

MODELS OF URBAN REQUALIFICATION UNDER NEOLIBERALISM AND AUSTERITY: THE CASE OF PORTO.

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Content

Introduction

Background - Housing policies and outcomes in Portugal.

The current phase: of rent deregulation and market-oriented strategies.

Case study – Porto Vivo SRU and the Cardosas Operation

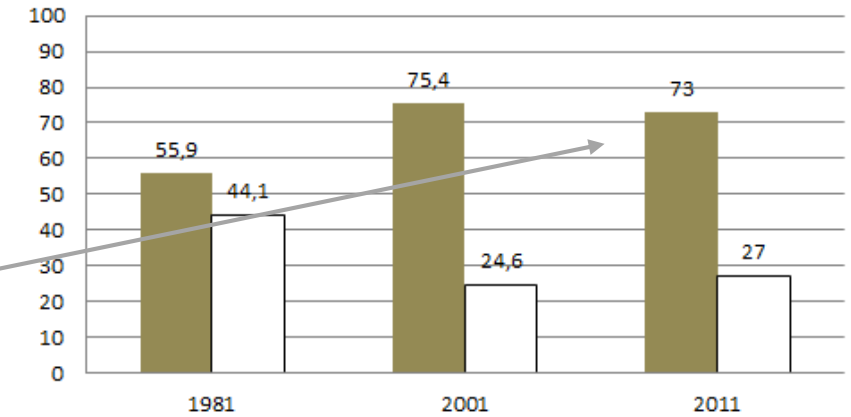
Conclusions



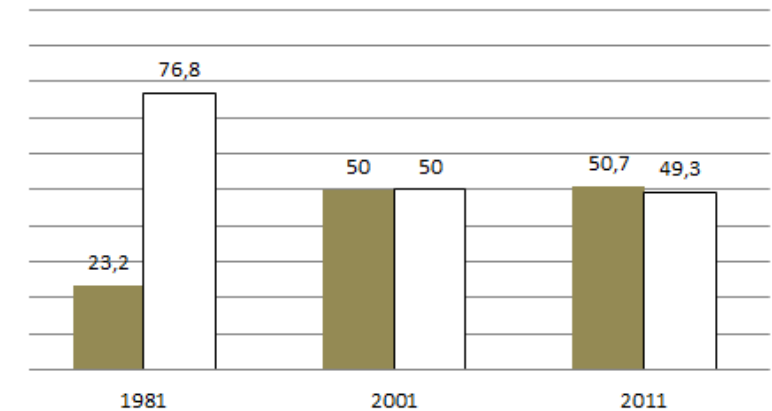
Background

- Owner-occupancy is the dominant tenure
- Social housing is restricted to the very poor as represents only 3% of all housing stock.
- The first-generation rent control led to decline of the private rental market, due to problems of maintenance, and poor housing conditions;
- Cuts in housing spending: residual funding for housing (0,1% of GDP).

