Final Report

JESSICA EVALUATION STUDY

June 26th 2009

This document has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union. Certain commercially sensitive data has been removed from this report

Glossary

CAPEX	Capital Expenditure
CMVM	*Comissão de Mercados e Valores Mobiliários* (Secuity Market Exchange)
COGS	Cost Of Goods Sold
CEB	Council of Europe Development Bank
Deloitte	Deloitte Consultores S.A.
EBIT	Earnings Before Interest and Tax
€	Euro
EU	European Commission
EC	European Commission
EIB	European Investment Bank
ERDF	European Regional Development Fund
EURG	Excepcional Urban Rehabilitation Regime (*Regulamento Especial das Edificações Urbanas*)
FIIAH	Fundo de Investimento Imobiliário de Arrendamento Habitacional
HF	Holding Fund
IA	Implementing Authority
IMI	*Imposto Municipal sobre Imoveis (*Property Tax)
IMT	*Imposto Municipal sobre transações* (Transfer Tax)
IRS	*Imposto sobre as pessoas singulares* (Singular Income tax)
IRC	*Imposto sobre o Rendimento de pessoas Colectivas* (Corporate Income Tax)
IRR	Internal Rate of Return
JESSICA	Joint European Support for Sustainable Investment in City Areas
MA	Managing Authority for a Regional Operational Programme
MoU	Memorandum of Understanding
M	Million
n.a	Non available
n.Q	Non quantifiable
NPSP	National Programme for Special Planning
NSRF	National Strategic Reference Framework
NAV	Net Asset Value
NUTSII	Nomenclature of Territorial Units for Statistics (Nomenclature D'unités Territoriales Statistiques)
NRAU	*Novo Regime de Arrendamento Urbano* (New Urban Lease Law)
Parque Expo	Parque Expo S.A.
PPP	Public-private partnership
REIF	Real Estate Investment Fund
ROP	Regional Operational Programme
SRU	*Sociedade de Reabilitação Urbana* (Urban Renewal Company)
SREIF	Special Real Estate Investment Fund
TETOP	Territorial Enhacement Thematic Operational Programme
k	Thousand
UNESCO	United Nations Education, Scientific and Cultural Organization
UDF	Urban Development Fund
VAT	Value added Tax

Introduction

The Portuguese Authorities and the European Investment Bank signed in November 2008 a Memorandum of Understanding for the application of the Joint European Support for Sustainable Investment in City Areas (JESSICA) in Portugal. The MoU establishes that a study was required to analyse if the JESSICA instrument would be suitable for the deployment of part of the country's structural funding programme (ERDF) from 2007 to 2013.

Purpose of the Study

Deloitte Consultores S.A. ("Deloitte") , in association with Parque Expo 98, S.A., (Parque Expo), has therefore been appointed by the EIB to undertake a study, which addresses the following questions:

a) Do the Portuguese policy drivers and approach to planning regeneration indicate that the JESSICA instrument would be suitable for Structural Funds deployment;

b) If so, should a Holding Fund be established to manage the investment of JESSICA cash into UDFs;

c) On the basis of a Holding Fund being adopted, what would be a suitable architecture for JESSICA in Portugal, particularly considering the number of possible UDFs required and the role of the public and private sector in this structure;

d) What/where are the initial projects that would lend themselves to early implementation by the first Portuguese UDFs;

e) What does this imply for JESSICA deployment and what are the next steps and actions for all the stakeholders;

f) Are there any statutory or legislative barriers that could prevent the optimum delivery of the JESSICA instrument in Portugal, and if so, what are the appropriate options for change.

Conclusions

a) *Do the Portuguese policy drivers and approach to planning regeneration indicate that the JESSICA instrument would be suitable for Structural Funds deployment*

The issue of urban regeneration is present in various instruments of Portuguese urban policy, all emphasising the importance of valuing territory and reinforcing its appeal within an integrated perspective. Several policies (between 2005 and 2007) were approved by the Government in order to create a strong framework focused on urban regeneration:

- The National Sustainable Development Strategy 2005-2015 (NSDS),
- The National Programme for Spatial Planning (NPSP),
- Polis XXI,
- National Strategic Reference Framework (NSRF);
- Urban Rehabilitation Law(which is being revised in order to provide a deeper and wider legal framework on urban regeneration).
- The Fiscal Benefits Statute, wich determines several benefits directed at Urban Rehabilitation Projects

The NSRF Programmes were designed to match cities' policies and provide support for regeneration interventions in cities.

These instruments are in place and provide a framework for strategic planning on urban regeneration. Public players are acquainted with these policies and know how to use the instruments at their disposal for urban regeneration projects. Urban Regeneration Partnerships are already in place, in line with EU requirements for structural funding, although supported in a traditional grant model.

The JESSICA initiative is based on the same assumptions as the NSRF and is already mentioned in the Regional Operational Programs as a possible source of funding for Urban Regeneration Partnerships. Thus, JESSICA will be part of this framework and will be suitable for Structural Funds deployment.

b) *If so, should a Holding Fund be established to manage the investment of JESSICA cash into UDFs*

An initial task of the study was to evaluate the use of a Holding Fund in the Portuguese context, to set out the benefits of Holding Fund deployment, and to report accordingly.

Analyses based on the 9 examples of regeneration cases given and on team's experience of the JESSICA instrument and regeneration projects in Portugal showed:

- There are no UDFs already existing in Portugal. Public sector intervention will help to set up the early funds and create experience.
- The current regeneration PPP relationship is relatively undeveloped, with few, true joint ventures in place.
- Development of regeneration projects work has not focused sufficiently on the role of private finance in delivery.
- Establishing JESSICA through a Holding Fund will help the process of setting up UDFs, as the public and private sectors will receive support from the Holding Fund Manager on the JESSICA's principles to adopt.

Based on the negotiations between EIB and the Portuguese Government and on the study findings, a Holding Fund managed by the EIB on behalf of the Portuguese Managing Authorities should be established, with an initial allocation of €100 million, which could be made available immediately after Holding Fund constitution or during a pre-defined period.

c) On the basis of a Holding Fund being adopted, what would be a suitable architecture for JESSICA in Portugal, particularly considering the number of possible UDFs required and the role of the public and private sector in this structure

The definition of an UDF architecture for the deployment of JESSICA implies the choice of an adequate and balanced mix of these UDF models , or if, considered preferable, the option for a minimalistic approach more in line with the intended strategy, but in any case necessarily capable of delivering the expected output considering the strategy adopted and projects need and demand.

Based on the analyses of the 9 given example cases as of typical project models in Portugal it was possible to confirm that, at project level, there is no significant difference between one UDF model or there are no better solutions in terms of the type of UDF to adopt and indeed a blend of options might be the most suitable for implementation. This means that the most determining aspect for the conception of JESSICA architecture at the UDF level is the strategy defined for JESSICA use and deployment. It will be the set of options embraced by the Investing Committee, reflecting public policies adopted and government orientations, that will determine which type of architecture will be the most appropriated to carry and fulfill those objectives. Thus, a good model will pursue the approved strategy with a balanced and effective mix of spatial (national, regional, local) and sectorial (thematic, according to nature of investment) models - not excluding investor lead UDF option, to satisfy specific market needs.

At project level, UDF architectures (spatially led, sector led, investor led or mixed) do not seem to have negative impact on projects, being all possibilities adequate from project perspective - project promoters rationally will look for any resource given, adapting project natures and types if needed. Considering this reality, the adequate UDF architecture must be defined in accordance with the existing (or new) public policies and strategies defined by the Government and developed by the Investment Committee of the Holding Fund.

UDF admissible legal nature and form is still being studied as part of the JESSICA's global legal study for Portugal. However, at this stage, preliminary findings suggest that the constitution of an UDF may be supported on a relatively simple legal architecture, based on existing legal structures.

As the 9 given example cases show urban regeneration dynamics in Portugal is mainly promoted by the Public Sector. Municipalities, SRUs and even the Government are the main drivers of urban regeneration projects, typically as a result of projects lack of commercial attractiveness.

With JESSICA, the Public Sector will still maintain its role of main driver, but now more as an aggregator of partners that creates the conditions for the development of urban regeneration projects and for the use of Structural Funds under a new framework - instead of being the single or main investor. In fact, considering the further detailed conclusions on the relevance of JESSICA, the public sector role will benefit of more and better conditions to promote regeneration where needed. Public entities, namely Municipalities and SRUs, will be especially involved at project level.

The private sector will be present at the project level and probably, also at the UDF level. At the project level as an investor/developer of urban regeneration projects funded by JESSICA. At UDF level, as UDF managers or even as co-investor will be able to assume the role of UDF managers and co-investors, and together with Public Entities, be an essential part in JESSICA's deployment.

d) *What/where are the initial projects that would lend themselves to early implementation by the first Portuguese UDFs*

JESSICA is an initiative that, if properly used, can be an adequate answer to the urban regeneration funding difficulties. Urban Regeneration often requires projects to be delivered that are not viable for commercial investors to fund on their own, so action is needed to facilitate projects for the benefits of social and economic cohesion.

For the elaboration of this study the Portuguese Government indicated 9 urban regeneration cases to be analyzed and used as example projects representing Portuguese urban regeneration panorama. No other indications were given in what concerns a prospective view of possible initial projects to be used in the implementation of the first Portuguese UDF.

As the 9 example cases reflect a significant part of the regeneration panorama in Portugal it is worth highlighting the main key findings:

- The analyzed urban regeneration projects tend to have a local dimension with the predominance of city historical/traditional old centers presenting urban and social deterioration and a decreasing number of residents, although in some cases with relevant touristic assets.

- Projects are mainly focused on the requalification of public spaces and the rehabilitation of buildings with differentiated uses, such as housing (one of the biggest problems and main concern, present in the majority of the cases), commerce and services. Redefining the mix of uses and anchor projects are the main challenges of these projects. Typical anchor projects in these cases are: parking lots, students residence, hotels, elder residences , social and cultural equipments and transportation systems. Social and economic outcome is always a pursued result though not always quantified.

- Project leaders/promoters are mainly Municipalities and/ or SRU's, reflecting public dynamism for these sort of projects. Almost all the projects were developed either under the framework of the urban rehabilitation law 104/2004, of May 7th and/ or NSRF urban regeneration partnerships. Thus an integrated urban regeneration plan or project exists. These plans allow for a global and integrated definition of a regeneration strategy for a degradated or obsolete urban area.

- Projects funding was developed on a "grant" perspective (Structural Funds have a major role on the projects definition).

- Economical weaknesses are mainly related with a low IRR/attractiveness for private investors. Nevertheless some of the projects show potential for return leverage is needed to create conditions to attract private entities.

- With JESSICA, not only the initial unattractiveness is solved, but a more permanent multiplying effect of Structural Funds can be expected. In this sense, and from a public perspective, for urban regeneration initiatives that have potential to generate revenues that might compensate the public investment made, but lack private attractiveness, JESSICA initiative is an efficient way of assuring a proper and most effective use of public monies.

With the team's experience and the knowledge gathered with the study of the 9 given example cases, and based on JESSICA's and NSRF requirement, we created a set of criteria to be used as preliminary screening framework for the selection of Jessicable projects.

Thus, to be considered as potentially Jessicable a project must have positive answer to the following questions:

- Is the project (partially) eligible under the NSRF rules ?

- Is it included in an integrated sustainable urban development plan?

- Will the investment occur until 2015?

- Will the project generate sufficient revenues to support the reimbursement of JESSICA funds?

- Are private entities or financial institutions involved?

- Does the project generate positive externalities, including greater interest of private entities in rehabilitation, better life conditions and employment among others?

e) *What does this imply for JESSICA deployment and what are the next steps and actions for all the stakeholders*

After the conclusion of the financial agreement between the Portuguese Authorities and the EIB, assuring JESSICA implementation and the Holding Fund definition, some tasks must be completed, namely:

- Definition of the Holding Fund strategy by the Investment Committee ;
- Deployment of the Holding Fund and definition of its organizational structure and governance, including UDF's regulations and supervision model;
- Publicize JESSICA instrument and its requirements, eventually promoting presentations to the main potential interested parts: Municipalities, SRUs, banks, investment funds or private entities involved in Urban regeneration projects;
- Prepare and launch a public tender for the UDFs selection, in accordance with the legislation applicable ;
- Selection of the UDF Managers;
- JESSICA funds transfer to the UDFs.

f) *Are there any statutory or legislative barriers that could prevent the optimum delivery of the JESSICA instrument in Portugal, and if so, what are the appropriate options for change*

For this matter, the EIB has appointed a lawyers firm (Sérvulo & Associados, Sociedade de Advogados, RL.) to deliver a study related to the national statutory and legislative laws at presented time in Portugal. This study started recently, in the middle of our timeline report delivery. As such, all legal and statutory issues will be answered on the mentioned legal report.

Introduction and purpose of the report

Introduction

The Portuguese Authorities and the European Investment Bank signed in November 2008 a Memorandum of Understanding for the application of the Joint European Support for Sustainable Investment in City Areas (JESSICA) in Portugal. The MoU signed also establishes that a study is required to analyse if the JESSICA instrument would be suitable for the deployment of part of the country's structural funding programme (ERDF) from 2007 to 2013.

The JESSICA instrument has been the subject of considerable development by the EIB as part of its mandate from the EU Commission to market and implement JESSICA across the EU.

In summary, a Managing Authority can take the decision to deploy a proportion of its Structural Funds through UDFs to make investments in regeneration projects. These investments, which can take the form of equity, debt and guarantees, must be made in projects forming part of integrated urban development plans, focusing primarily, but not exclusively, on 'place-making' (as considered eligible by the Commission under the Structural Funds framework). The investments must also be capable of making a return to a UDF, thereby replenishing the UDF for further regeneration investment in the future.

Should a Country decide to proceed with JESSICA, and if the necessary UDF architecture is not be in place, the regulations allow for the setting up of a Holding Fund to draw ERDF cash down immediately from the Commission and begin the process of setting up UDFs under the supervision of an appointed Holding Fund manager**.**

Purpose of the Study

Deloitte Consultores S.A. ("Deloitte") has therefore been appointed by the EIB to undertake a study, which addresses the following questions:

- Do the Portuguese policy drivers and approach to planning regeneration indicate that the JESSICA instrument would be suitable for Structural Funds deployment;
- If so, should a Holding Fund be established to manage the investment of JESSICA cash into UDFs;
- On the basis of a Holding Fund being adopted, what would be a suitable architecture for JESSICA in Portugal, particularly considering the number of possible UDFs required and the role of the public and private sector in this structure;
- What/where are the initial projects that would lend themselves to early implementation by the first Portuguese UDFs;
- What does this imply for JESSICA deployment and what are the next steps and actions for all the stakeholders;
- Are there any statutory or legislative barriers that could prevent the optimum delivery of the JESSICA instrument in Portugal, and if so, what are the appropriate options for change.

Introduction and purpose of the report

For the development of the study, and following a requirement of the tender process launched by EIB, to include urban consultants in the project team, Parque Expo S.A. (“Parque Expo”) has been invited by Deloitte to integrate the project team. In this scope, the project team involves Deloitte professionals, with relevant experience in JESSICA evaluation studies in other countries and in financial advisory, as well as, other preliminary studies, and Parque Expo professionals, with extensive experience in urban planning and regeneration.

It is important to note that this study has been commissioned by the EIB but the Portuguese Government will be a key beneficiary of its findings. It should also be noted that certain principles pertaining to the JESSICA instrument have been included within the study as adopted JESSICA best practices, under instruction from the EIB. These principles have been developed within other JESSICA evaluation studies (some of which Deloitte were commissioned for) across the EU in Portugal.

Work methodology

Regarding the purpose of the Study to be provided to the EIB and the Local Authorities a work methodology was established and agreed with the EIB to best suit the defined objectives. Three work plan stages were identified:

- In the first stage, the main objective beside preparing the Inception Report was to develop a preliminary analysis of JESSICA's structure and to understand the main characteristics of the nine urban regeneration cases given by the Portuguese Authorities.
- In the second stage, the main concern was to analyse in detail the example cases given. In order to do so, several meetings were arranged with the responsible entities and/or project managers (mainly Municipalities and/or SRUs, and/or others) in order to gather available information. The only exception to the meetings program planned was Setubal Municipality with whom it was not possible to meet. We also met with financial entities (CGD and BPI) to learn their view on JESSICA and the potential to have a role on the JESSICA architecture, not only at the project level, but also at UDF level, as UDF managers and investors. Additionally, a meeting with Fund Box (Real Estate Fund Manager involved in the Coimbra Project) was arranged in order to understand the concept of a Real Estate Investment Fund and its applicability towards JESSICA's assumptions and definition.
- The final stage was the elaboration of the complete Final Report containing the conclusions of the work performed according to the objectives and scope initially defined and adapted in line with the comments and indications of the EIB and the Portuguese authorities.

During the process we held follow-up meetings with the Coordinator of the Committee appointed by the Portuguese Government to follow this study and 3 meetings with the Committee itself.

This Final Report was prepared according to the following chapter objectives and work performed:

Overview of the EU operational programmes for Portugal

Objective:
To identify the aims and purposes of each operational programme framework, in order to establish a matching with JESSICA's assumptions, mainly with the Jessicable type projects and their eligibility on the national legal context.

Work performed:
Analysis of the existing EU operational programmes in Portugal, with special attention to the period between 2008-2013. Identification of the main similarities and differences between the referred programmes and adaptation of JESSICA to this context.

JESSICA framework

Objective:
To analyze JESSICA characteristics an to identify and define which are the JESSICA criteria projects must follow and their adherence to the Portuguese reality.
Identification of the main characteristics and possibilities in terms of architecture, intervenients and stakeholders and mechanisms of JESSICA and it's adherence to the Portuguese reality.

Work performed:
Analysis of the standard defined criteria and definition of the generic critical questions that allow the application of JESSICA to the Portuguese projects having in consideration the current financial and legal constrains.

Analysis of UDF types and its potential use to assess different scenarios for JESSICA's architecture, including the analysis of the role of each stakeholder and intervenient at the Holding Fund, UDF and project level.

Case studies: profile and analysis

Objective:
To present consistent profiles of several Portuguese case studies in order to support the conclusions and the preparation of scenarios where JESSICA might have a positive impact.

Work performed:
For each of the 14 case studies provided (9 locations), a general profile was prepared based on the information given and, for the most advanced cases, with better JESSICA applicability, a financial and business profile was prepared. For these cases the compliance with JESSICA criteria was determined.

A memorandum of meetings held is included in Appendix 2.

JESSICA application in theoretical cases

Objective:
To create typical Jessicable cases in order to identify, demonstrate and clarify the positive impact of JESSICA and the potential for changing in the stakeholders decisions regarding the execution of the projects, therefore correcting market deficiencies. Additionally, to create typical UDFs investment using the prototype cases in order to simulate private investment at this level, and sequentially to present the results at the Holding Fund level with focus on the revolving effect.

Work performed:
We developed several theoretical business plans for the typical intervention projects on different contexts, with JESSICA's intervention on different roles: equity, loan and/or equity+loan.
The designed potential scenarios do not reflect all the possibilities to consider on the JESSICA's architecture implementation in Portugal, however, due to the information provided at all levels, we feel that the examples presented are the ones that best illustrate JESSICA's possible impact on urban renewal business plans, and all its implications and positive externalities for the projects stakeholders.

Additionally, we considered the possibility of an UDF investing in each of the projects according to the possibilities that best suited the project necessities and according to the UDF philosophy. In sequence, we analysed and presented the possible solutions to motivate private investment at the UDF level.

Finally, we presented the results at the HF level for the investment in the previously developed UDF as escalated for a total investment of €100M at the first investment cycle. Furthermore, we illustrated the reinvestment in other UDFs at year 10 in order to simulate JESSICA revolving effect and final results.

Proposed solution for JESSICA in Portugal

Objective:
To recommend on JESSICA implementation in Portugal, having in consideration all the findings, identified restrictions, the national context and the preliminary conclusions of your legal advisors.

Work performed:
On the UDF level, based on the information provided and the analysis performed during all the process, we have worked on a possible JESSICA architecture, with a potential UDF structure which best suits JESSICA's criteria and assumptions and especially in accordance with the Operational Programmes framework. Additionally, we have identified possible key stakeholders as UDF managers and/or project managers/participants, their roles and objectives.

Public Policies

The issue of urban regeneration is present in the various instruments of Portuguese urban policy. These instruments emphasise the importance of valuing territory and reinforcing its appeal within an integrating perspective. Such a perspective should add value to the territory and promote its social and economic development in line with the concept of regeneration: more than just the physical repairing of a space, but the reversal of a process of degradation that affects physical, economic and social aspects. In Portugal, especially between 2005 and 2007, several policy instruments were approved by the Government in order to create a strong framework focused on urban regeneration:

- **The National Sustainable Development Strategy 2005-2015 (NSDS),** approved in August 2006, is one of the essential documents that frame spatial planning. Its overall scope is to turn Portugal into one of the most competitive countries in the European Union within a context of environmental quality and social cohesion and responsibility. In order to achieve this, one of the targets is to value and spatially plan the territory, based on an urban dynamic that is more resource and environmentally friendly. This target is achieved by reversing the trend towards extensive and low quality urban growth and encouraging urban re-qualification and recovery of degraded areas, promoting higher standards of quality of life.

- **The National Programme for Spatial Planning (NPSP)**, approved by the Parliament in September 2007 establishes the major options that are relevant to the organisation of the country, in line with NSDS and with the values encompassed by the concept of regeneration. At a regional level, this Programme is embodied and fleshed out by the Regional Spatial Planning Schemes, and at municipal level, by the Municipal Master Plans. The aim of the National Programme is to promote a territory that is sustainable and well planned by integrating and binding together the national territory, requalifying urban areas, preserving resources and co-ordinating expansion. In addition, two of its ambitions are to achieve equality in territorial development and well being, and to achieve a competitive, inclusive and open economy.

- **Polis XXI,** approved in March 2007, is the cities policy programme for the sustainable development and national cohesion of the Portuguese cities. It is constituted by a set of integrated urban policy instruments aimed at promoting urban regeneration, competitiveness and innovation through networking as well as at improving quality of life and environment in the cities. It highlights urban regeneration as an essential dimension of cities cohesion, determinant for the quality of life. Polis XXI will be implemented during the 2007-2013 period, mainly through partnership contracts celebrated between public and private parties. Urban Regeneration Partnerships are the specific instrument for regeneration interventions in urban areas and, as referred in Polis XXI and the NSRF, these partnerships can mobilise support from JESSICA - beside other National and EU resources.

In line with the NSDS, the NPSP and Polis XXI, Urban regeneration is also subject to extensive consideration in the **National Strategic Reference Framework (NSRF)**.

On a different scale, another instrument has been in place since 2004: the Urban Rehabilitation Law. This law is focused on the rehabilitation of critical urban areas and degraded historical centres, with special emphasis on building rehabilitation, and created the Urban Rehabilitation Societies, which are Municipality or State owned companies in charge of the rehabilitation of these areas - from the rehabilitation plan to execution. This law is being revised in order to provide a deeper and wider legal framework on urban regeneration.

The **Fiscal Benefits Statute** must also be included in this framework ,as it determines several benefits directed at Urban Rehabilitation. A special benefit as been recently approved and included in this Law that determines specific exemptions for real estate funds predominantly constituted by real estate assets that are to be rehabilitated.

National Strategic Reference Framework

The **National Strategic Reference Framework (NSRF)** frames Community policy for economic and social cohesion in Portugal for the [2008-2013] period. The aim of the NSRF is to value knowledge and innovation, as well as to promote higher and sustained levels of economic and socio-cultural development and territorial qualification. This aim sits within a framework of valuing equal opportunities and greater efficiency and quality within public institutions.

The qualification of the cities and the territory is a strategic priority of the NSRF with special emphasis in the environmental, territorial planning and urban development fields, all essential to a sustainable and regionally balanced development of the country.

NSRF's Operational Agenda for Territorial Enhancement, aiming at the qualification of territories and the bolstering of economic, social and territorial cohesion, defines city policies as one of its main areas of intervention and establishes the following specific objectives:

- To qualify and revitalise the different spaces that comprise each city. Defining a new approach for critical neighbourhoods, abandoned or obsolete areas, historical centres and economic enhancing of notable urban value areas, are key tasks to understand the fulfilment of this objective;
- To strengthen and differentiate the human, institutional, cultural and economic capital of each city, thus strengthening the regional, national and international role of urban agglomerations;
- To qualify and enhance the integration of the city in the region it belongs to, promoting complementarily between urban and rural spaces, assuring structured agglomerations and preventing disperse urbanisation, rationalising spatial uses for greater development potential;
- To bring innovation to solve urban problems, seeking solutions towards new technologies, efficiency and re-use of existing infrastructure or facilities.

The fulfilment of these objectives within the scope of the NSRF will be achieved essentially via intervention typologies aimed at structuring urban centres in the territorial model defined in the NPSP and formalised and developed by the Regional Spatial Planning Schemes (RSPS).

The Operational Agenda for Territorial Enhancement is implemented by the Territorial Enhancement Thematic Operational Programme - co-financed by, European Regional Development Fund (ERDF) and, by the Cohesion Fund – and the Regional Operational Programmes - North, Centre, Lisbon, Alentejo and Algarve - co-financed by the European Regional Development Fund – and the Operational Programmes for the Autonomous Regions - of the Azores and Madeira - co-financed by the European Regional Development Fund and the European Social Fund.

NSRF Operational Programmes

Territorial Enhancement Thematic Operational Programme (TETOP) - Priority AXIS IX "National Urban Development".

The TETOP is one of the operational and financial instruments used to achieve the NSRF's Operational Agenda for Territorial Enhancement and Portuguese public policies, in particular the National Programme for Spatial Planning and Polis XXI. With a national scope, interventions supported by priority axis IX of this Operational Programme are essentially directed at the implementation or reinforcement of national infrastructure and facility networks and innovative measures in response to urban problems and demands.

Axis IX includes the following types of intervention, applicable only to the North, Centre and Alentejo Regions:

- Within the scope of Facilities Networks:
  - Construction and requalification of collective facilities to develop and qualify national networks in places where there is a national commitment to increased demand, particularly Secondary School Networks with Sports Infrastructure and Facilities (basic and specialised sports facilities);
  - Construction of very specialised/exclusive facilities or with a large area of influence in those cases that these special characteristics contribute to structuring the national urban system, to assert and differentiate some urban centres at the higher levels of the urban hierarchy and to reinforce the existence of multiple centres.

  - Construction of very specialised/exclusive facilities or with a large area of influence in those cases that these special characteristics contribute to structuring the national urban system, to assert and differentiate some urban centres at the higher levels of the urban hierarchy and to reinforce the existence of multiple centres.

- Within the scope of Innovative Actions for Urban Development, pilot projects (preferably where the main component does not have to be material). These projects should reflect the application of innovative solutions that may respond to urban needs and new urban demands, particularly with respect to the following themes:
  - Providing proximity services which are relevant to those facilitating the balance between personal life, family life and work life;
  - Urban accessibility and mobility that is relevant to solutions acting on the side of transport demand;
  - Safety, risk prevention and crime-fighting;
  - Management of public and built-up areas;
  - Ecological innovations in the fields of construction and housing;
  - Efficient energy management;
  - Air quality management;
  - Waste treatment and enhancement;
  - Models of urban governance.

NSRF Regional Operational Programmes (ROP)

Priority Axis related to Territorial Enhancement and Urban Development

The North, Centre, Lisbon, Alentejo and Algarve NUTS II Regional Operational Programmes are the operational and financial instruments with regional and local impact. The respective axis anticipates interventions that fulfil public policies and NSRF objectives on the qualification of cities and territories, as well as its Operational Agenda for Territorial Enhancement.

Within the scope of these regional Programmes the main interventions that are included relating to the Cities' Policy are normally considered within a specific priority axis of each programme and the instruments are Partnerships for Urban Regeneration, and Urban Networks for Competitiveness and Innovation:

- Partnerships for Urban Regeneration are partnerships between urban players (both public and private) and are created to proceed with the common implementation of an Integrated Action Plan for the regeneration of an urban area such as historic centres, river and sea fronts, the urban periphery, abandoned areas and critical neighbourhoods that justify an urban regeneration intervention and a qualification of their integration within the city as a whole. At this stage several partnerships have already been created and received approval for EU and National funding. Besides the EU funds granted for these purposes it should be noted that Regional Operational Plans refer to the possibility of Urban Regeneration Partnerships funding through the JESSICA Initiative.

- Urban Networks for Competitiveness and Innovation are also subject to the establishment of a partnership between Municipalities, public entities and private entities and the common implementation of an Integrated Strategic Programme for urban. These Integrated Strategic Programmes may consider strategies of inter-urban cooperation, the consolidation of collective urban development efforts and the insertion of cities into international networks. The main types of actions within the scope of an Integrated Strategic Plan are:

  - Setting the city network in motion;
  - Launching structures for inter-urban cooperation;
  - Creating networks between public facilities;
  - Developing advanced use of information and communication technology;
  - Creating partnerships between higher education centres and centres for research and development with other corporate and institutional partners;
  - Promoting/hosting events of international relevance;
  - Urban marketing;
  - Creating spaces, community centres and facilities.

At this stage several partnerships have already been created and received approval for EU and National funding.

Perspective of NSRF Portugal "2007-2013" current fund allocation.

The NSRF 2007-2013 for Portugal has a total EU Structural Funds amount of €21.500M allocated to the previously mentioned operational programmes and available to fund eligible projects that meet the requirements set to fulfill the strategy and the objectives of National and EU economic and social policies.

