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With or
without you:
models of urban
requalification under
neoliberalism
in Portugal

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INTRODUCTION

Goals that underpin policies in the fields of housing and urban requalification, as well as the policy instruments through which these policies are carried out, have been problematised from numerous perspectives. Regarding the mismatch between policy goals and their outputs, Elsinga (2017, 149) argues that “many current housing policies are based on wrong (explicit or implicit) assumptions”, while, in a study of the Portuguese case, Alves (2017a) questions the rationality of policies that in countries with high levels of income inequality and poverty support the commodification of housing and the development of debt-driven ownership. Likewise, Mendes (2014) and Queirós (2015) question the morality of strategies of urban renewal that, under adverse socio-economic circumstances, use housing as an investment asset within a globalised financial market.

The relationship between housing and social exclusion has been analysed from different perspectives, for example, psychological, economic, political, or ideological. On the one hand, the experience of housing affects every aspect of well-being. Room (1995, 105), who claims that the notion of social exclusion focuses primarily on relational issues such as inadequate social participation (e.g. in terms of social, political or civil rights), identifies several forms of social exclusion that go beyond merely material factors and involve aspects of democratic empowerment.

Anderson and Sim (2000), Harvey (2003), Lefebvre (1996) also put forward the need for a more comprehensive understanding of how vulnerable groups are excluded and marginalised; as well as under what conditions the denial of the fundamental right to a decent house occurs, and the denial of the-right-to-the-city. In other words, the right to not be displaced and excluded from one’s previous location, social networks etc.

In terms of globalisation and capitalism, in which there is an increasing commodification of housing, and widening social and economic divisions, housing and urban policies have to be scrutinised in relation to the outcomes they produce. Are they generating just and inclusive outcomes? To what extent are they providing for the right to affordable, adequate and secure housing tenure? Alves’ (2017b) studies confirm the existence of forms of institutional discrimination against people perceived to belong to different racial or ethnic groups, or that lack material and symbolic power. As indicated by Madanipour, Cars and Allen (1998), social exclusion can

best be understood at the micro-level by locating individuals in their social context and understanding how policies and institutional practices targeting neighbourhoods can affect their homes, the built environment, social networks and everyday lives.

Several studies confirm that area-based initiatives can contribute to the further marginalisation and impoverishment of already vulnerable families/groups (Knox and Pinch 2010; Alves 2017c).

To address these issues, and the impacts of policies and institutional practices on neighbourhoods and their residents, the article is organised in the following manner. The first part presents a literature review on the topics of gentrification, entrepreneurialism and displacement. The second part summarises the theoretical insights drawn from an empirical study on the implementation of the SRU (Sociedades de Reabilitação Urbana) model in the municipality of Porto. The Cardosas operation was the specific focus, driven by elite priorities, while disregarding the needs and expectations of sitting tenants. The third part justifies the choice of title, drawing upon discussion of the role of urban and housing policies as an inequality factor in relation to housing policy and the housing market.

This research presents two main theoretical contributions. On the one hand, it illustrates how urban requalification policies based on public-private partnerships and a *laissez-faire* approach to the housing market cause widespread displacement of former sitting tenants, fuelling social and economic inequality within the city. On the other, it supports the claim that crisis and austerity should not be used as an alibi for the formation of neoliberal strategies, which disregard people's rights and preferences. It should rather demand the search for a middle-ground strategy, such as the inclusionary housing model requiring developers to set aside, in market-rate development, a certain percentage of dwelling units for sale or rent to low-income households (Tulumello 2016).

THEORIES OF GENTRIFICATION, ENTREPRENEURIALISM AND DISPLACEMENT

Much literature has been published on the topic of gentrification, a significant part of which attempts to explain the mechanisms that underlie the transformation of traditionally residential working-class areas into middle-class

neighbourhoods. The debate on the concept of gentrification¹ has mostly revolved around the causes and consequences of this phenomenon when there are unequal power relations between the state, the market and citizens. The first academic studies typically focused on the causes of gentrification by looking at the characteristics of the gentrifiers and the gentrified areas (Vázquez 1992). More recent studies, however, have tried to relate gentrification processes to, on the one hand, a broader set of transformations operating in economic and occupational structures (Hamnett 2004); and, on the other, to the role of the state and of neoliberal policies regarding social struggles over urban space.

