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Published in:

ENHR 2012 Conference Housing: Local Welfare and Local Markets in a Globalised World

Publication date:

2012

Document Version

Early version, also known as pre-print

[Link to publication from Aalborg University](#)

Citation for published version (APA):

Alves, S., & Ramos, I. (2012). Urban Decay in Porto - Strengths and Weaknesses of Portuguese Regeneration Programmes. In *ENHR 2012 Conference Housing: Local Welfare and Local Markets in a Globalised World*

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URBAN DECAY IN PORTO – STRENGTHS AND WEAKNESSES OF PORTUGUESE REGENERATION PROGRAMMES

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Abstract

The historic district of Porto is suffering from extensive physical and socioeconomic degradation, mainly induced by the housing policy during the dictatorship of Salazar. Despite numerous programmes and projects with the aim to improve the poor housing and social conditions implemented the social and physical degradation could not be solved. This article presents the results of a research carried out in Morro da Sé, a neighbourhood of the historic centre of Porto. A lack of political interest in combination with insufficient financial investment made of it a place of degradation and disadvantage over the years. The article examines the various initiatives that sought to reverse the degradation process of this neighbourhood and the reasons for its limited success. The main focus hereby lays on the current attempt to stop urban decay through urban rehabilitation societies (SRU).

Keywords: urban decay, urban regeneration programmes, urban regeneration societies, poverty

1. Introduction

Similar to other Portuguese cities, the historic district of Porto is suffering from extensive physical and socioeconomic degradation. This degradation was mainly induced by the housing policy during the dictatorship of Salazar, which denied urban poverty and implemented rental freezing. After the collapse of the dictatorship in 1974, the decay of many Portuguese city centers accelerated when the inflation rate rose and rents could not be adjusted to the permanent price decline. After Portugal's accession to the European Community in 1986, numerous programs and projects with the aim to improve the poor housing and social conditions were implemented. Despite these efforts, social and physical degradation in the historic center of Porto could not be solved. Even the distinction of the historic center as UNESCO World Heritage as well as the title 'European Capital of Culture' that Porto beard in 2001 could not stop the process of economic and demographic decline.

This article presents the results of a research carried out in a part of the historic center of Porto, a neighbourhood called "Morro da Sé". Its aim is to discuss the regeneration models developed and implemented over the past few decades within the historic centre of Porto. The main focus hereby lays on the current attempt to stop urban decay using a new model of urban regeneration, the urban rehabilitation societies (SRU). Within the first part of the paper the main explanatory causes of the decline of historic centers in Portugal are presented, bearing in mind the specific conditions of social and economic development of the

country itself, and, on the other hand the main characteristics of instruments of urban policy that have been mobilized to reverse those conditions of disadvantage. Later the focus lays on the strengths and weaknesses of the new model of urban regeneration, taking into account the legal framework that regulates the action of these new urban regeneration societies, and the challenges they have to face, for example in terms of activating and integrating private partners in the requalification projects. The analyses focus specifically on Morro da Sé, one of the areas that was most often the target of intervention of urban regeneration initiatives in the historical centre of Porto since the 1980s.

2. Theoretical reflections

The reasons for the limited effectiveness of the urban regeneration programmes are on the one hand inter-related with the characteristics of the instruments mobilised for the reversion of the degraded historic centres, e.g. the duration of the programmes, the dimension of funding and the level of implementation, on the other with the specific conditions of the social and economic development of a country which is classified by some authors as being “semi peripheral” (Santos, 1993; Santos, 2001; Hespanha, 2001). The temporal delay of development, especially in European comparison, is reflected in some specific characteristics of Portugal: (1) in its employment rate with a clear dominance of the primary sector until the 1960s as well the considerably high share of black economy; (2) in the education of the population with a 40% share of illiteracy until the 1960s and (3) in the poverty and socioeconomic inequality of the society (Barreto, 2002; Alves, 2010). In this respect it is important to underline that poverty was, and still is, a widespread and intense problem in Portugal. The economic deprivation of many Portuguese families is expressed in a limited access to services and facilities, which diminish various parts of the quality of life. In 2001, Portugal had the lowest monetary value of the poverty line in the European Union, which represented only 60.2% of the average income of these 15 countries. In 2007, Portugal was part of the group of the ten European Union Member States with a higher risk-of-poverty rate than the European average of 16% (Ferreira, 2005; Costa et al., 1999).

The Portuguese dictatorship, which existed until 1974, is responsible for the introduction of conservative policies in all fields of society. It constitutes the main factor explaining the retardation of economic and social development of the country, where for example the foundation of companies and the access to social benefits were regulated by the state and dependent on the social status of the different professional groups (Silva, 2002). In this context, the housing sector was always possessed a peripheral and residual status in public policies characterised by low levels of public intervention (Arbaci, 2002).

