



Regione Toscana
Diritti Valori Innovazione Sostenibilità

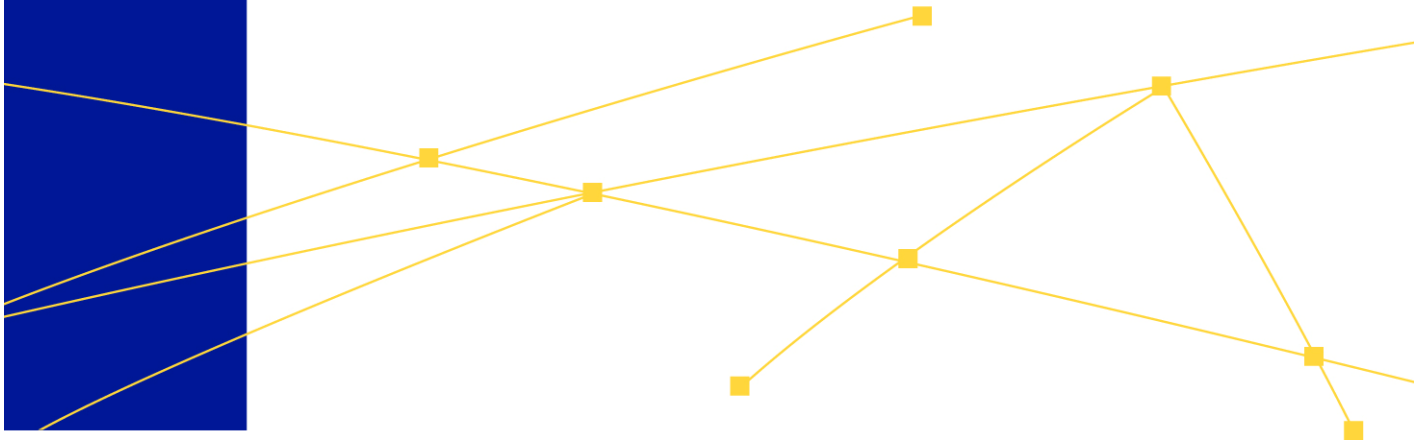


URBACT II

JESSICA 4 Cities

How cities can make the most from Urban Development Funds

Porto Vivo SRU contribution
August 2010



Connecting cities
Building successes



PORTO VIVO SRU CONTRIBUTION

1. Case Study: Action Programme for the Urban Rehabilitation of Morro da Sé_CH.1

Introduction

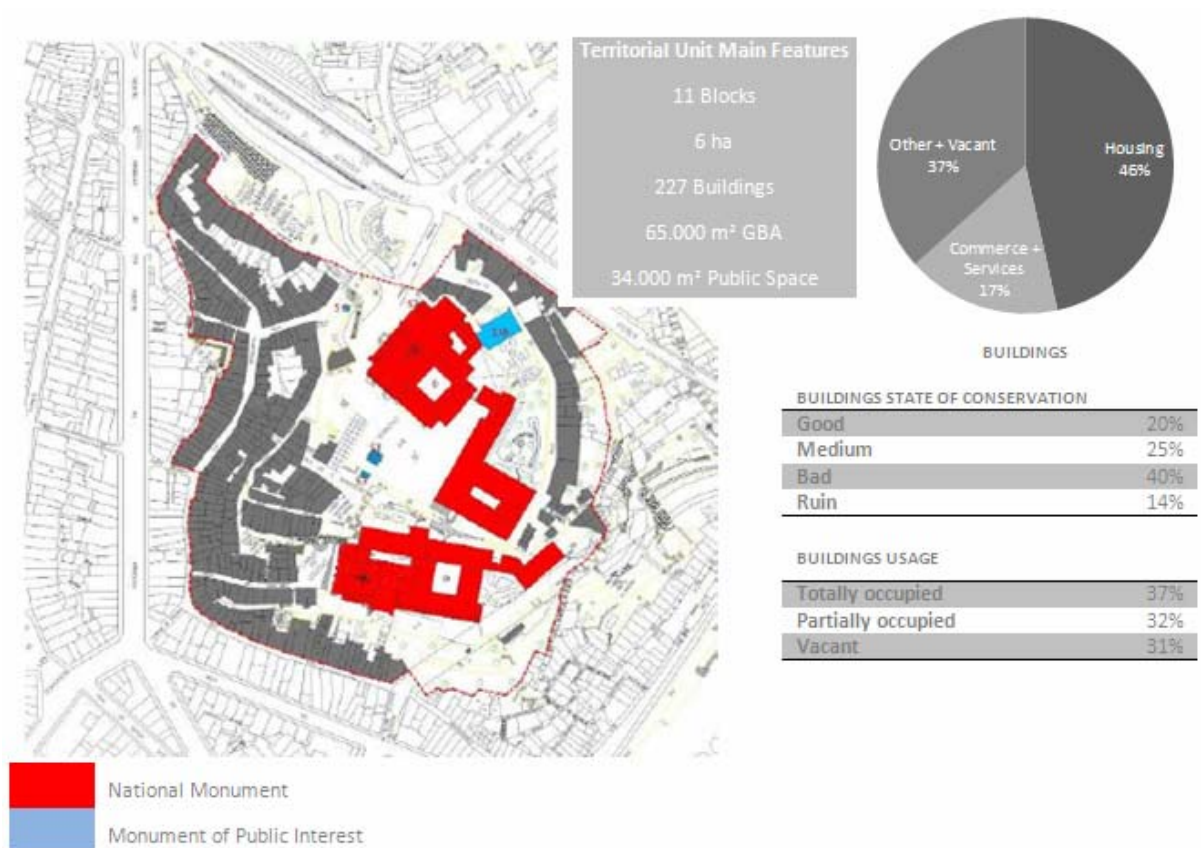
Porto Vivo, SRU has adopted, since 2004, the urban rehabilitation process of Porto city centre as a priority. Like other Portuguese or even European historic centres, Porto's has common problems of buildings' degradation, economic downturn, shrinking and impoverished population. This was the reason why, in 2000, the Government established the Critical Area of Urban Rehabilitation and Reconversion (ACRRU) for all the central area of the city. ACRRU represents 8 civil parishes, which include the Historic Centre and the urban sprawl of the 19th century. The area of Morro da Sé is right in the historic centre of Porto, is its urban cradle, and represents serious problems of urban decline. It was therefore the area addressed in the first action programme designed to apply to ERDF funding when Partnerships for Urban Regeneration was first launched, in 2007, by the Operational Programme. Due to its integrative perspective, the Action Programme for the Urban Rehabilitation of Morro da Sé_CH.1 is regarded as one of the most 'jessicable' projects of Porto Vivo, SRU, and, as such, a detailed analysis of this project is presented herewith.



Figure 1: Area of Intervention of the Action Programme for the Urban Rehabilitation of Morro da Sé_CH.1