In the literature review, it is possible to distinguish different explanatory theories that establish the connection between gentrification and other contemporaneous processes. The phenomenon of gentrification has been explained: (i) by the transition from an industrial society to a post-industrial society, in which the social structure of the industrial city (dominated by manual workers with weak economic resources) gives rise to a social structure dominated by employees of financial services and the public sector (Hamnett 2004); (ii) by changes that occur at the level of production, related to the decision to reinvest in the market, aiming to capture the rent-gap that exists in certain areas, that is, the difference in value between the actual and the expected profitable rent²; and (iii) by changes that occur at the level of consumer preferences, related to changes in values and lifestyles of a new middle class.

The relationship between neoliberal urbanism, property-led renewal, and gentrification as regards globalisation and financialisation of home-ownership, has also been highlighted by several authors, who claim that gentrification is an integral part of urban policies worldwide (Uitermark and Loopmans 2013; Janoschka, Sequera and Salinas 2014). With national and local administrators emphasising the relevance of market-based solutions to solve social and urban problems, gentrification, typically used as an economic tool to promote urban renewal, is explained not simply as an economic phenomenon resulting from

1 The concept of gentrification was formulated by sociologist Ruth Glass in 1964 to describe the invasion of working-class London neighbourhoods by the middle-classes. Sociologists and geographers in Portugal have used the terms “nobilização” (nobilisation), “aristocratização” (aristocratisation) and turistificação (touristification) (Rodrigues 2010; Mendes 2012) as synonyms of gentrification.

2 The rent-gap theory continues to be seen as a useful means to explain gentrification, as it looks at cycles of investment and disinvestment in the built environment, and specifically at processes of economic depreciation of real estate value that lead to the possibility of processes of profitable reinvestment (Smith 1979, 1987; van Loon and Aalbers 2017).

the existence of a rent gap, but as a political phenomenon, with mainstream media and politicians constructing gentrification as a practical solution to deal with urban decline (Chum 2015; Slater 2009). Lauer mann (2016) claims that the ‘entrepreneur’ of the entrepreneurial city is a municipal government that has internalised neoliberal imperatives and motivations that are closer to profit, specifically: “investing public funds with simultaneous objectives of achieving public policy goals and expanding public revenue” (Lauer mann 2016, 7). He claims that use of the label “entrepreneurial” is relevant because it offers a more precise description of the type of governance practice that is correlated but not identical to neoliberalism (Lauer mann 2016, 8). Moreover, he explains that contemporary entrepreneurial cities deploy well-established entrepreneurial toolkits, such as public-private investment ventures, municipal real estate speculation, place-branding and inter-urban competition.

Ponzini (2016) observes the relationship between crises and neoliberalism, noting that: “when both public and private resources become scarce, policymakers tend to lower the standards for regulation, to strip-off planning powers and authorities, to try to de-politicise and streamline choices and projects, to promote new strategies” (Ponzini 2016, 1238). The negative effects of the use and promotion of gentrification as an urban strategy that uses public money to pursue market interests have been extensively set out. It is argued that gentrification is likely to harm the interests of the poor (Pugalis 2016) and, more broadly, it can damage the social fabric (Paton and Cooper 2016). The upgrading and replacement of existing building stock, namely of low-rent housing by expensive housing, has an impact on different forms of displacement (Shaw and Hagemans 2015). Marcuse (1986) distinguishes between direct and indirect forms of displacement. While ‘direct displacement’ represents a process in which tenants move because of rent increases or pressure from landlords, “exclusionary displacement”, an indirect form of displacement, reflects the inability of low-income residents to move into gentrified neighbourhoods because of changing conditions in the housing market, for example, higher rents or a reduction in the number of affordable rental dwellings (Hochstenbach and van Gent 2015). As emphasised by Shaw and Hagemans (2015), the mere presence of middle-class people in a gentrifying neighbourhood represents the loss of affordable housing stock and the ongoing reduction of housing options, favouring displacement.