Only in 1974 with the implementation of democracy and despite of its economic development, the governments tried to set up the foundations for a welfare state in Portugal (Silva, 2002: 37) – coming late and being incomplete it was defined as being rudimentary (Capucha, 2005; Moreno et al., 2002). Nevertheless, it was tried to improve the living conditions of the population and the provision of housing as well as social services in terms of health and education was seen as urgent and necessary. In this time, the first initiatives which concentrated on the historic and most degraded parts of the city where the problems of physical as well as social and economic degradation intensified in a severe and persistent form were launched. A decade later, the integration of Portugal into the European Community (EG) in 1986 provided access to the European structural funds which were essential for overcoming the economic and social retardation of the country.

3. Urban decay in Portugal

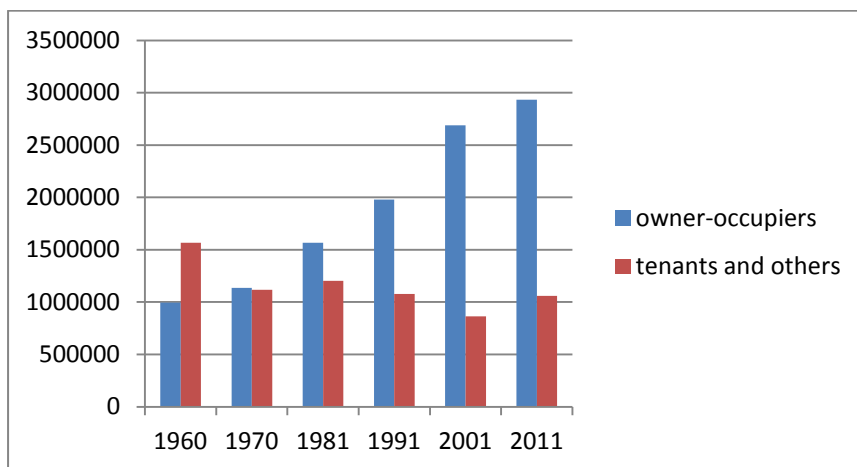
The predominance of old rental agreements with very low rents was and still is the main factor for the degradation of the housing stock in the Portuguese historic centres and at the same time is one of the biggest barriers for private financing initiatives. The policy of rental freezing initiated in Lisbon and Porto during the dictatorship in order to prevent social protest introduced the stagnation of rental value. As a

consequence, landlords lost their revenue and therefore reduced their investments in the conservation and rehabilitation of their buildings. Especially after the 1970s living costs increased due to the high inflation rate, whereas the prices of rents remained unaffected. As a consequence, the profitability of the rental market reduced dramatically and deepened the disinvestment in the buildings within the historic centres of Portugal.

In the 1990s, the lack of adequate housing in combination with (1) the reduction of taxes for bank interests and the incentives for credits to purchase homes as well as (2) the strong investment of the private sector in the construction of new houses lead to an increase of the housing market for home ownership in Portugal. In 2011, almost 73% of the housing space was occupied by its owners; between 1990 and 2001 the number of tenants had decreased from 61% to 24% (INE 2012) (see Figure 1). The lack of residential housing was displaced by its opposite, but at the same time many buildings were vacant. More than one third of rental agreements were contracted before 1975. This share even gains importance and significance in the historic centres, where renting as well as old buildings dominate. The fact that the value of the rents in these buildings was determined in old contracts without any correspondence to its current market value diminished the interest and in most of the cases the economic conditions for the landlords to invest in rehabilitation works. Besides the underfunding of the landlords the deteriorating living conditions of the tenants as well as the degradation of the areas with a high historic and landmark value constitute the most negative aspects of this process.

Figure 1: Conventional dwelling of usual residence

Source: INE - 10th General Population Census; 1st to 4th General Housing Census



Urban decay in the historic centre of Porto

The depopulation of the historic centre of Porto started in the 1940s and was intensified in the subsequent decades. The most visible loss of population occurred during the 1980s and 1990s which corresponds from 27% up to 35% (Atlante, 2005). Between 1940 and 2001 the historic centre of Porto suffered by a loss of population of almost 70% of its initial population – a reduction from 42,000 to 13,000 inhabitants (Atlante, 2005: 44). The reasons for this decline are diversified: a process of tertiarisation which is responsible for the transformation of residential buildings into buildings for commerce and services and later a process of relocation of economic functions expressed by the transfer of companies and jobs to other parts of the city and neighbouring municipalities like for example Vila Nova de Gaia or Matosinhos.

The period of depopulation of the historic centre was accompanied and reinforced by the increased number of vacant buildings (see chapter 3.2). Approximately 27% of the 3,000 residential buildings of which 83% were rented in 2001 were vacant, 38% were in a bad physical condition (Atlante, 2005). This ele-

vated dominance of degraded buildings in combination with its pollution, noise as well as phenomenons of marginality created an image of degradation, especially in Morro da Sé, which, despite the cultural and monumental heritage of the area, exacerbated the regeneration and revitalisation of the area. Public policies which were implemented in the course of the last decades were not able to invert this process (Alves, 2010).