Morro da Sé Intervention Area

Morro da Sé, located at the heart of the historic center of Porto, which was classified by UNESCO as World Heritage in 1996, is an area with high relevance in terms of the city's identity, tourism and due to its historic, artistic and cultural value. This is a territory which suffered from progressive social and urban deterioration, though having maintained a prevalence of a residential function, combined with some commerce activity. Nevertheless, its economic activity has been declining during the past years, combined with its negative image among the population, as a place where drugs traffic and consumption occurs, with derelict buildings and perceived unsafety, and with several mobility problems.



Source: Porto Vivo, SRU (2008)

Figure 2: Morro da Sé Main Territorial Features

The Action Programme and the Public-Private Partnership

The Action Programme for the Urban Rehabilitation of Morro da Sé_CH.1 was an application to the call of Partnerships for Urban Regeneration (PRU/1/2007)_ON.2, launched in 2007, and consisted of a project with the key objective of regenerating Morro da Sé area. The project triggers the creation of new dynamics and the development of touristic activity, as well as to give better living conditions to the population. Rehabilitation projects, including the creation of a touristic accommodation unit and a students' residence unit, the extension of an assisted living residence for elderly people, and public space requalification, are part of the Action Programme. The estimated investment reaches almost 40 million Euros, shared between the public sector (36%), the private sector (45%) and Structural Funds (19%).