We contribute to this debate by examining how, under neoliberalism and austerity, and with the withdrawal of the state in favour of the private sector,

the municipality of Porto has promoted urban governance modes in the field of housing requalification, favouring gentrification and displacement processes (Sequeira 2011). In this regard, it is worth noting that, in Porto, the relation between gentrification, entrepreneurialism and displacement has been analysed from different perspectives. Fernandes (2011) claims that tourism has brought new economic value to the historic parts of cities, and this new economic value encourages reinvestment related to tourism (guest house accommodation, hotels and hostels, restaurants and cafés, craft shops). Queirós (2013), bringing class relations and inequalities into focus, claims that models of neoliberal urban governance have played a decisive role in displacing former sitting tenants of low socio-economic status and promoting real estate speculation related to “commercial gentrification” (an expression also used by Doucet 2014, 127).

MODELS OF URBAN REQUALIFICATION AND CITY CENTRE REVITALISATION IN PORTUGAL

With a poorly developed welfare state system, Portugal, like other southern European countries, has experienced low levels of public spending on housing³ and has chosen models that mainly favour the construction of new housing at the expense of housing requalification, and market-driven housing provision for purchase, rather than for rental and by non-profit housing organisations.

This predominant (liberal) conception that the market is the best provider of housing and that intervention should be restricted to individuals with greater and means-tested needs, has played a crucial role in Portuguese housing policy for two reasons. First, the provision of social housing was insufficient to respond to the needs of a large percentage of the population that needed housing in cities (the main destination of the rural exodus), leading to the non-planned and non-authorized constructions, with precarious housing conditions becoming evident in many cities.⁴ Second, between 1987 and 2011, the state spent most public funds on housing to support interest rate subsidies

3 Figures on government spending show that levels of state expenditure are very low, equivalent to only 0.1% of the GDP in 2015 (FFMS 2017).

4 In the 1970s a large percentage of permanent housing accommodation in Portugal still had no basic facilities, such as running water (47% of total housing stock), bath or shower (32%), sanitation (58%) and sewers (60%) (Alves 2017a).

on bank loans for the construction and purchase of homes (about three-quarters of all public spending in this domain); at the expense of housing requalification, which received only 1.7% of the total funding (IHRU 2015). As a result, owner-occupancy became the dominant tenure, with 73% of all persons living in a privately-owned dwelling (INE 2011).

Owing to housing policies that mainly supported the production of new buildings, and to land-use planning policies that favoured the expansion of urban sprawl to the peripheries (through the transformation of rural areas into built-up areas), the historic centres of Lisbon and Porto – where the implementation of the so-called first generation of rent controls (Haffner, Elsinga and Hoekstra 2012) was prolonged over time-, created urban decline.

The physical and demographic decline of the historic centre of Porto is attested to by statistical data. Between 1991 and 2011, the population of the historic centre of Porto fell from 20,342 to 9,334 individuals, a loss of about half of the total resident population (INE 2011). In 2011, the share of vacant buildings was about 19% of all housing stock and much of this was in a poor state. Of the 1,800 buildings in the historic centre of Porto in 2011, 34% were in poor condition, requiring major works, while 51% required small and medium-scale repair (INE 2011).

At the same time, the private rental sector decreased abruptly between 1981 and 2011: in Portugal from 40% to 20%, a reduction from 1 074 590 to 545 710 dwellings (INE 2011), in the municipality of Porto decreased from 67 373 to 43 302 dwellings. In 2011, when 43 302 contracts of private rental were registered, half of these dwellings (equivalent to 21 084) still had rents below 100 euros. In contrast, the segment of contracts signed after 1990 has been increasingly dominated by higher rents, which has raised issues of affordability for middle and low-income families.

Following legal reforms in rent regulation (Urban Lease Act Law nr. 31/2012) aiming to eliminate tenant security under new leases, and the transition from the old (pre-1990) lease contracts to a new regime of rents, the state has created a situation in which the interests of landlord and tenant could be more effectively balanced, but also in which remaining sitting tenants are exposed to various forms of displacement.

The current period of liberalisation, which we name “a pro-gentrification phase” comes after an anti-gentrification phase (1974-1998); and a gradual shift towards gentrification (1999- 2004), in which it was no longer possible for the vulnerable families to remain in the area/properties after requalification.

