitation, urban regeneration, historic centres, evaluation, Porto.

## 1 Introduction

Contemporary cities experienced many changes in the last decades. In the nineteen fifties the urban sprawl emerged [1] shaping the landscape of our cities and introducing significant changes in day-by-day life. In practical terms, the central areas lost many of their inhabitants to suburbia with direct relations, among others, in the land use patterns and commuting characteristics [2]. All these changes contributed for what is commonly known as urban decline. Historic centres tend to be now redundant areas or with a propensity to become abandoned, their buildings to become obsolete, and they have many cases of over occupation [3]. They become less pleasing areas to live in and tend to be areas where the elderly, the immigrant communities, and the less fortunate gather. The Portuguese case is no exception to the worldwide scenario, but was aggravated with successive policies of rental freezing, firstly imposed by the dictatorial regime in the forties and fifties, alongside with the great urban expansions in the eighties and the nineties. This resulted in extremely low rents in the older areas of the cities, leading to a disregard in maintenance works and the progressive degradation and abandonment of these central areas.

It is in addressing city centre liveability and realizing its importance in the European scenario of competitiveness between cities that systematic urban revitalization has a role in assuring a vital and viable future for city centre areas [4]. As so, and to tackle these issues, an exceptional legal regime for urban revitalization was created in Portugal in 2004. This

legal regime comprised an opportunity for the Local Administrations to create companies that should be responsible for the urban revitalization process of a given area.

This paper presents the first results of a research that aims to evaluate these companies' performance, focusing on the case of the city of Porto and its company, *Porto Vivo* SRU. Section 2 is dedicated to a conceptual analysis and to present a brief literature review on the ongoing theoretical debate around the current European urban policy associated with revitalization. Section 3 focuses on the Portuguese case as well as on legislation that frames urban rehabilitation in Portugal. Section 4 presents the analysis of the case study of Porto and its urban rehabilitation company, *Porto Vivo* SRU, comprising a portrayal of Porto's situation, as well as an extensive characterization of the company. Moreover, an assessment is made on the performance of *Porto Vivo* SRU, based both on structured interviews with selected stakeholders that are related to the urban revitalization process in Porto, and on a qualitative analysis using available data that could be relevant to a comparison of the situation before and after the creation of the company.

## 2 Background

In order to set a turning point in this spiral of decline, public administrations have put up various programmes that tried to tackle these issues through the investment of large amounts of public funds, in an

attempt to leverage the revitalization of these particular territories. The concept used to identify interventions or programmes concerning consolidated areas that intent to improve the living conditions of citizens have changed throughout the last decades according to its objectives, common practices, and institutional/political frameworks.

Urban renewal was the first concept to be proposed in the post war era, and it was mainly focused on salubrity issues, based on slum clearance and reconstruction interventions [5], a consequence of the massive problems generated by the urgent need of new affordable housing in Europe. Then came urban redevelopment, a new broader integrated concept promoted mostly during the seventies and eighties, focused in socioeconomic issues like unemployment and education. These interventions were mainly composed by socioeconomic programmes and initiatives, and less supported by physical planning.

Urban requalification is a more recent definition that focuses in surpassing stigmas associated to a given area, addressing mainly interventions in the public realm. Urban rehabilitation, regeneration and revitalization are, nonetheless, contemporary terms. One the one hand, used as synonyms, but on the other hand they have specific definitions [6]. Rehabilitation is commonly used for purely physical interventions in buildings, regeneration is more associated to interventions in redundant industrial areas, and revitalization seems to be the term and definition that approaches the territory as whole, addressing tangible and intangible issues in both the private and public realms [7]. The central concept of this research is urban revitalization since the current Portuguese approach fit better in this definition, as well as the case study of *Porto Vivo* SRU. In the end, the fundamental goals of urban revitalization are to bring back life to a given territory and to restore a sense of belonging to that place.