Portugal

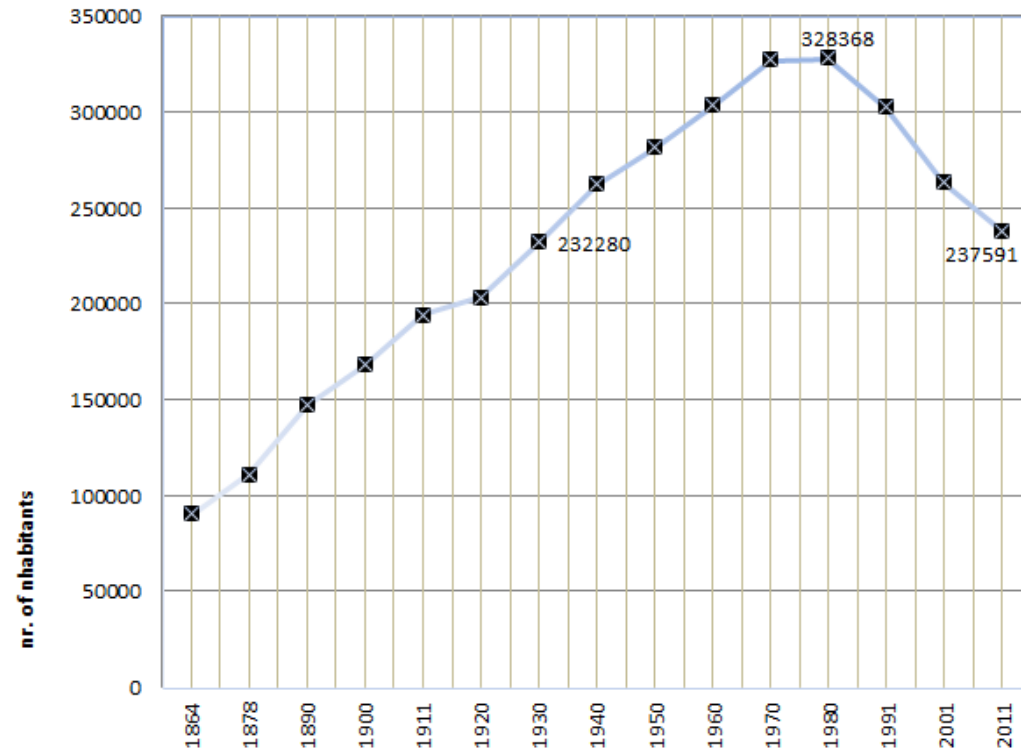


Porto

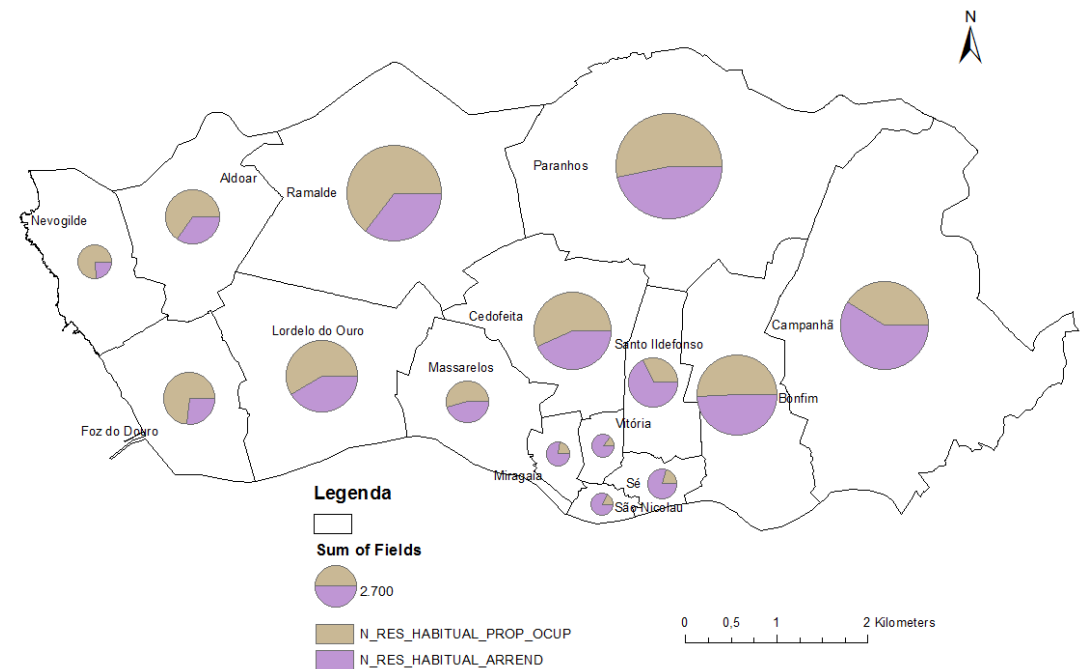


Processes of urban decline in Porto

Population has decreased since 1980
90,780 inhabitants in 30 years



The share of rental housing is uneven distributed across the city. Higher % of private rental housing, in the city centre, social housing in the eastern part.



The current phase

2004 – enacted a new model of ‘urban requalification’, enabling the creation of SRUs and economic and fiscal benefits to urban requalification.

2012 – enacted a new Urban Lease law, aiming the liberalization of old leases. Rent increases are established on the base of property values and landlord/ tenant negotiations.



Urban Rehabilitation Societies

Local differences in terms of implementation: institutional frameworks and strategies.