THE ANTI-GENTRIFICATION PHASE (1974-1998)

During this phase, public policies clearly sought to maintain and assist populations installed in the historic districts. Social and physical objectives were closely associated, as initiatives aimed to improve the housing situation of working-class families, while avoiding forced removal and displacement. Decisions were taken by municipalities with the participation of local residents. The Local Support Ambulatory Service (*Serviço de Apoio Ambulatório Local – SAAL*, 1974-1976) is a good example in this regard as well as the “Programme of Urban Requalification” (1985) that created *Gabinetes Técnicos Locais* (GTL) to develop integrated plans of urban requalification. In addition, to support the requalification of private rented dwellings with old contracts and poor housing standards, the central government launched several programmes, such as the RECRIA (Portuguese acronym for Special Reimbursement Scheme for the Recovery of Leased Property), or the REHABITA (Regime to Support Housing Recovery in Ancient Urban Areas) that provided funding for landlords (to support the upgrading of buildings) and housing allowances for sitting tenants (to cover rent increases following housing requalification). In some cases, municipal housing services provided housing for the temporary relocation of sitting tenants during periods of housing requalification, which was considered a great incentive for landlords to rehabilitate their properties (Costa 2010).

In Porto, the government agency CRUARB (Portuguese acronym for Committee for the Urban Renovation of the Ribeira/Barredo Area) was created in the mid-1970s (after the implementation of democracy) to ensure that the working-class population which inhabited the historic centre of Porto “for a long time, in the worst conditions of housing and exploitation” could remain in the area (Alfredo 1997, 78). The goal was to avoid evicting the poor because of rising property values deriving from the requalification of buildings. First as a government agency, later as a GTL, and subsequently as a municipal office, the CRUARB worked for over 30 years to develop an approach based upon: (i) buying degraded properties, through negotiation or expropriation⁵; (ii) developing rehabilitation architectural engineering

5 The expropriation of buildings was justified, allegedly because private landlords did not invest in the maintenance of their properties, although they were legally obliged to do so. Therefore, the public sector had to act in order to prevent the degradation of the historic centre.

projects; and (iii) implementing them. This model allowed the provision of many refurbished rental units with rents below market values. However, it also had several drawbacks, such as the lack of resources to sustain the cycle of expropriation, requalifying and renting. In fact, only a lack of resources explains why many of the expropriated buildings had been not refurbished for decades and that most of the sitting tenants who lived there were eventually rehoused on suburban housing estates (Alves 2010).

In this regard, it is worth noting that in the 1990s, following the accession of Portugal into the European Union in 1986, the country began to receive European funding to support national and local investment in several domains, such as slum clearance, conservation of historic monuments and sites, provision of social infrastructure etc. However, as responsibility for housing policies remained a national and – to a lesser extent – municipal matter and the EU had no direct competence (nor funding available) for this policy, area-based initiatives supported by the EU had only indirect influence on housing renewal. The historic centre of Porto participated, for example, in the initiatives Poverty III and Urban Pilot Projects (launched by the European Commission in 1996) that addressed a wide range of urban problems, such as traffic congestion, waste management, derelict buildings (residential buildings were not eligible for funding), economic decline etc. Projects in this phase tended to adopt an integrated approach to tackle these problems, combining hard infrastructure with environmental, social and economic support measures. Target areas and populations were clearly defined, along with intervention measures. For example, in the disadvantaged neighbourhood of Morro da Sé, in an attempt to promote the citizens' quality of life, the Urban Pilot Project allocated resources to train the long-term unemployed, support for children and seniors at risk of poverty etc. Activities and services substantially increased the quality of life of residents, and several forms of participation and empowerment were implemented (Gros 1993).

THE SHIFT TOWARDS GENTRIFICATION (1998- 2004)

The growing understanding that a 100% publicly funded intervention would not be enough to solve the problems of physical dereliction, which were extensive in the historic centres, led to the recognition that: (i) it would be necessary to put the market of housing requalification and private rental to

work; (ii) tourism and culture could be a driving force for urban requalification, and (iii) that the renovation of public spaces in rundown inner-city areas or waterfronts would generate trickle-down effects associated with the creation of new businesses, housing requalification etc.

The combination of government subsidies in the form of loans directed at homeowners and tax-exemption subsidies to owner-occupiers led to a decline in the private rental sector in major city centres in Portugal. The lack of fiscal and financial support to landlords led not only to the dereliction of the housing stock but also to a reduced supply of affordable dwellings, diminishing the possibility of entry for low- and middle-income households.