Revitalization programmes have different and more relevant impacts on local communities while compared to other planning processes because they deal with an already consolidated environment and, therefore, with dwellers and economic activities that are already settled in the subject area.

Some impacts go side by side with the programme's main objectives such as improving housing conditions, promoting the location of new economic activities and consequently the creation of more jobs, and improving the perception of the territory, in the matters of security, aesthetics, comfort and cleanliness [8].

However, these interventions often produce side effects such as the increase of land values, which may be positive for the owners, because their properties

are more valued [9], and a problem for tenants who have increased rental prices, which induces processes of gentrification [10]. This may also represent the non-viability of the location of new companies. Other adverse effects include problems related to the relocation processes, particularly the disruption of the local community's social networks [8].

The knowledge acquired so far in this area also demonstrates that public authorities, as developers, are the first instance for taking short-term risks, thus playing a key role in order to stimulate the initial confidence in the real estate market, so to create the conditions and opportunities for making long-term decisions and risk-taking for private investors [11].

In turn, European Union promotes policies that address the protection and recovery of housing and buildings, but also the best practices in what sustainable development and environmental protection is concerned, promoting the use of renewable energy sources, mobility, economic revitalization, and paying special attention to the creative industries and the development of knowledge and innovation communities [12]. Therefore, it encourages integrated action programs for urban centres through a wide variety of financial support provided by the European Investment Bank and other European institutions.

The endorsement of public companies or public-private partnerships that are dedicated exclusively to issues of urban regeneration has become a common practice in many European cities in the last two decades. It is expected that these companies can be more efficient than traditional Administrations in promoting their strategies. These companies have smaller and more efficient structures, thus focusing on the affairs of their intervention areas and therefore providing a unique insight into their territory and streamlining procedures related to urban revitalization [13][14][15].

### 3 Portuguese Context

Due to the progressive deterioration of the historic urban centres in Portugal, the central government marked their revitalization as a national priority. Therefore, an exceptional legal regime for the rehabilitation of historic centres was created in 2004, as they were and still are, in many cases, the most sensitive urban areas. This legal regime, defined under the 104/2004 Ordinance focused on the creation of operative tools that facilitate the fulfilment of rehabilitation works, both from the technical and the financial perspectives [16].

It is stated that it is the owners' duty to promote the rehabilitation works in their properties and that, in

what the public administration is concerned, the city councils are responsible for urban revitalization within their territories, being possible for them to create Urban Rehabilitation Companies, or *Sociedades de Reabilitação Urbana* (hereby called SRUs). These companies are vested with authority and administrative powers such as expropriation, licensing, relocation operations, and supervision of rehabilitation works in urban areas. Furthermore, it is said that the whole procedures of urban regeneration, not only the construction works, are subject to supervision by public authorities. The creation of such corporations include the definition of which administrative powers are given to the SRU and comes after the delineation of the spatial boundaries of their intervention areas, which are proposed by the city council and approved by the municipal assembly. These areas are called Critical Area for Urban Recovery and Renewal, abbreviated as ACRRU. They have a legal status that provides Local Authorities with special operative tools for land and property management.

SRUs are companies provided only and only with public financial capital and vested with social welfare goals. The ordinance also asserts that the central administration has the opportunity to participate as a stockholder of any SRU (with majority or not) through the national agency for housing and urban revitalization (the *Instituto da Habitação e Reabilitação Urbana*, IHRU) if it finds that it is of public interest. However, this decision is not based in any previously fixed criteria or in any systematic methodology. The legislator had a big concern with the swiftness of the procedures and with the certainty in relation to the length of the revitalization processes, since they are essential to the economic

agents' commitment. It is important to stress that some procedures are simplified, the legal deadlines are reduced and it is the Administration's duty to have full control and the initiative of every procedure. Ten SRUs were created since 2004, as it is shown in Table 1.