The district Sé is located right within the historic centre of Porto and filled with buildings of high historic, cultural and architectural interest, for example the cathedral *Sé* and the church *dos Grilos*. At the same time, the area is defined by a high share of degraded buildings; almost half of them being in a bad physical condition (INE, 2001) results of its old age as well as their low rents: More than 40% were built before 1919 and 36% between 1919 and 1945. At the same time there is a clear predominance of rented accommodations (77%) and old rental agreements. As a consequence, 73% of the rented houses in this area have rental prices lower than 100 Euros and almost 24% lower than 35 Euros.

Located in the upper part of the parish of Sé, the neighbourhood Morro da Sé is a residential area consisting of 11 blocks and 285 buildings with only little commerce functions and a certain concentration of prostitution and problems with alcoholism and drug dealing. The neighbourhood is partly hidden from the main streets of the historic centre. Its morphology especially its high slope, the narrow streets and the small alleys constitute a barrier for people circulating between the central station and the river margin. These specific characteristics attracted a series of illegal activities, especially traffic and consumption of drugs. Within the 1980s, Morro da Sé developed into one of the largest centres of drug consumption and trafficking in the city of Porto and its surroundings. The high income provided by the sale of drugs against a background of poverty and low cultural levels attracted several families and multiple generations into the business. The illegal enrichment of some families lead to a partly abandonment of traditional economic activities which deepened the social and physical degradation within the neighbourhood and became extraordinarily serious. "The situation in Sé was a catastrophe. There was a great involvement of families in the drug dealing. When I say families I do not restrict myself to certain ages; the grandmother took care, the father kept the drugs at night, the aunt took it from one place to the other, the youngest child has another task. There was a great involvement and it was very difficult to fight it. [...] There was a great demonstration of money, which was due to the misery in Sé completely choking" as an interviewee stated. As a consequence, the concentration of problems in a number of cross-cutting domains as well as the lack of quality of life justified the choice of Morro da Sé as a target of several urban regeneration initiatives developed since the 1980s.

4. The first urban regeneration programmes in the historic centre of Porto

Since the 1970s many instruments were used to stimulate the rehabilitation and revitalisation of the historic centre in Porto and especially the area of Morro da Sé. The so called Service for Ambulante Local Help (Serviço de Apoio Ambulatório Local/SAAL) was a program of the central government created in 1974 for the rehabilitation of the physical heritage and the cities. In Porto, the Commissariat for the Regeneration of the Area Ribeiro-Barredo (Comissariado para a Renovação Urbana da Área da Ribeira-Barredo/CRUARB) was founded as a new form of management and territorial intervention. CRUARB was characterised by using the participation of associations of local inhabitants, its defence of staying and working within the historic centre in contrast to former methodologies as well as the attempt to reconcile economic issues with housing, poverty, accessibility and physical and cultural heritage. Between 1974 and 1982 CRUARB's intervention concentrated on a highly crowded and degraded area at the margins of the river Douro, the area Ribeira and Barredo. Other parts of the historic district were disregarded completely. The work of CRUARB required the acquisition of buildings by negotiation or expropriation, which was possible due to a law that allowed the expropriation of buildings of public interest in case of breakdown or risk of ruin. All works were fully executed and funded by public resources and services. In these first years of intervention the regeneration process had a very high dynamic. Until 1982 the rehabilitation of

the most degraded parts in the areas mentioned above was already finished. Although the idea of moving tenants outside the area was against the democratic and revolutionary principles of those times, the high levels of degradation and overcrowding of the area required the relocation of many families to new social housing neighbourhoods outside the city centre. A total of 200 families were relocated in districts of social housing at the periphery and vacated 80 plots in the historic centre. The families who could stay in the rehabilitated dwellings at the margins of the river paid social rents according to their economic possibilities. The people who had a higher income paid rents according to a scheme through which tenants paid a monthly value up to the total cost of the dwelling until becoming owners of the building (Alves, 2010).

Due to a change of law in the year 1982 the Portuguese state withdrew from financing the regeneration process in Porto and committed the responsibility to the city of Porto. The transfer from the national to the local political level was accompanied by a lot of problems and a significant reduction of funding, but additionally collided with the extension of the regeneration area. Great parts of the areas of S. Nicolau, Miragaia, Vitória and Sé were included into the process without raising neither technical nor financial capacities. These developments weakened the influence and the results of the measures of CRUARB significantly. As a consequence, the projects solely concentrated in the initial area despite the territorial expansion. Only at the beginning of the 1990s the interventions started in Morro da Sé but with distinctly less funding. In many of expropriated buildings no interventions took place. This illustrates the insufficiency of the mobilised resources in the light of the extent and intensity of degradation. In 25 years of activity CRUARB rehabilitated only 150 buildings, which make only 10% of the buildings that urgently needed an intervention, like an interviewee stated. These 10% are mainly focused on the area Ribeira-Barredo in the other parts of the historic centre, especially in Morro da Sé only few interventions took place. On the other hand CRUARB had a dominant role in the preparation of the application of the historic centre of Porto to the UNESCO list of World Heritage Sites, which was successful in 1996, as well as in the application for the European initiative, Urban Pilot Project, which focused on Morro da Sé.