The impact of globalisation tends to become apparent at the implementation stage of large-scale urban development projects such as waterfronts, exhibition halls, business centres and international landmark events, as part of an effort to reinforce the competitive position of cities globally (Swyngedouw, Moulaert and Rodriguez 2002).

The organisation of large cultural events, such as the World Exhibition in Lisbon in 1998, or the Porto European Capital of Culture in 2001 (Alves 2017c), as well as the Polis programme that was characterised as a “state-led urban rehabilitation and environmental improvement programme” (Baptista 2013, 596), had several features in common. On the one hand, such events reflect the growing magnitude and deepening impact of inter-regional flows of people and investment (e.g. real estate), which has led to the perception of cities as platforms to attract tourists and investment in real estate. In Portugal, attention to public investment shifted to the public space (urban renewal projects involving streetscaping, pedestrianisation, etc.), as well as the construction of emblematic cultural buildings/facilities seen as necessary to boost the cities’ international presence. The events/programmes mentioned above operated under a regime of exception that provided new management authorities with discretionary planning and development powers. The subsequent phase, represented by the SRU model, has come to consolidate this approach of privatisation, deregulation and marketization, in which area-based initiatives do not address issues of social inclusion and cohesion but rather issues of economic global competition.

A PRO-GENTRIFICATION PHASE (FROM 2004 ONWARDS)

Crisis and austerity provided a legitimate alibi for the formation of neoliberal narratives grounded on the virtues of the market. Two legal initiatives were crucial in this regard. First, in 2004, the state enacted a new model of “urban requalification”, enabling the creation of Urban Requalification Societies (SRU, in the Portuguese acronym) and economic and fiscal benefits to market-oriented strategies. Second, in 2012, the state enacted a new Urban Lease Act Law (Law 31/2012), which paved the way for greater flexibility in the renegotiation of open-ended residential leases between private landlords and tenants, phasing out rent control mechanisms for old leases and imposing stricter limits on the possibility of transmitting the contract to first degree relatives (Mendes and Carmo 2016). With this new law, in which rent increases are established based on property values and landlord/tenant negotiations, tenant protection is reduced.

Elderly householders who entered the sector in the 1950s and 1960s and have faced poor housing conditions over time, now face the threat of seeing their contract terminated by the landlord, for example, in the case of major works in the building, or if their incomes are not low enough for them to be protected from eviction. Furthermore, younger householders, who have low incomes or are unemployed, are often unable to afford the increase of rents in private lets, while at the same time not qualifying for social housing.

The SRU model maintained the preference, already witnessed in the previous phase, for more entrepreneurial and discretionary models of decision and delivery outside existing state bureaucracies. This included the possibility of new agencies, the SRUs, to initiate forced intervention through expropriation (see next section for details).

With the strong reduction of national and local resources directed at housing, the European Bank of Investment (EIB) has become one of the most significant funding sources for urban requalification and the provision of affordable housing. In 2008, the Portuguese authorities and the EIB signed a Memorandum of Understanding for the application of the Joint European Support for Sustainable Investment in City Areas (JESSICA), which was deployed for Portugal’s structural funding programme (ERDF) from 2007-2013 (Deloitte and Parque Expo 2009). This instrument that funded municipalities, SRU, banks, investment funds, or private entities supported urban regeneration projects. The national framework to guide these investments

was the programme “Partnerships for Urban Regeneration”, implemented during the period 2009-2013, when initiatives were mainly directed at historic centres and waterfronts. In 2012, a new financial instrument using EIB funds was launched by IHURU, the programme *Reabilitar para arrendar* (Rehabilitate to rent), aiming to provide loans for the rehabilitation of old buildings (more than 30 years old) which, following rehabilitation, would be used mainly for housing purposes and rental with conditioned rents below market values. This programme has been used in Lisbon and Porto to provide non-profit rental housing to families, although with limited impact, as the public funding amounted to only €50 m for the whole country until 2017.