The process of urban revitalization was then legally disciplined and this initiative attempted to coordinate social interests with the public priority that is the rehabilitation of the building stock. The articulation of this legal system with the new tenancy law issued in 2006, with the incentives granted by the Government and with the Administration's possibility to create contracts/programmes with the municipalities was seen as the best path to put all these interests underway. Despite all the advances and innovations, Pinho [17] points out that this legal regime also presents a number of setbacks comparing to previous legal regimes, such as lack of strategic dimension, being a document focused on the physical aspects of the interventions while forgetting the social and economical aspects, which has no concerns to ensure the technical capacity of the teams or their proximity to the intervention area. The ordinance does not implement a methodology for process monitorization and evaluation and the proposed funding model relies exclusively on the financial power of local authorities and their ability to attract investors.

More recently, in 2009, the Ordinance 207/2009 was approved by the Portuguese Government and changed the legal framework for urban regeneration and for SRUs, towards the methodology that these companies were already practicing, and setting up the frame for integral urban revitalization programmes.

**Table 1: SRUs created since 2004. [18]**

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

In the new legal regime, the SRU's are the managing entities of systematic operations for urban revitalization, consisting of "integrated interventions to redevelop an area, concerning the rehabilitation of buildings and the improvement of infrastructures, public facilities and public space, aiming to upgrade and revitalize the urban fabric, combined with a programme of public investment" [19].

This ordinance brings considerable changes in the operative methodologies of the SRUs. Firstly, the definition of two types of intervention: the simple and the systematic urban revitalization. A "simple operation of urban regeneration" is an integrated intervention to redevelop an area, addressing the rehabilitation of buildings above all, in other words, it only concerns the rehabilitation of the private physical environment. A "systematic operation of urban regeneration" is an integrated intervention to redevelop an area, addressing the rehabilitation of buildings and the upgrading of infrastructures, public facilities, green spaces and the remaining public realm, in other words, it is a process that aims the upgrading and revitalization of the urban fabric, combined with a public investment programme. As a consequence, the investment effort of the Administration will be the counterpart of the landlord's obligation to rehabilitate. Public participation is to be enhanced and brought to wider planning levels, instead of being limited to the stakeholders concerned in block interventions. It is required, for instance, that the act of delimitation of the urban revitalization area and the operative tools for the urban revitalization programme to be subject of public discussion, ensuring that the strategic programme for rehabilitation takes benefit from the input of all the interested parties. The Ordinance also creates the figure of the "Detailed Plan for Urban Revitalization", whose application by the Local Administration is optional, that tries to streamline the licensing procedures for operations of urban revitalization. This is obtained by the exemption of the hearing of other public bodies, which are normally consulted in the procedures of prior control, whenever those entities have given their agreement towards the plan.

One of the most interesting and definitely the most debated innovation is the mechanism of forced property sale. This legal instrument requires that landlords who refuse to undertake the construction works and planned activities to sell their property at an auction, thus allowing their replacement by others that are available to fulfil the social obligation of property maintenance. According to IHRU, this mechanism is of great importance since it as a way of

reducing the need for expropriation. Therefore the interventions shall not need the availability of great amounts of public money in order to be carried on successfully.

This legal document was still very recent at the time this research took place, and its effects were not yet possible to assess in the activity of the SRUs. Therefore, it is not an ambition of this research to develop further considerations on this Ordinance or its mechanisms and procedures.

#### 4 The Case of Porto

Porto is the second largest city of Portugal and the core of Porto Metropolitan Area, or *Área Metropolitana do Porto* (AMP), with around 1,6 million inhabitants [18]. It is considered to be the most dynamic urban area in the northwest of the Iberian Peninsula, a weak Metropolitan European Growth Area (MEGA) in the ESPON analysis [19]. Porto region has a long tradition of commerce and is still one of the most important industrial regions in Portugal.