Partners:



Co-financing:



Source: Porto Vivo, SRU (2008)

Table 1: List of Partners and Co-financing Entities of the Action Programme for the Urban Rehabilitation of Morro da Sé_CH.1, Beneficiary of Partnerships for Urban Regeneration (PRU/1/2007)_ON.2

Porto Vivo, SRU is the main responsible for the Action Programme, leading the public-private partnership. Each operation has a management structure to support and coordinate the entities in charge and to control the level of execution. A protocol was signed, in April 2008, between the public entities (the Municipality of Porto, Porto Vivo, SRU, among others) and NOVOPCA (a private construction company), establishing the conditions of the partnership, including NOVOPCA's responsibility for the construction and operation of the students' residence.

Objectives and Priorities of the Action Programme

Having as general goal the revitalisation of Morro da Sé, an Urban Study was conducted, which established a set of objectives and vectors, namely:

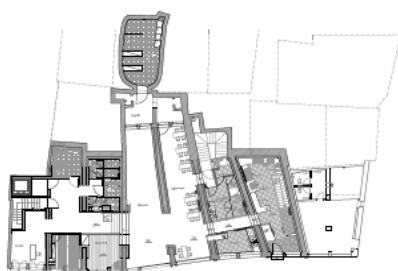
Objectives

- spatial integration of Sé in the downtown context
- rehabilitation of the buildings
- physical rehabilitation of the built heritage
- valorisation of citizenship patterns
- attraction of new residents targeting social equilibrium
- dynamisation of the structural axis D. Hugo Street and D. Pedro Victorino Forecourt

Vectors

- implementation of the Urban Area Management
- promotion of institutional partnerships
- supply of supporting mechanisms to building rehabilitation, targeting the improvement of the residents' living conditions
- offer of different residential typologies appropriate to trigger the attraction of varied community sectors, mainly the ones with origin in the area, young families and students
- increase the offer of touristic accommodation
- creation of centers and axis for the economic activities concentration
- improvement of the usage conditions of the public space
- increase of the mobility and consolidation of crossing routes