Within the 1980s, Portugal started launching programmes to support landlords in rehabilitating their buildings, for example with a contribution to the rehabilitation costs amounting to 50% or 70% of the total costs (Alves, 2010). With these programs the intervention strategy stopped being based on systematic expropriations of the buildings and started to provide direct support to private investment. Some buildings were rehabilitated by means of these programmes. Since these buildings were very dispersed, the requalification works had a low visibility. Moreover, the limited funding of the programmes, the complex bureaucracy as well as the restricted allocation inhibited its success additionally (Alves, 2010; Balsas, 2007)

With the participation in European programmes after 1986, Poverty II, Poverty III and Urban Pilot Projects the available budget increased and the focus of the regeneration measures changed. The regeneration works adapted more to the particularities of each area and integrated more social projects. The second anti-poverty European programme was approved in 1984 and covered the period of 1985 to 1989. In 1986, with the entry of Portugal into the European Community (EC), Morro da Sé participated in this programme with a project aimed at improving the living conditions of the elderly by creating an integrated Community Care Centre in the neighbourhood. By combining several social institutions in this new structure the centre allowed the reformulation of the sectoral and hierarchical working practices in a more integrated and cooperated way of working. The third anti-poverty programme aimed at improving the living conditions of the population. It led to the creation of a foundation for the management of funds generated by the programme the so called “Foundation for the Development of the Historic Zone of Porto” (FDZHP), which used European, national as well as local funds. The FDZHP promoted the launching of an integrated action strategy for the area that combined physical rehabilitation with more immaterial initiatives, such as in sociocultural, economic and professional domains. It predominantly focused on social support trying to meet the needs of the most vulnerable social groups (children, women and the elderly), but also to support entrepreneurship and vocational training. As an example, a nursery school was established in order to enable women to go to work.

The Urban Pilot Project in Sé focused mainly on the physical improvement of the area without including housing, which is not eligible for European funds. Its main aim was the rehabilitation of infrastructure, the paving of the streets and public spaces, the restoration of monuments and public buildings, the modernisation of traditional retail as well as the creation of spaces with interest to tourism. The intervention priority was given to the more degraded buildings and to those where the rehousing of tenants could be solved more quickly. In order to make use of the European funding, the function of residential buildings were partly converted and families were moved to suburban social housing neighbourhoods that became permanent for a great number of families. Most of the families did not want to leave the historic centre and protested against the decisions. The older ones who lived there for a longer period of time showed greater resistance to change. Taking this into account younger families were moved more often. The Urban Pilot Project moved 55 families from the area and reinforced its demographic aging, with the increase in the number and proportion of older people.

5. The current Portuguese model of urban regeneration and its application in Morro da Sé

The mentioned regeneration programmes could not stop the urban decay in the historic district and either in Morro da Sé. Many buildings are in a bad condition (see Figure 3) or even vacant (see Figure 2). As a consequence, especially under consideration of the political changes in many Portuguese cities in 2001, which brought the liberal-conservative party PSD to power (Reith & Wittelsbürger, 2002) the number of political decision makers who supported the idea of the involvement of the private sector into the regeneration process increased. With the change of power from the socialist party PS to the PSD, market-based and efficiency-oriented ideas replaced the social character of the previous measures and influenced the formation of a new urban regeneration model. In 2004, the model of urban regeneration societies (Sociedades da Reabilitação Urbana – SRU) was implemented. It is based on a new understanding of urban regeneration in Portugal. Whereas the previous urban regeneration programmes were funded solely publicly, the current assumption is that renewal measures should be financed by the owners of the affected buildings itself. The responsibility of the state has been reduced to the regeneration of the public space and urban infrastructure. The urban regeneration society (SRU) is responsible for the promotion, acceleration and monitoring of the regeneration process and tries to activate and integrate private partners.

In most of the cases, the regeneration societies underlie the responsibility of the municipalities. The institutional structure, however, can change in exceptional cases: If there is an “extraordinary public interest” (Decreto-Lei nº 104/2004 de 7 de Maio, I Série A) in the particular area, the Portuguese state can, like in Porto, co finance the regeneration society. In these cases, the SRU becomes a joint-stock company but still possesses only public funds which are partly contributed by the municipality as well as the Portuguese state (Costa, 2010).

5.1 Porto Vivo – Urban Regeneration Society in Porto

Porto Vivo, the urban regeneration society in Porto, was founded in November 2004 and is one of the SRUs partly financed by the Portuguese state. Two shareholders participate in the joint-stock company Porto Vivo: the city of Porto with a share of 40% and the National Institute of Housing and Urban Regeneration (IHRU) on behalf of the Portuguese state with a share of 60%. The high share of the national participation in the regeneration measures in Porto results on the one hand from the enormous extent of urban decay, on the other hand it is related to the designation of the historic centre of Porto as UNESCO World Heritage. Porto Vivo is responsible for a 1,000 ha area, designated as critical regeneration area (Área Crítica de Recuperação e Reconversão – ACCRU) which corresponds to one quarter of the area of Porto (Porto Vivo SRU, 2012). Due to the high extent of the ACCRU, the regeneration measures are concentrated in a smaller area called ZIP (Zona da Intervenção Prioritária). The ZIP covers 500 ha and comprises the whole historic centre of Porto (Porto Vivo SRU, 2012). Besides the capital financed by the two share-

holders, Porto Vivo is dependent on additional funding sources like revenues from services such as the takeover and management of rehabilitation processes on behalf of the owner or proceeds from the sale of own properties (Porto Vivo SRU, 2008: 1). Since Porto Vivo concentrated mainly on the development and conception of strategic documents during the first years, no profits were generated. A large part of Porto Vivo's projects are financed with European support. Thereby important funding sources are loans from the European Investment Bank (EIB) as well as benefits within the European Regional Development Fund (ERDF).