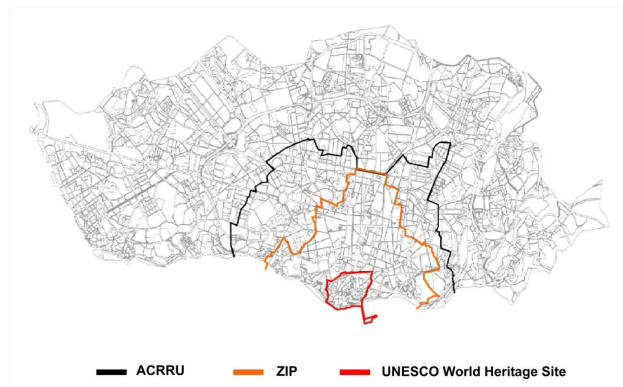
We focused on the central area of Porto, commonly referred to as *Baixa*, which is undergoing significant changes. However, it must be noted that there are differences between the Historic Centre and the *Baixa*. The Historic Centre is confined within the former medieval walls and it extends itself along the Douro River. It is a remarkable piece of historical and cultural heritage and for that it was listed as World Heritage by UNESCO in 1996. In turn, the *Baixa* coincides with what was the city of Porto in the early nineteenth century, marked by the expansion that followed the industrial revolution and the urban consolidation of the twentieth century.

In the year 2000, this whole area was classified as a ACCRU. This constituted the recognition of the problems that this area was facing and granted special financial and tax benefits.

This central area, as well as the rest of the city, has been progressively losing population since the nineteen sixties while the AMP is continuously growing and being more and more relevant in the national setting. As an example, between 1991 and 2001, population in Porto decreased in 40 thousand inhabitants while in the other municipalities of the AMP it increased 133 thousand. The national competition with Lisbon, the emergence of new centralities in the metropolis or even within the municipality, withdrew many businesses and jobs from the *Baixa*. Adding to this, Porto and particularly the *Baixa* area have an aged, abandoned, and profoundly degraded urban fabric.

#### 4.1 Porto Vivo SRU

*Porto Vivo SRU* was incorporated in November of 2004 according to the legal regime, with the IHRU as a shareholder, holding 60% of its capital, and Porto's City Council, with the remaining 40%. This allocation was due to the fact that the Government recognized the dimension and complexity of the problem of urban degeneration of Porto's *Baixa* [22]. Its intervention territory is the ACRRU, but because it is too large and diverse, a priority intervention zone (ZIP) was defined, as depicted in Figure 1.



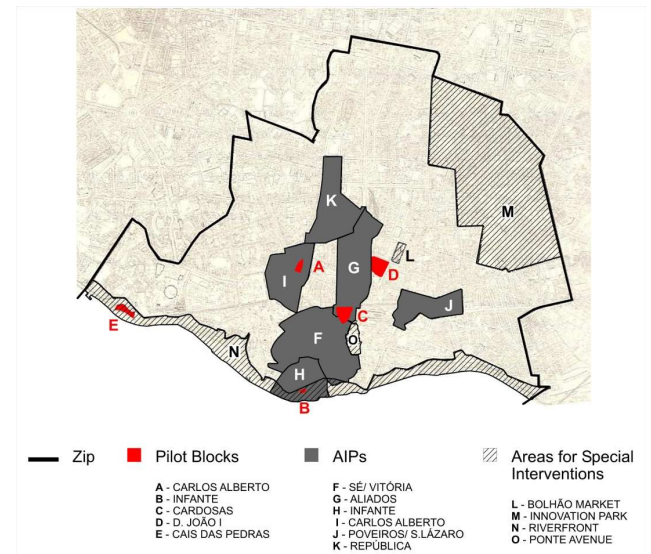
**Figure 1: ACRRU, ZIP, and UNESCO World Heritage Site within the municipality of Porto.**

The legal system was very clear in its purpose: to rehabilitate the buildings of the historic centres. However, the *Porto Vivo SRU* tried to find a more comprehensive intervention policy and outlined its own objectives: (1) "Re-housing", new housing policy to encourage the settlement of new homes in the city centre; (2) commerce development and promotion, working on the creation of new businesses; (3) revitalization of retail, increasing its competitiveness, based on its identity and uniqueness; (4) the promotion of tourism, culture and entertainment; (5) regeneration of the public realm, rehabilitating and creating infrastructures, public facilities and public space, and reorganizing the transport system by promoting pedestrian mobility and public transport [11].