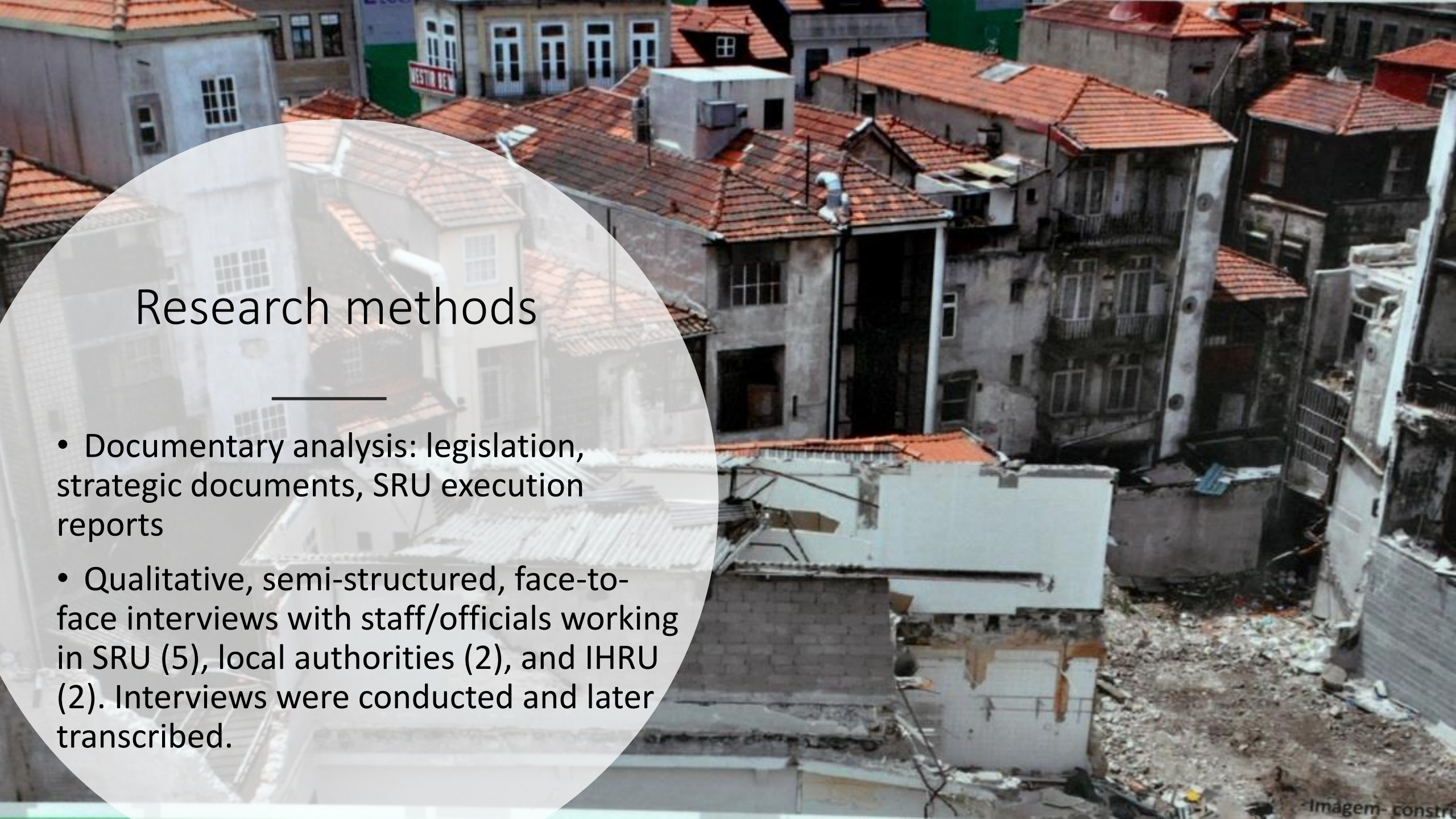
The shift from a traditional local government to a local partnership governance.

The role of SRU is to create the ideal environment to market investments/ practices.

Legal powers to expropriate or force the sale of buildings in the case of tenure restructuring strategies.