The allocations of EU funds is established at the global level of each programme and each of its priority axes.

The Management Authorities (public entities) of the operational programmes are the entities responsible for the financial and operational management of their programmes including the procedures for submission and approval of applications.

Financial support under the programs is carried out through a regular tender for submission of applications by project promoters and subsequent evaluation and approval of funding by the Management Authorities.

ERDF funds within the NSRF focused on actions directed at the implementation of cities policy, namely those concerning "development and urban regeneration" are, as previously mentioned, allocated to :

- The Territorial Enhancement Thematic Operational Programme financing plan - national level, urban development;

- The Regional Operational Programmes – NUTS II Regions (North, Centre, Lisbon, Alentejo and Algarve) financing plan - for the partnerships for urban regeneration.

Allocations assigned to these programs and financial data relating to past approvals (available end of April 2009) are:

Territorial Enhancement Thematic Operational Programme

The Operational Program has a total amount of ERDF funds of €1,598M. Actions relating to urban development are envisaged in its Priority Axis IX "National Urban Development System" with an ERDF budget of €799M. ERDF funding of projects under this programme/axis has already been approved totaling €247M:

- €119M for collective facilities;
- €118M for rare facilities with a large area of influence;
- €10M for innovative actions for urban development.

North Regional Operational Program

The North Regional Operational Program has an ERDF total funding of €2,711M.
Funding for "Partnerships for Urban Regeneration" is provided in its Priority Axis IX "Qualification of Urban System". This axis has a total ERDF allocation of €645M.
Funding of partnerships for urban regeneration has already reached a total of €131M. ERDF maximum funding approved until now is €6.9M.

Centre Regional Operational Program

The Centre Regional Operational Program has a ERDF total funding of €1,701M.
Funding for "Partnerships for Urban Regeneration" is provided in its Priority Axis II "Development of Cities and Urban System". This axis has a total ERDF allocation of €250M.
Funding of partnerships for urban regeneration has already reached a total of €75M. ERDF maximum funding approved until now is €6.9M.

Lisbon Regional Operational Program

The Lisbon Regional Operational Program has an ERDF total funding of €306M.
Funding for "Partnerships for Urban Regeneration" is provided in its Priority Axes II “Territorial Enhancement" and III “Social Cohesion”. These axes have together a total ERDF allocation of €142M.
Funding of partnerships for urban regeneration has already reached a total of €21M. ERDF maximum funding approved until now is €3.5M.

Alentejo Regional Operational Program

The Alentejo Regional Operational Program has an ERDF total funding of €869M.
Funding for "Partnerships for Urban Regeneration" is provided in its Priority Axis II "Urban Development". This axis has a total ERDF allocation of €140M.
Funding of partnerships for urban regeneration has already reached a total of €39M.
ERDF maximum funding approved until now is €6.5M.

Algarve Regional Operational Program

The Algarve Regional Operational Program has an ERDF total funding of €175M.
Funding for "Partnerships for Urban Regeneration" is provided in its Priority Axis III "Territorial Enhancement and Urban Development". This axis has a total ERDF allocation of €61M.
There is no available data concerning funding approvals for Partnerships for Urban Regeneration.

A few notes:

- The amount set out in the financial plans and allocated to the mentioned Priority Axes of the Regional Operational Programs may partially fund other areas of intervention included in these Axes that are not related to the “partnerships for urban regeneration” specific actions .
- It must be noted that the mentioned approvals concerning “Partnerships for Urban Regeneration” relate mainly to the establishment of local partnerships and to the Integrated Action Programs applications.
- Regarding total data available concerning the approvals of Integrated Action Plans, the largest amounts of eligible investment have been between €10M and €13M and the higher funding approvals of ERDF by the MA has been between €5M and €7M.
- At the end of April 2009 the overall funding of NRSF 2007-2013 allocated to specific actions for development and urban regeneration €2,037M euro. ERDF funding of specific actions for development and urban regeneration approved until now is amounted to €513M.

Overview of the EU operational programmes for Portugal

NSRF 2007-2013 PORTUGAL - Operational Programs.
Urban Development and Regeneration Actions - ERDF Allocations and Management Authorities Approvals.

OPERATIONAL PROGRAMS and PRIORITY AXIS in URBAN DEVELOPMENT and REGENERATION ACTIONS	ERDF Funding Allocations (financial plans)	PUBLIC NATIONAL Investment (financial plans)	ERDF Funding Approvals (by the end of April 2009)
	€M	€M	€M
Territorial Enhancement Thematic Operational Programme (TETOP)	**1,598**	**660**	-
Axis IX - National Urban Development	*799*	*342*	*247*
i) Construction and requalification of collective facilities particulary Secondary School Networks and Sports Infrastructures and Facilities.	-	-	119
ii) Construction of rare facilities or with a large area of influence.	-	-	118
iii) Innovative Actions for Urban Development.	-	-	10
North Regional Operational Program	**2,711**	**1,543**	-
Axis IV - Qualification of Urban System	*645*	*260*	*131*
Centre Regional Operational Program	**1,701**	**1,179**	-
Axis II - Development of Cities and Urban Systems	*250*	*97*	*75*
Lisbon Regional Operational Program	**306**	**375**	-
Axis II -Territorial Enhancement	*71*	*61*	*16*
Axis III - Social Cohesion	*71*	*61*	*5*
Alentejo Regional Operational Program	**869**	**591**	-
Axis II - Urban Development	*140*	*54*	*39*
Algarve Regional Operational Program	**175**	**177**	-
Axis III - Territorial Enhancement and Urban Development	*61*	*35*	n.a.
TOTAL OP's	**7,360**	**4,525**	-
TOTAL AXIS	**2,037**	**910**	**513**

SOURCE: NSRF/OPERATIONAL PROGRAMS 2007-2013 PORTUGAL and MANAGEMENT AUTHORITIES DATA

Conclusions:

- Portuguese policy on cities is in place and provides a framework for strategic planning on urban regeneration;
- NSRF Programmes were designed to match cities' policies and provide support for regeneration interventions in cities;
- The JESSICA initiative is part of this framework, as stated in several instruments/documents/operational programmes;
- Public players are acquainted with policies and use the instruments at their disposal for urban regeneration projects;
- Urban Regeneration Partnerships are already in place, in line with EU requirements for structural funding, although supported in a traditional grant model.

Introduction

The purpose of this chapter is to set out the main principles that will underpin the development of a JESSICA structure for Portugal and outline the early decision making that has been undertaken by the Portuguese Government on JESSICA prior to this study commencing.

We will outline key criteria that must be in place for projects and stakeholders wishing to interact with the structure and provide context for the detailed case study review to be undertaken in the following chapters.

Predetermined Factors Impacting the Study Context

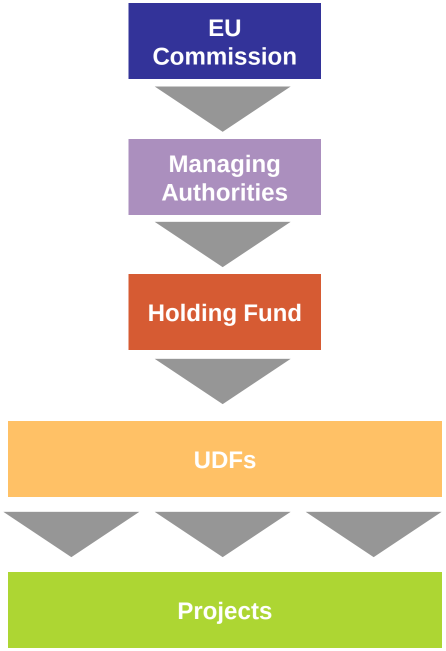
On appointment, we were informed that early discussions between the Portuguese Government and the EIB (as agents of the EU) had reached the point that all parties believed adopting JESSICA was a preferred course of action and that this study should seek to support this emerging conclusion by demonstrating how JESSICA could be implemented in Portugal.

These initial discussions were based on the following landscape for economic development in Portugal, as outlined to us by the EIB and based on our own understanding:

- A national policy framework is in place that provides a strategic overview for the use of EU Structural Funds. Several urban regeneration partnerships have been approved under NSRF framework and, as a general strategic tool, several cities already have developed integrated urban regeneration plans to be implemented in the future. Thus, a regional and city based dynamic for public led regeneration is in place, which stimulates project development and secures public funding for delivery.
- The approach to project development generates strong case studies, which demonstrates the ability to bring forward place-making projects that are in line with EU Commission requirements for structural funding.
- Regeneration project delivery has historically been instigated by the public sector, with the private sector playing a 'contractor' role in delivery. As such the public: private relationship appears in its infancy and opportune to expand through mechanisms like JESSICA.
- There are few PPPs in place for regeneration delivery in Portugal presently. A review of existing delivery suggests the role of joint ventures (and similar mechanisms) are under utilised and therefore risk transfer and co-financing are not engrained in the public: private relationship.

The Generic JESSICA Structure

Our initial instructions from the EIB and Portuguese Authorities was to take forward the assumption that JESSICA would be adopted and develop a suitable architecture for JESSICA, starting from the basic principles of the instrument as defined by the regulations, previous studies into its deployment and early application across the EU.



Later in this chapter, we review each level of the structure and its particular application in Portugal – but first we outline the early decision making process to adopt JESSICA by the Government that has a bearing on this study.

Decision to Adopt JESSICA

Structural Funds are currently applied to projects in Portugal through grants. These are, in certain circumstances, wholly suitable and address a fundamental market failure to deliver place making schemes by the private sector.

However, it is known that Structural Funds could be applied through a more 'investment based' approach – the expectation exists that such investments could yield returns that can be recycled into other schemes. The JESSICA initiative is ideally suited to purpose and, subject to further review, could therefore be suitable for adoption in Portugal.

In the light of initial EIB marketing of the JESSICA instrument and the Portuguese Government's own initial appraisal of the benefits of JESSICA, a MoU was signed between the Portuguese Government and the EIB to implement JESSICA in Portugal and work towards establishing a Funds in excess of €100M for this initiative.

The Government's decision to consider JESSICA is also based on a key advantage of the instrument – outlined by the EIB's and by early studies in other countries – being the ability to lever other investment from either public or private sources into a JESSICA backed structure and making return generating investments in regeneration projects. This has significant potential to increase the scale of regeneration projects delivered with the support of ERDF funds.

What is emerging in other member states is the ability of JESSICA funds to lever debt and equity from wider sources to significantly enhance the scope of investment opportunity. Multiples of between 5 and 10 times the ERDF transferred to JESSICA have been noted, however detailed market testing with local institutions must be undertaken to gauge appetite in Portugal.

On appointment, Deloitte (with collaboration of Parque Expo) were asked to explore the validity of the claims that JESSICA should be adopted in Portugal to help address:

- A shortfall in the amount of public sector funding available to deliver an ambitious regeneration project agenda through integrated urban plans;
- Latent appetite for private finance funds to be levered into regeneration projects and current project capacity to assume debt or equity investments.

Taking the Decision to Have a Holding Fund

At the start of this study in February 2009, advanced negotiations were being held between the Government and the EIB to appoint the EIB as a Holding Fund manager – clearly indicating that a Holding Fund would be used within the JESSICA structure.

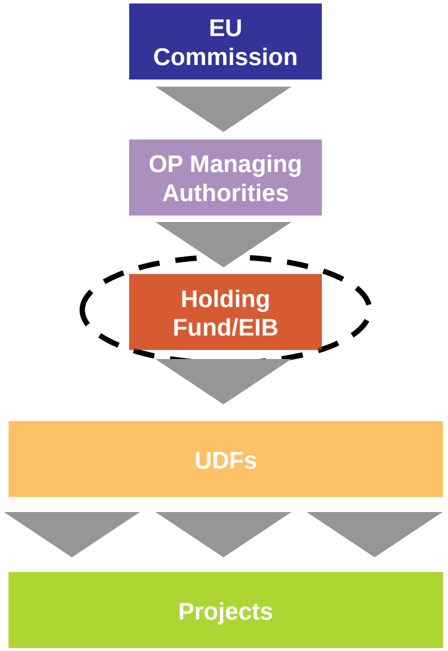
A Holding Fund can be considered as a 'fund of funds' that receives the ERDF monies from Managing Authorities and invest them in UDF's. Based on prior experience across the EU, it is important to consider if there are UDFs already in place, which can be direct recipients for JESSICA monies, and if not, what is the timescale for their formation.

Deloitte and Parque Expo's first task beside preparation of the inception report was to review, in four weeks from appointment, if structure including a Holding Fund was a possible solution for Portugal (based on our own experience of the JESSICA instrument and explanations provided to us by the Government).

At that stage the details of any negotiations were not available and the review was based on the preliminary analyses of nine example regeneration projects provided by the Government.

These projects were used as case studies to illustrate if and how a holding fund could be applied in Portugal.

The key findings of this early review supported the decision to adopt a JESSICA Holding Fund – which were presented in the inception report in March 2009. A summary of its findings is included on the next page.



Findings of Holding Fund Review

Initial analysis of the proposed landscape for a JESSICA structure in Portugal has indicated that:

- There are no UDFs already existing in Portugal. As such there is a clear need for public sector intervention to set up the early funds and demonstrate to the wider market how these funds should be constituted.
- The current regeneration PPP relationship is relatively undeveloped, with few~~,~~ true joint ventures in place - beside urban regeneration partnerships formed under NSRF framework. Establishing JESSICA will help the process of setting up UDFs, as the public and private sector will receive support from the Holding Fund Manager on the principles for their use.
- Development of regeneration projects work has been particularly strong in setting out the scope and nature of a project's objectives, but has not focused sufficiently on the role of private finance in delivery. Through support from the Holding Fund Manager, JESSICA will encourage projects to be developed that suitably take account of this perceived investment potential.
- Most of existing regeneration partnerships currently do not have a visible investment tool through which public and private cash or land can be invested in a regeneration project. JESSICA will provide this.

Summary Rational for a Holding Fund

Interpreting the above in the context of the 2007 to 2013 structural funding programme highlights that a strong rational can be used to support the use of a Holding Fund to initiate the JESSICA structure in Portugal. The arguments in support of having a Holding Fund are therefore centred on:

- Setting up the Holding Fund as a 'fund of funds' through which the Managing Authorities and EIB work to develop UDF propositions. The Holding Fund, would be a revolving Fund that receives returns back from the UDFs once a programme of investment has been completed.
- As a revolving investment fund, the Holding Fund would be instrumental in the reinvestment decision making process – enabling the Portuguese authorities to utilise the expertise of the EIB in a second round of project and UDF development.
- Provides for a dedicated Fund Manager tasked with overseeing the deployment of JESSICA funds into UDFs (on behalf of the Managing Authorities) in the early years and supporting the development of emerging investment opportunities with project delivery partners.
- Reduces the pressure on UDF creation and project development so a considered and well planned approach to project implementation can take place.
- The Holding Fund may be able to generate an annual return (on deposited funds) which, could be used to support project planning and UDF set up costs.

Appointing a Holding Fund Manager

The EU regulations permit the EIB (appointed directly) or a local bank (appointed through competition) to act as the Fund Manager. It is standard practice for a Fund Manager agreement to be drawn up for this role, encompassing the work the fund manager will do co-ordinating the investment JESSICA cash into UDFs (on behalf of the Managing Authorities) and the fees to be received for the service.

We understand that the EIB and the Government have held preliminary discussions to appoint the EIB as a fund manager and are now proceeding with detailed negotiations on a funding agreement for a Holding Fund. Our experience of other countries' adoption of JESSICA suggests this would be a suitable course of action in Portugal because:

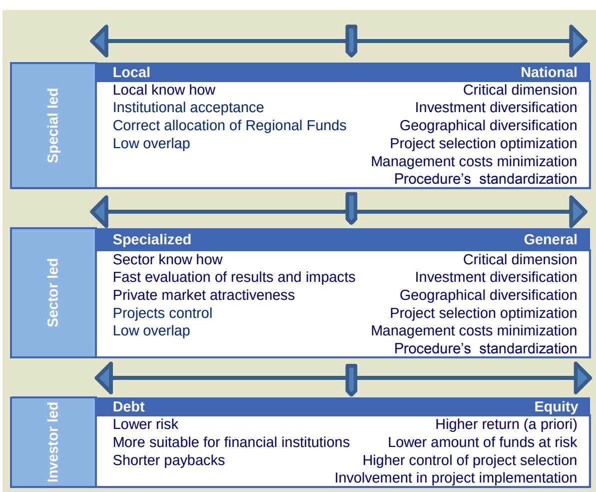
- The direct appointment of the EIB is a quick process when compared with a competitive EU compliant procurement process, which can take upwards of 12-18 months to complete. This is valuable time saved in the Operational Programme period.
- The EIB is a neutral body with a growing track record of managing and investing in UDF, providing valuable support to UDF planning and structuring.

Possible UDF Architecture Options

This section of the report now reviews the headline options for UDF structures, which can be broadly based around:

- Spatially led – either a single country wide UDF or city / regional vehicles that are defined by geographic boundaries and invest in a mixed range of projects within that ‘geography’.
- Sector led – focussed on addressing certain regeneration objectives, such as infrastructure, public realm, remediation, mix use or energy efficiency within the remit of the Managing Authority.
- Investor led – structured to meet the needs of private investors by allocating similar types of project and risk profiles for funds that specialise as either debt or equity investors.

At this stage of the report, no conclusions are drawn on the most appropriate approach – indeed, findings for the project review in the later chapters may indicate a blend of the above options is most suitable for implementation.



Relationship between the Holding and the UDFs

The Holding Fund, will invest funds into each UDF, in accordance with the business plan established by the UDFs, which the Holding Fund will appraise. Once the funds are deployed in each UDF, the control on the efficiency of the UDF management will be performed by a designated UDF manager, who will be responsible for reporting back to the Holding Fund in an agreed format.

Based on the progress of the negotiations that the Portugese Government and EIB are conducting, it is understood that UDF will have the responsibility to:

- Promote its projects and co-ordinate the necessary projects delivery partners to ensure the project proceeds in line with its business plan (as approved by the Holding Fund);
- Implement projects with a suitable return and, as agreed, repay those returns back into the Holding Fund;
- Integrate projects which satisfy their intervention area’s needs;
- Promote partnerships with private sector of the region, or if not possible, from other regions.

Each UDF manager must have appropriate management expertise for its project delivery proposals. This expertise will be wide ranging and include ability to adhere to the Operational Program requirements and Structural Fund rules. Strong financial skills will be needed to ensure project finances are suitably monitored and the necessary reports made to the Holding Fund on progress of generating return that may be reinvested on other urban renewal interventions. In this context, the UDF managers must appreciate equilibrium between the regeneration impacts of a project and the financial returns possible.

As each UDF is likely to deliver a range of projects, such as infrastructure, public realm, energy efficiency, remediation or transport – as such the UDF management team must be able to access specialist sector skills and provide sufficient comfort to the Holding Fund that it can deliver an integrated investment.

The revolving nature of investment will be different between each UDF, affected by time, nature of projects and nature of investments. As such the UDF must be able to demonstrate it can manage funds flexible and be flexible within the constrains of ERDF guidance to deliver best economic impact.

Roles within the Architecture: UDF Manager

This section of the report now outlines the roles required within the JESSICA structure to enable efficient and compliant deployment of JESSICA funds. The purpose of this section is to outline necessary skills and resources required to implement the generic JESSICA roles and thereby provide context to the consideration of the Portuguese JESSICA architecture through consideration of case study examples of possible investment opportunities.

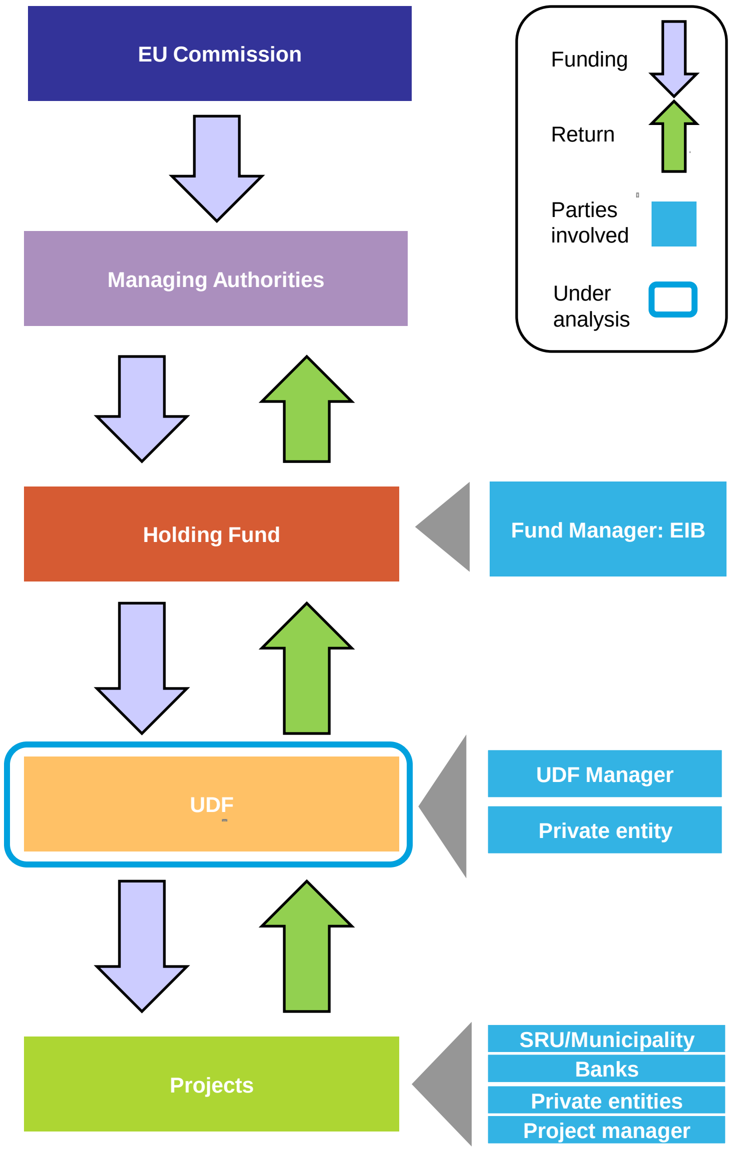
UDF Manager

Concerning the funds provided by the Holding Fund, the UDFs will need a manager to act as custodian and invest initial JESSICA monies from the EU. These funds will be allocated into projects that meet the Jessicable assumptions, according to the JESSICA requirements.The manager role would be focused on proactively developing project opportunities with partners, assuring JESSICA funds to be well implemented in private public partnerships or joint ventures.

The UDF managers will be responsible for generation, pre-screening, and analysis of projects to be funded according to JESSICA assumptions, as well as for the day to day management, supervision of projects, funds disbursement and collection. They will act as supervisors and only allow investments in well defined projects that only require funding support and where project delivery partners display strong project development .

To manage a UDF, the following skills have to be assured:

- Demonstrate sufficient competence and independence in order to meet the requirements of EU regulations;
- Knowledge on business plans and budgets to be applicable for qualified jessicable projects;
- Sound financial backing to enable sustainable investments, which include JESSICA, to take place;
- Be able to manage long-term investment projects;
- Deep understanding of the economic development drivers behind the ERDF / JESSICA initiative;
- Project appraisal skills to explore the detailed commercial and technical challenges within a project set out for JESSICA.



When considering suitable entities who could be UDF managers, a number of organizational groups appear well suited. Detailed consideration of these groups is undertaken in later chapters in the report, as the specific architecture for JESSICA is set out together with possible parties who could deliver it.

An early focus on the JESSICA study was to review appetite of National Banks to participate and/or undertake the necessary responsibilities in managing funds, coming from the Holding Fund, and bringing together the necessary parties to deliver a portfolio of projects. These entities have distinct advantages to fulfilling this role:

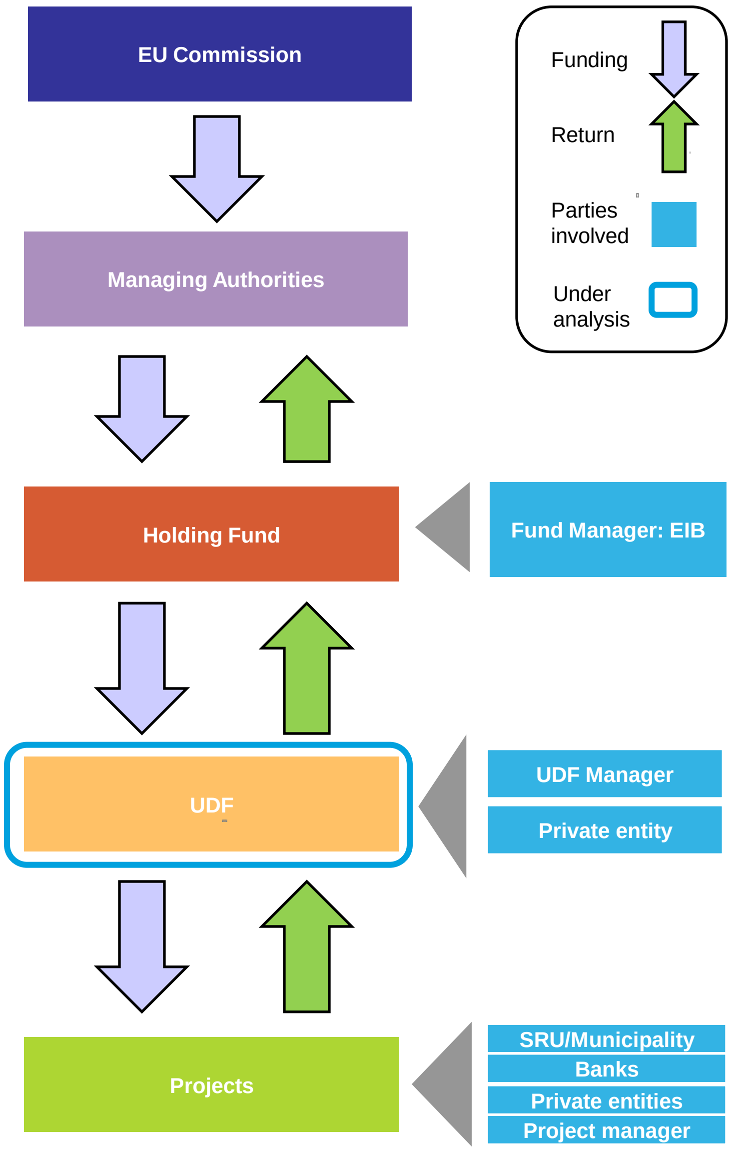
- They have direct past experience of running funds;
- They have sufficient critical mass of finance to complement JESSICA investments with their own investment funds.

In addition, UDF Manager would need to be supported by technical advisors and experts on the development of regeneration projects proposals within the UDF. The technical advisor's main role is to provide support to the UDF manager and help ascertain the technical requirements of a regeneration project proposed for investment within a UDF. It is expected that a range of projects will seek UDF funding, which in turn will require the UDF manager to undertake a technical appraisal of a project's viability.

Private Entity

Considering a private entity on the UDF structure can be at the level of UDF Manager and/ or entering as shareholder. As already mentioned, at the level of UDF Manager, there are a range of recommended skills that must followed in order to have a proper profile for this matter.

At the level of shareholder, the entrance of a private entity on the UDF can be beneficent, in terms of return level achievement. Private entities interest in participating on a UDF relies on its ability to achieve attractive results, by defining what are the most suitable projects to be financially supported by the UDF (according to the UDF's investment assumptions).



Finally, the various requirements for project delivery are outlined below to enable the operation of the JESSICA structure.

Project's entity manager

Taking into account the JESSICA structure and the Holding Fund's approval criteria for the UDF Manager, the project's management entities should have the ability and the know-how to create proposals that are eligible for JESSICA. The project managers should aggregate in these type of projects, private investors, institutional investors (commercial banks) and public entities, such as the SRU's or Municipalities.

Municipalities/SRU

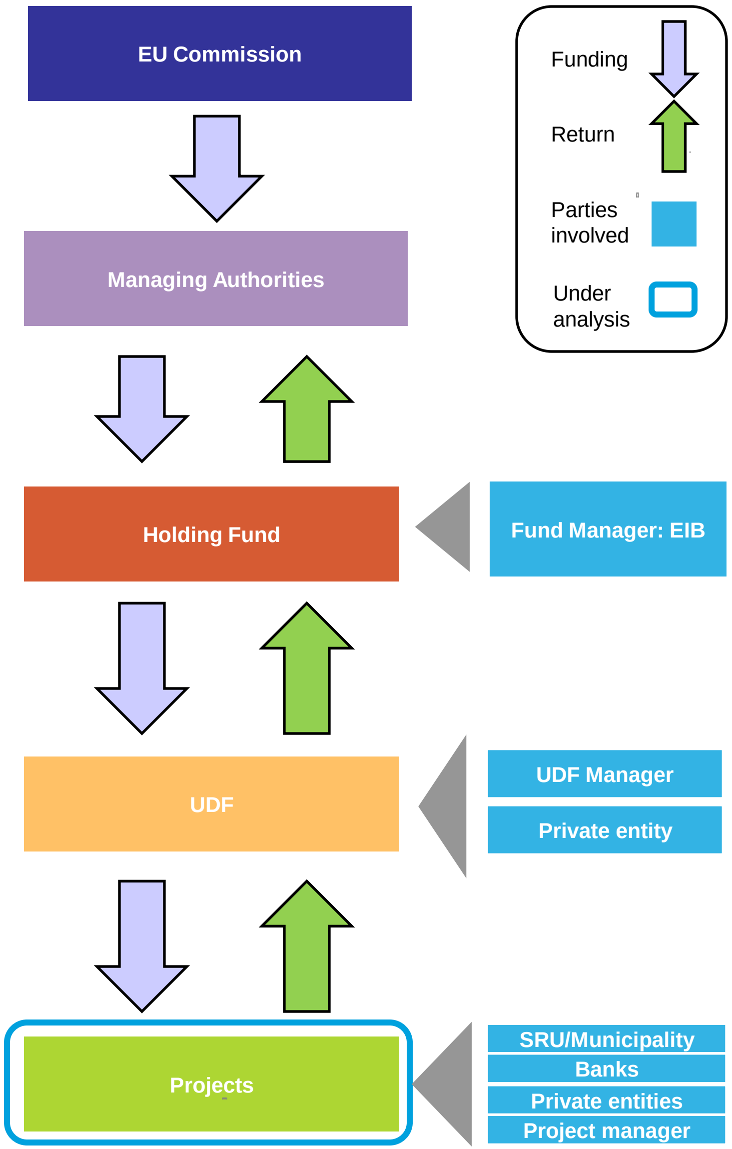
Regarding urban regeneration interventions, Municipalities and SRU's (urban renewal societies) have especial role as entities capable of creating and /or promoting the implementation of urban regeneration projects, act as facilitators in the gathering of financial support (banks) and private interest (private participation with equity and/or loan) into the eligible projects for JESSICA.