Extension and Upgrading of an Assisted Living Residence for Elderly



Tourist Accommodation Unit



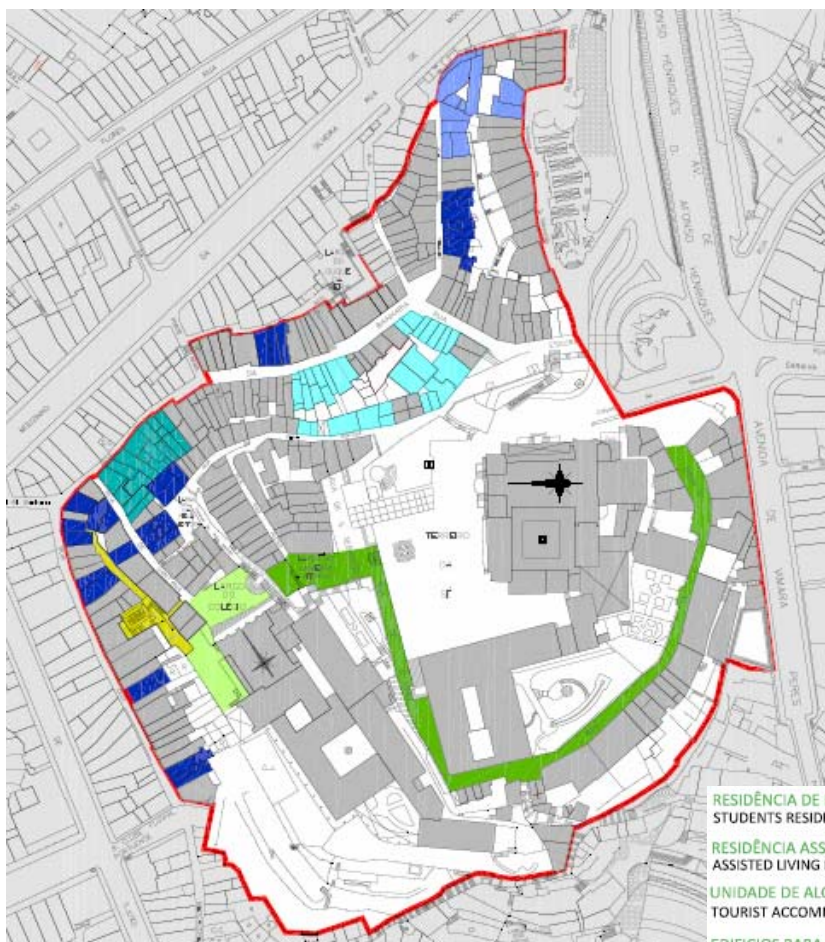
Students Residence



List of Operations of the Action Programme and Expected Results

The Action Programme of Morro da Sé_CH.1 consists of the following operations:

1. Creation of a Students Residence
2. Creation of a Tourist Accommodation Unit
3. Extension of an Assisted Living Residence for Elderly
4. Urban Image and Energy Efficiency Improvement
5. Public Space Improvement
6. Creation of the Property Owners Support Office
7. Installation and Startup of Urban Area Management (UAM)
8. UAM / Entrepreneurship Project
9. UAM / Stories of Self-esteem / workshops
10. UAM / Documentary
11. Creation of a Technical Support Structure
12. Communication Plan



Source: Porto Vivo, SRU (2008)

Figure 3: Operations part of the Action Programme of Morro da Sé_CH.1

EXPECTED RESULTS OF THE INTERVENTION

Tourist Accommodation Unit:

6 reparable buildings; 45 bedrooms; 90 beds; 1 restaurant and a bar.

Students Residence:

22 reparable buildings; 89 single studios; 12 double studios; 4 studios; 10 shops; 1 restaurant and a bar; garage for 5 cars; 121 students.

Extension of an Assisted Living Residence for Elderly:

Extension and upgrading of an Assisted Living Residence for Elderly from 6 to 12 bedrooms; Accommodation capacity for 18 users.

Resettlement Programme:

Permanent resettlement programme: 26 buildings; 18 studios; 1 bedroom apartments - 26; 2 bedrooms apartments - 18; 3 bedrooms apartments - 9.

State-of-the-art

At May 2010, the Execution Projects were already completed for the construction works of the Students Residence, the Tourist Accommodation Unit, the extension of the Assisted Living Residence for Elderly and of the Public Space Improvement, as well as the first archaeological surveys were concluded (one of which has uncovered a fortified wall from the Celtic period, dated from the 2nd century BC, totally unknown until the present day). It is expected that still during the first semester of 2010 the contract works will be in place.

Porto Vivo, SRU has already strongly invested in this Programme, acquiring until this point 26 buildings and having temporally relocated 19 families, who will be brought again to Morro da Sé as soon as the living conditions are replaced. Simultaneously, the Architectural Projects are being developed, and it is expected that the works' investment, in 2010, will be about 5% of the total amount estimated, with the financial support of the EIB, having scheduled, for 2011, 60% of the remaining investment and, in 2012, the last 35%.

With less dynamism we find the operation Urban Image and Energy Efficiency Improvement, since the construction works have not started yet, but which will have a strong impact on the energetic performance and comfort of buildings. Here we must also highlight that the interpretation by the Portuguese authorities of the Regulation (EC) No. 397/2009 of the European Parliament and of the European Council has blocked any European financial support to reach energy efficiency operations for existing houses in deprived areas, like it is the case of Morro da Sé.