Figure 3: Condition of buildings in Morro da Sé



Figure 2: Occupancy of buildings in Morro da Sé



The main task of Porto Vivo is the development of an urban regeneration strategy for the ZIP. For this purpose, the ZIP was divided into priority intervention areas (Áreas da Intervenção Prioritária – AIP) and smaller intervention units (unidades de intervenção).¹ In these units extensive enquiries were made in order to identify their main structural and social needs which are elaborated in the so called strategic documents. These documents were prepared for each intervention unit and structured in two fundamental parts: the description of the existing situation as well as the definition of a regeneration strategy. Moreover a budget and time frame for the intervention are estimated. Besides the preparation of the strategic documents, Porto Vivo supports private owners with the preparation and implementation of rehabilitation measures, gives juridical advice and helps obtaining all necessary approvals of local authorities. Thus administration channels are simplified and bureaucratic inhibitions reduced. Together with a reduction of approval procedures, these simplifications shall accelerate the urban regeneration process. The new legislation enables more than before the integration of private companies into the regeneration process. Buildings or building blocks can now be rehabilitated by a private investor within a Public-Private-Partnership (PPP) in so far these buildings were purchased by Porto Vivo. Within this partnership, the investor covenants to rehabilitate a certain area. The contract regulates the transfer of the marketing rights and the re-

sulting profits from Porto Vivo to the investor. Property rights can only be transferred to the investor in case of a completed rehabilitation (Decreto-Lei nº 104/2004 de 7 de Maio, I Série A).

The managing authority of Porto Vivo is the administration board in which both shareholders are represented. In case of Porto Vivo, both shareholders relinquished their managerial role, incorporated additional members and nominated these as managing directors. After the delimitation of the intervention units, the city of Porto has to decide if there is a necessity to elaborate a binding land-use plan, a so called Plano de Pormenor (PP). If this not the case, Porto Vivo can start elaborating the strategic document. After the approval by the administration board, all competences for intervention in the specific area are devolved to the regeneration society (Diário da República – Série A, 2004: 2922): (1) the approval of urban development measures, (2) the expropriation of buildings, (3) execution of resettlements as well as (4) the review of regeneration measures of private investors.

Numerous fiscal and financial benefits promote the regeneration process. The most important tax benefit is the reduction of the added value tax for all rehabilitation measures within the ACCRU from 20% to 5% implemented by local authorities or public companies (Porto Vivo SRU, 2009b: 3). Additional tax advantages are the exemption from the municipal property tax within the historic district of Porto as well as tax exemptions for the transfer and purchase of property in case they were purchased for rehabilitation (Porto Vivo SRU, 2009: 4). All fees for approval and licensing prior to the rehabilitation works within the ZIP are reduced by 50%. Cooperation agreements with craftsmen, suppliers as well as Portuguese banks help to promote rehabilitation works and make them less expensive (Porto Vivo SRU, 2009a: 9ff). Furthermore, the rehabilitation works of private owners are subsidised by several programmes of the IHRU. The programme RECRIA offers in specific cases (tenant agreements before 1980 and accordingly low rents) financial support for the temporary resettlement of tenants (Porto Vivo SRU, 2009b: 10). RECRIPH tenders financial aid without obligation for refund for 20% of the rehabilitation costs (Porto Vivo SRU 2009b: 10). Calculations of Porto Vivo have shown that all fiscal and financial benefits make a rehabilitation of a degraded house in the historic district of Porto more favourable than a new construction (Branco, 2007).