Private entities

The participation of Private entities is involved in providing equity and/or loan financial support to a project, thereby retaining a stake in the project's success. Additionally, they are also able to create projects which can be included on the Integrated Regeneration Plans established by the Municipalities/SRUs.

Banks

This entity has an important role, by providing financial support to the urban renewal interventions with a loan or guarantee, or even, if the project is very attractive, can enter as equity partner. Bank's participation on the project can be a part of a leverage to its implementation.



Identification of jessicability criteria

Based on project team's experience regarding JESSICA initiative application in other countries and urban regeneration projects in Portugal, as well as on the objectives of JESSICA for Portugal, the following criterias should be adopted to assess the Jessicability of each particular urban regeneration project:

1. Conditions for investments eligibility are identical to those applicable under the Structural Funds, with special focus on Urban Regeneration Partnerships requirements. The Project should be developed under an integrated perspective, investment should be made until 2015 and meet one or more of the following example scopes :
    - Urban infrastructure (water, sewage, energy), integrated mobility solutions (park and ride), transportation;
    - Requalification of wasted industrial areas;
    - Public and social equipments: university buildings, elderly and youth residences, etc;
    - Historical/cultural heritage;
    - Energy efficiency improvement solutions.
2. The project should be included in an Integrated Sustainable Urban Development Plan. This plan is the framework of an integrated urban regeneration programmes fulfilling one or more of the above mentioned scopes with incidence over urban areas in need. These plans should define intervention areas, entities responsible for execution (public and/or private), a regeneration concept, main axis of intervention, uses and projects to develop, investments and execution plans. Elaborated or approved by Municipalities, SRUs or even the Government - the 9 cases given are examples – these plans assure a global and integrated view of a regeneration strategy for degradated or obsolete urban areas.
3. The projects should comply with JESSICA requirements in terms of funds return and private entities involvement. According to JESSICA's criteria requirements, projects return must be positive, or at least not negative in order to ensure reimbursement, at the end or during the projects timeline. The reimbursed funds and related remuneration are reinvested on other urban regeneration projects. JESSICA criteria establishes the involvement of a private partner as a main requirement to its fund appliance. Thus, it is important to assure the attractiveness of the projects.

These three criterias are reflected in the following key questions:

Investments are eligible under current NSRF rules? (at least partially)

Project is included in an integrated sustainable urban development plan?

Investment will occur until 2015?

Will the investment generate the sufficient revenues to support the reimbursement of Jessica funds?

Are private companies or financial institutions involved?

Does the project generate positive externalities, including greater interest of private entities in rehabilitation, better life conditions and employment among others?

Examples of urban regeneration projects in Portugal

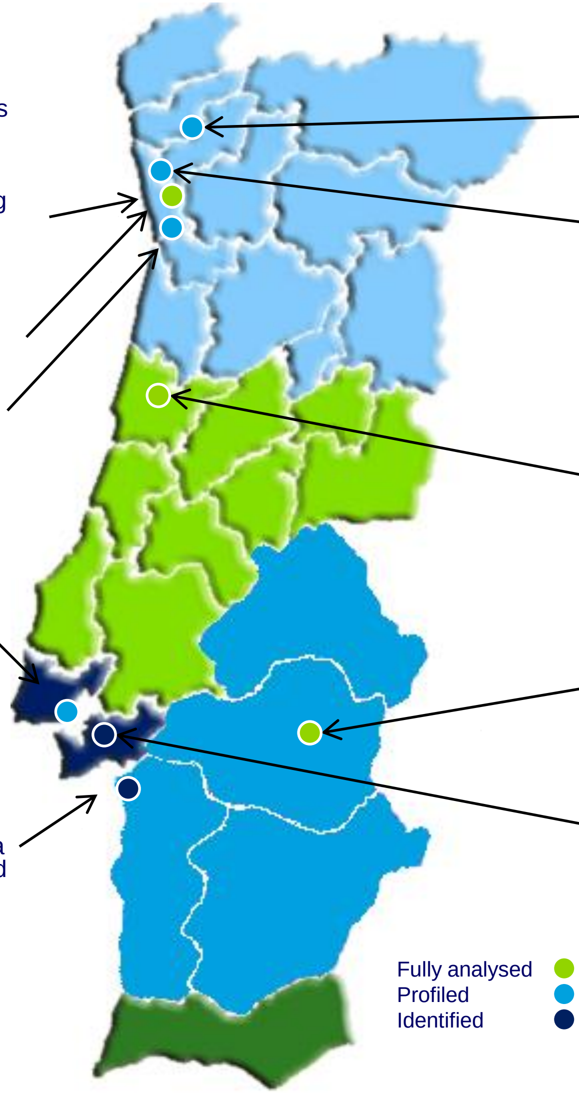
Brief description of the projects

- For Porto we have identified several urban regeneration projects, among them: i) **Morro da Sé** is a deteriorated area in Porto historical center. The project commits in the rehabilitation of historical buildings, namely the construction of an Erasmus residence and the requalification of an empty building into a 50 room hotel; and ii) **Cardosas** intervention area is located in the Porto's downtown, and it will regenerate this degradated area into a more attractive one. Actions include the construction of a 4 or 5 stars hotel, public parking, and residential rehabilitation

- For **Gaia** historical centre, several potential Jessicable projects were presented including among others, energy efficiency projects, urban infrastructure improvement programs, and buildings requalification.

- **Marvila** intervention area is characterized by the relevant public investments expected for the next years (Hospital Todos os Santos, road connection to 3rd bridge over Tagus river, etc.) and by its social housing neighborhoods. A protocol between IHRU and Lisbon Municipality was signed in the beginning of 2009.

- **Setubal** project regards the regeneration of the Zona Ribeirinha, divided in several actions to be performed in the next couple of years. Key objectives are to create better life conditions for the population, and the development of the touristic activity of the area.



- **Guimarães** project is characterized by public investments in the development of a commercial / tourist area in the historical centre together with the new facilities for the University of Minho Campus.

- **Maia's** intervention area is characterized by the reconstruction of a social housing neighborhood, through a public private partnership between municipality and the Spanish-based company MRA.

- **Coimbra's** project is characterized by the requalification of a central area in the historical center. The Municipality is currently making efforts to create a real estate investment fund, to fund the project. The fund purpose is to be subscribed by the local SRU, property owners and banks.

- **Évora** project has the goal to regenerate the town centre, mainly urban equipments, public and private buildings, as well as requalification of the city walls and access points. An urban regeneration partnership has been created for Acropole XXI project.

- Based on public information, **Arco Ribeirinho Sul** (a wasted industrial area in the south bank of Tagus river) is a project involving amounts significantly above €1,000M of public investment for an extended period of time.

Meeting's Conclusions

Below are presented the main ideas we retained from the scheduled meetings with each project leader.

Case study	Meeting	Project development stage	Comments
Porto Vivo, SRU	✓	Medium	Several interventions were presented. Among this Morro da Sé and Cardosas are probably the ones in more advanced stage. Houses and public spaces rehabilitation are the main issues. Nevertheless, intervention involves hotel, elderly residence, universitary residences, commercial areas and green spaces. Local real estate developers and construction companies involved. Grants obtained in some cases.
Coimbra	✓	Initial / Medium	More advanced project consists on the rehabilitation of a housing area, involving SRU, a construction company, Metro Mondego and other property owners, for which a real estate investment fund to main Portuguese financial institutions is currently being proposed / presented.
Évora	✓	Initial / Medium	Due to the number of empty houses, main concern is housing rehabilitation. Other ideas not involving housing were identified (residences for university students and elderly people, hotel, green transportation) as complementary.
Maia	✓	Initial / Medium	Parque Maior project involves the relocation of a social housing neighbourhood and the development of a new privileged area close to the city centre.
Gaia	✓	Initial	Several projects / ideas were mentioned as jessicable.
Guimarães	✓	Initial	Campurbis project involves regeneration of a previous industrial area into a new academic / cultural area. Public investment or grants heavily based.
Marvila Viva	✓	Initial	Project is still in the early stages of development and analysis. Some ideas might be jessicable, however, the information available does not allow a more detailed analysis.
Arco Ribeirinho Sul	✓	Initial	The project is waiting for approval from the Government. The need for significant initial public investments, scale and investment period may be a barrier for JESSICA application.

In the appendix 3 are presented brief memos with the content of the meetings held with each project leader.

Porto Vivo SRU is an urban regeneration society created by Porto Municipality, together with the IHRU, with the mission to elaborate and conduct the rehabilitation of the critical requalification area of the city of Porto. The key objectives of this society are: i) Revitalizing the downtown district of Porto; ii) Developing and promoting business in Porto's downtown district; iii) Injecting new life into commerce; iv) Energizing tourism, culture and leisure; v) Structuring the public domain; vi) Strategic Action.

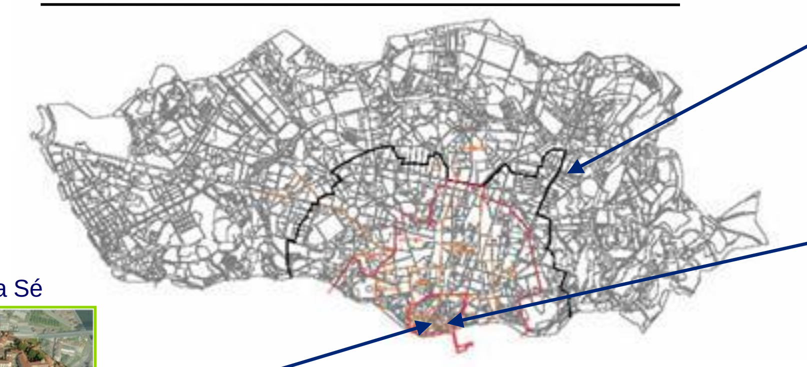
The Porto's historical centre suffers from issues which are common to most of the Portuguese historical centers: social and economical degradation, and reduced population. The historical centre has a high percentage of abandoned houses, and others are in risk to become inhabited. Rehabilitation of these houses, integrated on commercial and touristic projects are the major ideas to be implemented by the urban renewal projects created by SRU, in order to make the historical centre more attractive for young couples to live in.

Private interest is identified since, most of the projects already have the financial participation of private entities, but according with the Executive Board, a proper financial structure with better conditions, or even the presence of the EIB itself on the equity structure could make the urban renewal plans more attractive for private entities.

Intervention plans were already developed by the SRU for several intervention units, detailing rehabilitation measures to be implemented. Thus several urban renewal interventions were presented that, according to the Porto Vivo's perspective, could be jessicable: Morro da Sé; Mouzinho/Flores; Cardosas; Corpo da Guarda; Carlos Alberto and D. João I.

Due to its more advanced stage of development two intervention plans were selected for an higher level of analyses. For three other interventions a profile was prepared and is presented in the next section.

"Porto's" Intervention area



Intervention Area

Cardosas

Morro da Sé

Porto Vivo SRU intervention programme	
Intervention Plans:	**sqm**
Morro da Sé	67.631
Eixo Mouzinho/Flores	111.545
Aliados	177.002
D. João I	41.526
Viela dos Congregados	32.252
Cardosas	29.743
Pensão Monumental	41.655
Banco de Portugal	11.208
Café Imperial	20.618
Carlos Alberto	9.188
Palácio do Comércio	14.502
Cais das Pedras	14.502

Description of the Morro da Sé intervention project

Morro da Sé intervention area

Located in the historical center of Porto, Morro da Sé is an area characterized by its historical and patrimonial relevance and touristic appeal (classified by UNESCO as World Heritage). Being mainly a residential area, it is marked by its progressive social and urban deterioration, including, in recent years, the appearance and development of drug consumption and other related social problems. Commercial activity is declining, currently being restricted to a few outdated shops.

Morro da Sé is also gaining a negative image among population as a dangerous place to live or with little to see or do, with deteriorated buildings and even some signals of vandalism. This area also suffers from insufficient car parking places.

The *Urban rehabilitation* project

The project has as key objective the regeneration of Morro da Sé area and is focused on giving better life conditions for the population, the creation of new dynamics and the development of touristic activity. The project contemplates several actions: hotel, elders residence, public space requalification and student residencies (the most representative and expensive).

Additionally, SRU's intervention program estimates an investment of €15.3M, divided between public sector, private sector and Structural Funds.

The urban regeneration society Porto Vivo is the main responsible for the project. For each action, a management structure to support and coordinate the entities in charge and to control the finished aspects of the project was created.

A protocol between the public entities involved (Porto Municipality, Porto Vivo, among others) and Novopca (a private construction company) was signed in April 2008, establishing the role of each entity in the project. This includes Novopca responsibility for the construction and operation of the residence for Erasmus students.

Key indicators of Morro da Sé intervention area

Key Indicators		
Size of Morro da Sé intervention area (ha)		6
Number of buildings		277
Number of inhabitants		840
Gross construction area (m2% of total construction area)		64.886
devoluted/non occupied	37%	24.008
occupied	63%	40.878
occupied by the owner	14%	9.270
occupied by the tenant	49%	31.554
residential	45%	29.521
non residential	17%	11.300
Main owners (m2% of total construction area)		
Private individuals / companies	62%	40.132
Public entities	38%	24.754
Oporto municipality	19%	12.350
Porto Vivo SRU	1%	358
Fundação Desen. ZH Porto	19%	12.046
Construction area according to intervention needs (m2% of total construction area)		
Not requiring intervention	4%	2.504
Requiring intervention	96%	62.382
light interventions	25%	16.454
middle interventions	25%	15.906
deep interventions	46%	30.022

Morro da Sé project funding

Morro da Sé project - Investment breakdown

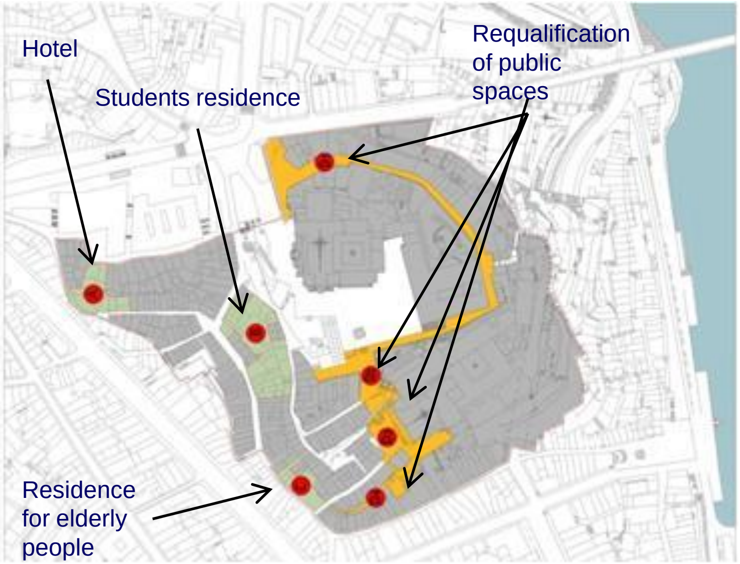
€ M	
Porto Vivo, SRU	2.2
Oporto municipality	0.7
Other public entities	0.3
Private entities/ companies	5.1
Structural Funds (FEDER)	7.0
TOTAL	**15.3**

Source: Programa de Acção para a Reabilitação urbana do Morro da Sé; Deloitte analysis

Description of the Morro da Sé intervention project

Aerial photo of Morro da Sé area

Actions / initiatives of Morro da Sé project



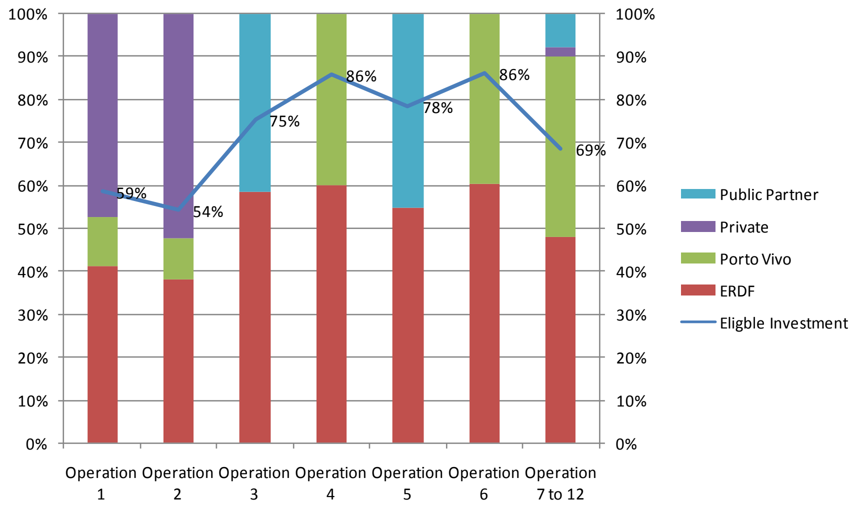
Source: Programa de Acção para a Reabilitação urbana do Morro da Sé; Deloitte analysis

The following operations are scheduled to be completed in Morro da Sé:

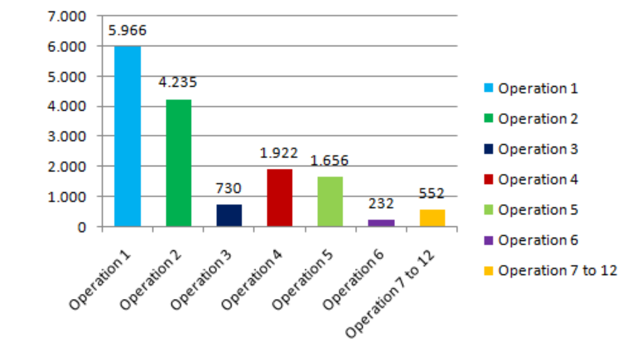
- Operation 1 – Creation of a students residence, aiming at the rehabilitation of buildings and spaces for the installation of new economic activities. The period for this intervention is expected to be around 23 months.
- Operation 2 - Creation of a tourist accommodation unit. Integrated in the development program, the restoration and enhancement of cultural heritage follows the preceding operation and includes, where possible, the refuncionalization of buildings degradated or without use. The period for this operation is expected to be around 24 months.
- Operation 3 – Extension of the residence of third age social development – creation / renovation of equipment and proximity services. The period for this operation is expected to be around 15 months.
- Operation 4 – Image recovery and energy efficiency of buildings, status of public space and the urban environment - improving the visual quality of the urban landscape - improving the urban environment, in particular, creation and classification of urban green spaces. The period for this operation is expected to be 3 years (the duration of the program).
- Operation 5 - Public Space status, involving the modernization of urban infrastructure, including installation of infrastructure for information technologies; recovery and qualification of public space, including furniture and equipment structuring. The period for this operation is dependent on the availability of a funding structure.
- Operation 6 – Creation of owners support office, related to the improvement of public space and the urban environment programme - technical support to residents to self-rehabilitation of buildings and dwellings. The period for this operation is expected to be around 36 months.
- Operation 7 to 12 – Installation and operationalization of Urban Area Office (GAU - Gabinete da Área Urbana), project entrepreneurship, Workshops, elaboration of a documentary, a technical support structure and a communication plan. The period for this operation is expected to be between 6 and 36 months.

Regarding Morro da Sé intervention plan, a partnership for the first and second operations were signed with one of the largest Portuguese construction companies (Novopca). This partnership is described in the following slides.

Investment Breakdown and Eligibility



Investment Breakdown per Operation (€k)



Source: Programa de Acção para a Reabilitação urbana do Morro da Sé; Deloitte analysis

Partnership for the operation 1 and 2

The Porto Vivo SRU is the leader of the urban intervention in Morro da Sé (through a protocol established with Oporto Municipality). It is responsible for developing an integrated plan, for the expropriation processes if necessary, and to find and involve private entities.

The private partner will be responsible for the construction and operation of the Student Residence and Hotel for 50 years. With regard to rehabilitated housing, Porto Vivo SRU, will have as role the management of the leased houses.

Porto Vivo SRU, is responsible for the expropriation costs, while NOVOPCA is responsible for the investment in the rehabilitation works of the students residence and the hotel. The investment made by NOVOPCA is €5M and will also have the operation costs of the hotel and students residence. It is also established that NOVOPCA will pay to Porto VIVO, SRU 10% of the EBIT of the Hotel and 12.5% EBIT of the students residence.

Regarding cash inflows, the Porto Vivo, SRU will receive, in addition to the values mentioned above, the rent from the houses. The cash inflow for NOVOPCA will be the revenue of the hotel and residence students revenue, as well as 45% of the grant obtained from ERDF.

	PORTO VIVO SRU	NOVOPCA
Role	• Project Leader • Development of an integrated plan • Expropriation • Landlord / manager of leased houses	• Construction • Operation of the Students Residence and the Hotel for 50 years
Cash outflows	• Expropriation costs (around €2 M) • Rehabilitation works (houses to lease) • Façades	• Investment in the regeneration works of the students residence quarters and the hotel • Operation costs of the hotel and students residence • Management fees for SRU: 10% of the EBIT of the Hotel and 12,5% EBIT of students residence
Cash inflows	• Houses rent • 55% of the grant obtained for the hotel and students residence + grant obtained for façades and roof tops) • Management fees: 10% of the EBIT of the Hotel and 12.5% EBIT of students residence	• Revenues of the hotel and students residence • 45% of the grant obtained

The main assumptions of partnerships established between Porto SRU and Novopca are the following:

- The private partner is responsible for the construction and the operation of the students residence and the hotel (for a 50 year period).
- Investment in the construction of the students residence is estimated in €4.9M and should occur in one year. Revenue from students residence is estimated in €530k and operational cash costs in €219k (yearly updated according to inflation).
- Investment in the construction of the hotel is estimated in €3M and should occur in 2 years. In its cruise year, the hotel is expected to generate an operational cash flow of €250k.
- Investment in the buildings rehabilitation is estimated in €6.6M, in which 69 houses will be leased and the annual amount of expected rents is €140k.
- Porto Vivo SRU is entitled to 12.5% and 10% of students residence and hotel EBIT generated (respectively).
- A €7M grant for Morro da Sé project was obtained, of which €4.1M is destined for the students residence and hotel. Porto Vivo SRU and the private partner agreed that should be transferred to the SRU 55% of the equivalent of grant obtained for the hotel and students residence.

For Porto Vivo SRU, the students residence, hotel and the buildings rents assures the necessary funds to the Morro da Sé project.

Porto Vivo business plan (total for 50 years)

	Total	%
Rent	11,141	*58.2%*
NOVOPCA	6,848	*35.8%*
NSRF	1,155	*6.0%*
Total profits	**19,144**	
Facades	767	*5.8%*
Rehabilitation works	6,579	*50.1%*
Expropriation costs	2,613	*19.9%*
Maintenace costs	2,747	*20.9%*
Other costs	431	*3.3%*
Total costs	**13,137**	
IRR	*2.2%*	
Period (years)	*50*	

Source: Programa de Acção para a Reabilitação urbana do Morro da Sé; Deloitte analysis

Porto Vivo business plan is the following:

- Revenues – the rent from the 69 houses (circa €140k), the percentage of the EBIT of students residence and hotel, 55% of the NSRF grant conceded to Novopca (€2.2M), other NSRF grant obtained in the amount of €1.1 M related with the landscape preservation of a world heritage area (namely the façades of the buildings);
- Costs – expropriation costs (€2.6M), rehabilitation works (€6.6M) recovery of façades and roof tops (€0.8M).

The IRR expected by Porto Vivo of Morro da Sé intervention project is 2.2%.

In terms of funding policy, Porto Vivo business plan includes two loans, from EIB, totaling around €10.4M, with a duration of 30 years and grace period of 10 years. The interest rate considered was 4.77%

NOVOPCA business plan for the university residence and hotel

For its intervention in the 1st and 2nd operation, the private partner expects a IRR of 6.7% in the students residence (with a 17 year payback period), and of 7.1% in the hotel (18 year payback period).

The main risks for the private partner are an underperforming operation of the hotel and / or the students residence, as well as under estimation of construction costs.

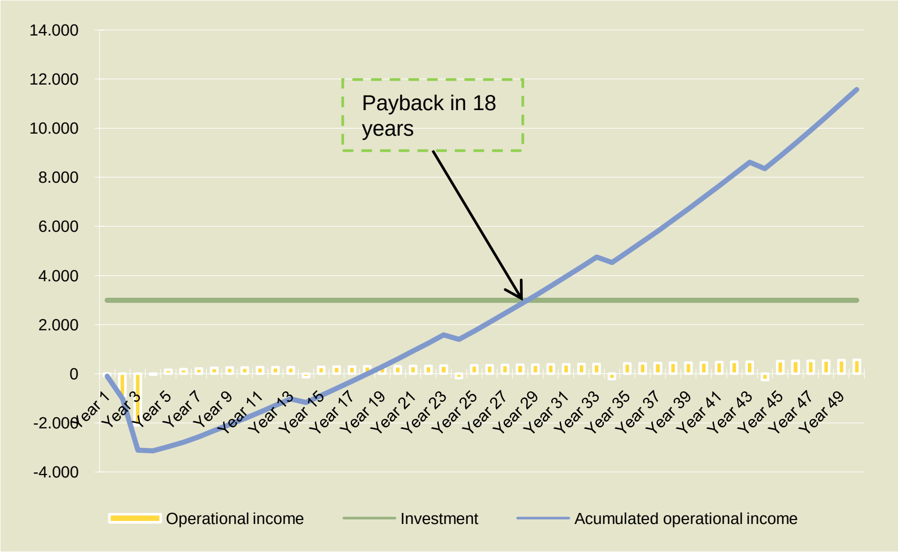
It is worth to mention that the private partner also benefits from the profits of being the company who performs the construction works (students residence, the hotel, and the rehabilitation of the houses to lease – investment of €6.6M).

NOVOPCA business plan

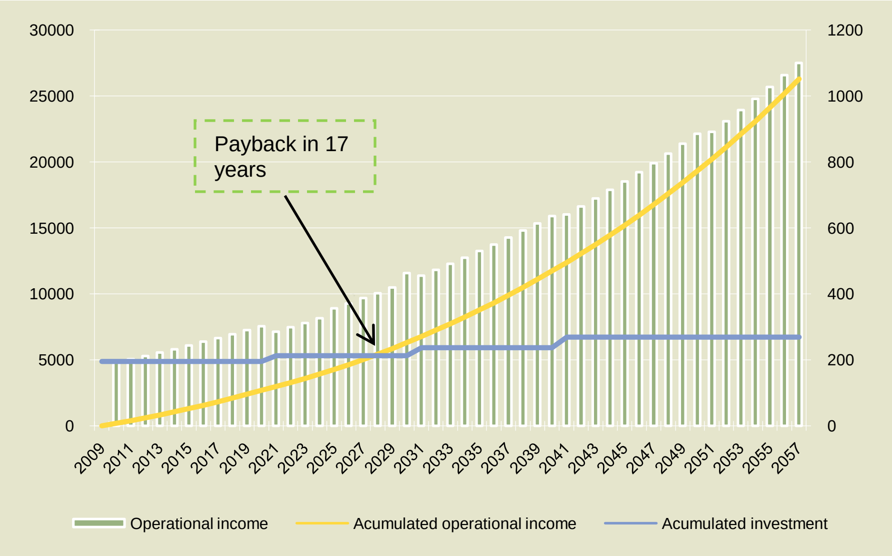
	University residence	Hotel
Investment Cash flow	6,734	3,113
Operational Cash flow	27,673	14,688
IRR	*6.7%*	*7.1%*
Payback (years)	17	18
Projection period (years)	47	50

Source: Programa de Acção para a Reabilitação urbana do Morro da Sé; Deloitte analysis

HOTEL business plan evolution



University residence business plan evolution



Cardosas intervention area

Located within the limits of the medieval village, the block makes the transition between the historical and the modern area of the city. During several decades since its construction, in the beginning of last century (decade 10), it became the main civic, social and cultural area of the city. During a long period, until the mid 80's when the downtown of Porto lost momentum towards other areas of the city, the area south of the "Avenue" was an area of great social, cultural and trade vitality, boosted by the presence of some establishments, restaurants and famous cafés, shops and the headquarters of some major companies in the city (the financial sector).