THE ROLE OF PORTO VIVO SRU IN HOUSING POLICY AND HOUSING MARKET INEQUALITIES

The critical analysis of the SRU model is developed in this section and draws upon empirical research developed on the cases of Porto and Lisbon (Branco and Alves 2015). Besides legislation, strategic plans and execution reports, the research involved six semi-structured face-to-face interviews conducted with local politicians, managers and technicians at different levels of governance: SRU, local administration, central administration (Table 19.1). In order to maintain confidentiality and protect the identity of the professionals from whom we gathered information, the list was anonymised and no further details on age, previous jobs, or gender were provided. The interviews were

Table 19.1 *List of interviews*

ID	INSTITUTION	POSITION	ROLES	DATE	INT. TIME
PS1	Porto Vivo SRU	Senior officer	Project implementation; Management	16-01-2015	00h55m
PS2	Porto Vivo SRU	Technical staff	Project implementation	15-01-2015	01h32m
PS3	Porto Vivo SRU	Administration	Policy making; Management	16-01-2015	01h02m
LG1	Porto Municipality	Political staff	Policy making	17-01-2015	01h25m
CG1	IHRU (Central office)	Administration	Policy making; Management	02-03-2015	01h02m
CG2	IHRU (Porto delegation)	Senior officer	Management	17-01-2015	01h35m

anonymous to encourage the respondents to be as open and transparent about their views as possible.

The interviews were after transcribed and coded according to the main themes and topics of the questions that were asked in the interview. In this chapter we only present the main conclusions regarding the unit of analysis Cardosas operation. For more details on the research methodology and results see Branco and Alves (2015) and Branco and Alves (2018).

Following an initial analysis of the statutory model of SRU, in this section we develop a deeper analysis of the SRU Porto Vivo. We discuss the main works carried out by this agency over the last decade in the historic centre of Porto; along with the Cardosas operation, a paradigmatic example of a systematic, wide-ranging strategy of urban restructuring, which proved highly controversial due to its rationale, means and results.

THE STATUTORY MODEL AND THE POLICIES AND PRACTICES OF PORTO VIVO SRU

With limited funding for housing policies and urban requalification (Alves 2016), and of increasing pressure by property developers, business elites and investors to accommodate tourism-related activities through housing requalification, the Urban Requalification Law (Legal Decree no. 103/2004) promulgated a special regime of urban requalification and urban governance to support pro-growth strategies and real estate development (Branco and Alves 2015).

The SRU model, a state-sponsored strategy voluntarily applied by the municipalities, allows a transference of powers from the municipalities to companies who are then able to employ staff, contract commercial loans, define requalification strategies, license private operations and expropriate or force the sale of buildings in the case of restructuring operations etc.

The statutory framework allowed for the creation of two types of SRU, that is, (i) as a municipal company, or (ii) as a partnership between the central state, namely the Institute of Housing and Urban Rehabilitation (IHRU in the Portuguese acronym), the government-run body responsible for implementing government housing policy in Portugal and a municipality. The later institutional model was implemented only in Porto, Coimbra and Viseu, all of them remaining active to date, while the former was implemented in

several local authorities. Many have been dismantled since, as in 2012 the central government approved legislation that stated that the municipalities should incorporate the deficits and bank loans of their companies, and those not financially sustainable would have to be closed down.

The research presented in this chapter focuses on the policies and practices of Porto Vivo SRU and the Cardosas operation. These choices can be justified on several grounds. On the one hand, regarding Porto Vivo SRU, because this agency was created as a partnership between the central state and the municipality, with the central state (through IHRU) owning 60% of the capital and the Porto municipality the remaining 40%. This management structure raised several issues of vertical and horizontal governance, but Porto Vivo SRU enjoyed substantial freedom to define its strategies in terms of areas of intervention and typologies of operation (Table 19.2)

The Cardosas operation was chosen because it raises interesting ethical and moral issues related to the role of local authorities, here represented by Porto Vivo SRU, with regard to public-private partnerships. This is because the Cardosas operation involved controversial high financial deficits⁶ and outcomes associated with the displacement of sitting tenants, for the construction of a luxury hotel, a condominium (of 50 housing units and 19 commercial units), an underground parking lot for 355 cars and a new plaza.

The next section presents evidence regarding the Cardosas Operation. Regarding the other two intervention typologies (see Table 19.2), it is worth noting that the operation, which targeted the physical requalification of public space, the Mouzinho-Flores Operation, is contiguous to the Cardosas quarter, representing a high concentration of resources in a relatively small area of the city centre. The Mouzinho-Flores Operation, which targeted the requalification of the public space near the Cardosas quarter, supported the pattern of transformation in local commerce and housing towards high-end niche markets and tourist demands.