*Porto Vivo SRU* developed a Masterplan in which it states their main planning strategy. This document is different from other legal plans in terms of formalism and procedure but play the role of a regulatory planning tool with strict rules, containing the guidelines for the intervention in the ACCRU.

The SRU delimited six smaller Priority Intervention Areas (or AIPs), within the most central area of the ZIP, in order to focus its efforts, as well as the external investment. It is in these areas that the SRU performs its planning activities, whether for one entire area or for specific blocks. Moreover, five pilot

blocks were identified in order to test the operative tools of the legal regime, as it is possible to see in Figure 2.



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

The remaining territory of the SRU, even though it has no specific spatial planning, is subject to tax benefits and other incentives to promote the rehabilitation of buildings.

*Porto Vivo*'s usually operates per block, and as it is imposed by law, they must develop a strategic document for each block intervention. This is a document that is subject to public discussion, and consists of an assessment of the current situation and an intervention proposal.

#### 4.2 Performance Assessment

Our evaluation is based on two approaches. First, we addressed a representative sample of stakeholders to understand their perception of SRU's performance and impacts. Second, we analysed some indicators from the scattered data available to try to quantify SRU's activities.

##### 4.2.1 Stakeholders Evaluation

It is defended by some interviewed agents that urban revitalization, where the SRUs in general play a leading role, should be taken as a national priority as a way to overcome the current real estate crisis. They should have access to more National Government funds and even more autonomy from the Local Authorities, since they have proved that they are more efficient, so that they can reinforce their intervention in revitalization.

Considering the *Porto Vivo* case, there is a general opinion that its activities have had a significant public impact on creating a new and visible revitalization

dynamic. Nonetheless, there are issues that are evaluated differently both from the public and private standpoints and also from the national and local perspectives.

Although the national agency for urban rehabilitation (IHRU) continues to support *Porto Vivo's* activities, there are some sectors that believe that *Porto Vivo's* model is not sustainable, since it requires a continuous injection of significant amounts of public funds in order to financially support their operations. This model could not be replicated in other SRUs because there is no available budget to support such an active intervention in the estate market nationwide. The model of *Coimbra Viva*, for instance, is considered to be more feasible than the model of *Porto Vivo* since it is based on the creation of real estate funds which aim to leverage the investment through the access to commercial bank or private loans. However, this model is more dependent on market behaviours and seems to be considerably less effective in periods of crisis, as can be observed in the Coimbra case. There is also a debate concerning the lack of equity that is implicit in the ordinance. On the one hand, it is argued that the ordinance favours the areas that Local Administrations delimitate for urban rehabilitation (the ACCRUs), and disregards the remaining urban areas. On the other hand, it is also argued that is precisely this characteristic that makes it a good legal document, since the current context of scarce national resources demands a better spatial definition in order to concentrate the resources where they are most needed.

It was stated in the interviews that the company is very effective in recovering buildings but it is not so successful in ameliorating and maintaining the public realm, possibly due to the a lack of interaction between public authorities. Moreover, it seems that the social concern is a debatable theme, for some believe that the SRU is social oriented and that it benefits from a proximity factor while others affirm that, even though it has well-intended persons, they do not have the sensitivity needed to solve social issues. Even though, it seems clear that an effort is made in this topic.

The issue of the frozen rents seems was addressed by special legislation and appears to be solved in the midterm. The main priorities related to urban revitalization and the rental market are the hastening of licensing processes, archaeological works and lawsuits, including eviction orders, in order to enhance the rental market.