As far as the intangible operations are concerned, the Urban Area Management Unit is installed and in activity, having begun the connections with the population and the local institutions and businesses, trying to implement its mission, that is, trying to develop the social and economic activities in Morro da Sé. Namely, it makes the connection with the Entrepreneurship Support Office, which, by its turn, has been supporting and following several projects within this area. The Urban Area Management Unit has been promoting "Stories of Self-esteem", delivered to the population on a theatrical format, and which will train, within specific joint workshops, agents to promote the Historic Centre and, specifically, Morro da Sé. The Documentary is also being conducted, and it will present the starting point and the physical, social and economic target of the Action Programme for the Urban Rehabilitation of Morro da Sé.

Step by step, the downtown and the Historic Centre of Porto is changing, rehabilitating and regenerating its urban tissue.

Financing Scheme

Considering a time period of three years (2009-2011) for the conclusion of the Action Programme, different entities are responsible for each operation, as showed on the next Table.

ACTION	RESPONSIBLE	FINANCIAL SOURCE
Rehabilitation of the buildings	Owners Porto Vivo, SRU	ERDF Own Assets
Students Residence	Private Partner	
Tourist Accommodation Unit	Porto Vivo, SRU	
Public Space	Municipality of Porto	
Urban Area Management	Porto Vivo, SRU & Partners	

Source: Porto Vivo, SRU (2008)

Table 2: Entities Responsible for the Operations of the Action Programme of Morro da Sé_CH.1

Regarding the partnership for the operations 1 and 2, Porto Vivo, SRU, after establishing a protocol with the Municipality of Porto, became the leader of the urban intervention in Morro da Sé, responsible for developing the integrated plan, seeking the involvement of private entities.

The private partner, NOVOPCA II Investimentos Imobiliários, S.A., became responsible for the construction and operation of the Students' Residence and the Tourist Accommodation Unit, for 50 years, having Porto Vivo, SRU the responsibility of management of the leased houses. While Porto Vivo, SRU pays for the expropriation costs, NOVOPCA invests in the rehabilitation works of the Students' Residence and the Tourist Accommodation Unit. Summing to this investment made by NOVOPCA, the operation costs must also be considered as far as the two infrastructures are concerned. It was established that NOVOPCA will also pay to Porto VIVO, SRU 10% of the EBIT of the Tourist Accommodation Unit and 12.5% of the EBIT of the Students' Residence. Porto Vivo, SRU shall receive, in addition, the rent from the houses, while NOVOPCA will get the revenue from the operation of the Students' Residence and the Tourist Accommodation Unit.

	Investment	Revenue
NOVOPCA II Investimentos Imobiliários, S.A.	<ul style="list-style-type: none"> • construction of the students' residence: €4.9M (1 year) • construction of the tourist accommodation unit: €3M (2 years) • buildings rehabilitation: €6.6M 	<ul style="list-style-type: none"> • estimated in €530k and operational cash costs in €219k (yearly updated according to inflation) • operational cash flow of €250k in the cruise year • 69 houses will be leased and the annual amount of expected rents is €140k
Porto Vivo, SRU	<ul style="list-style-type: none"> • expropriation costs: €2.6M • rehabilitation works: €6.6M • recovery of façades and roof tops: €0.8M 	<ul style="list-style-type: none"> • Students' Residence, Tourist Accommodation Unit and the buildings (69) rents: circa €140k • 12.5% and 10% of the Students' Residence and the Tourist Accommodation Unit EBIT generated, respectively • NSRF grant for the façades of the buildings: €1.1 M

Source: JESSICA Evaluation Study (Deloitte and Parque Expo, 2009)

Table 3: Investment vs. Revenue of the Operations 1 and 2 of the Action Programme of Morro da Sé_CH.1

The balance between investment and revenue for Porto Vivo, SRU, as far as operations 1 and 2 are concerned, represents an IRR of 2.2%. Porto Vivo, SRU business plan also includes two loans from the European Investment Bank, totaling circa 10.4 millions of Euros, for a 30 years period and a grace period of 10 years, with an interest rate of 4.77%. The private partner, in turn, expects an IRR of 6.7% in the Students Residence (with a 17 years payback period), and of 7.1% in the Tourist Accommodation Unit (18 years payback period).