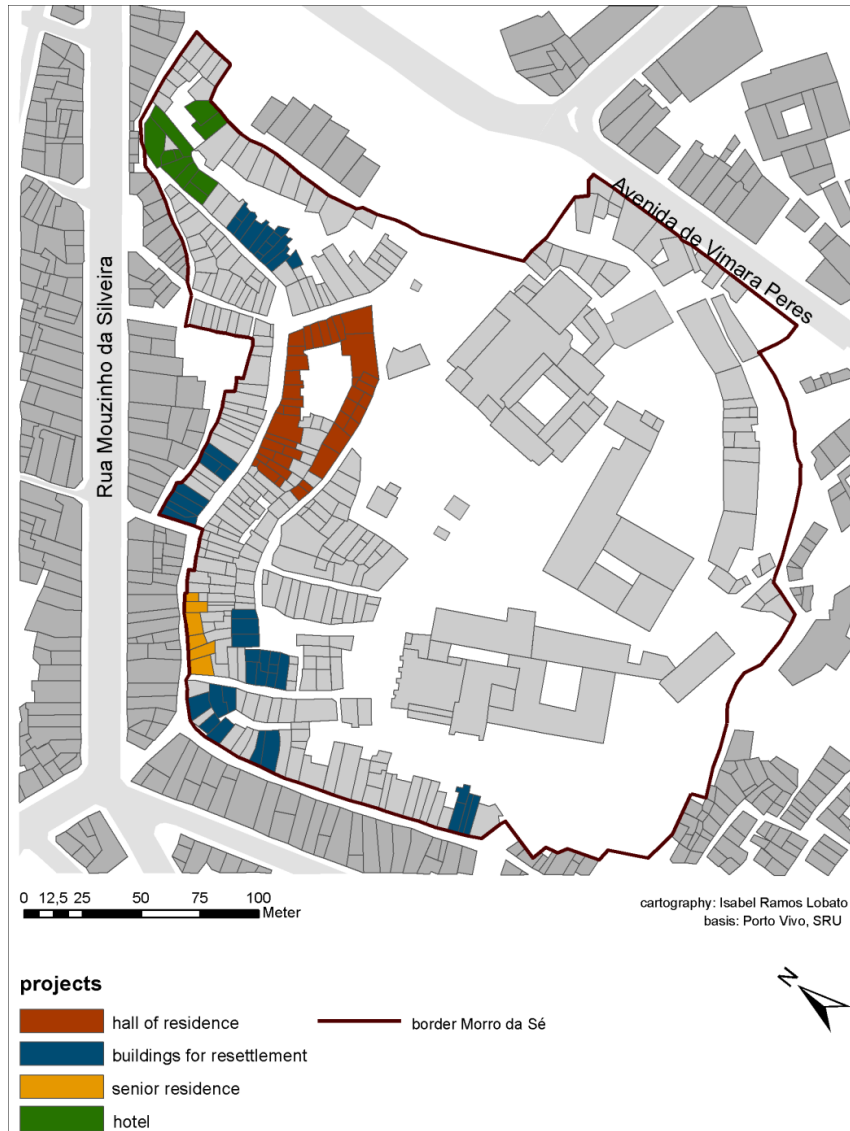
5.2 Urban Regeneration in Morro da Sé

The regeneration process in Morro da Sé started in 2009. The strategic documents of all intervention areas in Morro da Sé are approved, thus Porto Vivo possesses the full planning competences within this area. The main aim of the regeneration programme for Morro da Sé is the rehabilitation of the built environment as well as the socio-economic revitalisation of the neighbourhood (Porto Vivo SRU, 2010). By activating influx of new population groups, the population loss shall be counteracted and a greater social mixture of the inhabitants shall be promoted. The financing of the regeneration process is supported within the National Strategic Framework (Quadro de Referência Estratégico Nacional – QREN) by the ERDF with 19% (7 million Euros). The public authority funds 36% and the remaining 45% must be mobilised by private investment (de Queiroz Valença, 2009).

One of the most visible projects within the regeneration strategy for Morro da Sé is the public-private partnership with the company NOVOPCA Imobiliária, a Portuguese investor who is responsible for the development of a hall of residence as well as a hotel in Morro da Sé (Porto Vivo SRU, 2010). The investor is responsible for the planning and implementation of these projects. In return, the company receives the rights of use as well as the management authority for the next 50 years (Porto Vivo SRU). The projects shall promote the touristic potential of Morro da Sé being situated within the UNESCO World Heritage area of Porto. Moreover, Porto Vivo aims at attracting young population and, therefore, additional demands contributing to a reinforcement of existing as well as the establishment of new commercial activities. In addition, the already existing senior residence is being extended and various buildings shall be rehabilitated for resettlement (see Figure 4). The implementation and funding of the senior residence are as-

sumed by the city of Porto, in case of the buildings for resettlement by Porto Vivo. The buildings for resettlement shall give new homes to the inhabitants of Morro da Sé who were forced to abandon their buildings in behalf of the mentioned projects or due to their bad structural condition.

Figure 4: Urban regeneration projects in Morro da Sé



Besides these structural projects, numerous projects with a more immaterial approach are established in Morro da Sé. One of these projects is the so called “management of the urban area” (UGAU) which serves as a local approach similar to the English Town-Centre-Management. The UGAU shall mobilise companies, institutions and inhabitants and serves as a communication platform. Its main aim is the development and advancement of partnerships and networks as well as the promotion of economic and entrepreneurial activities (Porto Vivo SRU, 2008d: 7). Furthermore, an office for owner support was established. It shall give advice in terms of rehabilitation and supports owners to identify and apply for existing financial aid programmes for rehabilitation measures (Porto Vivo 2012). This office is part of the urban regeneration office which gives information about the regeneration process and current and planned projects within the ZIP to owners, inhabitants as well as other interested people.