It is said that the Government and the SRUs must find a way of assuring the rents of lower income households after the urban revitalization operations

are concluded, so that they don't have leave the neighbourhood where they belong to and find a new place to live. This can be made whether by the Administration assuming part of the rental expenses or by the acquisition of the needed number of houses and taking on a public housing policy. Furthermore, it is very important to be present in international real estate fairs in order to attract major international investors to Porto's *Baixa*. However, to do so represents considerable costs that the SRU cannot embrace. The solution might be a joint participation of all the SRUs in international fairs, with the IHRU assuming part of the expenses. In addition, Porto's Metropolitan Area needs to be vested with administrative powers and to be able to define a policy for the whole territory of the metropolis. Until then, the municipalities will be competing between each other to obtain national and European resources, and the surrounding municipalities will continue to be able to grow at the expenses of the City of Porto.

It is unanimously accepted that Porto's city centre is much more alive than it was two or three years ago, but such changes are apparently more related to external factors like the increase in the tourism influx or the improvements in the accessibility of centre.

The interviewees defend that without the SRU, the situation in Porto's city centre would be far worse, especially in the physical conditions of the buildings, and that its creation was almost inevitable. It is considered that the SRU optimizes the effects of external inputs and minimizes the effects of external threats. They believe that *Porto Vivo* SRU will be a significant factor for change in the *Baixa* in the next ten or fifteen years, playing the role of a catalyst, a process hastener and a fund raiser.

#### 4.2.2 Performance Indicators

We intended to do a comparative analysis of the situation before 2003 and after these first six years of SRU's activity using a set of relevant indicators. The available data was, however, scarce. It was not possible to gather up to date information at the proper spatial aggregation level on population, tourism activities, and building conditions. Information on investments in the public realm was not provided due to bureaucratic constraints. Data on the national rehabilitation funding programmes is only available for the last two years. Most of the data is collected only every ten years in the national Census (the last one in 2001). Therefore, our results are still few to clearly identify the influence of SRU in the changes that occurred in the *Baixa*.

Nonetheless, it is already possible to devise some changes that can be linked with a fair degree of certainty to SRU's activity. The numbers related to

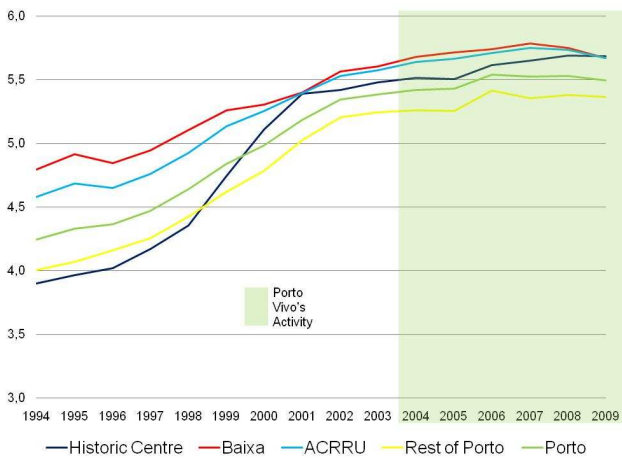


jobs (Table 2) and businesses reveal that the ACRRU had a small but positive growth between 2003 and 2008 if compared with the Rest of Porto. The Historic Centre, despite the fact that the number of businesses grew, suffered a considerable regression in the number of jobs (19.6%). This may reflect the shift from larger employing companies to smaller business mainly linked to commerce and tourism. Nonetheless, it illustrates that *Baixa's* economic structure is alive is not as bad as many depicted, but it still lacks the dynamics that are necessary to attract new businesses and therefore foment the creation of more jobs in the desired sectors.