Possible JESSICA Form

If the project could be beneficiary of a JESSICA loan instead of a grant, as presented in the JESSICA Evaluation Study, by Deloitte and Parque Expo (2009), using approximately the same figures of the Action Programme of Morro da Sé_CH.1, JESSICA's estimated IRR, for a loan amounting 2.85 millions of Euros, would be 6.5%, with aggregated cash flows of 1.73 millions of Euros. The inflows include, therefore, interest (1.73 millions of Euros) and capital reimbursement (2.85 millions of Euros).

Next Table shows how JESSICA could benefit a project similar to the Action Programme of Morro da Sé_CH.1, under the form of a loan. Nevertheless, in the JESSICA Evaluation Study, by Deloitte and Parque Expo (2009), a similar exercise is made for the hypothesis of an equity presence of JESSICA in such a project.

USES AND SOURCES OF FUNDS																					
Projection year	TOTAL	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Activity year				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
<i>(k euro)</i>																					
EBITDA	23,000	-	-	1,500	1,700	2,300	1,700	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Equity	30.00% 6,900	4,200	2,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SRU	30.00% 2,070	1,260	810	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private entity	60.00% 4,140	2,520	1,620	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Owners, banks)	10.00% 690	420	270	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan	70.00% 16,100	9,800	6,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial loan	82.30% 13,250	8,065	5,185	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA loan	17.70% 2,850	1,735	1,115	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Previous cash account		-	-	(0)	580	841	1,039	634	479	372	542	519	544	386	489	592	695	797	900	1,003	1,105
SOURCES		14,000	9,000	1,500	2,280	3,141	2,739	1,934	1,779	1,672	1,842	1,819	1,844	1,686	1,789	1,892	1,995	2,097	2,200	2,303	2,405
Investment expenses	23,000	14,000	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation w orks - public spaces	5,000	2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment	3,000	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment	2,000	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation w orks - buildings for sale	8,000	4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment	2,000	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment	6,000	3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation w orks - comercial area for rent	5,000	2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment	2,000	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment	3,000	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation w orks - Students residence	2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation w orks - Hotel	3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working capital desinvestment	(8,000)	-	-	(800)	(1,600)	(4,000)	(1,600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recovery of investment expenses (buildings for sale)	(8,000)	-	-	(800)	(1,600)	(4,000)	(1,600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt repayment	16,100	-	-	700	2,000	5,000	3,000	1,000	1,000	770	1,000	1,000	630	-	-	-	-	-	-	-	-
Commercial loan	13,250	-	-	700	2,000	5,000	3,000	1,000	1,000	550	-	-	-	-	-	-	-	-	-	-	-
JESSICA loan	2,850	-	-	-	-	-	-	-	-	220	1,000	1,000	630	-	-	-	-	-	-	-	-
Cash account		-	(0)	580	841	1,039	634	479	372	542	519	544	386	489	592	695	797	900	1,003	1,105	-
Financial costs		-	637	1,047	1,001	871	546	351	286	221	171	106	41	-	-	-	-	-	-	-	-
Commercial loan	6.50% 3,550	-	524	861	816	686	361	166	101	36	0	0	0	0	0	0	0	0	0	0	0
JESSICA loan	6.50% 1,727	-	113	185	185	185	185	185	185	185	171	106	41	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Income taxes	2,683	-	(169)	(27)	38	231	159	104	121	139	152	169	186	197	197	197	197	197	197	197	197
Dividends	9,340	-	(468)	-	-	-	-	-	-	-	-	-	600	1,000	1,000	1,000	1,000	1,000	1,000	1,000	2,208
USES		14,000	9,000	1,500	2,280	3,141	2,739	1,934	1,779	1,672	1,842	1,819	1,844	1,686	1,789	1,892	1,995	2,097	2,200	2,303	2,405

JESSICA enters with €2.85M in loans (17.6%).