Porto Vivo SRU *Sociedade de Reabilitação Urbana*

- ✓ Owned by the State (60%) and the municipality (40%),
- ✓ Lack of funding, but access to national programmes and loans granted by the European Investment Bank / IHRU Reabilitar para Arrendar – Reabilitate for rent (at sub-market rents)
- ✓ Substantial freedom to define ARUs Areas of Urban Rehabilitation;
- ✓ Strategic documents identify needs and priorities of intervention, and the strategies (goals, actions) proposed to each area
- ✓ ORUS - Operations of Urban Rehabilitation can be either simple or systematic (involving requalification of infrastructures, buildings, urban space). The later requires a partnership with the private sector (investors, landowners, ...)



Research methods

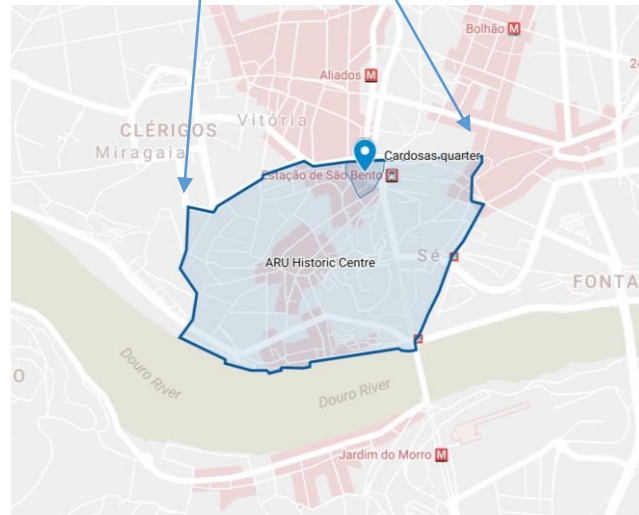
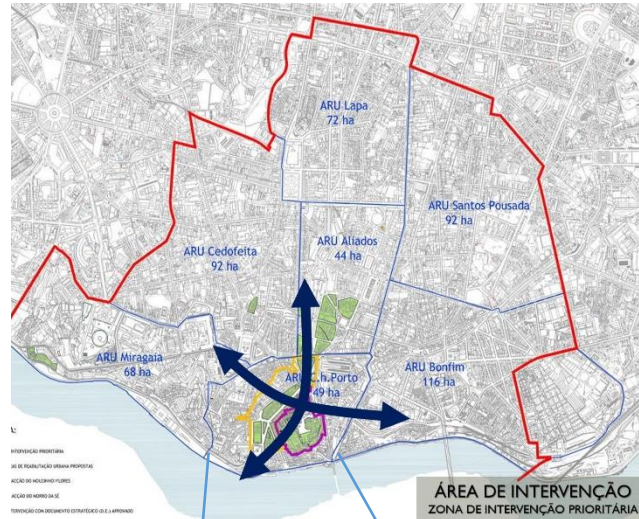
- Documentary analysis: legislation, strategic documents, SRU execution reports
- Qualitative, semi-structured, face-to-face interviews with staff/officials working in SRU (5), local authorities (2), and IHRU (2). Interviews were conducted and later transcribed.

The Cardosas quarter

7,485 square meters. Quarter located between Praça da Liberdade/Aliados boulevard; a few minutes' walk from São Bento station.

The requalification strategy was detailed in a document approved in June 2007, but decisions were made before, in 2005:

Ambitious requalification operation that will involve the social, economic, and urban revitalization of the quarter



Evaluation framework: dimensions and research questions.

Strategies and governance	Goals and principles embedded in the Cardosas operation, and their relationship with the broader strategy for the historic centre. The purpose of partnerships between Porto Vivo SRU and private investors, and how it was defined in terms of roles, costs, and the benefits for each partner. Perceptions of success/failure associated with the operation.
Physical and social impacts of requalification (the before and the after)	Changes in housing stock and structure (tenures, rent values, etc.). Changes in the state of conservation of the buildings. Changes in the residents' socio-economic profile (social status of the incoming population, evidence of displacement). Changes in economic activities (effects on the local economy in terms of new/old uses, etc.).

effects in the housing and residents' socio-economic profile

Cardosas urban renewal operation

- **Prior intervention:** 42 buildings with 92 owners. 35% of the built area was used for commerce and services, 15% for commercial storage. **6 buildings were occupied for residential uses**, (lack of information about the number of individuals/families living there, or their specific needs)
- **After intervention:** Transfer of tenure towards ownership. All sitting tenants were displaced: either to social housing estates (Dómus Social), or to the Morro da Sé neighbourhood, where SRU (using a BEI loan – from the European Bank of Investment) rehabilitated several municipal buildings.