Regarding the direct requalification of buildings owned by the SRU or by the municipality, it is interesting to note that, following refurbishment, the option to place the dwellings on the rental market was used mostly

6 Porto Vivo SRU was involved in the acquisition of buildings through expropriation or negotiated purchases, infrastructures, and granted reductions and exemption from licensing fees and taxes on property ownership or transaction.

Table 19.2

The main strategies and operations drafted and implemented by Porto Vivo SRU over the last 10 years

	URBAN REHABILITATION CONTRACTS IN PUBLIC-PRIVATE PARTNERSHIPS	DIRECT REQUALIFICATION OF SRU BUILDINGS	DIRECT PHYSICAL REQUALIFICATION OF PUBLIC SPACE
ACTORS	Formal public- private agreements were drafted to specify the responsibilities of each one	Public	Public
FUNDING	Public (national, European); Private (in some cases involving real estate funds)	Public (national, European)	Public (national, European)
MAIN USES	Housing, tourism-related activities (hotels, bars, restaurants)	Housing, to rent or to sell; construction or extension of social infrastructure	Public space
STRATEGIC GOALS	Attract investment; increase tourism	Stop degradation; rehousing	Rehabilitation of the built fabric to attract new commercial activities, tourism, accommodation units and restaurants
TARGET AREAS POPULATION	Small quarters/upper and upper-middle class, external, foreign	SRU buildings/upper and upper-middle class (to buy), low-middle to rent	Private investors/developers, tourists
APPROACH TO HOUSING	Ownership, short rental	Ownership, Rental	Indirect, trickle-down effects expected
EXAMPLE	Cardosas operation	Morro da Sé operation	Mouzinho/Flores Operation

in the Morro da Sé neighbourhood, a deprived area which contained a high level of mainly publicly owned derelict and vacant buildings. Of all housing stock in Morro da Sé, 40% was public property (SRU/municipality), which before being rented required substantial work, while most buildings were occupied by tenants (80% of the total). Of these, 32 buildings were requalified with funding from a €7.5 m loan granted by the European Investment Bank, most of them turned into affordable rental units for middle-class families.

Figure 19.1*The Cardosas quarter in the historic centre*

THE CARDOSAS OPERATION

This section discusses the main ideas, assumptions and discourses associated with the Cardosas Operation.

First, revision of the strategic official documents that supported the operation show that the need for a comprehensive restructuring of the Cardosas quarter, located in the heart of Porto city centre, was justified both by the levels of physical degradation of the area, and the potential for leveraging a wider area in central Porto. The intention to target a more affluent population, if possible tourists and investors interested in a second home, is explicit; whilst the production of affordable housing at controlled costs and for rental was never envisaged by the document. The decision to relocate the existing population elsewhere was justified by the fact that sitting tenants would not be able to afford the “higher standard” quality housing that was envisaged for the area (Porto Vivo SRU 2007, 21).

Second, regarding modes of implementation, a public-private partnership was created between Porto Vivo SRU and two private partners. A real estate

investment fund, designated First Oporto Urban Regeneration Fund (4F), was involved.

The planning agreement signed between the parts envisaged the requalification of a luxury hotel, a housing complex with 50 new luxury dwellings (mostly one- or two-bedroom units), qualified commerce and services (on the ground floor), and an underground car park, that aim to meet the needs of an affluent population.

Although the public partner supported the costs with expropriations, demolition and construction of new buildings and semi-public spaces, developers were not required to set aside a percentage of dwelling units for sale or rent to low-income households. Planning permissions were approved without local authorities requiring a percentage of affordable housing units in the new development from developers. As a result of this “exclusionary” strategy, sitting tenants were displaced and rehoused by local authorities elsewhere.

As for implementation on the ground, interviewees claimed that the main purposes of SRU was/is the rehabilitation of public spaces, the rehabilitation of their own buildings and, foremost, the facilitation of private investment by cutting back bureaucracy and supporting their projects. The prevailing view of Porto Vivo SRU’s role in public-private partnerships is that it plays an instrumental role in the implementation of projects: “it serves as a mere tool to expropriate the properties which were not in the private partners’ possession so that they could execute the works” (PS1). Accordingly, the interviewees’ view on strategies and goals seems to favour private investors’ interests: “the owner can bring ideas into the project or an investor can appear who is not the original owner and has a given project in mind and all this is flexible. We have changed various situations according to market dynamics” (PS1).