**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%

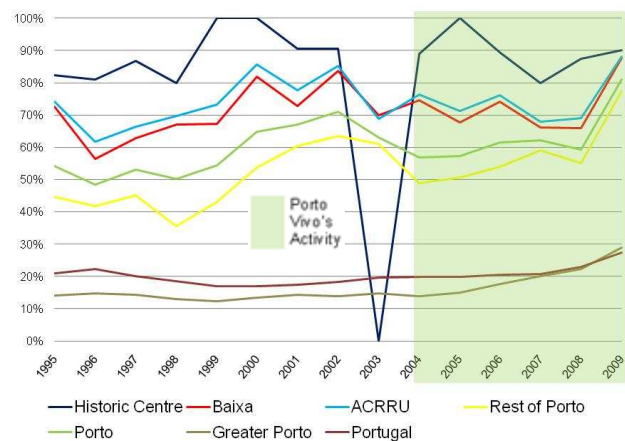
Data related to the housing market (Figure 3) only refers to the rent value for the last 15 years.



**Figure 3: Rental values of housing (€/m<sup>2</sup>) per area of analysis.**

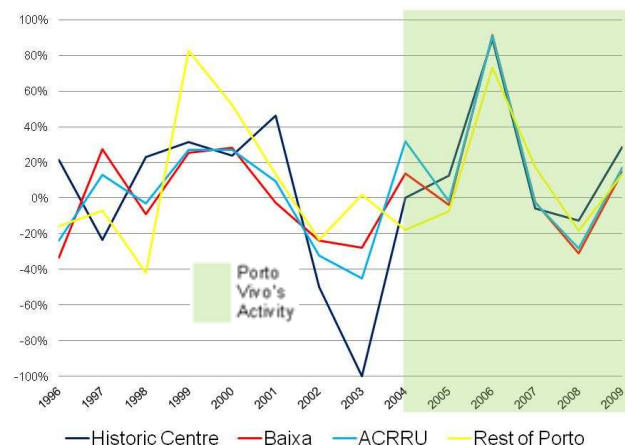
The prices stabilized in the years that coincide with the activity of *Porto Vivo* SRU and are even decreasing after the global crisis of 2007. The exception is, again, the Historic Centre, for its rental values have been consistently growing at a faster pace than the remaining areas since 1998, even during the recent real estate crisis, surpassing the prices of *Baixa* in the last year of analysis. It is possible that this fact is associated to the SRU's interventions and the expectations that they generate. If this is true, we can foresee that these values will increase even more when the major interventions that are currently underway in the historic centre are

completed, especially when the real estate crisis is over. In other words, this might be the first sign of an emerging gentrification of *Baixa*. The analysis made on the numbers of issued permits for rehabilitation works are the ones that, hypothetically, are more correlated to any impacts that the SRU may have had on the *Baixa*, since they are a direct responsibility of the company. However, they are not very satisfactory since they did not have a significant increase since the creation of *Porto Vivo* SRU. The graphic depicted in Figure 4 shows that the rehabilitation sector is not very important in Portugal, representing approximately 20% of the issued permits per year.



**Figure 4: Share of rehabilitation permits over the total number of permits per area of analysis.**

However, this importance rises in Porto's municipality, especially within the ACRRU, mostly because these are areas that are quite consolidated. It is possible to observe a general increase of importance of the rehabilitation works over new construction in 2009, both at the local and national level. Figure 5 depicts the annual variation of issued permits for rehabilitation works per area of analysis.



**Figure 5: Annual variation of issued permits for rehabilitation works per area of analysis.**

The year of 2006 was a turning year for urban rehabilitation within the ACRRU because of the great increase in rehabilitation permits and it coincides with the beginning of a more exposed activity of *Porto Vivo SRU* with the beginning of construction works in many locations in *Baixa*. Nevertheless, the global crisis came in 2007 with significant impacts on the construction sector. Even so, the values for 2009 allows us to expect a change in this aspect since the numbers show an increase in the number of issued permits in every area of analysis, representing what might be a turning point in the Portuguese scenario as many interviewees foresee.