1) Requalification of Palácio das Cardosas for a luxury hotel (InterContinental)
JESSICA fund (Joint European Support for sustainable investment in city areas)



2) Rehabilitation of Mouzinho-Flores, funded by the Partnerships for Urban Regeneration program, supported by EU funds (2009-2014 period).

Aims of the tenure transformation strategy

- To produce quality commerce (on the ground floors) and housing for the new and affluent segments of the population. **The provision of affordable housing (for low and middle income families) was not anticipated/required.**
- SRU assumed the costs of expropriation and demolition for the creation of a central public plaza and an underground car parking; and to merge some buildings (the general façade was maintained)
- **€13M for the expropriation of 22 buildings**
“Judicial decisions in expropriation proceedings were above the amounts allocated in the framework of expert opinions requested by the SRU for this purpose.” (Porto Vivo SRU, 2012).



Aims of the tenure transformation strategy

- The private partner was responsible for the construction, real estate development, and marketing of the housing (50 new apartments for sale and 19 commercial spaces)
- The revenue obtained from the sale of commercial areas and houses was equally divided between the SRU and the private partner, while the amount received from the sale of the car park is almost all the private partner's:
 - “Porto Vivo SRU and Lúcio will each receive 50% sales of residential and commercial areas (about €7.9M). In addition, Lúcio will receive the amount relating to be car parking sale (€6.5M).” (Deloitte and Parque Expo, 2009: 46).
- Cardosas operation generated a high deficit (of €7M) for the public partners. This was due to a wrongful evaluation of the costs involved

REFINED LUXURY AND ELEGANCE IN A HISTORIC PALACE IN THE HEART OF PORTO

Major conflicts between stock- holders

★★★★★ 4.9/5 (708 Reviews)

With its unbeatable setting in a historic palace, InterContinental Porto – Palácio das Cardosas hotel boasts beautifully restored interiors. The hotel overlooks Liberdade Square and is a few minutes' walk from São Bento station and Lello's bookshop. Many of the city's main attractions are nearby, such as the Clérigos Tower. You can take a boat ride along the River Douro or visit one of the city's famous port wine cellars. At night, dine in our restaurant and enjoy a cold drink in the bar.

- “The model defined for that operation was expected to be profitable [...] the State decided to go forward because it was not a waste of money. It was, in a certain way, a loan.” (CG1).
- When looking at the operation globally, “1 € of public spending generated 16 € of private investment” (...) “the housing sales were highly successful, private partners achieved their goals.” (PS1)



Regarding the decision to displace and rehouse sitting tenants elsewhere

“They would not be able to afford the higher standard quality housing that will be provided... (interview).

“Only a small proportion of the population live there (Cardosas quarter), this will facilitate displacement and the success of the operation.”

“The quarter has virtually no resident population, therefore the introduction of a ‘new’ population will, in theory, introduce no significant social conflict factors.” (our translation) (Porto Vivo SRU, 2007: 24).



Regarding the renovation for second houses or to private investors interested in tourism-related business (such as short-term rentals)

“Excellent access to public transport, such as train, underground, and buses, may be an added factor of differentiation for this quarter, namely, for **the segment which chooses to have a second home in the city of Porto.**” (our translation) (Porto Vivo SRU, 2007: 24).

“A car park is indispensable to make housing viable in the quarter, due to **the current demands of the affluent population that is expected to occupy the area**, both as residents and hotel guests, which are typically car users”. (Porto Vivo, 2007: 25).





Cardosas operation

- Issues of democratic legitimacy and institutional capacity: to limit costs, negotiate outcomes with the private sector (in term of mixes of tenure, rent values, etc.), and capture capital gains;
- The partnership was used as an instrument of expropriation and displacements of sitting tenants.
- Public-private partnership demand goals socially legitimated (by residents, economic agents and other social interests).
- The non- existent link between strategies of housing requalification and issues of housing affordability.

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