5.3 Strengths and weaknesses of the model of urban regeneration societies in Morro da Sé

Strengths of the regeneration model refer mainly to the facilitation of the approval procedures. By simplifying and reducing inhibitions, the approval of rehabilitation projects was considerably shortened. This leads not only to an acceleration of the regeneration process, but also increases planning security for owners. The numerous possibilities to get information and support offered by Porto Vivo promote the regeneration process additionally. Furthermore, the fiscal and financial incentives provide an important support for the owners in Morro da Sé and the whole ZIP.

Probably the most important obstacle within the regeneration process of Morro da Sé is the socio-economic structure of its inhabitants as well as its owners who in most of the cases lack the necessary financial resources at their disposal to rehabilitate the degraded buildings. The offered financial and fiscal incentives are a necessary support, but often are not sufficient in areas like Morro da Sé where owners additionally suffer from very low rents (see chapter 3). Due to the poor structural conditions of many buildings in Morro da Sé, a high amount of investment is needed for rehabilitation. In addition, these costs are getting even higher by virtue of the UNESCO World Heritage status and its associated requirements for rehabilitation. As far as archaeological findings are made on a specific property, which is not very rare in Morro da Sé, the full costs for the archaeologist's works and cataloguing of the finds have to be borne by the owner of the building. This is problematic since the costs for these works are not calculable and, as a consequence, the whole investment costs are not predictable. These potential time lags are, among other things, an issue within the planning process of the urban regeneration projects in Morro da Sé as well. Although these projects were planned to be finished in 2012, the work on some projects have not even begun yet.

The high amount of rehabilitation cost allows the assumption that the costs are passed on to the tenants giving rise to displacement processes. However, at least for the moment the tenants are protected against these. In case of a resettlement during the rehabilitation, the tenants have the right to return to their dwelling after that. Increases in rent are only possible in a five-year period. In exceptional cases, justified by old age or low household income of the tenants or if the building is not used for residential purposes, rents can, however, only be adapted to their current value by step after ten years (Gabinete do Secretário de Estado Adjunto e da Administração Local, 2006). In addition, public subsidies for rent, given to certain conditions and up to a certain amount, support financially weak tenants (Governo de Portugal, 2006: 4). Moreover, a replacement of the inhabitants is – according to official comments of Porto Vivo – not favoured. Instead a population mixture is intended which shall be supported by social housing. Besides the potential displacement of tenants, the regeneration process comprises also adverse consequences for the owner of buildings in Morro da Sé. After the approval of the strategic documents, owners are obliged to rehabilitate their buildings according to the detailed indications within the documents. In case the owner refuses to pay the rehabilitation measures, he or she can be expropriated by the regeneration society. As already stressed above, the high costs resulting from rehabilitation works can only be compensated after ten years. In light of the low revenues and the limited possibilities for rent increase this is not affordable for most of the owners in the neighbourhood, so they are threatened by expropriation². “In this area, there are rents less than 10 Euros for an apartment. As a consequence, the owner earns probably 20 Euros in one month for a building with rehabilitation costs of 50.000 Euros. That is a problem without solution”, as an interviewee stated.

The regeneration process is additionally hampered by the topography of the area as well as its building structure. In a lot of streets cars are not allowed, parking space does not exist and the small size of the buildings complicates the rehabilitation works. These circumstances do not only increase the rehabilitation costs, but also make the area unattractive for private investors. The lack of demand is also a result of the stigmatisation of the area, problems with drug abuse and prejudices concerning crime. “This is an area, in which nobody in Porto would like to raise his kids”, like an interviewee, working for Porto Vivo, stated. Despite the efforts of the UGAU, Morro da Sé continues to be an area with a high concentration of social

problems like the permanence of illegal activities in the public area. A more continuous and integrated investment of all involved actors is therefore necessary. Nevertheless, since 2006 the demand has slightly improved with the investor who could be won for the hall of residence and the hotel. The latter one, however, is situated at the margins of Morro da Sé (see Figure 4) near the cathedral and the main station and is accessible without entering the area. Therefore, the question arises if there is interest for the inner parts of Morro da Sé as well.

Assumptions that the regeneration of Morro da Sé could be the first step for the replacement of the inhabitants of Morro da Sé does not seem to come true – at least for now. The majority of inhabitants seem to be protected to high rent increases. Moreover, gentrification is not the issue in Morro da Sé, but rather to deal with the enforced depopulation and to incentivise the resettlement of the area. Although the potential consequences of the regeneration process for the tenants cannot be foreseen completely, it is already obvious that the strengths of the new model, e.g. the acceleration of the regeneration process, the support of owners as well as financial incentives, do not come into effect. The high rehabilitation costs as well as the socio-economic position of the inhabitants and owners of Morro da Sé make it almost impossible to transfer the funding of rehabilitation works on the owners and therefore counteract one of the main characteristics of the regeneration model. The fiscal and financial incentives seem to be supportive, but not sufficient; the stigmatization of the neighbourhood and its population has an additional negative impact on the demand for properties. Porto Vivo has difficulties in launching a dynamic regeneration process in Morro da Sé – in contrast to other areas within the ZIP, where due to the high interest of private investors greater interventions of the regeneration society are not necessary. “There are important financial incentives, but they are not sufficient in poor areas like Morro da Sé. They perhaps work in the Baixa³, in streets with high activity, with a less dark history. [...] It is quite another thing to regenerate areas at the river margins, in the Baixa or prestigious sunny streets with view on the river or on the sea. There you do not need incentives like that; in these areas it works all alone”, like an interviewee resumed.