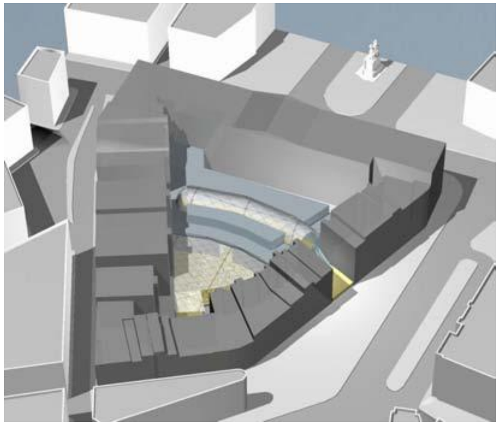
Its central location, the urban heritage and its importance in the context of the city center and the existing structure, make the block of Cardosas an area which requires ambition to change and to introduce innovations that may encourage discussion and mark a new standard within the consolidated city.

Urban rehabilitation of Cardosas project

Considering the current conditions and to return this block to the heart of downtown Porto, a significant increase in quality and functionality of equipments is required. Thus, a program for renewing the city's central area is proposed, combining the existing business function, which will become more qualified and diverse, with the regeneration of the property for residential purposes. This area's function is enriched with the installation of a high-end hotel (4 or 5 stars) in the building of Cardosas, facing *Praça da Liberdade*. The centrality of the block will be further strengthened with the creation of a public parking and a pedestrian crossing in the covered gallery, between the *Praça de Almeida Garrett* and *Largo dos Lóios*, offering a more protected area, for collective use.

Aerial photo of Cardosas area

Actions / initiatives of Cardosas project



Source: Programa de Acção para a Reabilitação urbana das Cardosas; Deloitte analysis

Description of the Cardosas intervention project

On the intervention of Cardosas, Porto Vivo SRU, is positioned as the project leader, developing a strategic document and carrying out the expropriation process, where necessary. For the private partner (LUCIO), the responsibility will be the construction and real estate development and marketing of the housing. For Intercontinental, the responsibility will be the construction and the hotel management. Concerning the hotel, Porto Vivo SRU only rule was to serve as mediator between Intercontinental and BCP (former owner of the property plot). For the hotel project, a Real Estate Investment Fund was involved as a financial instrument to support the operation.

Porto Vivo, SRU and LUCIO will each receive, 50% sales of residential and commercial areas (about €7.9M). In addition Lucio will receive the amount relating to the car parking sale (€6.5M).

	PORTO VIVO SRU	LUCIO	INTERCONTINENTAL
Role	• Project Leader • Development of integrated plan • Expropriation – if needed • Mediator between Intercontinental and BCP regarding hotel	• Real estate developer (share real estate risks / gains) • Construction • Commercialization of houses	• Hotel construction and operation (involvement of a Real Estate Investment Fund, as an instrument of financial support to the operation)
Cash outflows	• Expropriation expenses	• Construction and commercialization costs	• Investment (hotel) • Operation costs (hotel)
Cash inflows	• 50% sales of residential and commercial areas	• 50% sales of residential and commercial areas • Car parking sale	• Operation revenue (hotel)

Description of the Cardosas Business plan

The business plan of the Cardosas project covers parking, commercial gallery, outdoor arrangements, peripheral commercial areas and housing (the hotel, which is developed by another entity, is excluded from this business plan). This business plan was developed by Porto Vivo SRU and its partner – Lucio – a local private company.

The main assumptions of Cardosas business plan are the following:

- All of the project's construction and commercialization expenses (estimated in €13.6M) are assumed by the private partner;
- Sale of all real estate assets (car parking, houses, commercial areas, etc.) after rehabilitation (total revenues are estimated in €22.7M);
- The revenue obtained from the sale of the commercial areas and houses is equally divided between Porto Vivo SRU and the private partner (the amount received from the sale of the car parking is almost all for the private partner);
- Construction will be performed over a period of two years, being the car parking and 30% of remaining construction concluded in the first year;
- Car parking is sold in the first year of the project (just after the conclusion of the respective construction works) and houses and commercial areas are sold in three years (5% in the first year, 60% in the second year and the remaining 30% in the third year);
- In order to fund investment requirements, the private partner plans to use equity (30%) and debt (70%). Due to the sale of the car parking and 70% of the houses and commercial areas during construction period, funding needs are reduced.

For the Porto Vivo SRU business plan, the expected outcome is a zero profit project: revenue equals costs related with making the quarter available for rehabilitation. For the private partner, a profit of €1.1M is expected or 8.45% of construction costs. Main risks of the project are the sale price of the assets and/or delays in the sale and construction costs above estimated.

Business Plan of Cardosas intervention area

CARDOSAS	Construction area	Expenses		Revenues		
	(m2)	Unit Price (€/m2)	TOTAL (€)	Unit Price (€/m2)	Porto Vivo (€)	LUCIO (€)
Car Parking						
Construction field			100,000		100,000	100,000
Construction			5,600,000			6,750,000
			5,700,000		**100,000**	**6,850,000**
Interior Commercial Gallery	1,065	850	905,250	2,000	1,065,000	1,065,000
Outside arrangements			200,000			
Peripheral trade	1,870	850	1,589,500	2,250	2,103,750	2,103,750
Services	242	850	205,700	2,000	242,000	242,000
Housing	4,681	850	3,978,850	1,900	4,446,950	4,446,950
	7,858		**6,879,300**		**7,857,700**	**7,857,700**
Project Management			300,000			
Promotion			250,000			
Commercialization			330,023			
Financial charges			102,056			
			982,079			
Total			**13,561,379**		**7,957,700**	**14,707,700**
PROFIT PROJECT					**7,957,700**	**1,146,321**

	Total costs	Total Revenue	Total profits
Porto Vivo	(a)	7,957,700	-
Lucio	13,561,379	14,707,700	1,146,321

Source: Documento Estratégico das Cardosas; Deloitte analysis

(a) – expropriation expenses not available

Intervention area

Located in the Portuguese central area, Coimbra has historically been one of the most important Portuguese cities. Coimbra is also the "city of students", as it was there that the first Portuguese and one of the first Universities in Europe was created of, back in 1288. The municipality of Coimbra currently has a total population around 157,000 residents.

Due to the degradation of a significant part of the city's historical downtown the Coimbra Municipality created the society Coimbra Viva – SRU to elaborate and conduct its rehabilitation. Coimbra Viva has drawn up a requalification and regeneration plan for the first two intervention areas of the referred zone. These areas are partially crossed by a Light Rail Train.

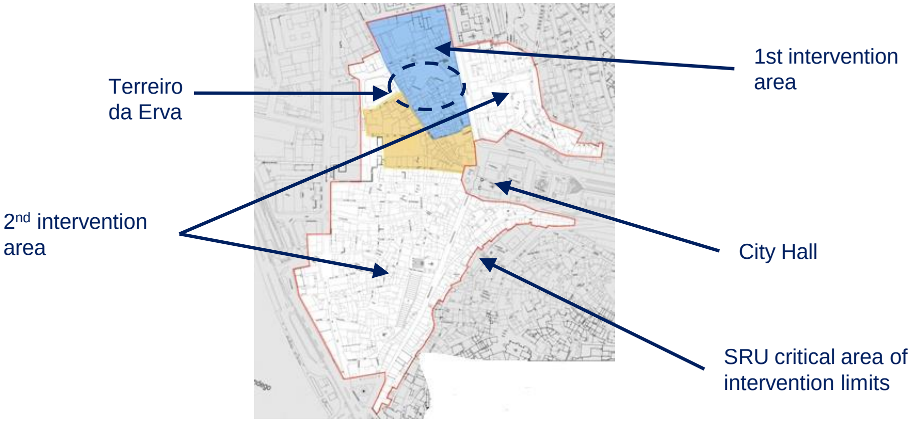
The described project regards the 1st intervention area.

Key indicators of the Urban requalification project

Key Indicators		
Size of Baixa area (ha)		n.a.
Total Baixa's Investment (€M)		n.a.
Number of buildings		76
Number of inhabitants		104
Gross construction area (m2;%of total construction area)		n.d.
void / non occupied	35.5%	27
occupied	64.5%	49
Construction area according to intervention needs (number of buildings;%of total buildings)		
Not requiring intervention	3.9%	3
Under construction	32.9%	25
Requiring intervention	63.2%	48
light interventions	7.9%	6
middle interventions	2.6%	2
deep interventions	52.6%	40

Overview of Coimbra's Town Centre

1st and 2nd Intervention areas



Source: Coimbra Viva: 1ª & 2ª Unidade de Intervenção; Deloitte analysis

Description of the Coimbra Business plan

Coimbra's SRU developed a rehabilitation project for the first intervention area, for which it is proposing the constitution of a close-ended real estate investment fund and developing efforts to obtain the participation of financial institutions.

The Coimbra's SRU proposed model, which could be replicated in other regeneration projects, involves a partnership with financial institutions, public entities, owners and construction companies. An alternative considered but not selected was to have as fund subscribers only the SRU and the property owners).

The project involves housing, parking and public spaces recovery in a central and historical area which will also benefit from the installation of a Light Rail Train. Estimated investment is €25.9M (including management fees and administrative costs besides construction expenses) and estimated revenue of €31.3M.

The project is financed through a loan (€10.4M or 39% of funds required) and through a close-ended real estate fund (€16M or 61%) subscribed by project stakeholders (using in kind contributions and cash). The project timeline is estimated to be around 4 years.

In the fourth (and last) year of the project, the real estate rehabilitated assets are sold (or returned to its previous owners) at market prices. The loan is repaid and the profits divided among stakeholders according to their percentage in the fund.

The estimated IRR of the project is 10.86%.

The total management fees of the investment fund, for the four year period, are estimated in around €1.6M (divided between Coimbra's SRU and its financial advisor – Fund Box). The financial expenses related to the €10.4M loan amount to around €1M.

The main risks of the project are related to the amount obtained from the sale of the real estate rehabilitated assets. The fact that project intervention area is central and will benefit from the public investment in the-train, as well as from the rehabilitation process itself, mitigates this risk and the financial success of the project.

Source: Coimbra Viva: 1ª & 2ª Unidade de Intervenção; Deloitte analysis

Nevertheless, the relatively low IRR, the administrative problems usually arising from the rehabilitation interventions (which could cause significant delays) and also the quite short track record of this type of financial engineering are issues that are preventing / delaying the fund raising process and the start of the construction works.

Coimbra's close ended investment fund plan

€000		
Funds		
Private entities (owners)	5,400	*33.8%*
Construction company	5,600	*35.0%*
Financial entity	2,500	*15.6%*
SRU	2,500	*15.6%*
REIF (Total)	**16,000**	
Loan	**10,353**	
Investment		
Assets / Buildings	5,400	*20.1%*
Stam Duty + IMT	219	*0.8%*
Comercial Indeminities	1,300	*4.8%*
Residential Indemnities	359	*1.3%*
Intervention	14,339	*53.3%*
Parking	2,402	*8.9%*
Management costs	2,887	*10.7%*
Total	**26,906**	
Revenue	**31,300**	
Expenses	(26,906)	
Revenues	31,300	
Profit	**4,394**	
IRR	*10,86%*	

Source: SRU's close-ended investment fund plan; Deloitte analysis

Description of the Coimbra intervention project

Coimbra SRU's is the project leader, and its main responsibilities are, besides developing an integrated plan, involving the other parties (owners, financial institutions and construction company), expropriate (when applicable) and obtaining the funds required for the project. Coimbra' s SRU is also one the subscribers of the real estate fund.

The construction company role is to perform all construction works, being part of the construction expenses (€16.7M) recognized as in kind contributions to the fund (€5.6M). Property owners role is to be subscribers of the fund through a in kind contribution of their properties (€5.4M).

Finally, financial institutions role is to finance the project through loans to the project (€10.4M) and to Coimbra's SRU (in the amount of SRU's subscription to the fund) and also, to be a subscriber of the fund (€2.5M or 15.63%). The total amount obtained from financial institutions is €15.4M.

The expected return, is expected to take place in the end of the 4 years of the REIF duration, and the estimated net sales amount to €31.3M. The individual return will be measured by each participation units percentage multiplied by the total net sales value. Both the Construction company, and the Financial Institutions will receive additional inflows during the process: the construction loan inflow given by the financial institutions; and the loan interests and capital reimbursement supported by the REIF to the financial institutions.

	Coimbra Viva SRU	Construction company	Property Owners (includes Metro)	Financial Institutions
Role	• Project leader • Obtaining funding for project through a Real Estate Investment Fund • REIF holder (15.63% or €2.5M)	• Construction • REIF holder (35.00% or €5.6M) through construction costs	• REIF holder (33.75% or €5.4M), through properties	• Offer required loans to fund majority of construction costs (€10.35M) and SRU participation (€2.5M) • REIF holder (15.63% or €2.5M)
Outflows	• Participation in the fund (€2.5M)	• Construction costs – €16.7M (includes the 5.6M€ in kind contribution to fund)	• None (property contribution of €5.4M)	• Loans to project (€10.35 M) and SRU (€2.5M) • Subscription of the fund (€2.5M)
Inflows	• Part of the project profitability – €3.2M (15.63% * €20.4M)	• Part of the project profitability - €7.1M (35%*€20.4M) • Construction loan inflow – €10.4M	• Part of the project profitability - €6.9M (33.75%*€20.4M)	• Part of the project profitability – €3.2M (15.63%*€20.4M) • Loan Interest and capital reimbursement

Évora intervention area

Located in Alentejo (southern Portugal), Évora is the second most populated mainland interior city of the country, with around 41.000 residents. Évora Intervention coincides with town's historical centre, inside the city walls, which is classified by UNESCO as an World Heritage Site. The project consists in the regeneration and valorization of the historical centre.

Évora is a two thousand year old city and it is the most important of the Alentejo province. In the recent decades, the city has been growing at a staggering rate in terms of population, recording a 115% growth between 1940 and 2001. Although the town centre is scarcely populated – around 6.000 residents (12% of the city's total), it is where most public institutions, equipments and monuments are located, which attracts to the area a daily population of around 8.000 people. The abovementioned equipments and institutions include the Regional Hospital, the Court, the marketplace, Town Hall, University, and others.

The proposed plan is aimed towards the regeneration of the town centre, specifically the parishes of Santo Antão, S. Mamede, Sé and S. Pedro.

Key indicators of Évora intervention area

Key Indicators		
Size of Évora's intervention area (ha)		123
Total Investment (€M)		293,4
Number of lodgings		3.975
Number of inhabitants		5.841
Gross public spaces construction area (m2)		293.182
Gross construction area (m2)		722.620
devoluted/non occupied (% of total lodgings)	7%	262
occupied (% of total lodgings)	93%	3.713
residential	66%	2.616
non residential	28%	1.096
Main owners (m2% of total construction area)		
Private individuals / companies	91%	3.623
Public entities	9%	352
Évora municipality	2%	62
State owned	5%	195
Church, Santa Casa da Misericórdia	2%	95
Construction area according to intervention needs (m2% of total construction area)		
Not requiring intervention	14%	99.528
Requiring intervention	86%	623.092
light interventions	64%	464.241
middle interventions	21%	151.314
deep interventions	1%	7.537

Source: Évora: Recuperar o Processo Histórico; Deloitte analysis

Description of *Urban rehabilitation of Évora* project

Évora's Urban rehabilitation project consists of 7 Operative Rehabilitation Units, where 17 projects were distributed among these ORU's, within a 10 years period.

These projects consist of localized urban rehabilitation, reconversion and reconstruction, as well as strategic and conceptual definition of the display and functions of the city's public spaces and equipments.

An urban regeneration partnership has already been created between the City Hall and several private entities for the Acropole XXI project. This project is focused on the enhancement of a large central area surrounding the Temple of Diana and includes public space qualification, and underground parking and several other projects.

In this Partnership the project leader is Évora Viva SRU. The remaining entities have a role on the rehabilitation process through the construction works, according to the information provided.
Total investment estimated for this partnership is €10M.

The stakeholders in the process of rehabilitating Évora's Historical Centre are public entities (Évora Municipality, Évora's SRU, University), institutional entities (Foundations, Catholic Church) and private entities (individuals and some companies / banks who are the owners of the properties in Évora historical center). About €110M of the estimated investment is related to the buildings rehabilitation. Total investment estimated for Évora historical center is €298M. The investment timeline for this rehabilitation process in the historical centre of Évora is 10 years (2009 / 2018).

We do not have information regarding business plans besides Évora Viva SRU, thus we are not aware of the revenue and costs' estimations from the private entities and other public entities, neither the estimated cash flows, IRR, payback (inflows of their participation on Évora Viva SRU's masterplan).

On the following pages, we explain Évora Viva's SRU business plan for the implementation of this Operational programme.

Évora project - Investment breakdown

€000	Investment
Évora Municipality	31,190
Public Sector	9,389
EV-SRU	44,531
Évora University	76,846
F. E. Almeida	3,109
SCME	457
I Católica	4,445
Other private entities	125,707
Oper. S. Público	2,178
Total	**297,852**

Source: Évora Viva- Estudo de viabilidade económica e financeira

Source: Évora: Recuperar o Processo Histórico; Deloitte analysis

Description of the Évora intervention area and urban rehabilitation project

Overview of Évora's Town Centre

Operative Rehabilitation Units (ORU's)

Description of the actions defined in Évora rehabilitation project

Évora - Structural Projects

	Description	Applicable ORU
P1	Acropolis: requalification of the city's roman centre	ORU I
P2	University: consolidation and expansion of the campus	ORU II
P3	Urban reconversion of the area currently used by the hospital	ORU II & III
P4	Reconversion of the Eborim Shopping Centre	ORU III
P5	Urban reintegration of the Rossio de S.Brás area	ORU VII
P6	University: reconversion of the old Verney College building	ORU IV & VII
P7	Urban reconversion of the city walls between Alconchel and Lagoa entries	ORU V
P8 & P9	Urban reconversion of the city walls between Alcaçarias, Avis and Lagoa entries	ORU VI
P10	Reconversion of the Wall Circular Avenue	Transversal
P11	Town centre axis rehabilitation	ORU III,IV & VII
P12	Public space's rehabilitation	Transversal
P13	Urban lighting, equipment and signaling	Transversal
P14	Mobility system	Transversal
P15	Traditional commerce dynamization	Transversal
P16	Construction of na integrated network of public equipment for elder, infant and adolescent citizens	Transversal
P17	World Heritage buildings rehabilitation	Transversal

Source: Évora: Recuperar o Processo Histórico; Deloitte analysis

Description of the Évora Viva SRU Business plan

The responsibility of Évora SRU is to promote building rehabilitation directly (SRU does the rehabilitation) or indirectly (creating willingness of the private sector to rehabilitate).

The main assumptions of Évora SRU business plan are the following:

- SRU's investment will affect approximately 20% of the buildings of Évora historical center (775 units) – the ones classified as being in "bad" or "ruine" state.
- SRU's intervention models are the acquisition / rehabilitation and sale at market prices (77 units) and the forced works (698 units, of which 224 made by Évora's SRU and the remaining 474 by its owners or other private entities). In this second model, the units return to their owners, who are obliged to repay the rehabilitation works performed by the SRU.
- The recovery of the rehabilitation work expenses (in the cases SRU was responsible for the "obra coerciva") – €13M and the sale of the properties previously acquired and rehabilitated – €3M (in the cases where SRU buy the buildings) are SRU's main revenues types.
- Other revenue obtained by SRU are a subsidy from Évora Municipality to cover SRU's own costs (€6.6M during the 10 years of the project) and agency fee related to the sales of private property after the rehabilitation process.
- The sources of funding are the following: grants from Évora Municipality (€3,4 M) and from IHRU (€7,1M); and loans from financial institutions (€6,3M). Part of the investment expenses estimated (namely the ones to be incurred in the last years of the project) will be funded by the cash generated during the first years of the project. A 5% interest rate for the loans was considered. The IHRU funding is generally allocated in accordance with the Operational Programme for urban renewal (RECRIA and REHABITA).
- The subsidy annually transferred by the Municipality is distributed in two levels: exploration subsidy and investment subsidy (funding), in order to have a tax efficency and establishing balanced accounts.

SRU's business plan estimations

€000	Value	%
Agency Comission	737	*3.1%*
Reimbursement for construction	13,444	*56.0%*
Other operations	200	*0.8%*
Services rendered	**14,381**	*60.0%*
CME's subsidy	**6,580**	*27.4%*
Building sales	**3,008**	*12.5%*
Other profits	**17**	*0.1%*
Total operational profits	**23,986**	*100.0%*
Buildings acquisition	2,983	*14.0%*
Construction works	13,197	*62.1%*
management intervention	3,293	*15.5%*
Total cost of sales/services rendered	**19,473**	*91.6%*
External supplies	663	*3.1%*
Payroll	1,132	*5.3%*
Total operational costs	**21,268**	*100.0%*
Financial expenses	2,049	
Deferred subsidies:		
- Municipality	2,840	
- IHRU	6,238	

Source: Évora Viva- Estudo de viabilidade económica e financeira

Évora's SRU funding model is based on the profits obtained from the acquisition, rehabilitation and sale of properties acquired and on the grants given. The main risks of this model are related with:

- Local real estate market (market prices considered for the sale are not achieved);
- In the case where the model adopted is forced works, with potential difficulties in the recovery of the rehabilitation expenses (also due to market prices or to existence of social lease situations in the buildings rehabilitated which extends the recovery period); and ,
- with investments expenses higher than estimated (which may not be repercuted in the sale price).

According to the feasibility study, the IRR of Évora's SRU intervention is 5.29%.

Description of the Porto – Mouzinho/Flores intervention area and urban rehabilitation project

Description of the Mouzinho/Flores intervention area

Located in the historical center of Porto, *Mouzinho/Flores* is an area characterized by its commercial activity and it is an important connection between the historical center and *Ribeira*. This area has also gained an academic importance, due to the presence of the Porto's Art School and social activities promoted by *Fundação da Juventude*.

Over the recent years, *Mouzinho/Flores* area has gained a negative image among population and tourists with the degradation of the buildings, causing a decrease of inhabited places. Additionally, traffic circulation has worsen, which also contributed for a more negative image.

The investment needed for the intervention area is estimated to be around €71M.

Description of *Urban rehabilitation of Mouzinho/Flores* project

The project 's key objective is the regeneration of *Mouzinho/Flores* area, by creating rehabilitation and improved housing and commercial conditions, and social/cultural interaction as a important component for tourism. The project contemplates several actions, being the most representative ones: construction of an underground parking place, railroad line for tourist tram, and improvement of public spaces and buildings.

Project estimated investment amounts to €31.7M, divided between public sector, private sector and structural funds.

The urban regeneration society Porto Vivo is the main entity in charge of project. For each action, a management structure to support and coordinate the entities in charge and to control the finished aspects of the project was created.

A protocol between the public entities involved (Porto Municipality, Porto Vivo, STCP, *Santa Casa da Misericórdia*, among others) was signed in April 2008.

Key indicators of Mouzinho/Flores intervention area

Key Indicators		
Size of Mouzinho/Flores intervention area (ha)		11
Number of inhabitants		1.104
Number of buildings		421
devoluted/non occupied	22%	93
occupied	78%	328
residential/commercial	41%	173
commercial	12%	51
residential	42%	177
others	5%	21
Main owners (% of total buildings)		
Private individuals / companies		n/a
Public entities		n/a
Construction area according to intervention needs (% of total buildings)		
Not requiring intervention	23%	97
Requiring intervention	77%	324
light interventions	30%	126
middle interventions	42%	177
deep interventions	5%	21
Other constructions	**car spaces**	**m2**
Parking space	2.300	206

Mouzinho/Flores project funding

Mouzinho/Flores project - Investment breakdown

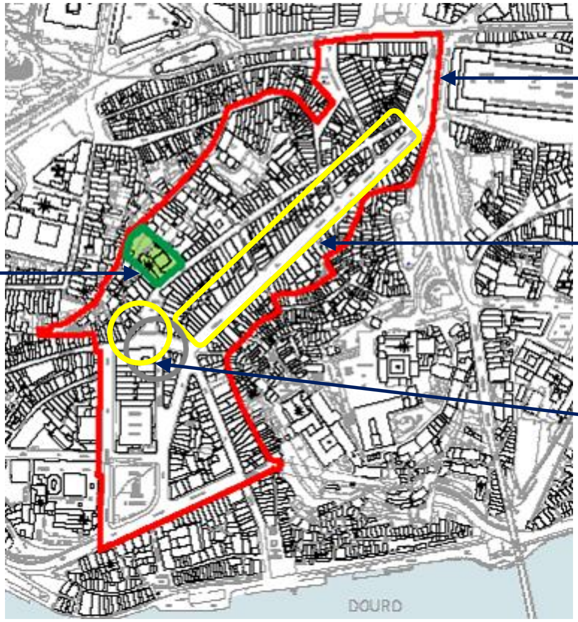
€ M	
Porto Vivo SRU	2.2
Oporto municipality	14.8
Other public entities	1.5
Private entities / companies	6.2
Structural Funds (FEDER)	7.0
Total	**31.7**

Source: Programa de Acção para a Reabilitação urbana do Mouzinho/Flores; Deloitte analysis

Description of the Porto – Mouzinho/Flores intervention area and urban rehabilitation project

Aerial photo of Mouzinho/Flores area

Actions / initiatives of Mouzinho/Flores project



Description of the actions defined in Mouzinho/Flores rehabilitation project

Mouzinho/Flores project - Description of the actions

	Total Investment	Non eligible or non comparticipated investment	Timing	Entity in charge	Private partner
Building of the submerged parking spac	16.0	11.5	3 years	Oporto municipality	n/a
Museum of Santa Casa da Misericórdia	6.1	5.5	3 years	Santa Casa da Misericórdia	n/a
Qualification of public spaces	3.4	1.6	3 years	Porto Vivo, SRU	n/a
Improvement of building's image and en	2.8	1.3	3 years	Porto Vivo, SRU	n/a
Construction of railroad for tourist tram	2.2	1.0	3 years	STCP	n/a
Others (support for private and social i	1.2	0.2	n/a	Porto Vivo, SRU	n/a
Total	**31.7**	**21.1**			

Source: Programa de Acção para a Reabilitação urbana do Mouzinho/Flores; Deloitte analysis

Description of the Porto – D. João I intervention area and urban rehabilitation project

Description of the D. João I intervention area

Located in the historical center of Porto, D. João I was in the XX century a major commercial area of the city. Nowadays, it is known for the headquarters of Millenium BCP, a major private portuguese commercial bank.

Over the last 20 years, most of the buildings were abandoned . The commercial potential of this block is recognized, as a result of its location, but rehabilitation projects were never established. Most of the buildings are property of Millenium BCP.

The investment needed to requalify the buildings requiring intervention is estimated to be around €36.4M.

Description of *Urban rehabilitation of D. João I* project

The project key objective is the buildings rehabilitation for commercial and residential (young couples or families) purposes, in order to reestablish the area's commercial importance and also to rejuvenate the local population, preventing the desertification of the centre.

The main stakeholders of this project are Porto Vivo SRU, and Real Estate Investment Funds managed by BCP, and a private partner. The intervention objectives are:

- Renewal of all the area, through the demolition and rehabilitation of existing buildings or parts of buildings and construction of new buildings and rehabilitation of buildings close to important urban and architectural value;

- Creation of an underground car park parking lot;

- Creation of a leisure area, with a minimum size of 1350 m2;

- Maintenance of the pedestrian path corresponding to the Travessa Taiwan;

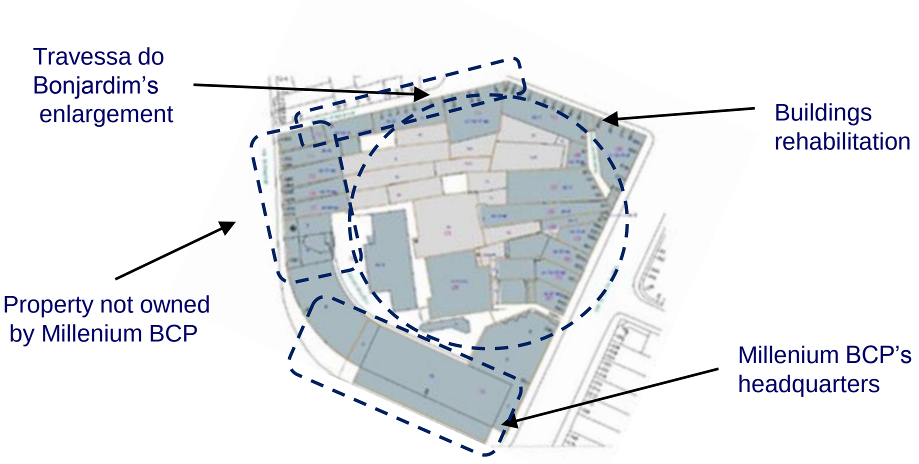
- Enlargement of the Travessa Bonjardim;

- Rehabilitation of the original façades of several plots;

Key indicators of D. João I intervention area

Key Indicators		
Size of D.Joao I intervention area (ha)		3,35
Number of inhabitants		n/a
Gross construction area (m2% of total construction area)		33.500
devoluted/non occupied	45%	15.000
occupied	55%	18.500
Millenium BCP	78%	14.500
others	22%	4.000
Main owners (m2% of total construction area)		
Private individuals / companies	100%	33.500
Public entities	0%	-
Construction area according to intervention needs (% of total buildings)		
Not requiring intervention	43%	14.500
Requiring intervention	57%	19.000
light interventions	0%	-
middle interventions	20%	3.800
deep interventions	80%	15.200

D. João I project funding



Source: Programa de Acção para a Reabilitação urbana do Bairro D. João I; Deloitte analysis

The role of the private partner is to execute all the urban rehabilitation work bearing all the costs related to that process and benefiting from the revenues obtained from the sale or lease of the rehabilitated buildings.