When asked about the need for more diverse social composition of the quarter, interviewees disregarded inclusiveness. In one case, it was argued that the inclusion of other social groups (low-income groups) occurred in a nearby quarter – “50m from the Cardosas we have the Morro da Sé” (PS3), a district where the intervention of Porto Vivo SRU targeted low-middle income families.

Regarding outcomes, it is undisputed that the Cardosas Operation transformed the profile of the quarter’s housing stock in terms of tenures and typology structure, rent values, the state of conservation of the buildings and residents’ socio-economic profiles.

Whilst some interviewees attempted to legitimate the strategies and operational choices made by SRU bureaucrats, others questioned the rationale and results of the operation in terms of benefits, costs, and disadvantages.

One particular aspect was paradigmatic of the lack of intervention from public partners regarding the social exclusion aspects of the intervention: the privatisation of the open area of the quarter, a gated condominium that is closed by night. Whilst admitting that this is undesirable, all SRU staff members considered it necessary to preserve the new residents' interests.

CONCLUSION

Social exclusion is a multifaceted process by which individuals and their communities become polarised, socially differentiated and unequal (Levitas 2006). Social exclusion can have profound effects on some aspects of social participation.

In this chapter, the interpretation of social exclusion in relation to housing is developed through the analysis of discourse and national and local policies; in other words, analysis of their embedded rationalities, aims, and outcomes.

The title of the paper refers to the need to evaluate policies from a more humanitarian perspective, from that of the impact they have or might have on people's lives/trajectories. Are policies promoting the economic, social, and political participation of individuals and groups, or are they instead contributing to processes that distance persons, groups, and communities?

By scrutinising the different phases of urban policy targeting urban decline, we have shown that, after an anti-gentrification phase in which policies were closely linked to the provision of decent housing for working-class populations and the fight against poverty and social exclusion, a subsequent phase, focusing upon the improvement of public spaces and the organisation of large cultural events, paved the way for a more aggressive phase of gentrification which coincided with severe austerity policies that mainly affected spending on housing and social policies.

Neoliberal ideas, which were dominant among policy-makers during this period, framed the new legal and institutional framework designed to boost housing requalification. The SRU model, specifically that implemented by Porto Vivo SRU, diverged from the fundamental principles and goals of previous

public institutions (e. g. CRUARB), whose strategies focused on requalification to secure affordable housing in order to maintain less resourceful families in the city centre (Alves 2017a). In contrast, the new wave of entrepreneurial neoliberal urbanism developed by SRU claims that gentrification is a necessary urban strategy to bring investment and activities back to the city, disregarding social aspects related to displacement and the increasing commodification of housing.

By looking at the discourses and practices of urban requalification policy in Porto Vivo SRU, this research illustrates how gentrification and a new revanchist urbanism has overtaken urban policies in Portugal so that the state has gone from being a regulator to being an agent or promoter of market-led initiatives and financialisation.

The interconnectedness of global capital and local housing markets, along with neoliberal policy in Porto has also shown that SRU strategies are reinforcing a rising rent pattern, which is likely to intensify the poverty trap and underlining inequalities in Portugal.

The prevailing ideology of liberalism favoured the creation of public-private partnership that, with the Porto Vivo SRU governance, provided favourable conditions for market-led interests. Results show that national and local authorities made no effort to limit profit and to capture spill-overs and the increase of value that resulted from public spending on infrastructure and licensing. Redevelopment permission was not negotiated to secure the provision of affordable rental housing *in situ*, the creation of mixed communities, and to regulate the use of dwellings for non-permanent accommodation (e. g. short rentals for tourism).

Public policy should mitigate rather than aggravate poverty dynamics, as they reinforce social and spatial inequality. Public policy should support negotiations and legal agreements with private developers to promote tenure diversification, not to produce a landscape of gentrification that, by increasing land and housing values, exposes households to greater market risks related to indebtedness, interest rate fluctuations, and house price volatility. We argue, with Harvey (2003), that the right to the city should not be: “the right of access to what the property speculators and state planners define, but an active right to make the city different”. In other words, a city with inclusionary zoning practices requiring a percentage of affordable housing units to be built on-site, enabling the provision of affordable housing with different price ranges and tenures, facilitating social inclusion.

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