Total debt repayment is similar to the Base scenario, however JESSICA loan is paid after the commercial loan

JESSICA loan interest equal to Commercial loan interest.

Dividends are distributed equal to the Base scenario.

Source: JESSICA Evaluation Study (Deloitte and Parque Expo, 2009)

Table 4: Base Case Scenario, as presented in the JESSICA Evaluation Study, by Deloitte and Parque Expo (2009)

2. Present Context of the Partner State

Mostly because of a decreased domestic demand, the Portuguese economy registered a contraction of 2.7%, in 2009. Unsurprisingly, unemployment has reached historical highs, aggravating social problems. Summing to a sizeable external deficit, low domestic savings, low productivity growth and eroded competitiveness, Portugal faces a difficult path of recovery ahead. The Government response to the current crisis also affects public finances, raising the public deficit and debt to record highs. This response addresses essentially discretionary stimulus to the economy and some structural reform efforts. Fiscal measures also trigger public investment, social protection and support to employment, investment and exports by the private sector. Additionally, some measures were implemented to strengthen the financial stability, though the financial crisis on the Portuguese banking sector has been contained.

Nevertheless, the Portuguese economic growth will still be quite low in the 2010-2011 period. Projections sustain confidence from the moderate recovery in world demand and the gradual easing of financing conditions, though the expected slight increase in interest rates and the implementation of the fiscal consolidation measures included in the State Budget for 2010 and in the Stability and Growth Programme for 2010-2013. Moreover, government consumption and investment are expected to decline, in general, over the projection horizon, while external borrowing necessities will stand high (European Commission, European Economy n° 2|2010; Banco de Portugal, Economic Bulletin - Spring 2010).

Forecasts for Portugal	2008	2009	2010	2011
GDP growth (%)	0.0	-2.7	0.5	0.7
Unemployment (%)	7.7	9.6	9.9	9.9
Current account balance (% of GDP)	-12.1	-10.5	-10.1	-10.0
General Government balance (% of GDP)	-2.8	-9.4	-8.5	-7.9

Source: European Commission, European Economy n° 2|2010, 5 May 2010.

Table 5: Main Features of the Portuguese Forecast

Moreover, it is not clear at the present stage how the measures to contain the deficit and the public debt will affect the execution of the urban regeneration projects. Additionally, the growing differences of lending between the commercial banking entities may turn more difficult the creation of Urban Development Funds.

3. Legislative Constraints and Fiscal Incentives of Urban Regeneration within the Partner Context

After the Decree-Law 104/2004, of the 7th May, has given a new opportunity for the revitalisation of cities, enabling the establishment of Urban Rehabilitation Societies, the recent Decree-Law 307/2009, of the 23rd October, has launched new challenges to the agents and promoters of urban regeneration on Portugal, defining more accurately the execution of urban rehabilitation programs.

Still in a political level, the State Budget of 2008 (Law 67-A/2007), 2009 (Law 64-A/2008) and again of 2010 (Law 3-B/2010, of the 28th April) have guaranteed the fiscal benefits, which include, for instance, the VAT levied at 5% within the urban rehabilitation regime, exemption from council tax over properties and council tax over onerous transfer of property for buildings integrated in open-ended real estate funds, exemption of Income Tax for Legal Persons as far as real estate funds are concerned (if established between the 1st January 2008 and the 31st December 2012), and special taxation at 10%, as far as Income Tax for Individuals or Income Tax for Legal Persons, are concerned, in participating units of the real estate funds.