In order to obtain the ownership of the buildings that will be rehabilitated, namely the ones which their current owners are not willing to rehabilitate or sell at a price aligned with property valuation made by certified experts, the private partner may request Porto Vivo the expropriation of the property.

Among the responsibilities of the private partner are:

- Negotiations with all owners of parcels.

- Acquisition of parcels of terrains and buildings by entities who do not wish to participate in the intervention

- Payment of compensation resulting from the expropriate process of the owners.

- Relocation of tenants (if applicable);

- Resolution of all legal issues;

- Obtaining all administrative and operational permits and authorizations;

- Obtaining the permits for the use of regenerated property resulting from the intervention.

Summary Table of interventions

Function	Ocupation	Gross Area (m2)	Capacity (estimate)
Parking	3 floors (underground)	16,180	640 places
Commercial Space	3 floors (underground)	8,400	n/a
Housing	6 floors (maximum)	13,840	110 plots
Services		n/a	n/a
	Sub-Total	**38,420**	
Plot 18	3 floors (underground)	3,357	120 places
Parking	1 floor (ground floor)	571	1 unit
Commercial Spaces	8 floors	4,961	46 plots
	Sub-Total	**8,889**	
	Total	**47,309**	

Source: Acordo para a Reabilitação Urbana de D. João I; Deloitte analysis

Description of the Porto – Carlos Alberto intervention area and urban rehabilitation project

Description of the Carlos Alberto intervention area

Situated near important facilities like Santo António's Hospital, Porto's university and the historical centre, Carlos Alberto is a commercial area, with a the potential to be a residential neighborhood.

Although there are buildings with residential purposes, most of them are in advanced stage of degradation and lack sanitation infrastructures. The investment in the buildings requalification also has the objective of creating attractive conditions for new businesses.

The investment needed to requalify the buildings requiring intervention is estimated to be round €3.6M.

Key indicators of Carlos Alberto intervention area

Key Indicators		
Size of Carlos Alberto area (ha)		1
Number of inhabitants		n/a
Number of buildings		30
devoluted/non occupied	27%	8
occupied	73%	22
residential/comercial	50%	11
comercial	50%	11
Main owners (% of total buildings)		
Private individuals / companies		30
Public entities		-
Construction area according to intervention needs (% of total buildings)		
Not requiring intervention	6%	2
Requiring intervention	84%	25
light interventions	0%	-
middle interventions	32%	10
deep interventions	62%	15

Aerial photo of Carlos Alberto area

Actions / initiatives of Carlos Alberto project

Buildings rehabilitation, construction of sanitation infrastructures

Source: Programa de Acção para a Reabilitação urbana de Carlos Alberto; Deloitte analysis

Description of the Porto – Carlos Alberto intervention area and urban rehabilitation project

Description of *Urban rehabilitation of Carlos Alberto* project

The project's key objectives are the buildings rehabilitation and construction of sanitation infrastructures, in order to attract potential buyers for the residences and, to create new business opportunities.

For this project, Porto Vivo signed an agreement with a private consortium that establishes the following:

Rehabilitated buildings marketing rights

1. SRU transfer to private partner the property to be rehabilitated;
2. Private partner will be responsible for all rehabilitation works and marketing of the property;
3. The private partner can start the marketing of the property for and on behalf of the SRU Porto Vivo, once the work of rehabilitation has started, previously licensed from Porto Vivo SRU;
4. The former owners or tenants have the right of preference, and potential buyers should be warned that the acquisition will not transfer the right of preference from the former owners and tenants;

Remuneration and Payment

5. Following the transfer of the property, as mentioned above, the private partner must, within 2 years, sell the property according to the price and conditions it considers appropriate. For each sale or offer to sell the buildings mentioned above held by the private partner, he will pay Porto Vivo SRU 25% of the contract no later than 3 working days from the date of receipt of the referred amounts, the partner has to deliver to Porto Vivo SRU, copies of all sale and promise of sale agreements with third parties, and any legal notifications and responses.
6. If the deadline above mentioned expires (2 years) and the private partner has not sold all the buildings, the procedure shall be as follows:
   - For property not yet sold but promised the private partners delivers Porto Vivo SRU 25% of the value of the contract;
   - For other property the reference is the market value, and the private partner is required to pay Porto Vivo SRU 25% of the value.

Source: Acordo para a Reabilitação urbana de Carlos Alberto; Deloitte analysis

Description of the Porto – Mouzinho da Silveira/Corpo da Guarda intervention area and urban rehabilitation project

Description of the Mouzinho da Silveira/Corpo da Guarda intervention area

The Intervention unit of *Mouzinho da Silveira / Corpo da Guarda* quarter is inserted in the area classified as World Heritage by UNESCO, which involves the preservation of its character and appearance.
It is located between the *Avenida dos Aliados*, the *Morro da Sé* historical area, the river margin and outskirts.

Description of *Urban rehabilitation of Mouzinho da Silveira/Corpo da Guarda* project

According to the strategy for this area of the city, a joint program of commerce and housing rehabilitation is proposed. The objective will therefore be to provide residential, shops, and offices or services spaces, inducers of dynamic recovery of the Historical Center and downtown. The preferred area for this intervention is the functional unit *Mouzinho/Pelames/Corpo da Guarda*, which has impact on most of the unoccupied building. The, strategy is basically to offer spaces at the ground floor where commerce activities supporting residents and tourists, can be installed.

The estimated investment amount for this initiative is of €2.3M

Key indicators of Mouzinho da Silveira/Corpo da Guarda intervention area

Key Indicators		
Size of Mouzinho da Silveira/Corpo da Guarda intervention area (ha)		0.80
Number of inhabitants		n.d.
Number of buildings		27
Gross construction area (m2% of total construction area)		8,010
devoluted/non occupied	41%	11
occupied	59%	16
residential	63%	10
comercial	38%	6
Main owners (m2% of total construction area)		
Private individuals / companies	78%	21
Public entities	22%	6
Oporto municipality	15%	4
Porto Vivo SRU	7%	2
Construction area according to intervention needs (% of total buildings)		
Not requiring intervention	7%	593
Requiring intervention	93%	7,417
light interventions	15%	1,099
middle interventions	15%	1,113
deep interventions	63%	4,673

Actions / initiatives of Mouzinho da Silveira/Corpo da Guarda project

Source: Programa de Acção para a Reabilitação urbana do Mouzinho da Silveira/Corpo da Guarda; Deloitte analysis

Description of the *Marvila* intervention area

Located in the oriental part of Lisbon, *Marvila* is a populated area of the city and is divided in 5 neighborhoods - *Amendoeiras/Olival, Lóios, Condado, Armador and Flamenga* – characterized by its several social housing programs.

The development of the so-called "social neighborhoods" in the area started in the late 60's, and the tendency over the years was an increase of social degradation, due to the relocation of other populations in this area.

In order to revert this situation, the Lisbon Municipality, as well as a number of local entities and public institutions, have brought to action a new project: "*Viver Marvila*" (Living Marvila).

Description of *Urban rehabilitation of "Viver Marvila"* project

This urban requalification project has the key objective of retrofitting some municipality and state-owned residential, commercial and public buildings, surrounding areas and public spaces.

Thus, in each neighborhood, several constructions and requalification works are set to be made, with the intent of enhancing the area's attractiveness for present and future residents.

One of the main aspects of this project is that it is directly related to 2 major public projects, being strongly influenced by them:

• The new "*Todos os Santos*" Hospital;

• Main accessibilities for the third bridge over the Tagus River.

The area benefits of the presence of ISEL (an engineering university), RTP (Public television and radio) and *Bela Vista* commercial area.

The public entities that were initially part of the program are the Lisbon Municipality (CML) and the Housing and Urban Requalification Institute (IHRU).

The estimated investment is €5.6M, divided between IHRU (€15.9M), and Lisbon Municipality (€35.6M). The financial and social returns of the project implementation were not quantified.

Key indicators of Marvila intervention area

Key Indicators		
Size of Marvila area (ha)		244,00
Number of inhabitants		19.207
Number of buildings		388
devoluted/non occupied		n/a
occupied		n/a
residential/comercial		n/a
comercial		n/a
Main owners (number of buildings)		
Private individuals /companies	*4,4%*	17
Privates + Public	*43,6%*	169
Cooperatives	*11,6%*	45
Cooperatives + Public	*9,8%*	38
Public entities	*30,7%*	119
Lisbon Municipality	*20,9%*	81
IHRU	*5,9%*	23
IGFSS	*0,5%*	2
Other	*3,4%*	13
Construction area according to intervention needs (% of total buildings)		
Not requiring intervention	*11,1%*	43
Requiring intervention	*88,9%*	345
light interventions	*67,5%*	233
middle interventions	*28,7%*	99
deep interventions	*3,8%*	13

Marvila project funding

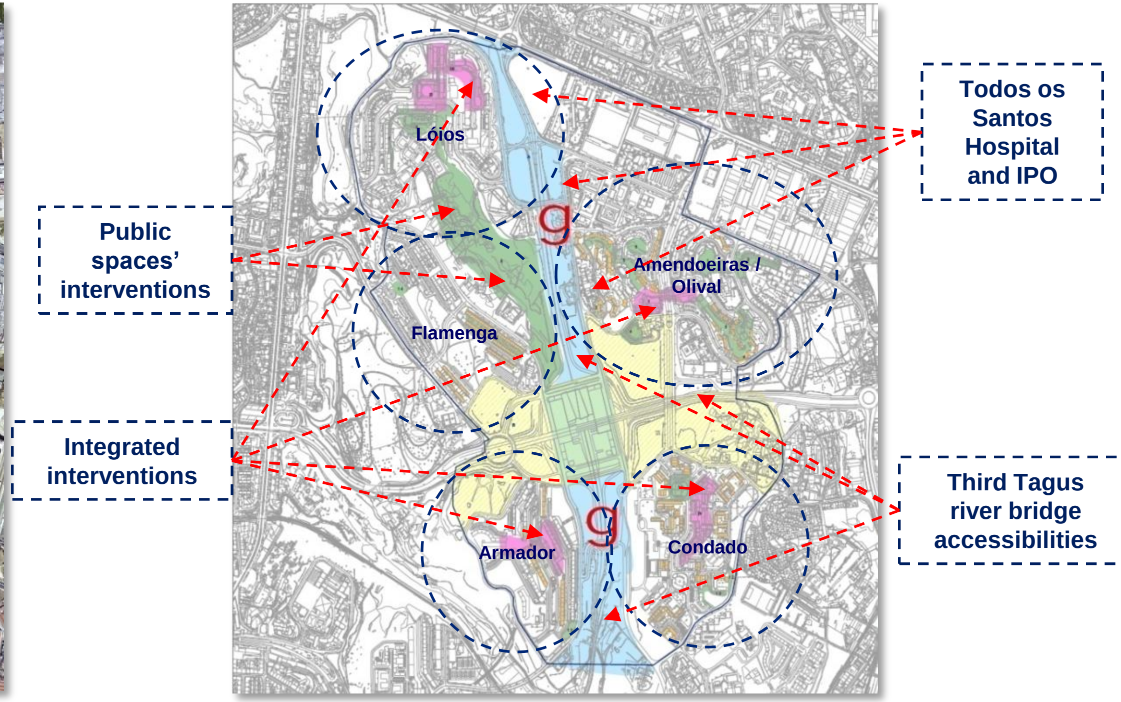
Marvila project - Investment breakdown

€ M	
Lisbon Municipality	35,8
IHRU	15,9

Source: PRDIM – Programa de Reabilitação e Desenvolvimento Integrado de Marvila; Deloitte analysis

Overview of Marvila intervention area

"Viver Marvila" Intervention area



Description of the actions defined in "Viver Marvila" rehabilitation project

Marvila project - Description of the actions

€ M	Total Investment	Non eligible or non comparticipated investment	Timing	Entity in charge	Private partner
Integrated interventions	2,5	n/a	3 years	PPP	n/a
Public spaces interventions	12,0	n/a	3 years	Lisbon Municipality	n/a
Public ow ned buildings interventions	37,1	n/a	3 years	IHRU	n/a
TOTAL	**51,6**	**n/a**			

Source: PRDIM – Programa de Reabilitação e Desenvolvimento Integrado de Marvila; Deloitte analysis

Description of the *Couros* intervention area

Located in the historical center of Guimarães (classified as World Heritage by UNESCO in 2001), Couros was an area of industrial leather activity. The train station, Vila-Flor cultural center, public school, public spaces and commercial activity, are points of interest in the area.

Despite the historical importance, Couros has lost attraction and vitality, with the deterioration of buildings, and the increase of unemployment, resulting in several social problems.

Description of *Urban rehabilitation of Couros* project

One of the main objectives of the project is to develop a new platform able to induce economic activity based on sustainable interaction between innovation, technology and culture, anchored in an intensive effort to train human resources. The other objective is related to the rejuvenation of the local population, resulting from the implementation of the Campus project (creation of a post-graduation centre, design institute), increasing the number of young population located in the intervention area.

In order to achieve the objective, the project is divided into 4 segments: Equipment installation (um@couros), rehabilitation and revitalization (R&R Couros), cultural development (CulturCouros), institutional interaction (InterCouros).

The investment estimated is €61.1M, mostly provided by public entities. Some of the investment will be made by private entities, although they are not yet defined.

Its main sponsors are the Guimarães Municipality and the Minho’s University.

Key indicators of Couros intervention area

Key Indicators		
Size of Couros intervention area (ha)		9,8
Number of buildings		215
Number of inhabitants		980
Gross construction area (m2% of total construction area)		117.269
Parking		42.640
Building construction		64.548
devoluted/non occupied	10%	6.455
occupied	90%	58.093
occupied by the owner	49%	28.349
occupied by the tenant	42%	24.573
residential	99%	57.706
non residential	1%	387
Main owners (m2% of total construction area) (a)		
Private individuals / companies	32%	37.252
Public entities	31%	35.777
Private and Public entities	38%	44.240
Construction area according to intervention needs (% of total buildings) (b)		
Not requiring intervention	9%	10.081
Requiring intervention	91%	107.188
light interventions	1%	880
middle interventions	14%	15.309
deep interventions	85%	90.999

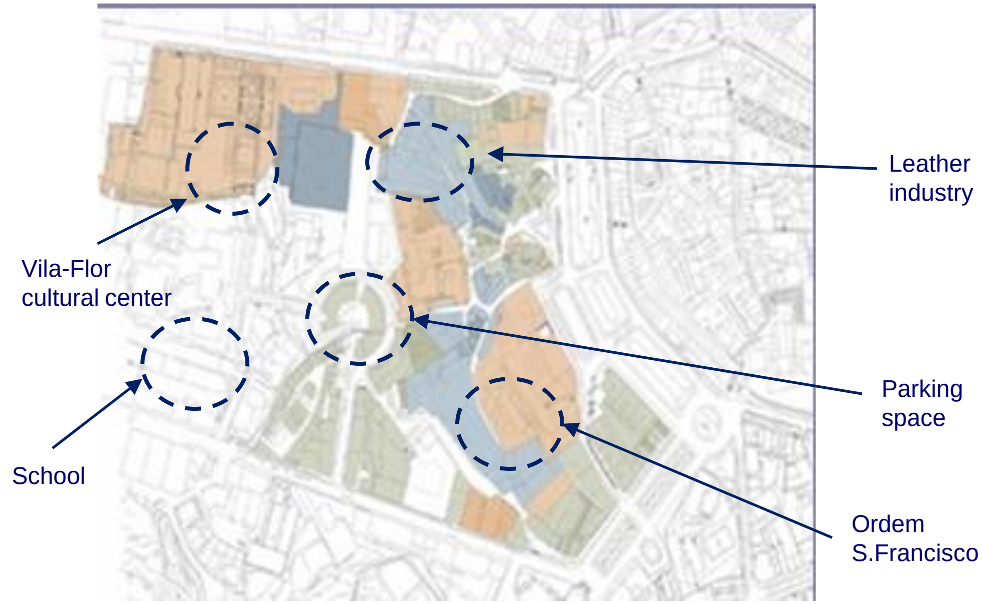
(a) No information about main owners of Convento S.Francisco
(b) No area information regarding Convento S.Francisco, Couro's Interpr.Proj. Inclusion of Local Pop., Arts and creativity platform and professional training center.

Source: Programa de Acção para a Regeneração Urbana de Couros; Deloitte analysis

Description of the Couros - Guimarães intervention area and urban rehabilitation project

Aerial photo of Couros area

The whole project, inside the Guimarães city



Description of the actions defined in Couros Project

Couros project - Descritption of the actions	Total Investment	Investment non eligible or non comparticipied	Timing	In charge entity	Private partner
Operations					
Advanced Formation Post-Graduate Center	3,2	0,0	3 years	Guimarães Municipality; Minho Univ.	?
Design Institute	2,7	0,0	3 years	Guimarães Municipality; Minho Univ.	?
Public area requalification	2,2	0,0	2,5 years	Guimarães Municipality	?
Other Operations	1,1	0,0	3 years (max)	Guimarães Municipality; Others	?
Complementary Actions					
Habitation new projects	25,0	n.d.	3-4 years	Guimarães Municipality; a new structure	?
Arts and Creativity Plataform	19,0	n.d.	3,5 years	Guimarães Municipality	?
River revitalization	2,7	n.d.	3 years	Guimarães Municipality; Minho Univ.	?
Other Complementary Actions	5,1	0,0	4 years (max)	Guimarães Municipality; Others	?
TOTAL	**61,1**	**0,0**			

Source: Programa de Acção para a Regeneração Urbana de Couros; Deloitte analysis

Description of the "Zona Ribeirinha" – Setúbal intervention area and urban rehabilitation project (1/2)

Description of the "Zona Ribeirinha" intervention area

Located in Lisbon's metropolitan area, Setúbal has become one of the largest ports in Portugal as it is well sheltered from the Atlantic Ocean. With a total area of 172.0 km^2 and a total population of 118,696 residents in the municipality. The city is considered to be of medium size in Portuguese terms.

Due to the increasing demand in touristic activity, the degradation of the public spaces, and the willingness to transform Setubal into a modern and cosmopolitan town, the Municipality of Setúbal, has drawn up a requalification and rejuvenation plan for the main river area, named as PIVRS – Programa de Integrado de Valorização da Zona Ribeirinha de Setúbal.

The proposed plan has the following three strategic objectives: Urban requalification of the purposed area, improvement of the functionality of the public spaces and quality reinforcement of services and equipments supply.

Description of *PIVRS* intervention project

The project key objectives is the regeneration of the Zona Ribeirinha creating better life conditions for the population, and the development of the touristic activity of the area. The plan is divided in several actions to be performed in the next couple of years, being the most representative the remodelation of the Luisa Todi Municipal Forum, and requalification of the Livramento Market.

Investment estimated for the intervention project is around €8.35M, and it is divided between public sector (20%) , private sector (21%) and structural funds (59%).

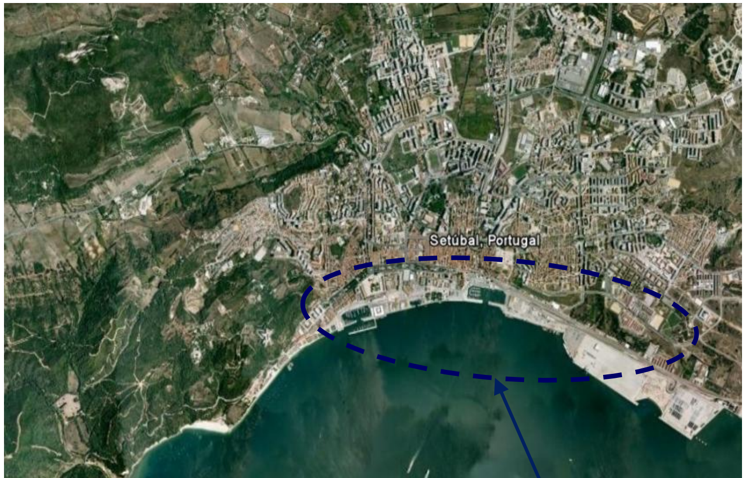
Key indicators of the PIVRS

Key Indicators	
Size of Zona Ribeirinha intervention area (ha)	n/a
Total Zona Ribeirinha Investment (M€)	8,35
Number of buildings to be created or requalified	3
Number of Equipments to be created or requalified	4
Public Spaces to be created or requalified (sqm)	46.510
Number of buildings	n/a
devoluted/non occupied	n/a
occupied	n/a
residential/comercial	n/a
comercial	n/a
Main owners (% of total buildings)	
Private individuals / companies	n/a
Public entities	n/a
Private entities	n/a
Construction area according to intervention needs (% of total buildings)	
Not requiring intervention	n/a
Requiring intervention	n/a
light interventions	n/a
middle interventions	n/a
deep interventions	n/a

Source: Programa Integrado de Valorização da Zona Ribeirinha de Setúbal; Deloitte analysis

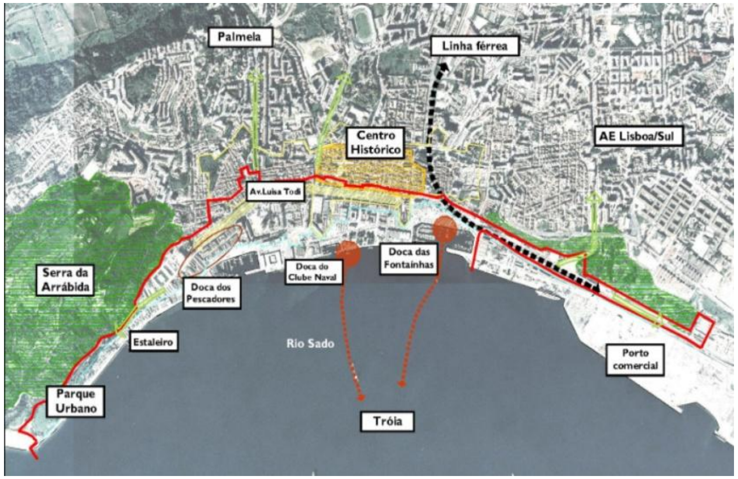
Description of the “Zona Ribeirinha” – Setúbal intervention area and urban rehabilitation project

Overview of Setubal's Town Centre



Intervention Area - PIVRS

PIVRS Intervention area



Description of the actions defined in the Intervention project

Setúbal project - Description of the actions

	Total Investment	Non eligible or non comparticipated investment	Timing	Entity in charge	Private partner
Luísa Todi Municipal Forum modernization	2,00	1,00	2 years	Setubal Municipality	Liga dos Amigos do Forúm Municipal Luísa Todi
Casa da Baia's construction	0,50	0,05	1 year	Setubal Municipality	Associação da Baía de Setúbal
Requalification of the Livramento Market	2,50	1,35	1 year	Setubal Municipality	Associação de Comerciantes do Mercado do Livramento
Urban equipment remodelation of food and beverage	1,50	0,60	1 year	Setúbal Municipality / PPP	Associação da Restauração e Similares de Portugal
Urban Reconversion of the "Zona Ribeirinha Poente"	1,50	0,75	2 years	Sociedade Setúbal Polis	n/a
Public Spaces Requalification	0,30	0,15	2 years	Setúbal Municipality	n/a
Launch of the future Sea Museum (Ideas Contest)	0,05	0,03	2 years	Setúbal Municipality	Ordem dos Arquitectos
TOTAL	**8,35**	**3,9**			

Source: Programa Integrado de Valorização da Zona Ribeirinha de Setúbal; Deloitte analysis

Description of the “Parque Maior” – Maia intervention project

Description of the “Parque Maior” intervention area

Located in northern Portugal, Maia is one cities on the outskirts of Porto. In fact, Maia only recevied “city” status in 1992 due to its industrial development in the previous 3 decades.

The Municipality has around 120.000 residents and it has grown at a rate of 28,9% since 1991 due to the relocation of many families working in Porto because of the short distance between the two cities.

The “Parque Maior” project is aimed at construction of new housing and urban requalification in the area named Bairro do Sobreiro. The neighbourhood is located near the Municipal Stadium and, due to the lack of maintenance works and underprivileged background and social status of the local families, it has suffered from infrastructures and social degradation.

Description of *Urban rehabilitation of “Parque Maior”* project

The project key objective is the regeneration of Bairro do Sobreiro area, with the aim of creating social cohesion and public requalification. One of the main intervention actions is the reconstruction of the entire neighbourhood with the development of a new outdoor park for the local population.

Current residents of these neighborhoods will be relocated into new buildings in an adjacent area. New housing for middle/high class people will be constructed in the former place of the ancient ones.

In order to implement the project it was created a company (Parque Maior – Reabilitação Urbana da Maia, S.A), owned by Maia Municipality (25%), Espaço Municipal (25%), and a private company (MPA 50%). The business plan for this company / project has the following main characteristics:

Key indicators of “Parque Maior” intervention area

Key Indicators		
Size of "Paque Maior" intervention area (ha)		7
Total "Parque Maior" Investment (M€)		4,3
Number of buildings to be constructed		38
Number of inhabitants		1.555
Gross construction area (m2 % of total construction area)		273.812
devoluted/non occupied		n/a
occupied		n/a
residential/comercial		n/a
comercial		n/a
Main owners (% of total buildings)		
Private individuals / companies		n/a
Public entities		n/a
Private entities		n/a
Construction area according to intervention needs (% of total construction area)		
Not requiring intervention		n/a
Requiring intervention		n/a
Construction area for public equipments	8%	21.500
Construction area for public spaces and green areas	9%	25.547
Under construction	75%	205.183
Housing	60%	163.806
Commerce/Offices	11%	30.957
Services	4%	10.420

Source: Parque Maior: Regeneração Urbana do Bairro do Sobreiro; Deloitte analysis

Description of the Parque Maior Business plan

Regarding Maia intervention plan, a partnership were signed between Maia Municipality with the Spanish real estate developer Miguel Rico y Associados, creating a society called "Parque Maior" which will manage the intervention plan.

The main assumptions of partnership established are the following:

- Equity of the society constitution is €5M, 50% by the private entity, while the remaining is split between Municipality and Espaço Municipal;
- The private partner is responsible for the development and construction of the intervention plan;
- Public entities are responsible for the expropriation and allocation of the actual residents for temporary residences;
- The dividends distribution is in accordance with the equity's partnership;
- Use of a €100M loan with a 8% interest rate to be paid during 10 years

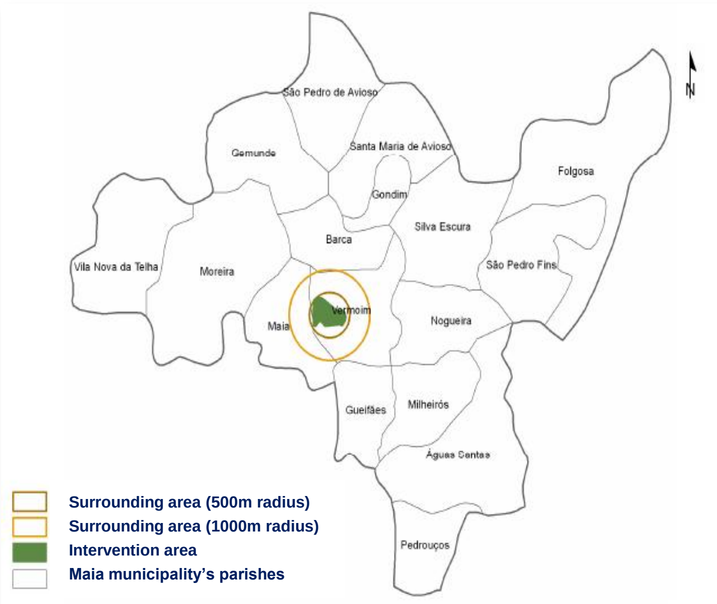
According to the Espaço Municipal authorities, they expected that this intervention shall cause positive externalities, with the inclusion of private sector investment (commercial activity and a hotel mainly).

Project is on hold as a result of funding difficulties of the private partner.