6. Conclusions

A lot of efforts have been made to regenerate the historic centre of Porto and especially Morro da Sé. Overcrowded and highly degraded buildings have been rehabilitated and the living conditions of inhabitants have been improved. Despite the numerous programmes and projects social and physical degradation could not be solved in many cases. In order to rehabilitate buildings, many owners in the historic centre of Porto, and especially in Morro da Sé, were expropriated during the first regeneration programmes and their tenants, especially young families, were relocated in social housing at the periphery. Thus, the programmes reinforced the selective depopulation of the neighbourhood and therefore strengthened its demographic ageing. The old problems of overcrowding in the area were substituted by its opposite. In addition, the change of the population structure challenged the continuity as well as the economic sustainability of various facilities and social services, e.g. nurseries). The expropriation of degraded buildings and the resettlement of the tenants to other parts of Porto without the immediate intervention in the building stock and its subsequent occupation contributed to an increased number of vacant buildings and introduced a process of degradation and abandonment.

The new urban regeneration model is based on the growing responsibility of owners as well as the integration of private investors within the regeneration process. The strategies of Porto Vivo concentrate on physical interventions whereas social aspects of the regeneration process have a minor significance. The transition of the old to the new regeneration model is accompanied by a closure of projects and facilities. Only some local institutions like the Social Centre of Morro da Sé guarantee the viability of some facilities like the seniors home. In contrast, local knowledge and experience could be preserved since a lot of people who worked for the FDZHP or CRUARB are now working for Porto Vivo. Although, the strengths of the new model, especially the acceleration and increased effectiveness of the regeneration process as well as the numerous fiscal and financial incentives, however, do not come into effect in Morro da Sé. The

private sector's involvement in urban regeneration is primarily based on the achievability of high returns on their initial investment and therefore on their confidence in the future of a certain area. Despite the simplification of planning procedures and the fiscal and financial incentives the new legislation has not managed to regain the confidence of potential investors. This is related to the uncertain future of the expropriated buildings by the public authorities, low concretisation of plans and programmes in times of reduced public funding or political or ideological change as well as to the guaranty of security and order of the area. In addition, the high rehabilitation costs, the financially weak owners and tenants of buildings as well as the stigmatisation of the neighbourhood which diminishes private demand, exacerbate the transfer of the rehabilitation responsibility to the private owners. In areas like Morro da Sé, in which the high rehabilitation costs can only be covered by increased rents with high temporal delay due to the protection of tenants, greater financial support by the Portuguese state seems to be indispensable. Local actors are aware of this: the implementation of rehabilitation projects by Porto Vivo is not a rule, but restricted to Morro da Sé. Beside the numerous applications for European funds, public investments in this neighbourhood are considerably higher than in other regeneration areas of in Porto. Whereas 36% of the estimated investment in Morro da Sé is funded by public authorities, the whole intervention area of Porto Vivo is funded by only 21% (Porto Vivo SRU, 2009a).

The orientation of the urban regeneration programmes are interrelated to the Portuguese welfare system. Whereas the first regeneration programmes after the dictatorship since 1974 were completely funded by the Portuguese state, the responsibilities were more and more transferred to private owners. Both did not work very well in Morro da Sé where the current regeneration society is not able to launch a dynamic regeneration process. The rehabilitation and disposal of the numerous vacant and degraded buildings of the state could be a beginning to increase the attractiveness of the area. The process of loss in terms of status, economic vitality and population has developed during various decades. As a consequence, the rehabilitation and revitalisation process will need its time as well and requires a continuous and permanent investment of public authorities in order to achieve constant and sustainable changes in Morro da Sé.

Acknowledgements

1 With the approval of the new legal framework (D.L. n.º 307/2009, de 23 de Outubro) the spatial division in AIPs and intervention units has changed. Now, the regeneration process shall be promoted through the delimitation of so called areas of urban regeneration. Intervention units with an approved strategic document of the former legal framework, however, are equated to the intervention units of the current one. Since the strategic document for Morro da Sé is approved, the former approach of spatial delimitation is explained within the text.

2 With the new legal framework for urban regeneration the mechanism of so called “forced property sale” was implemented. In case that owners cannot or do not want to undertake rehabilitation works on their property, the regeneration society can, as an alternative for an expropriation, arrange the disposal of the building in an public auction. Since it is a way of avoiding expropriations this mechanism is of great importance for the future regeneration process (Decreto-Lei nº 206/2009 de 23 de Outubro, I Série A; Neto et al. 2010).

3 The Portuguese word *Baixa* means “downtown”.

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