## 5 Concluding Remarks

It is difficult to quantify the contribution that *Porto Vivo SRU* already gave to the changes in *Baixa*. Its activity is still very recent and the first tangible impacts (especially the renovated housing stocks) have been placed in the market only in 2009. There are also many exogenous factors related to the macroeconomic context that global markets are currently facing, particularly construction and housing markets, which have a great influence in *Porto*'s urban rehabilitation. Nonetheless, our dual approach of assessing the perception of stakeholders and of devising some indicators from available data helped to shed some light on the apparent correlation of *SRU*'s activity with a new rehabilitation dynamic in *Porto*.

From what was possible to withdraw from the interviews made to stakeholders, the general opinion is that the *SRU* is working accordingly to its own goals and strategies, and that its success is acknowledged at a local, national, and international level. The coercive powers that the Ordinance 104/2004 vested in *Porto Vivo SRU* are one of the issues pointed out as being the cause for a much more effective performance in licensing processes than the Local Administration, hence speeding up the rehabilitation works and boosting the confidence of land owners, tenants, and investors. Most of the causes behind the dynamics that influenced *Baixa* are not a direct result of the *SRU*'s work. However, it is considered that without the company the situation would be far worse and that it will represent a significant factor for change in the medium term. Moreover, *Porto Vivo*'s model is considered to be unsustainable by many shareholders and will have to change in the future, shifting towards a model less dependent on public funds.

There is already a significant change on the number of issued building permits for rehabilitation in the study area when compared with the rest of the city.

And there is also a significant increase on the share that rehabilitation permits have on the total number of building permits. This may indicate that, despite of the difficulties experienced by housing markets during the latest period of crisis, *Baixa* is becoming again attractive for housing investment and for the location of small businesses, as it is clear from the positive growth rate on new companies since the beginning of *SRU*'s activities.

On the policy side, the Ordinance 104/2004 brought a new perspective to urban rehabilitation policy in Portugal by creating a first set of legal tools to promote rehabilitation as a top-down initiative. This represented a significant shift in national planning policy as it places declined city centres as a priority in opposition to the general trend of city expansion that underlies the majority (if not totality) of municipal land use plans in force. However, this ordinance was labelled as exceptional because there was a clear understanding that urban rehabilitation policies should be legally framed in such a way that it could become the most important focus area for urban policy. A new legal regime for urban rehabilitation was approved in 2009 and it is expected to bring considerable changes in the operative methodologies of *SRUs*. Public participation will be enhanced and opened to a broader set of agents, instead of being limited to the stakeholders concerned in block interventions. The purposes of the legal document were widened to the public realm and will surely help to achieve more comprehensive solutions. However, socioeconomic concerns were discarded by the new ordinance, which focus only on the physical aspects of the process.

There are some issues that must be addressed by national policy. There is now a good legal framework for urban rehabilitation but there are some problems concerning, for example, funding. National policy must address equity among all the local authorities that are willing to start massive rehabilitation processes, especially when national funds are at stake. The National Government must set a series of structural requirements to foster the creation of new entities (the formal name for the current urban rehabilitation companies under the new ordinance) that will undertake urban rehabilitation in the Portuguese cities. These requirements should point out the degree of participation of national agencies in local rehabilitation entities and also devise new initiatives and programmes that could help these entities to maximize the use of all – national and European – funds available. If the policy is to maintain some degree of control at a local level in order to promote a nationwide policy of



rehabilitation, the National Government should create some mechanism to participate in any local initiative to create rehabilitation entities. This would allow, on the one hand, better monitoring of rehabilitation activities and, on the other, to assess which are the best models for each context and practice, for ultimately better allocate scarce resources based on performance.

The socioeconomic vector of urban revitalization is however missing on the current policy structure. Other efforts must be made in order to promote a diversified social fabric and to avoid gentrification (which represents a severe risk when investments are only oriented towards the building stock), to attract non-local investment, and, at a higher level, to create a metropolitan policy that considers the AMP as a whole.

Future research will continue to develop an evaluation methodology that can be replicated in every city where this model of urban rehabilitation is already in application. We will also establish a more robust set of performance indicators based on population and employment data, legal procedures and real estate market data in order to properly inform decision making processes concerning rehabilitation policies.

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