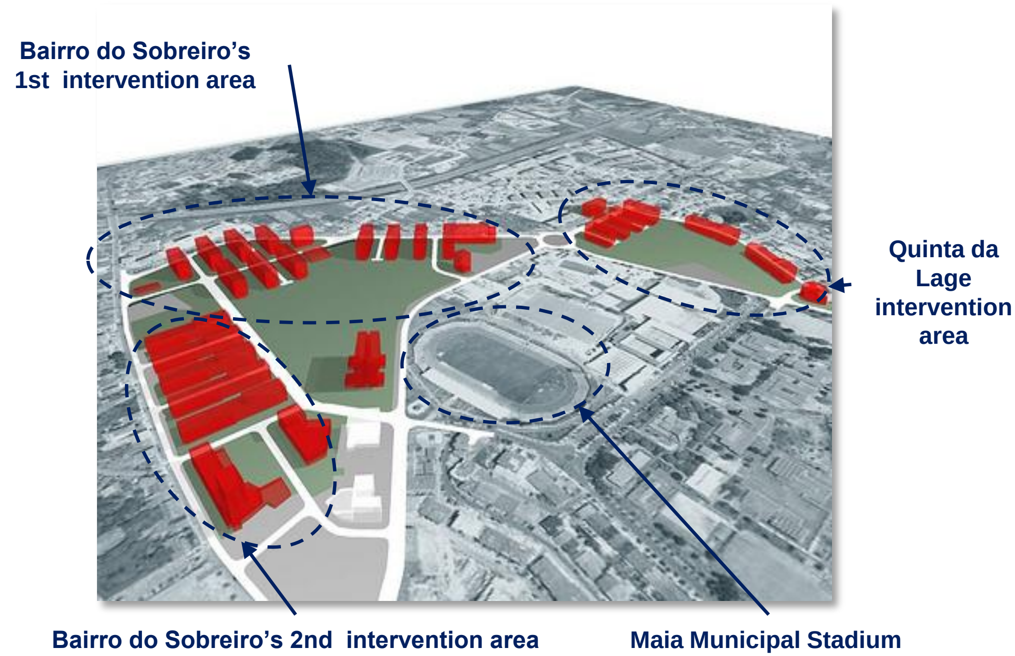
€000	
Building sales	151,354
Brow nfields recovery	8,278
Public spaces	9,590
Construction costs	90,019
Professional fees	5,626
Licenses	4,501
Insurance	900
Management costs	4,541
Commercialization costs	2,270
Financial costs	8,801
Other operational costs	1,800
Total costs	**136,327**
Cash flow	15,027
IRR	*9.9%*
Equity	5,000
Maia municipality	*25.0%*
Espaço Municipal	*25.0%*
Miguel Rico y Asociados	*50.0%*
Loan	110,010
interest rate	*8.0%*

Description of the “Parque Maior” – Maia intervention area and urban rehabilitation project (2/2)

Overview of Maia Municipality



“Parque Maior” Intervention area



Description of the actions defined in “Parque Maior” rehabilitation project

"Parque Maior" project - Description of the actions

	Total Investment	Non eligible or non comparticipated investment	Timing	Entity in charge	Private partner
Urban park of the new Maia's Directional Centre	283,5	n.a	Dec.2010	Parque Maior - Reabilitação Urban da Maia, SA	MRA Group
Construction of new streets and related foundations for phase A of the project	498,4	n.a	Jun-2010	Parque Maior - Reabilitação Urban da Maia, SA	MRA Group
Requalification of phase A's adjacent streets and foundations	282,5	n.a	Jun-2010	Parque Maior - Reabilitação Urban da Maia, SA	MRA Group
RECONSTRUR - Parque Maior's construction waste management	145,0	n.a	Sep-2011	Maiambiente, E.M	n/a
Science Shop	300,0	n.a	Dec-2009	TECMAIA-Parque de Ciencia e Tecnologia da Maia, SA	n/a
Youngster's Entrepeneurship Program	190,0	n.a	Dec-2009	TECMAIA-Parque de Ciencia e Tecnologia da Maia, SA	n/a
Maia Telecentre	739,8	n.a	Sep-2011	MAIAINOVA - Associação para a inovação e des.da Maia	n/a
Praça do Oxigénio and Community Centre construction	1.333,1	n.a	Jun-2010	Parque Maior - Reabilitação Urban da Maia, SA	MRA Group
Equipment, Human Resources and Management programs for the Com.Centre	123,2	n.a	Jun-2011	Santa Casa da Misericórdia da Maia	n/a
Creation of a Residents and Trader's Support Bureau	80,0	n.a	Sep-2011	Parque Maior - Reabilitação Urban da Maia, SA	MRA Group
Creation of a team responsivle for management and coordination of local partnerships	180,0	n.a	Sep-2011	Parque Maior - Reabilitação Urban da Maia, SA	MRA Group
Marketing and Promotion campaign	119,0	n.a	Sep-2011	Parque Maior - Reabilitação Urban da Maia, SA	MRA Group
TOTAL	**4.274,5**	**n.a**			

Source: Parque Maior: Regeneração Urbana do Bairro do Sobreiro; Deloitte analysis

Description of the Gaia intervention area and urban rehabilitation project (1/2)

Description of the Gaia's intervention area

Located in the historical zone of Gaia/Porto (near Douro river mouth), it is an area characterized by its historical commercial activity, related to the Porto wine cellars. Over the centuries, this commercial activity was one of the most important outputs to be exported products.

Over the recent years, the intervention area has gained a negative image caused by the lack of rehabilitation of the cellars surrounding areas and other tourist attractions, besides the social degradation and very high difficulty of traffic circulation.

Description of *Urban rehabilitation of Gaia's* project

The project 's key objective is the regeneration of Gaia's historical area, by creating conditions to attract tourism for a longer preservation of tourist dynamism and social/cultural interaction, better commercial conditions, better conditions of inhabitability and infra-structures and connections improvements.

The plan proposes the requalification of public spaces (€8.8M), the improvement of parking space capacity (€8.4M), the implementation of public transportation solutions (€15.5M), the construction of a senior residence and a touristic area (€66.3M), the rehabilitation of an old vacant building to receive education/training equipment and offices to support artistic start-ups companies (€30.6M). The overall rehabilitation of degradated buildings and infrastructure improvement (water, sewage, heat and gas) is also proposed.

It is also being considered the installation of a energy efficiency system to produce renewable energy to serve new equipments In the historical centre..

Project estimated Investment amounts to €817.4M, divided between public sector, private sector and structural funds.

Key indicators of Gaia's intervention area

Key Indicators		
Size of Gaia's intervention area (ha)		152
Number of inhabitants		6.202
Gross construction area (m2% of total construction area)		879.305
devoluted/non occupied	22%	193.447
occupied	78%	685.858
occupied by the ow ner		n/a
occupied by the tenant		n/a
residential	46%	315.495
cellars	34%	233.192
comercial	6%	41.151
others	14%	96.020
Main owners (m2% of total construction area)		
Private individuals / companies		n/a
Public entities		n/a
Gaia municipality		n/a
Other public entities		n/a
Construction area according to intervention needs (m2% of total construction ar		
Not requiring intervention	10%	68.586
Requiring intervention	90%	617.272
light interventions	0%	-
middle interventions	18%	123.454
deep interventions	72%	493.818

Funding of Gaia's project

Gaia project -Breakdown of investment

€ M	
Gaia municipality	39,2
Other public entities	58,4
Private entities / companies	642,0
Structural Funds (FEDER)	77,7

Source: Estudo "Área Crítica de Recuperação e Reconversão Urbanística de Vila Nova de Gaia"; Deloitte analysis

Description of the Gaia intervention area and urban rehabilitation project (2/2)

In the context of Gaia project, local authorities identified several potential Jessicable ideas, among them:

- Covering Guilherme Gomes Fernandes street. The investment, can be repaid through rents and or municipal taxes, to be paid by the leisure spaces, restoration and commercial tenants, that benefit from the investment.

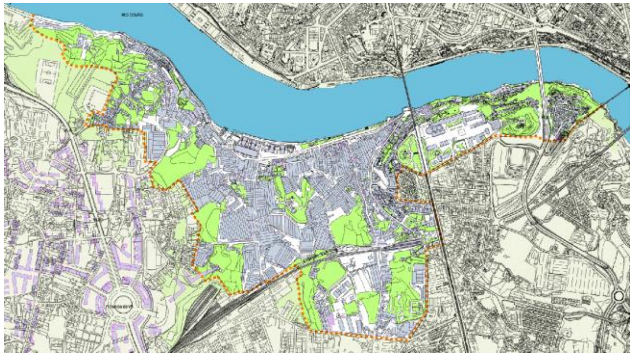
- Creation of fun/leisure park with bars and outside coffee shops, in an estimated area of 3,500 sqm. The return for this project is obtained by the licenses and taxes that property owners will pay for the use of the rehabilitated area.

- Requalification of industrial buildings into a hotel or/and a students residence.

- Implementation of an urban heat and hot water distribution system, to be managed by a private partner.

These projects indicated by Gaia SRU do not have enough development to allow a quantitative assessment . Nevertheless the projects may have potential after further development.

Aerial photo of Gaia's intervention area



Source: Estudo "Área Crítica de Recuperação e Reconversão Urbanística de Vila Nova de Gaia"; Deloitte analysis

Chapter Conclusions

Based on the analyses of the example cases provided by the Portuguese Government we are able to identify the following main findings:

- Projects have problems with common characteristics. Intervention areas are mainly city historical centers showing urban and social deterioration and a decreasing number of residents, although with relevant touristic assets (exceptions are Arco Ribeirinho Sul, Marvila and Maia which are urban degradated areas with Arco Ribeirinho Sul being an example of an Industrial contaminated area). Project leaders in these cases are mainly Municipalities and SRU's, though in some cases these entities have the support of Public Institutions like IHRU – which participates in several SRUs. State Institutions are usually involved when the regeneration areas are owned by the State.

- Projects developed in the intervention areas are mainly focused on the rehabilitation of buildings with different uses, such as housing (one of the biggest problems and main concern, present in the majority of the cases), commerce and services. Redefining the mix of uses and anchor projects are the main challenges of these projects. Typical anchor projects in these cases are: parking lots, students residence, hotels, elder residences , social and cultural equipments and transportation systems. Social and economic outcome is always a pursued result though not always quantified.

- Almost all the projects were developed either under the framework of the urban rehabilitation law 104/2004, of May 7th and/ or NSRF urban regeneration partnerships. Thus an integrated urban regeneration plan or project exists.

- Integrated Regenerations Plans are essential. In order to allow a global and integrated definition of a regeneration strategy for a degradated or obsolete urban area, integrated regeneration plans are essential. These plans give the operational guidelines to follow, defining intervention areas, entities responsible for execution (public and/or private), regeneration concepts and principles, dimensions of regeneration and development to account for, uses and projects to develop and investments and execution plans. Usually elaborated by Municipalities, SRUs or even the Government the plans are the backbone of regeneration projects.

- Buildings to be rehabilitated are mainly owned by individuals (private property) with a few examples of public ownership. Ownership dispersion is a common problem, difficulting agreements between parties needed to gather the critical mass essential to projects implementation.

- Based on the provided information, structural funds were approved or candidatures were made for actions in most of the projects. Projects/actions with ERDF funding were developed on a "grant" perspective, thus lacking information about financial return. On a preliminary analyses several projects have at least a few actions that could be eligible for ERDF funding and, therefore, eligible for JESSICA application.

Key Questions	Morro da Sé	Cardosas	Coimbra	Évora
Investments are eligible under current NSRF rules? (at least partially)	✓	✓	✓	✓
Project is included in na integrated sustainable urban development plan?	✓	✓	✓	✓
Investment will occur unitl 2015?	✓	✓	✓	?
Investment will generate the sufficient revenues to support its reimbursement? (1)	✓	✓	✓	?
Are private companies or financial institutions involved?	✓	✓	✓	?
Does the project generate positive externalities, including greater interest of privates in rehabilitation, better life conditions employment, among others?	✓	✓	✓	✓

- Economic weaknesses shown by the example projects that have a business model associated are mainly related with a low IRR/attractiveness for private investors. Nevertheless some of the projects show potential for return though leverage is needed to create conditions to attract private entities. This type of case could greatly benefit from JESSICA funding – as better detailed in next chapter .

- Size of projects, in terms of investment, vary between €5M and €100M, with exception of Arco Ribeirinho Sul, Évora and Gaia which involve significantly higher levels of funds. In some cases, complementary investments from individuals and public entities are expected, being the amounts equal or higher than the projects / actions themselves.

- In conclusion, these findings illustrate the scenarios we have found during our report process, where we can find obstacles to overcome, and opportunities to be developed in order to implement JESSICA initiative in urban renewal interventions around the country.

In this chapter we present, as an exercise, theoretical applications of JESSICA in Portugal. The main objective of this exercise is to exemplify ways for JESSICA to participate in each level illustrating with actual figures the potential of this initiative and the benefits for the stakeholders in each level.

The structure and conditions of funding used, are hypothetical and although based on reality, do not reflect any specific known case(s). The only purpose is to analyse the financial engineering that could be adopted and JESSICA relevance in terms of the impact to other stakeholders expected outcomes.

In order to do so, the three different levels of JESSICA (Project level, UDF level and HF level) were inter connectively constructed and presented.

That does not mean, however, that the Portuguese reality regarding urban renewal interventions is or should in any way be limited to the type of projects and UDFs described. We understand that there are other potential solutions for JESSICA's implementation, under the concept of the NSRF's operational programmes requirements for urban renewal interventions and of the jessicability criteria, which can be implemented and achieve the same or similar results.

Project level

At project level, a Base case was prepared involving a typical case of urban regeneration with characteristics that are common in this type of projects. This case is thoroughly analysed and presented in the next section. Additionally, since the Base case does not have a grant associated, a comparison between the grant and JESSICA intervention is also presented.

Three other types of urban renewal projects were developed, with some modifications and slightly different assumptions in order to determine if the conclusions obtained in the Base case are also applicable to other project types, structures, dimensions, stakeholders, etc.

It is important to mention that JESSICA's investment at project level can be through Equity, Loans or Guarantees, however, given to the inexistence of information related with the profitability distribution of project outcomes, the case of Guarantee intervention is not considered in the theoretical cases developed in this section.

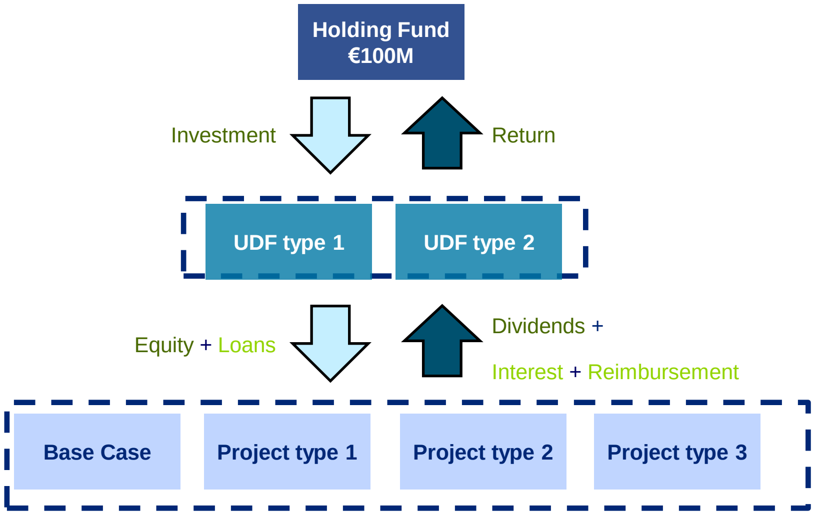
UDF level

At UDF level, in order to analyse the results of investing in several projects with different types of intervention, we considered two types of UDFs investing in the previously presented project types: UDF type 1 investing through debt and UDF type 2 investing through equity. This results in a different set of investment portfolios in each UDF that are analyzed further in Section [5.2].

HF level

At the HF level, the results for the Public Sector of investing in the previously presented UDF types are analysed.

Given the small size of the UDF types designed, we assumed that the UDFs cash flows would be escalated in order for the €100M to be fully applied. The results at HF level are further analysed and presented in Section [5.3].



This chapter describes different types of projects which we consider to reflect the kind of projects that, on a first stage, may benefit from JESSICA initiative funds.

For each project type is presented a description of the intervention area and of the project and a potential P/L account and cash-flow statement. It is also analysed how could JESSICA funds be used, as debt, as equity or as debt and equity, and as guarantees, being presented the financial engineering which supports each of that options (regarding guarantees, it is considered that in a business plan perspective, significant changes from the cases without JESSICA would not exist). The perspective of the stakeholders (JESSICA UDF, private partners, SRU, others) is also analysed (in terms of IRR, payback and risk).

Additionally, having in consideration the Base case, we analyse and present a comparison between the application of a Grant or the application of JESSICA.

Project assumptions, as well as the structure and conditions of funding used, are hypothetical and although based on the reality, do not reflect any specific known case(s). The only purpose is to analyse the financial engineering that could be adopted and JESSICA relevance in terms of the impact to other stakeholders expected outcomes and, by consequence, on their interest on the projects.

	Base Case	Type 1	Type 2	Type 3
Type of project				
Parking lot		✓		✓
Anchor project (hotel, student residence, elderly residence)	✓			
Buildings rehabilitation (civil w orks, energy efficiency, façades)	✓	✓	✓	
Green transportation / Mobility solutions				✓
Urban infrastructures (w ater, sew ages, heat, gas)	✓			
Others	✓			✓
Equity Partners				
SRU or/and the Municipality	✓	✓	✓	✓
Private entity (construction company)	✓	✓		✓
Jessica				
Others (ow ners or banks)	✓	✓		
Project KPI's				
IRR	3,3%	2,4%	5,7%	3,6%
Payback	15	5	10	16
Investment period	2	5	9	2

Description of Base case intervention area

Due to the degradation of a significant part of the city's historical centre / degradated urban area the municipality/SRU have drawn up an integrated urban development plan divided in intervention areas. Base Case project is related with one of these intervention areas.

Regarding the risks perceived associated with eventual delays in implementation, construction expenses higher than estimated and a bearish real estate condition, it has not been possible up to now to obtain the required funding for the project.

Description of the intervention area project

The project consists on the rehabilitation of an intervention area but could be replicated in other areas also, involving financial institutions, public entities, owners and construction companies. The project involves buildings rehabilitation (including energy efficiency and façades) either for sale or to lease, parking lot and public spaces recovery.

For the project, it must be noted that no grant was assumed although there is an investment in public spaces regeneration.

	Base Case
Type of project	
Parking lot	
Anchor project (hotel, student residence, elderly residence)	✓
Buildings rehabilitation (civil works, energy efficiency, façades)	✓
Green transportation / Mobility solutions	
Urban infrastructures (water, sewages, heat, gas)	✓
Others	✓
Equity Partners	
SRU or/and the Municipality	✓
Private entity (construction company)	✓
Jessica	
Others (owners or banks)	✓
Project KPI's	
IRR	*3,3%*
Payback	15
Investment period	20

Assumptions

Given the previous project description, the following assumptions were defined when constructing the financial model supporting the project:

- Project has a 2 year investment period and ends after 20 years;
- Estimated investment amounting to €23M;
  - Rehabilitation of public spaces (€5M);
  - Buildings to lease (€5M);
  - Buildings to sell (€8M);
  - Construction of a Students university residence (€2M);
  - Construction of an Hotel (€3M)
  - 41% of investment amount is considered as eligible;
- Revenue from:
  - Sale of the rehabilitated buildings (margin of 25%) during four years (year 3 to 6);
  - Rent from the remaining rehabilitated buildings (15% ROI);
  - Operation of the Hotel (10% ROI)
  - Operation of the students residence (12,5% ROI)
- Tax rate is 26.5%;
- Funding:
  - Equity (30%):
    - SRU (30%)
    - Private partner (60%)
    - Others (10%)
  - Commercial loan with a 6.5% interest rate;
  - No grant;
- Dividends to shareholders are only considered after the repayment of the commercial loan and can not exceed, for each year, the amount of retained earnings plus net income for the previous year;
- During investment period, financial costs related with debt obtained are funded through complementary capital;
- All partners are paid proportionally and at the same time;
- In the last year of the Project, all the remaining cash available is distributed to the equity partners and the project is closed.

Description of the Base Case Business Plan and Financial Engineering adopted

Below is presented an example of what could be the P&L and cash-flows projections for a project with the characteristics of Base Case.

Margin over Buildings sale

Margin over Hotel operation

Margin over Students residence operation

Margin over leased buildings

Buildings sold over a 4 year period (10% in the 1st year, 20% in the 2nd, 50% in the 3rd, 20% in the 4th.

Depreciation over the project duration (18 years of activity)

Project duration

P/L																					
Projection year		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
+ Students residence - EBITDA	12.50%			250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250
+ Hotel - EBITDA	10.00%			300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300
+ Rents (net of mng costs)	15.00%			750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750
+ Buildings - revenue	25.00%			1,000	2,000	5,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Buildings - COGS				800	1,600	4,000	1,600	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Depreciation				556	556	556	556	556	556	556	556	556	556	556	556	556	556	556	556	556	556
Commercial area rented	18			278	278	278	278	278	278	278	278	278	278	278	278	278	278	278	278	278	278
Students residence	18			111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111
Hotel	18			167	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167
EBIT		-	-	944	1,144	1,744	1,144	744	744	744	744	744	744	744	744	744	744	744	744	744	744

FREE CASH FLOW STATEMENT																				
Projection year	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
+ EBIT	-	-	944	1,144	1,744	1,144	744	744	744	744	744	744	744	744	744	744	744	744	744	744
- Adjusted Taxes	-	-	250	303	462	303	197	197	197	197	197	197	197	197	197	197	197	197	197	197
+ Depreciation	-	-	556	556	556	556	556	556	556	556	556	556	556	556	556	556	556	556	556	556
+ Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- working capital requirements	4,000	4,000	(800)	(1,600)	(4,000)	(1,600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	4,000	4,000	(800)	(1,600)	(4,000)	(1,600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Capex	10,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Students residence	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hotel	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FREE CASH FLOW	(14,000)	(9,000)	2,050	2,997	5,838	2,997	1,103	1,103	1,103	1,103	1,103	1,103	1,103	1,103	1,103	1,103	1,103	1,103	1,103	1,103

Since the Buildings are to be sold from year 3 to year 6 they are considered has stock and included in working capital.

Note: At green, inputs of the model

Below is presented an example of what could be the financial engineering of a project with the characteristics of Base Case.

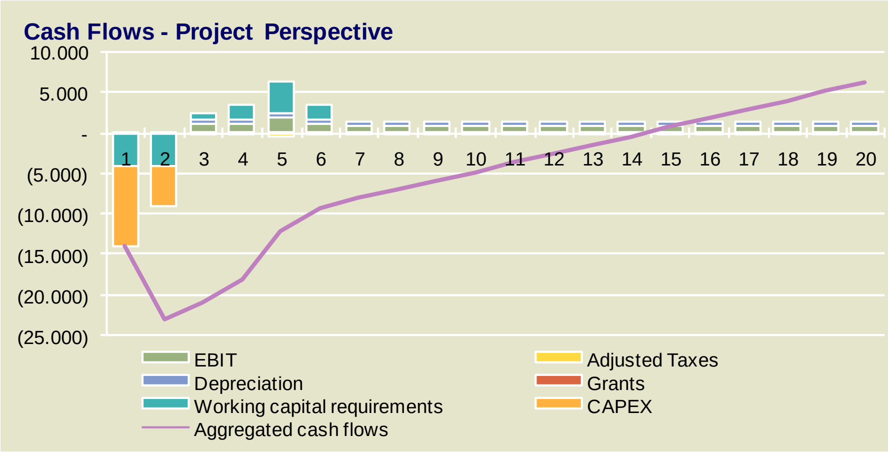
Capital structure: 30% Equity / 70% Debt. Project shareholders are Municipality / SRU (30%), a construction company (60%) and other entities (10%). No grant was assumed.

Investment of €23M in the first 2 years with eligible amount of €9.5M.

Commercial loan is reimbursed in 12 years.

Dividends are distributed after the commercial loan repayment . At the end all the remaining cash is distributed.

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
(k euro)																						
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/Municipality	30.00%	**2,070**	1,260	810	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private entity	60.00%	**4,140**	2,520	1,620	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA	0.00%	**-**	-	-								-	-	-	-	-	-	-	-	-	-	-
Others (Ow ners, banks)	10.00%	**690**	420	270								-	-	-	-	-	-	-	-	-	-	-
Loan	70.00%	**16,100**	**9,800**	**6,300**								**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	100.00%	**16,100**	9,800	6,300								-	-	-	-	-	-	-	-	-	-	-
JESSICA loan	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant	0.00%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Previous cash account			**-**	**-**	**(0)**	**580**	**841**	**1,039**	**634**	**479**	**372**	**312**	**300**	**336**	**419**	**522**	**625**	**728**	**830**	**933**	**1,036**	**1,138**
SOURCES		**TOTAL**	**14,000**	**9,000**	**1,500**	**2,280**	**3,141**	**2,739**	**1,934**	**1,779**	**1,672**	**1,612**	**1,600**	**1,636**	**1,719**	**1,822**	**1,925**	**2,028**	**2,130**	**2,233**	**2,336**	**2,438**
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			**-**	**-**	**(800)**	**(1,600)**	**(4,000)**	**(1,600)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**						**-**
Recovery of investment expenses (buildings for sale)			-	-	(800)	(1,600)	(4,000)	(1,600)	-	-	-	-	-	-	-	-						-
Debt repayment		**16,100**	**-**	**-**	**700**	**2,000**	**5,000**	**3,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**400**	**-**	**-**						**-**
Commercial loan		**16,100**			700	2,000	5,000	3,000	1,000	1,000	1,000	1,000	1,000	400								-
JESSICA loan		**-**																				
Cash account			-	(0)	580	841	1,039	634	479	372	312	300	336	419	522	625	728	830	933	1,036	1,138	-
Financial costs			**-**	**637**	**1,047**	**1,001**	**871**	**546**	**351**	**286**	**221**	**156**	**91**	**26**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	6.50%		-	637	1,047	1,001	871	546	351	286	221	156	91	26	-	-	-	-	-	-	-	-
JESSICA loan	6.50%		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes			**-**	**(169)**	**(27)**	**38**	**231**	**159**	**104**	**121**	**139**	**156**	**173**	**190**	**197**	**197**	**197**	**19[illegible]**	**197**	**197**	**197**	**197**
Dividends		**9,373**	-	(468)	-	-	-	-	-	-	-	-	-	600	1,000	1,000	1,000	1,000	1,000	1,000	1,000	2,241
USES		**TOTAL**	**14,000**	**9,000**	**1,500**	**2,280**	**3,141**	**2,739**	**1,934**	**1,779**	**1,672**	**1,612**	**1,600**	**1,636**	**1,719**	**1,822**	**1,925**	**2,028**	**2,130**	**2,233**	**2,336**	**2,438**

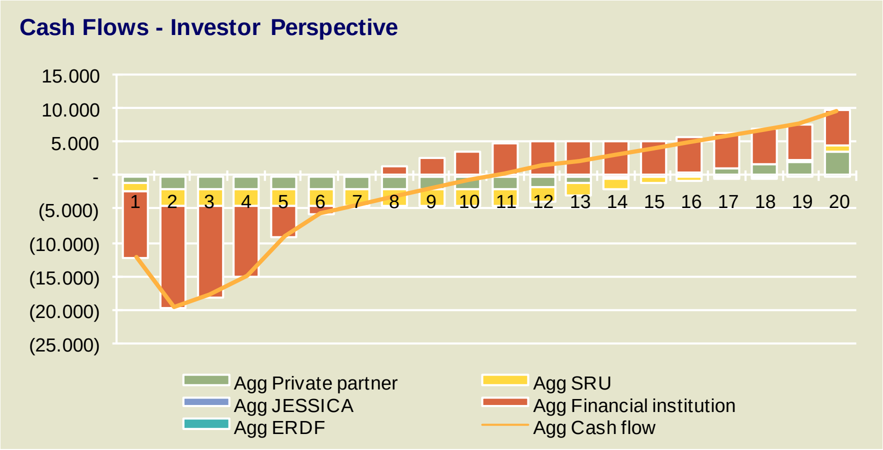


Project perspective without JESSICA

The graphic on the left illustrates the project cash flows evolution during the period defined in the business plan without JESSICA intervention.

The negative cash flows in the first 2 years of the project are due to the investment in CAPEX and working capital related to the construction of the parking lot and the rehabilitation of the buildings. These investments amount to €23M. From year 3 onwards the cash flows are always positive as result of the buildings sale and of the rents.

The estimated IRR is 3.3% with a payback period of 15 years. The net aggregated cash flow is €6.3M.



Stakeholders perspective without JESSICA

The graphic on the left illustrates the aggregated cash flows evolution during the period defined for the business plan, for all the stakeholders(SRU, private partner, and financial institution).

The Private Partner has a 7.1% IRR with a 15 year payback period and the Financial institution has a 6.5% IRR with a 7 year payback period.

The IRR and payback calculated for the private partner include the margin obtained from construction (it is assumed that private partners are construction companies who, besides projects returns, benefit from a 10% construction margin over investment amount).

Explanation of the JESSICA intervention models

When preparing the JESSICA intervention in each project, additional assumptions were defined in order to maintain the project and JESSICA characteristics and to guarantee that the results could be directly comparable:

- Maintenance of the Debt to Equity structure;
- The amount of JESSICA participation is €2.85M (30% of eligible investment);
- In the Loan scenario:
    - JESSICA enters with 17.6% of the loan;
    - JESSICA loan has a 6.5% interest rate (equal to the commercial loan);
    - Repayment of JESSICA is only considered after the repayment of the commercial loan;
    - Dividends to shareholders can be considered before the repayment of the JESSICA loan;
- In the Equity scenario:
    - JESSICA enters with 41.3% of the Equity (reducing proportionally the investment of all other partners);
- In the Equity + Loan scenario;
    - JESSICA enters with 12.4% of the loan and 12.4% of the Equity (reducing proportionally the investment of all other partners);
    - Repayment of JESSICA is only considered after the repayment of the commercial loan;
    - Dividends to shareholders can be considered before the repayment of the JESSICA loan;

These assumptions result in the funding structure for each scenario, presented in the following table:

Projects perspective

		Base case	JESSICA		
			Loan	Equity	Equity/ Loan
JESSICA Involvement	Debt	no	yes	no	yes
	Equity	no	no	yes	yes
Project	IRR	3.3%	3.3%	3.3%	3.3%
	Payback	15	15	15	15
Funding	**Equity**	**6,900**	**6,900**	**6,900**	**6,900**
	Mun. / SRU	30.0%	30.0%	17.6%	26.3%
	Private Partner	60.0%	60.0%	35.2%	52.6%
	JESSICA	0.0%	0.0%	41.3%	12.4%
	Other	10.0%	10.0%	5.9%	8.8%
	Debt	**16,100**	**16,100**	**16,100**	**16,100**
	Financial Inst	100.0%	82.3%	100.0%	87.6%
	JESSICA	0.0%	17.7%	0.0%	12.4%
	Grant	**-**	**-**	**-**	**-**
	Total JESSICA	**-**	**2,850**	**2,850**	**2,850**

Uses and Sources of Funds: Base case with JESSICA Loan (1/2)

Below is presented an example of what could be the financial engineering for the Base Case with a JESSICA loan of €2.85M:

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
(k euro)																						
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 works - 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 works - 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 works - 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 works - Students residence		2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - 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

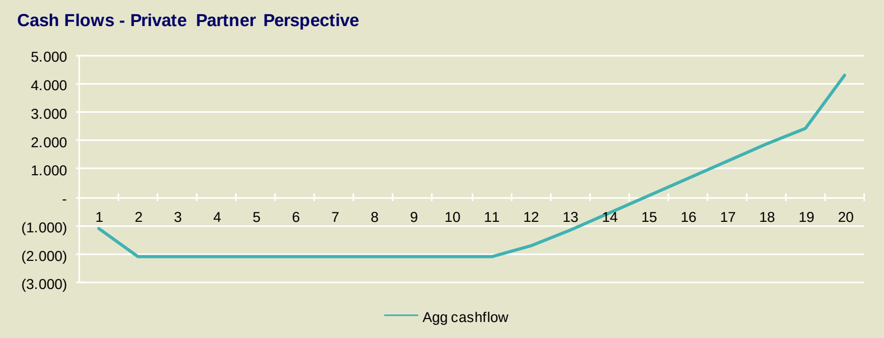
JESSICA enters with €2.85M in loans (17.6%).