Also the Programme of the 17th Constitutional Government (2009-2013) reasserts the promotion of a urban rehabilitation and territorial requalification policy, establishing rehabilitation programmes of the public housing, with collaboration with the Municipalities, the development of the Cities Policy (POLIS XXI), favouring specifically the urban regeneration, the operationalisation of the Housing Strategic Plan 2009-2015, the continuity of the actions developed through a financial supporting programme to private entities (PROREABILITA), stimulating the private initiative, and the creation of a coherent set of instruments of financial engineering (Urban Development Funds), as enablers of public and private capitals. The latest Law 3-A/2010, of the 28th April, entitled "Great Options of the Plan for 2010-2013", also addresses the intent of creating financing instruments to support rehabilitation processes, highlighting the exceptional programme to support the urban rehabilitation to be established, granting financial support to the actions carried out by the private sector, specifically when articulated with the dynamisation of the rent market. Still, the priority is to expand the fiscal framework and develop and accomplish the Legal System of Urban Rehabilitation (Decree-Law 307/2009).

4. Main Problems – Criticism - Considerations at the Local Context

The Law 3-A/2010, of the 28th April, entitled “Great Options of the Plan for 2010-2013”, support great expectations for the creation of Urban Development Funds in Portugal, after the creation of a 130 millions of Euros Holding Fund in 2009, enabling a framework for the development of strategic partnerships that may translate a strengthened connection between the central administration, the Municipalities and the local agents for the multidimensional and integrated interventions in specific urban areas.

Still, in Portugal, the implementation of JESSICA moves slowly, and for the moment it is entirely dependent on central governmental bodies. JESSICA brings the possibility of decreasing public-funding dependency by stimulating private investment, ensuring sustainability of investment projects, which the private sector has more experience to guarantee. The delay in creating Urban Development Funds surely is connected with the highly paternal care from the State and the complexity of the legal framework. On the other hand, public money in JESSICA has its source on NSRF’s funding, which implies that 130 million of Euros of grants were ‘transferred’ to loans and equity.

JESSICA implementation in Portugal stills needs clear guidelines and communication, but the urgency of promoting such recyclable financial instruments must be answered, given the short remaining period for the application of the ongoing Structural Funds. Recent debates on how to finance energy efficiency operations in the deprived city centres, for instance, have to be clarified as well, in order to assure sustainable interventions. The future of our cities depends much on JESSICA implementation, which must no longer be postponed.

5. Advantages of Participating on the JESSICA For Cities Working Group

The invitation of the European Investment Bank addressed to Porto Vivo, SRU to be part of the JESSICA For Cities working group was an honour and a responsibility, but we are proud to have made this contribution to this project, since we are aware of the benefits it may bring to the European cities. Porto is a city which has started a path of recovery and renewal of its World Heritage central area, for which urban rehabilitation projects have been designed, but where the difficulty of attracting the private sector slows down the urgency of intervention. JESSICA brings a new stimulus to engage the private sector and is also an opportunity to promise future regeneration projects.

However, we felt, during the process, that the work of JESSICA For Cities group has not been taken in due account either by the European Union representatives nor by the Central Government. The design of JESSICA architecture, at country level, didn't benefit the working group experience, since the national negotiations with the European Union went on without considering the working group *acquis*. As far as Portugal is concerned, notwithstanding our participation in the working group, we have not been contacted by the national body responsible for JESSICA implementation, who could gain from our experience. Significant issues remain unclear, such as, for instance, the questions concerning the regional and national programmes eligibility and the Urban Development Funds framework and rules.

JESSICA For Cities working group, promoted by URBACT, has given us the possibility of exchange experiences and learning, accessing knowledge that enables us to move forward. Shared doubts and problems have not diminished the willingness to change, they have strengthened our determination to solve our cities' difficulties, above all, at this time of crisis. Local examples of sustainable development projects have showed that a large range of them may become 'jessicable', which has triggered our desire for developing and put in operation Urban Development Funds as soon as possible. We believe that this new dynamic will surely benefit our cities.

List of Abbreviations

ACRRU – Critical Area of Urban Rehabilitation and Reconversion

ERDF – European Regional Development Fund

ON.2 – O Novo Norte (Operational Programme)

NOVOPCA – NOVOPCA II Investimentos Imobiliários, S.A.

NSRF – National Strategic Reference Framework

SRU – Sociedade de Reabilitação Urbana (*Urban Rehabilitation Society*)