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.

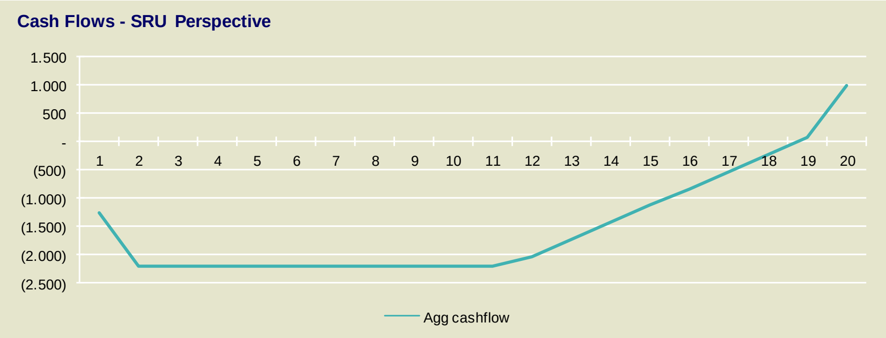
Base case with JESSICA Loan (2/2)



Private partner perspective

The graphic on the left illustrates the cash flows for the private partner.

The outflows of the private entity are €4.1M invested in the first 2 years, with a payback of 15 years. The inflows included are: dividends (€5.6M) and margin over construction (€2.3M). The aggregated net cash flow is € 3.8 M. The estimated IRR for private partner is 7.1%.

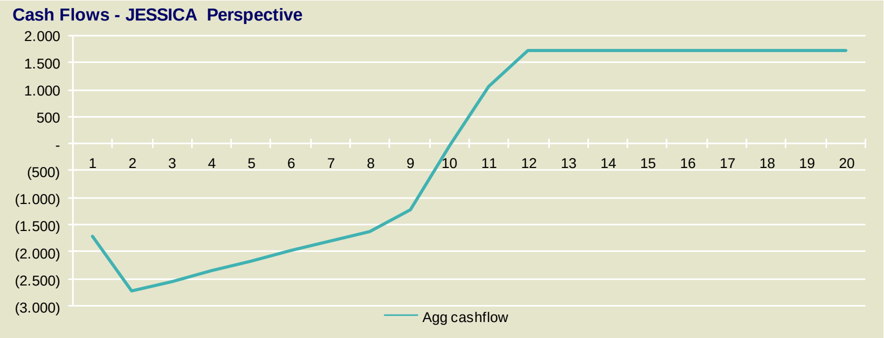


SRU perspective

The graphic on the left illustrates the cash flows for the Municipality / SRU.

The estimated IRR is 1.9% and the net cash flow is around €0.73M. Besides this return, Public spaces investment can be considered as a benefit for SRU.

The outflows of the SRU are €2.1M invested in the first 2 years and the inflows are €2.8M, resulting in a payback period of 19 years.



JESSICA perspective

The graphic on the left illustrates the cash for JESSICA.

JESSICA's estimated IRR is 6.5%, with aggregated cash flows of €1.73M. The inflows includes interest (€1.73M) and capital reimbursement (€2.85M)

Uses and Sources of Funds: Base case with JESSICA Equity (1/2)

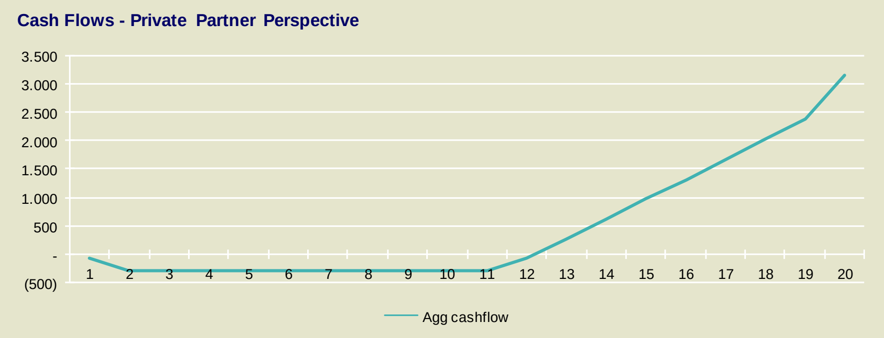
Below is presented an example of what could be the financial engineering for the Base Case with a JESSICA €2.85M Equity stake:

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**
(k euro)																						
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	17.61%	**1,215**	740	475	-	-								-	-	-	-	-	-	-	-	-
Private entity	35.22%	**2,430**	1,479	951	-	-								-	-	-	-	-	-	-	-	-
JESSICA	41.30%	**2,850**	1,735	1,115	-	-								-	-	-	-	-	-	-	-	-
Others (Owners, banks)	5.87%	**405**	247	158	-	-								-	-	-	-	-	-	-	-	-
Loan	70.00%	**16,100**	**9,800**	**6,300**	**-**	**-**								**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	100.00%	**16,100**	9,800	6,300	-	-								-	-	-	-	-	-	-	-	-
JESSICA loan	0.00%	**-**	-	-	-	-								-	-	-	-	-	-	-	-	-
Grant	0.00%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Previous cash account			**-**	**-**	**(0)**	**580**	**841**	**1,039**	**634**	**479**	**372**	**312**	**300**	**336**	**419**	**522**	**625**	**728**	**830**	**933**	**1,036**	**1,138**
SOURCES			**14,000**	**9,000**	**1,500**	**2,280**	**3,141**	**2,739**	**1,934**	**1,779**	**1,672**	**1,612**	**1,600**	**1,636**	**1,719**	**1,822**	**1,925**	**2,028**	**2,130**	**2,233**	**2,336**	**2,438**
Investment expenses		**23,000**	**14,000**	**9,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Rehabilitation works - public spaces			2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**3,000**	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - buildings for sale			4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**6,000**	3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - comercial area for rent			2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**3,000**	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Students residence			2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Hotel			3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-					-
Eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-					-
Non-eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-					-
Working capital desinvestment			**-**	**-**	**(800)**	**(1,600)**	**(4,000)**	**(1,600)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**					**-**
Recovery of investment expenses (buildings for sale)			-	-	(800)	(1,600)	(4,000)	(1,600)	-	-	-	-	-	-	-	-	-					-
Debt repayment		**16,100**	**-**	**-**	**700**	**2,000**	**5,000**	**3,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**400**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan		**16,100**			700	2,000	5,000	3,000	1,000	1,000	1,000	1,000	1,000	400								
JESSICA loan		**-**																			-	-
Cash account			-	(0)	580	841	1,039	634	479	372	312	300	336	419	522	625	728	830	933	1,036	1,138	-
Financial costs			**-**	**637**	**1,047**	**1,001**	**871**	**546**	**351**	**286**	**221**	**156**	**91**	**26**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	6.50%		-	637	1,047	1,001	871	546	351	286	221	156	91	26	-	-	-	-	-	-	-	-
JESSICA loan	6.50%		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes			**-**	**(169)**	**(27)**	**38**	**231**	**159**	**104**	**121**	**139**	**156**	**173**	**190**	**197**	**197**	**197**	**197**	**197**	**197**	**197**	**197**
Dividends		**9,373**	-	(468)	-	-	-	-	-	-	-	-	-	600	1,000	1,000	1,000	1,000	1,000	1,000	1,000	2,241
USES			**14,000**	**9,000**	**1,500**	**2,280**	**3,141**	**2,739**	**1,934**	**1,779**	**1,672**	**1,612**	**1,600**	**1,636**	**1,719**	**1,822**	**1,925**	**2,028**	**2,130**	**2,233**	**2,336**	**2,438**

JESSICA enters with €2.85M in Equity (41.3%). This reduces every shareholder investment proportionally. Debt to Equity ratio is maintained.

Dividends are distributed equal to the Base scenario.

Base case with JESSICA Equity (2/2)

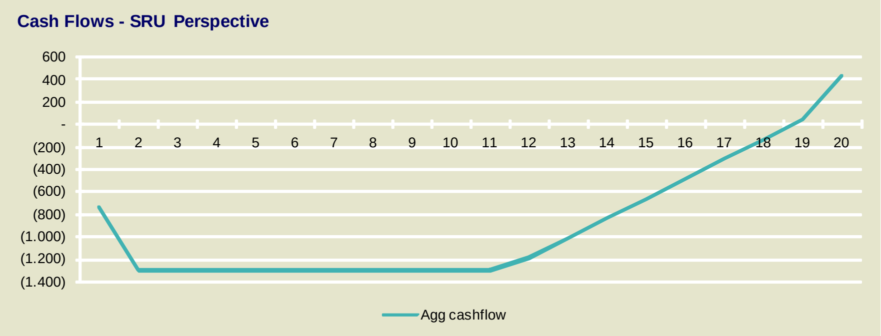


Private partner perspective

The graphic on the left illustrates the cash flows for the private partner.

The estimated IRR is 18.7%, with net aggregated cash flow of €3.17M.

The outflows of the private entity are €2.43M invested in the first 2 years, with a payback of 13 years. The inflows includes dividends (€3.3M) and margin over construction (€2.3M).

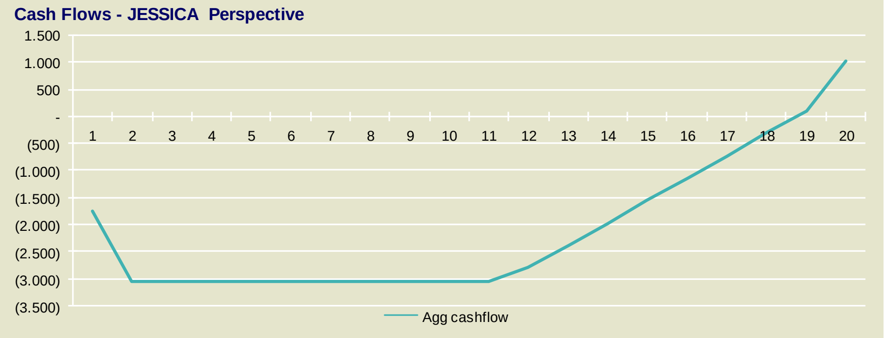


Municipality / SRU perspective

The graphic on the left illustrates the cash for the Municipality / SRU.

The estimated IRR is 1.9% and the net cash flow is around €0.44M.

The outflows of the SRU are €1.2M invested in the first 2 years and the inflows are €1.7M, resulting in a Payback period of 19 years.



JESSICA perspective

The graphic on the left illustrates the cash flows for JESSICA.

JESSICA's estimated IRR is 1.9% and the net cash flow is around €1 M.

The inflows included are dividends (€3.9M) and the outflows is the equity investment (€2.85M).

Uses and Sources of Funds: Base case with JESSICA Equity and Loan (1/2)

Below is presented an example of what could be the financial engineering for the Base Case with a JESSICA €2.85M investment (Equity 30% and Loan 70%):

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**
(k euro)																						
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	26.28%	**1,814**	1,104	710	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private entity	52.57%	**3,627**	2,208	1,419	-	-								-	-	-	-	-	-	-	-	-
JESSICA	12.39%	**855**	520	335	-	-								-	-	-	-	-	-	-	-	-
Others (Ow ners, banks)	8.76%	**605**	368	237	-	-								-	-	-	-	-	-	-	-	-
Loan	70.00%	**16,100**	**9,800**	**6,300**	-	-								-	-	-	-	-	-	-	-	-
Commercial loan	87.61%	**14,105**	8,586	5,519	-	-								-	-	-	-	-	-	-	-	-
JESSICA loan	12.39%	**1,995**	1,214	781	-	-								-	-	-	-	-	-	-	-	-
Grant	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Previous cash account			**-**	**-**	**(0)**	**580**	**841**	**1,039**	**634**	**479**	**372**	**312**	**530**	**555**	**397**	**500**	**603**	**706**	**808**	**911**	**1,014**	**1,116**
SOURCES			**14,000**	**9,000**	**1,500**	**2,280**	**3,141**	**2,739**	**1,934**	**1,779**	**1,672**	**1,612**	**1,830**	**1,855**	**1,697**	**1,800**	**1,903**	**2,006**	**2,108**	**2,211**	**2,314**	**2,416**
Investment expenses		**23,000**	**14,000**	**9,000**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation w orks - public spaces			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			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			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	-	-	-	-	-	-								-	-	-	-	-	-
Eligible investment		**1,000**	1,000	-	-	-	-	-	-								-	-	-	-	-	-
Non-eligible investment		**1,000**	1,000	-													-	-	-	-	-	-
Rehabilitation w orks - Hotel			3,000	-						-	-	-	-	-	-	-	-					-
Eligible investment		**1,500**	1,500	-						-	-	-	-	-	-	-	-					-
Non-eligible investment		**1,500**	1,500	-						-	-	-	-	-	-	-	-					-
Working capital desinvestment			**-**	**-**	**(800)**	**(1,600)**	**(4,000)**	**(1,600)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**					**-**
Recovery of investment expenses (buildings for sale)			-	-	(800)	(1,600)	(4,000)	(1,600)	-	-	-	-	-	-	-	-	-					-
Debt repayment		**16,100**	**-**	**-**	**700**	**2,000**	**5,000**	**3,000**	**1,000**	**1,000**	**1,000**	**770**	**1,000**	**630**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan		**14,105**	-	-	700	2,000	5,000	3,000	1,000	1,000	1,000	405	-	-	-	-	-	-	-	-	-	-
JESSICA loan		**1,995**	-	-	-	-	-	-	-	-	-	365	1,000	630								
Cash account			-	(0)	580	841	1,039	634	479	372	312	530	555	397	500	603	706	808	911	1,014	1,116	-
Financial costs			**-**	**637**	**1,047**	**1,001**	**871**	**546**	**351**	**286**	**221**	**156**	**106**	**41**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Commercial loan	6.50%		-	558	917	871	741	416	221	156	91	26	0	0	0	0	0	0	0	0	0	0
JESSICA loan	6.50%		-	79	130	130	130	130	130	130	130	130	106	41	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Income taxes			**-**	**(169)**	**(27)**	**38**	**231**	**159**	**104**	**121**	**139**	**156**	**169**	**186**	**197**	**197**	**197**	**197**	**197**	**197**	**197**	**197**
Dividends		**9,351**	-	(468)	-	-	-	-	-	-	-	-	-	600	1,000	1,000	1,000	1,000	1,000	1,000	1,000	2,219
USES			**14,000**	**9,000**	**1,500**	**2,280**	**3,141**	**2,739**	**1,934**	**1,779**	**1,672**	**1,612**	**1,830**	**1,855**	**1,697**	**1,800**	**1,903**	**2,006**	**2,108**	**2,211**	**2,314**	**2,416**

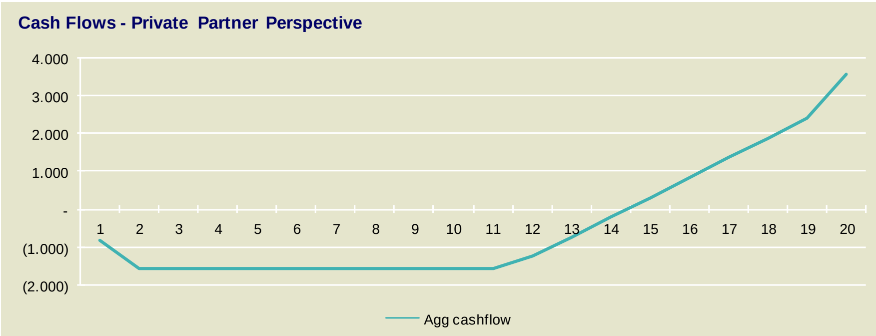
JESSICA invests €2.85M (€855k in Equity and €1,995k in loan). This is distributed according to the debt to equity ratio. Debt to Equity ratio is maintained.

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.

Base case with JESSICA Equity and Loan (2/2)

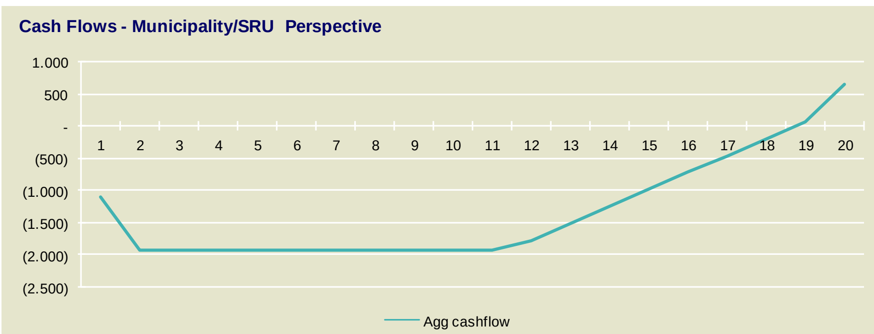


Private partner perspective

The graphic on the left illustrates the cash flows for the private partner.

The estimated IRR is 8.3%, with net aggregated cash flow of €3.6M.

The outflows of the private entity are €3.6M invested in the first 2 years, with a payback of 15 years. The inflows includes dividends (€4.9M) and margin over construction (€2.3M).

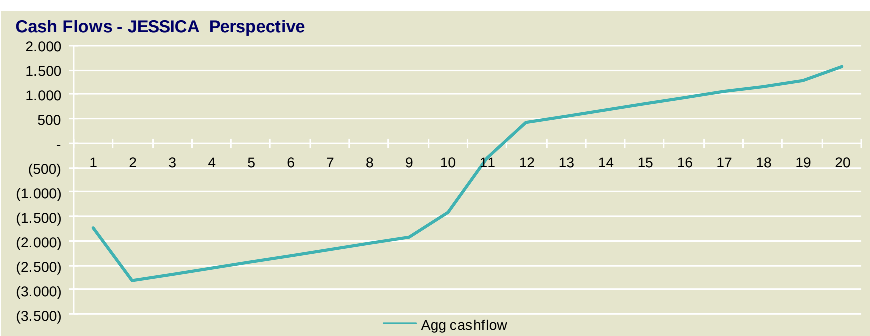


Municipality / SRU perspective

The graphic on the left illustrates the cash flows for the Municipality / SRU.

The estimated IRR is 1.9% and net aggregated cash flows are around €0.64M.

The outflows of the SRU are €1.8M invested in the first 2 years and the inflows are the dividends in an amount of €2.5M, resulting in a Payback period of 19 years



JESSICA perspective

The graphic on the left illustrates the cash flows for JESSICA.

JESSICA's estimated IRR is 4.6% with net aggregated cash flow of €1.6M. The inflows include dividends (€1.2M), interest (€1.3M) and reimbursement (€2M).

The outflows are equity (€0.85M) and loan (€2M).

Below are presented the results obtained for the project and for each stakeholder.

Stakeholders perspective

		Base case	JESSICA Loan	JESSICA Equity	JESSICA Equity/ Loan
Private Partner	IRR	7.1%	7.1%	18.7%	8.3%
	Payback	15	15	13	15
	Funds used	4,140	4,140	2,430	3,627
JESSICA	IRR	n.a	6.5%	1.9%	4.6%
	Payback	n.a	11	19	12
	Funds used	n.a	2,850	2,850	2,850
Municipality / SRU	IRR	1.9%	1.9%	1.9%	1.9%
	Payback	19	19	19	19
	Funds used	2,070	2,070	1,215	1,813
Financial Institution	IRR	6.5%	6.5%	6.5%	6.5%
	Payback	7	6	7	6
	Funds used	16,100	13,250	16,100	14,105
Others	IRR	1.9%	1.9%	1.9%	1.9%
	Payback	19	19	19	19
	Funds used	690	690	405	605
Public perspective (Includes SRU + structural funds/JESSICA)	IRR	1.9%	3.9%	1.9%	3.3%
	Payback	19	14	19	16
	Funds used	2,070	4,920	4,065	4,663
Project	IRR	3.3%	3.3%	3.3%	3.3%
	Payback	15	15	15	15

Base Case: The project has a low IRR and large payback period, due to the public spaces rehabilitation investment that was not compensated by real estate gains and with rents. No grants were considered for this case. Without JESSICA, this project probably would not take place due to the lack of private entities interest and difficulties to assure debt (due to the project's low IRR and lack of guarantees).

Base Case Scenario L: The JESSICA loan, which has the same interest rate as the commercial loan, is more flexible (payment period terms and the possibility of dividends before full JESSICA's loan reimbursement), allows the increase of private partner's IRR and reduction of its payback. Due to the project's reduced IRR, there can be difficulties to access commercial loan. To solve this issue, an additional solution besides paying first the commercial loan, could be to establish different levels of seniority between JESSICA loan (lower seniority) and commercial loan. Other solution could be guarantees to be granted.

Base Case Scenario E: Due to the higher weight of the construction margin in the total gain, private partner's IRR increase. Due to the low return obtained by the equity partners of the project, JESSICA return is lower than in the previous case and its payback enlarged. Nevertheless, in this scenario, the difficulties in assuring a commercial loan are not solved.

Base Case Scenario E/L: The mix of JESSICA's intervention appears to be the best scenario to allow project implementation: financial institution perceives lower risk due to JESSICA loan characteristics and private partner return increased.

Base Case Guarantee: In project's perspective, a JESSICA's guarantee will probably not change significantly the financial costs compared with the Base Case. Although the commercial interest rate might suffer a decrease, there will be the fee for the guarantee. With such guarantee, a commercial loan is more suitable to be obtained (the credit risk is transferred to JESSICA at the expense of the commission fee). However, the private partners interest is yet questionable, due to the low IRR and long period payback (assuming that the guarantees cover the debt amount).

In terms of JESSICA's Fund perspective, and on a low IRR scenario, without a probability distribution for the possible outcomes of the project is not possible for further study of the comparative advantages of using guarantees instead of debt or equity. Nevertheless, using guarantees, although appearing attractive because the amount of funds used in the beginning is negative (no money is invested and a fee is received) , means assuming unquantifiable potential losses that might quickly deteriorate JESSICA funds allocation. Additionally, if JESSICA enters with debt or equity, its involvement in the projects is probably higher, implying a greater risk control and the implementation of adequate mitigation plans.

The Grant vs JESSICA comparison

Considering that JESSICA is a new instrument created to complement the traditional grant model, in this section we present a comparision between the two models. Thus, following pages show how Structural Funds could be applied on a project as a mean to allow its implementation either on a grant or on a JESSICA perspective.

To achieve this objective, we established a simulation using grants and another simulation with JESSICA funds only. The amount of Structural Funds used is €2.85M (30% of the total eligible investment) for both scenarios.

In order to develop this comparison, it was adopted the Base Case project presented in the previous section.

With grants

In this simulation, we assume a non-repayable grant of €2.85M and the maintenance of Debt-to Equity of the initial case (70% equity and 30% debt). The result obtained is an increase of the project's IRR to 4.9% and in each stakeholder IRR. This IRR increase benefit project implementation and stakeholder's enrolment, but they are obtained at the expenses of the non-repayable funds given. Regarding the Public's IRR, the estimated result from the net inflows (SRU's equity and Grants) and outflows (SRU's dividends) is negative and due to the non repayable nature of grant.

On a public perspective, an economic and social benefit deriving from the project's implementation itself and from the SRU economic gains should be compare with the opportunity costs of using structural funds that could be returned and re-used if it were applied through JESSICA instrument.

With JESSICA

JESSICA funds (same amount as grant) can be used in 3 different scenarios: loan, equity or equity/loan. Such implementation implicates a reduction, in general, of the investment volume for the shareholders and financial institution. The assumption for JESSICA implementation in terms of loan perspective, is that it is repaid after commercial loan (with the same interest rate). Debt-to-Equity remains the same as the initial case, in the 3 scenarios.

With JESSICA, although project's IRR remains the same as the initial case, it is expected an increase of stakeholders interest in the project, namely from the financial institutions. Due to JESSICA's complementarily approach, the amount and level of risk exposure is lower, and it is obtained without affecting the reimbursement of Structural Funds applied through JESSICA initiative.

As shown in last section, regarding the 3 scenarios, the one which might best suit all interests is equity loan (the Uses and Sources of Funds table of this scenario is reflected on the report, page 92).

Base Case: Grant vs JESSICA

Below is presented an example of what could be the financial engineering for the Base Case with a €2.85M Grant:

Debt-to-Equity structure remains the same

The Grant of €2.85M reduces the need of loan and Equity, making the results more beneficial for every individual stakeholder

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**
(euro)																						
EBITDA		**20,600**	**-**	**-**	**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%	**6,180**	**3,795**	**2,385**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
SRU	30.00%	**1,854**	1,139	716	-								-	-	-	-	-	-	-	-	-	-
Private entity	60.00%	**3,708**	2,277	1,431	-								-	-	-	-	-	-	-	-	-	-
JESSICA	0.00%	**-**	-	-	-								-	-	-	-	-	-	-	-	-	-
Others (Ow ners, banks)	10.00%	**618**	380	239	-								-	-	-	-	-	-	-	-	-	-
Loan	70.00%	**14,420**	**8,855**	**5,565**	**-**								**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	100.00%	**14,420**	8,855	5,565	-								-	-	-	-	-	-	-	-	-	-
JESSICA loan	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant	30.00%	**2,850**	**1,800**	**1,050**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Previous cash account			**-**	**450**	**27**	**639**	**915**	**1,080**	**691**	**583**	**523**	**510**	**825**	**895**	**964**	**1,034**	**1,104**	**1,173**	**1,243**	**1,312**	**882**	**452**
SOURCES			**14,450**	**9,450**	**1,527**	**2,339**	**3,215**	**2,780**	**1,991**	**1,883**	**1,823**	**1,810**	**2,125**	**2,195**	**2,264**	**2,334**	**2,404**	**2,473**	**2,543**	**2,612**	**2,182**	**1,752**
Investment expenses		**23,000**	**14,000**	**9,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Rehabilitation w orks - public spaces			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			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			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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation w orks - Hotel			3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working capital desinvestment			**-**	**-**	**(800)**	**(1,600)**	**(4,000)**	**(1,600)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Recovery of investment expenses (buildings for sale)			-	-	(800)	(1,600)	(4,000)	(1,600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt repayment		**14,420**	**-**	**-**	**700**	**2,000**	**5,000**	**3,000**	**1,000**	**1,000**	**1,000**	**720**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan		**14,420**			700	2,000	5,000	3,000	1,000	1,000	1,000	720	-	-	-	-	-	-	-	-	-	-
Cash account			450	27	639	915	1,080	691	583	523	510	825	895	964	1,034	1,104	1,173	1,243	1,312	882	452	-
Financial costs			**-**	**576**	**937**	**892**	**762**	**437**	**242**	**177**	**112**	**47**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	6.50%		-	576	937	892	762	437	242	177	112	47	-	-	-	-	-	-	-	-	-	-
JESSICA loan	6.50%		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes			**-**	**(153)**	**51**	**132**	**373**	**252**	**166**	**184**	**201**	**218**	**230**	**230**	**230**	**230**	**230**	**230**	**230**	**230**	**230**	**230**
Dividends		**11,521**	-	-	-	-	-	-	-	-	-	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,500	1,500	1,521
USES			**14,450**	**9,450**	**1,527**	**2,339**	**3,215**	**2,780**	**1,991**	**1,883**	**1,823**	**1,810**	**2,125**	**2,195**	**2,264**	**2,334**	**2,404**	**2,473**	**2,543**	**2,612**	**2,182**	**1,752**

Base Case: Grant vs JESSICA

		Base case	Grant	JESSICA Equity/ Loan
Private Partner	IRR	*7.1%*	*11.9%*	*8.3%*
	Payback	15	13	15
	Funds used	4,140	3,708	3,627
JESSICA	IRR	n.a.	n.a.	*4.6%*
	Payback	n.a.	n.a.	12
	Funds used	n.a.	n.a.	2,850
Municipality / SRU	IRR	*1.9%*	*4.4%*	*1.9%*
	Payback	19	17	19
	Funds used	2,070	1,854	1,813
Others (Property Owners)	IRR	*1.9%*	*4.4%*	*1.9%*
	Payback	19	17	19
	Funds used	690	618	605
Financial Institution	IRR	*6.5%*	*6.5%*	*6.5%*
	Payback	7	7	6
	Funds used	16,100	14,420	14,105
Public perspective (Includes SRU + structural funds/JESSICA)	IRR	*1.9%*	*(2.1)%*	*3.3%*
	Payback	19	n.a.	16
	Funds used	2,070	4,704	4,663
Project	IRR	*3.3%*	*4.9%*	*3.3%*
	Payback	15	13	15

Summary of the results obtained from each stakeholder

Project's estimated IRR is 3.3% in base case. Project funding uses, 70% equity and 30% debt, through commercial loan. The main obstacle for the project's implementation is risk perception of the financial institutions, due its low IRR. For them, it is important to create a leverage force , alongside with a risk buffer in order to the project become a more attractive investment.

With grant, financial institutions issue is solved but, in most cases, at the expense of public non-reusable monies. The negative IRR presented reflects the expenses of the non repayable funds given.

With JESSICA, the inefficiency is solved and more permanent multiplying effect of structural funds can be expected. In this sense, and from a public perspective, for urban regeneration initiatives that have potential to generate revenues that might compensate totally or partially the public investment made, JESSICA initiative is an efficient way of assuring a proper and most effective use of public monies. JESSICA helps creating a risk buffer for the financial institution perspective, and acts as a leverage force. However, it also implicates that the money has to return to the entity that conceives such fund (UDF or even Holding Fund), on a loan basis (with interest rate), in order to have the possibility to have revolving nature (reinvestment on other projects).Thus, on the public perspective, it is no longer "giving" money, yet is investing money more efficiently.

Regarding the IRR for the Public entities (SRU+ JESSICA), comparing with non-repayable grant, it is more attractive to apply on (each scenario of JESSICA application is more attractive than the grant for public entities). Acting with JESSICA to leverage urban rehabilitation initiatives can implicate that the same amount can have a multiplier effect, being invested more than once, while the costs of using grant will not generate any return, being only applied once. In this perspective, grant is more expensive and less effective than JESSICA.

Case Type 1 Description and Assumptions

Description of Case 1

The Municipality/SRU elaborated a rehabilitation project for an area in the historical centre / degradated urban area.

The project consists on the rehabilitation of degradated buildings for sale and the construction of a parking lot. The proposed model involves a partnership with financial institutions, public entities, owners and construction companies, under a close-ended real estate investment fund.

The main differences from the Base Case are the following:

- There is no investment in public spaces regeneration, neither in real estate assets to lease;
- In the end of the rehabilitation period, all the assets are sold;
- Partnership uses the form of a real estate investment fund, being D/E ratio lower than in the other cases;

This case could also be seen as the recovery of a contaminated industrial area.

	Case 1
Type of project	
Parking lot	✓
Anchor project (hotel, students residence, elderly residence)	
Buildings rehabilitation (civil w orks, energy efficiency, façades)	✓
Green transportation / Mobility solutions	
Urban infrastructures, sew ages, w ater, heat and gas)	
Others	
Equity Partners	
SRU or/and the Municipality	✓
Private entity (construction company)	✓
Jessica	
Others (ow ners or banks)	✓
Project KPI's	
IRR	*2,4%*
Payback	5
Investment period	5

Assumptions

Given the previous project description, the following assumptions were defined when constructing the financial model supporting the project:

- Project has a 4 year investment period and ends after 5 years;
- Estimated investment amounting to €16M;
    - Buildings rehabilitation to sell (€13M);
    - Construction of a parking lot (€3M).
    - 25% of investment amount is considered as eligible;
- Revenue from:
    - Sale of the parking lot (margin of 0%) in the last year ;
    - Sale of the rehabilitated buildings (margin of 10%) in the last year;
- Annual management cost of 150k to be paid to the SRU/Municipality (the real estate investment fund manager);
- Tax rate is 26.5%;
- Funding:
    - Equity (44.44%):
        - SRU (20%)
        - Private partner (30%)
        - Others 50% (Financial institution 15% and 35% property owners).
    - No grant;
    - Commercial loan (55.56% of total investment) with a 6.5% interest rate;
- The projects unused cash does not pay interest;
- Dividends to shareholders are only considered after the repayment of the commercial loan and can not exceed, for each year, the amount of net income less the dividends already distributed;
- All partners are paid proportionally and at the same time;
- In the last year of the Project all the remaining cash available is distributed to the equity partners and the project is closed.

Below is presented an example of what could be the P&L and cash-flows projections of a project with the characteristics of Case 1.

Management fees constant and paid to the SRU/Municipality

Parking lot sold at year 5 with without any margin.

Project duration

PROFIT & LOSS ACCOUNT Projection year		1	2	3	4	5
+ Parking lot - Revenue	0,00%	-	-	-	-	3.000
- Parking lot - COGS		-	-	-	-	3.000
- Management fees	150	150	150	150	150	150
+ Buildings - revenue	15,00%	-	-	-	-	14.950
- Buildings - COGS			-	-	-	13.000
EBIT		**(150)**	**(150)**	**(150)**	**(150)**	**1.800**

Buildings sold at year 5 with a 15% margin.

FREE CASH FLOW STATEMENT Projection year	1	2	3	4	5
+ EBIT	**(150)**	**(150)**	**(150)**	**(150)**	**1.800**
- Adjusted Taxes	**(40)**	**(40)**	**(40)**	**(40)**	**477**
- working capital requirements	**2.500**	**4.000**	**4.000**	**5.500**	**(16.000)**
Parking lot	-	-	-	3.000	(3.000)
Buildings for sale	2.500	4.000	4.000	2.500	(13.000)
FREE CASH FLOW	**(2.610)**	**(4.110)**	**(4.110)**	**(5.610)**	**17.323**

Since the Parking lot and the Buildings are to be sold at year 5 they are both considered has stock and included in working capital.

Explanation of the JESSICA intervention models

When preparing the JESSICA intervention in each project, additional assumptions were defined in order to maintain the project and JESSICA characteristics and to guarantee that the results could be directly comparable:

- Maintenance of the Debt to Equity structure;
- The amount of JESSICA participation is €3M (75% of eligible investment);
- In the Loan scenario:
  - JESSICA enters with 30% of the loan;
  - JESSICA loan has a 6.5% interest rate (equal to the commercial loan);
  - Repayment of JESSICA is only considered after the repayment of the commercial loan;
  - Dividends to shareholders can be considered before the repayment of the JESSICA loan;
- In the Equity scenario:
  - JESSICA enters with 30% of the Equity (reducing proportionally the investment of all other partners, except for the Financial Institution which maintains the 15% stake);
- In the Equity + Loan scenario;
  - JESSICA enters with 15% of the loan and 18.8% of the Equity (reducing proportionally the investment of all other partners);
  - Repayment of JESSICA is only considered after the repayment of the commercial loan;
  - Dividends to shareholders can be considered before the repayment of the JESSICA loan;

These assumptions result in the funding structure for each scenario, presented in the following table:

Projects Perspective

		Case 1	JESSICA Loan	JESSICA Equity	JESSICA Equity/ Loan
JESSICA Involvement	Debt	no	yes	no	yes
	Equity	no	no	yes	yes
Project	IRR	*2,4%*	*2,4%*	*2,4%*	*2,4%*
	Payback	5	5	5	5
Funding	**Equity**	**8.000**	**8.000**	**8.000**	**8.000**
	Mun. / SRU	*20,0%*	*20,0%*	*14,0%*	*16,2%*
	Private Partner	*30,0%*	*30,0%*	*21,0%*	*24,4%*
	JESSICA	*0,0%*	*0,0%*	*37,5%*	*18,8%*
	Other	*50,0%*	*50,0%*	*27,5%*	*40,7%*
	Debt	**10.000**	**10.000**	**10.000**	**10.000**
	Financial Inst	*100,0%*	*70,0%*	*100,0%*	*85,0%*
	JESSICA	*0,0%*	*30,0%*	*0,0%*	*15,0%*
	Grant	n.a	n.a	n.a	n.a
	Total JESSICA	**-**	**3.000**	**3.000**	**3.000**

Below are presented the tables with the results obtained for the project and each stakeholder for case 1 and for each of the types of JESSICA intervention.

The project, in terms of the type of intervention, presents a higher IRR than in the previous case due to the proportion of real estate development activities. Regarding the funding structure, the project assumes a form of a close-ended real estate investment fund for the equity component, and the remaining finance shall be obtained through a commercial loan.

Stakeholder Perpective

		Base Case	JESSICA		
			Loan	*Equity*	*Equity/ Loan*
Private Partner	IRR	*19,4%*	*19,4%*	*29,0%*	*24,5%*
	Payback	5	5	5	5
	Funds used	2.400	2.400	1.680	1.949
JESSICA	IRR	n.a	*6,5%*	*0,7%*	*2,1%*
	Payback	n.a	5	n.a	5
	Funds used	n.a	3.000	3.000	3.000
Municipality / SRU	IRR	*13,1%*	*13,1%*	*19,0%*	*16,2%*
	Payback	5	5	5	5
	Funds used	1.600	1.600	1.120	1.299
Others (Property Owners)	IRR	*0,7%*	*0,7%*	*0,7%*	*0,7%*
	Payback	n.a	n.a	n.a	n.a
	Funds used	2.800	2.800	1.000	2.052
Financial Institution	IRR	*4,9%*	*4,5%*	*4,9%*	*4,7%*
	Payback	5	5	5	5
	Funds used	11.200	8.200	11.200	9.700
Public perspective (Includes SRU + structural	IRR	*13,1%*	*10,6%*	*5,3%*	*16,9%*
	Payback	5	5	5	5
	Funds used	1.600	4.600	4.120	4.299
Project	IRR	*2,4%*	*2,4%*	*2,4%*	*2,4%*
	Payback	5	5	5	5

Case 1: In this case, main issue is the risk perception of financial institutions for the project (related with project IRR, and with delays and administrative constraints that might appear during implementation) and the associated difficulties expected to obtain the requiring funding.

Regarding the other entities (property owners), although they receive a small negative IRR, this situation is preferable than the current one, where they see their property degradating and generating cash.

Case 1 Scenario L: JESSICA participation with a loan does not affect the IRR of the other stakeholders on the project, either as equity or debt, because the payment of debt and dividends continue to occur only in the last year of projections. Nevertheless, when compared to the case without JESSICA, the key advantage for project implementation relies in the reduction of the value at risk of financial institutions.

Case 1 Scenario E: JESSICA entrance as equity allows an increase on the IRR of all stakeholders, not solving problem who prevents project implementation.

Case 1 Scenario E/L:Although better than scenario E, for JESSICA this scenario is worst than scenario L. This scenario does not seems to compromise other stakeholders interest on the project.

Description of the Case 2 intervention area

The project establishes the regeneration of a city historical centre/degradated urban area, which presents social desertification and social degradation issues, along with buildings deterioration.

This Project considers that buildings rehabilitation will be executed by property owners together with third party investors. In this case we assume that SRU or Municipality obliges the owners to make the required rehabilitation. If owners are not interested or does not have the required funds, Municipality / SRU assumes the rehabilitation works and, in the end, recovers the costs incurred either through expenses payment by property owners either through a sale of the property at market prices. Additionally, SRU and Municipality also acquires rehabilitate, and sell some buildings.

	Case 2
Type of project	
Parking lot	
Anchor project (hotel, students residence, elderly residence)	
Buildings rehabilitation (civil works, energy efficiency, façades)	✓
Commercial activity	
Green transportation / Mobility solutions	
Urban infrastructures (sewages, water, heat and gas)	
Others	
Equity Partners	
SRU or/and the Municipality	✓
Private entity (Construction company)	
Jessica	
Others (owners or banks)	
Project KPI's	
IRR	*5.7%*
Payback	10
Investment period	10

Assumptions

Given the previous project description, the following assumptions were defined when constructing the financial model supporting the project:

- Project has a 9 year investment period and ends after 10 years;
- Estimated investment amounting to €35M;
    - Buildings to lease (€18.1M);
    - Buildings to sell (€16.9M);
    - 20% of investment amount is considered as eligible;
- Revenue from:
    - Agency fee (charged by the SRU to private entities as a result of property value increase in their housing sales amounting to around 5% of the sold amount);
    - Sale of the buildings in the year after construction (with a margin of 20%);
    - Lease rents charged in the same year.
    - the Municipality subsidies and management cost (both canceling out due to the municipality subsidies),
    - the leased buildings are sold back to the municipality at book value;
- Tax rate is 26.5%;
- Funding:
    - Equity (30% of total investment):
        - SRU (100%)
        - Private partner (0%)
    - Commercial loan (70% of total investment) with a 6.5% interest rate;
    - Grant of €4.875M (equal to 50% of eligible investment);
- The projects unused cash does not pay interest;
- Dividends to shareholders are only considered after the repayment of the commercial loan and can not exceed, for each year, the amount of net income less the dividends already distributed;
- All partners are paid proportionally and at the same time;
- In the last year of the Project all the remaining cash available is distributed to the equity partners and the project is closed.

Profit and Loss Account and Cash Flow Statement

Below is presented an example of what could be the P&L and cash-flows projections for a project with the characteristics of Case 2:

Municipality covers the SRU management costs.

Agency fee of 5% over the amount of sold buildings.

7% annual rent over investment amount

Buildings sold on the year after construction with a 20% margin.

Leased buildings have a 20 year life period and are sold at year 10 for their net value.

Project duration

PROFIT & LOSS ACCOUNT Projection year		1	2	3	4	5	6	7	8	9	10
+ Agency fee	5.0%	31	94	250	250	250	188	188	313	-	-
+ Municipality subsidies	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	-
- SRU costs	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	-
+ Rents	7.0%	88	219	394	569	744	875	1,006	1,269	1,269	13,531
+ Buildings - revenue	20.0%		1,500	2,250	3,000	3,000	3,000	2,250	2,250	3,000	-
- Buildings - COGS			1,250	1,875	2,500	2,500	2,500	1,875	1,875	2,500	-
- Depreciation	20	63	156	281	406	531	625	719	906	906	
EBIT		**56**	**406**	**738**	**913**	**963**	**938**	**850**	**1,050**	**863**	**13,531**

Investment is performed during 8 years.

Since the Buildings are to be sold at year 5 they are considered has stock and included in working capital.

FREE CASH FLOW STATEMENT Projection year	1	2	3	4	5	6	7	8	9	10
+ EBIT	**56**	**406**	**738**	**913**	**963**	**938**	**850**	**1,050**	**863**	**13,531**
- Adjusted Taxes	**63**	**189**	**293**	**356**	**369**	**363**	**323**	**376**	**343**	**3,586**
+ Depreciation	**63**	**156**	**281**	**406**	**531**	**625**	**719**	**906**	**906**	**-**
+ Grants	**250**	**375**	**500**	**500**	**500**	**375**	**375**	**625**	**-**	**-**
- working capital requirements	**1,250**	**625**	**625**	**-**	**-**	**(625)**	**-**	**625**	**(2,500)**	**-**
Buildings for sale	1,250	625	625	-	-	(625)	-	625	(2,500)	-
- Capex	**1,250**	**1,875**	**2,500**	**2,500**	**2,500**	**1,875**	**1,875**	**3,750**	**-**	**-**
Comercial area to rent	1,250	1,875	2,500	2,500	2,500	1,875	1,875	3,750	-	-
Others	-	-	-	-	-	-	-	-	-	-
FREE CASH FLOW	**(2,194)**	**(1,751)**	**(1,899)**	**(1,037)**	**(876)**	**325**	**(254)**	**(2,170)**	**3,926**	**9,945**

Explanation of the JESSICA intervention models

When preparing the JESSICA intervention in each project, additional assumptions were defined in order to maintain the project and JESSICA characteristics and to guarantee that the results could be directly comparable:

- Maintenance of the Debt to Equity structure;
- The amount of JESSICA participation is €2.5M (36% of eligible investment);
- In the Loan scenario:
  - JESSICA enters with 11.3% of the loan;
  - Repayment of JESSICA is only considered after the repayment of the commercial loan;
  - Dividends to shareholders can be considered before the repayment of the JESSICA loan;
- In the Equity scenario:
  - JESSICA enters with 24.2% of the Equity (reducing proportionally the investment of all other partners);
- In the Equity + Loan scenario;
  - JESSICA enters with 5.7% of the loan and 12.1% of the Equity (reducing proportionally the investment of all other partners);
  - Repayment of JESSICA is only considered after the repayment of the commercial loan;
  - Dividends to shareholders can be considered before the repayment of the JESSICA loan;

These assumptions result in the funding structure for each scenario, presented in the following table:

Project perspective

			JESSICA		
		Case 2	***Loan***	***Equity***	***Equity/ Loan***
JESSICA Involvement	Debt	no	yes	no	yes
	Equity	no	no	yes	yes
Project	IRR	*5.7%*	*5.7%*	*5.7%*	*5.7%*
	Payback	10	10	10	10
Funding	**Equity**	**10,313**	**10,313**	**10,313**	**10,313**
	Mun. / SRU	*100.0%*	*100.0%*	*75.8%*	*87.9%*
	Private Partner	*0.0%*	*0.0%*	*0.0%*	*0.0%*
	JESSICA	*0.0%*	*0.0%*	*24.2%*	*12.1%*
	Debt	**22,070**	**22,070**	**22,070**	**22,070**
	Financial Inst	*100.0%*	*88.7%*	*100.0%*	*94.3%*
	JESSICA	*0.0%*	*11.3%*	*0.0%*	*5.7%*
	Grant	**3,500**	**3,500**	**3,500**	**3,500**
	Total JESSICA	**-**	**2,500**	**2,500**	**2,500**

Below are presented the tables with the results obtained for the project and each stakeholder for the Case 2 and for each of the types of JESSICA intervention.

Stakeholder Perpective

		Base Case	JESSICA		
			Loan	*Equity*	*Equity/ Loan*
Private Partner	IRR	*18,1%*	*18,1%*	*27,8%*	*23,2%*
	Payback	5	5	5	5
	Funds used	2.400	2.400	1.680	1.949
JESSICA	IRR	n.a	*6,5%*	*(0,8)%*	*1,1%*
	Payback	n.a	5	n.a	5
	Funds used	n.a	3.000	3.000	3.000
Municipality / SRU	IRR	*11,8%*	*11,8%*	*17,7%*	*14,9%*
	Payback	5	5	5	5
	Funds used	1.600	1.600	1.120	1.299
Others (Property Owners)	IRR	*(0,8)%*	*(0,8)%*	*(0,8)%*	*(0,8)%*
	Payback	n.a	n.a	n.a	n.a
	Funds used	2.800	2.800	1.000	2.052
Financial Institution	IRR	*4,6%*	*4,0%*	*4,6%*	*4,3%*
	Payback	5	5	5	5
	Funds used	11.200	8.200	11.200	9.700
Public perspective (Includes SRU + structural funds/JESSICA)	IRR	*11,8%*	*9,7%*	*3,9%*	*15,5%*
	Payback	5	5	5	5
	Funds used	1.600	4.600	4.120	4.299
Project	IRR	*1,1%*	*1,1%*	*1,1%*	*1,1%*
	Payback	5	5	5	5

Case 2: The project has a low IRR and a wide payback period mainly resulting from the continuous building rehabilitation that is insufficiently compensated by the real estate development and rent charged.

Without JESSICA, the project might not be developed due to the lack of interest from the private partners and due to the difficulty in raising debt resulting from the project's low IRR and lack of guarantees.

Case 2 Scenario L: The JESSICA participation in the project through a more flexible loan (with wider reimbursement period and the possibility to pay dividends before the maturity date) allows the reduction of the risk for the financial institution, solving the issue that could prevent the project to be implemented.

Case 2 Scenario E: The JESSICA participation in the project results in the reduction of the investment required for the SRU, however, the difficulty in raising debt is not solved due to project risk perceived by financial institutions.

Case 2 Scenario E/L: This variant presents the same advantages of variant loan, and the financial institution obtains a good IRR and payback period. For JESSICA, IRR is lower and payback larger than in scenario L. Regarding the financial institution, given the risk and reduction in loan amount, there is a greater interest in participating in the project than in case base or scenario L.

Description of the Case 3 area

Located in an historical center, Case 3 area is characterized by its touristic appeal (historical area) and by the urban deterioration of its residential area. Commercial activity is declining, currently being restricted to a few outdated shops. Accessibilities are a major issue for this area.

Description of *Urban rehabilitation* project

The project has as key objective the regeneration of Case 3 area and is focused on providing better life conditions to the population, creating new dynamics and development of the touristic activity. The project contemplates several actions, the most representative and expensive being the construction of a parking lot and a shuttle as a mobility solution around the historical area, in order to prevent other vehicles circulation.

	Case 3
Type of project	
Parking lot	✓
Anchor project (Shuttles, students residence, elderly residence)	
Buildings rehabilitation (civil w orks, energy efficiency, façades)	
Green transportation / Mobility solutions	✓
Urban infrastructures (sew ages, w ater supply, heat, gas)	
Others	✓
Equity Partners	
SRU or/and the Municipality	✓
Private entity (construction company)	✓
Jessica	
Others (ow ners or banks)	
Project KPI's	
IRR	*3.6%*
Payback	15
Investment period	20

Assumptions

Given the previous project description, the following assumptions were defined when constructing the financial model supporting the project:

- Project has a 2 year investment period and ends after 20 years;
- Estimated investment amounting to €13M;
    - Rehabilitation of public spaces (€8M);
    - Parking lot (€3M);
    - Shuttles (€2M);
    - 50% of investment amount is considered as eligible;
- Equity (55%):
    - SRU (31%)
    - Private partner (69%)
- Commercial loan (55% of total investment) with a 6.50% interest rate;
- The projects unused cash does not pay interest;
- Grant of €4.875M (65% of eligible investment);
- Revenue starting in the second year from:
    - Parking lot exploration (EBITDA margin of 16%)
    - Shuttles exploration (EBITDA margin of 16%)
- Tax rate is 26.5%;
- Dividends to shareholders are only considered after the repayment of the commercial loan and can not exceed, for each year, the amount of net income less the dividends already distributed;
- All partners are paid proportionally and at the same time;
- In the last year of the Project all the remaining cash available is distributed to the equity partners and the project is closed;

Profit and Loss Account and Cash Flow Statement (mobility)

Below is presented an example of what could be the P&L and cash-flows projections for a project with the characteristics of Case 3.

Parking lot and shuttles exploration have a 16% net income over investment during the 19 years (starting in year 2).

Parking lot and shuttles are explored for 19 years and fully depreciated in that period.

Project duration

PROFIT & LOSS ACCOUNT																					
Projection year		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	19
+ Parking lot EBITDA	16.00%		480	480	480	480	480	480	480	480	480	480	480	480	480	480	480	480	480	480	480
+ Shuttles EBITDA	16.00%		320	320	320	320	320	320	320	320	320	320	320	320	320	320	320	320	320	320	320
- Depreciation			263	263	263	263	263	263	263	263	263	263	263	263	263	263	263	263	263	263	263
Parking lot	19		158	158	158	158	158	158	158	158	158	158	158	158	158	158	158	158	158	158	158
Shuttle	19		105	105	105	105	105	105	105	105	105	105	105	105	105	105	105	105	105	105	105
EBIT		-	537	537	537	537	537	537	537	537	537	537	537	537	537	537	537	537	537	537	537

FREE CASH FLOW STATEMENT																					
Projection year		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	19
+ EBIT		-	537	537	537	537	537	537	537	537	537	537	537	537	537	537	537	537	537	537	537
- Adjusted Taxes		-	210	210	210	210	210	210	210	210	210	210	210	210	210	210	210	210	210	210	210
+ Depreciation		-	263	263	263	263	263	263	263	263	263	263	263	263	263	263	263	263	263	263	263
+ Grants		3,575	1,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Capex		9,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shuttle		2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking lot		3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others		4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FREE CASH FLOW		(5,425)	(2,110)	590	590	590	590	590	590	590	590	590	590	590	590	590	590	590	590	590	590

Investment is performed during 2 years and the most important amount is related to public spaces rehabilitation.

A grant of €4.875M has been conceded.

Explanation of the JESSICA intervention models

When preparing the JESSICA intervention in each project, additional assumptions were defined in order to maintain the project and JESSICA characteristics and to guarantee that the results could be directly comparable:

- Maintenance of the Debt to Equity structure;
- The amount of JESSICA participation is €2M (27% of eligible investment);
- In the Loan scenario:
  - JESSICA enters with 54.7% of the loan;
  - Repayment of JESSICA is only considered after the repayment of the commercial loan;
  - Dividends to shareholders can be considered before the repayment of the JESSICA loan;
- In the Equity scenario:
  - JESSICA enters with 44.8% of the Equity (reducing proportionally the investment of all other partners);
- In the Equity + Loan scenario;
  - JESSICA enters with 27.4% of the loan and 22.4% of the Equity (reducing proportionally the investment of all other partners);
  - Repayment of JESSICA is only considered after the repayment of the commercial loan;
  - Dividends to shareholders can be considered before the repayment of the JESSICA loan;

These assumptions result in the funding structure for each scenario, presented in the following table:

Projects perspective

			JESSICA		
		Case 3	Loan	Equity	Equity/ Loan
JESSICA Involvement	Debt	no	yes	no	yes
	Equity	no	no	yes	yes
Project	IRR	3.6%	3.6%	3.6%	3.6%
	Payback	15	15	15	15
Funding	**Equity**	**4,469**	**4,469**	**4,469**	**4,469**
	Mun. / SRU	31.0%	31.0%	7.0%	24.1%
	Private Partner	69.0%	69.0%	48.3%	53.6%
	JESSICA	0.0%	0.0%	44.8%	22.4%
	Other	0.0%	0.0%	0.0%	0.0%
	Debt	**3,656**	**3,656**	**3,656**	**3,656**
	Financial Inst	100.0%	45.3%	100.0%	72.7%
	JESSICA	0.0%	54.7%	0.0%	27.4%
	Grant	**4,875**	**4,875**	**4,875**	**4,875**
	Total JESSICA	**-**	**2,000**	**2,000**	**2,000**

Case 3 conclusions

Below are the results obtained for the project and each stakeholder for Case 3 and for each of the types of JESSICA intervention.

Stakeholders perspective

		Mobility case	JESSICA Loan	JESSICA Equity	JESSICA Equity/ Loan
Private Partner	IRR	*6.3%*	*6.3%*	*8.5%*	*7.7%*
	Payback	15	15	13	14
	Funds used	3,083	3,083	2,158	2,394
JESSICA	IRR	n.a	*6.5%*	*2.9%*	*4.2%*
	Payback	n.a	8	17	14
	Funds used	n.a	2,000	2,000	2,000
Municipality / SRU	IRR	*2.9%*	*2.9%*	*2.9%*	*2.9%*
	Payback	17	17	17	17
	Funds used	1,385	1,385	311	1,075
Financial Institution	IRR	*6.5%*	*6.5%*	*6.5%*	*6.5%*
	Payback	8	5	8	7
	Funds used	3,656	1,656	3,656	2,656
Public perspective (Includes SRU + structural funds/JESSICA)	IRR	n.q	*(5.1)%*	n.q	*(4.4)%*
	Payback	n.a	n.a	n.a	n.a.
	Funds used	6,260	8,260	7,185	7,950
Project	IRR	*3.6%*	*3.6%*	*3.6%*	*3.6%*
	Payback	15	15	15	15

Case 3: The project has a low IRR and a wide payback period mainly resulting from the investment in public spaces regeneration (€8M) that is not compensated by the gains with the parking lot and the shuttle services. A 65% ERDF grant was considered regarding eligible investments.

Without JESSICA, the project might not be developed due to the lack of interest from the private partners and due to the difficulty in raising debt resulting from the project's low IRR and lack of guarantees. The public interest is in the urban regeneration and the creation of additional mobility solutions.

Case 3 Scenario L: The JESSICA participation in the project through a more flexible loan (with wider reimbursement period and the possibility to pay dividends before the maturity date) allows the reduction of the risk and the payback for the financial institution, giving JESSICA a positive IRR.

Case 3 Scenario E: With the reduction in the total investment requirement the private partner is able to obtain an higher IRR and the reduction of the payback period in one year. However, the difficulty in raising debt is not solved due to project risk. The JESSICA funds have a large payback period and the IRR is relatively low.

Case 3 Scenario E/L: In this scenario the private partner benefits from a higher IRR than in 3 L, but the amount of JESSICA funds applied is also higher. Obtaining commercial loan is facilitated by the use of the JESSICA loan.

JESSICA participation and Case selection:

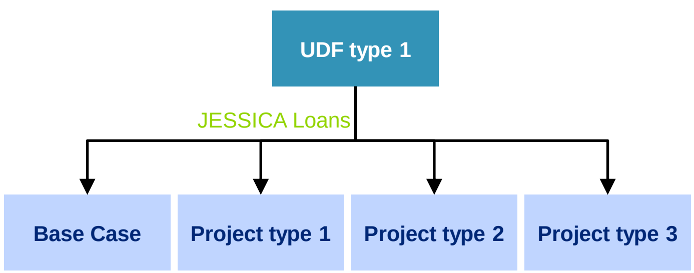
After the analysis of each possible financing structure for each of the project types, a possible UDF investing in these projects would participate in the form where all the entities (Private Partner, SRU, Financial institution and Other) would be willing to participate. In the case where all the entities would be wiling to participate in more than one case, the chosen scenario would result from negotiations between the parties. In that sense, given the market and stakeholders restrictions, we expect that the chosen JESSICA solutions for each project could be:

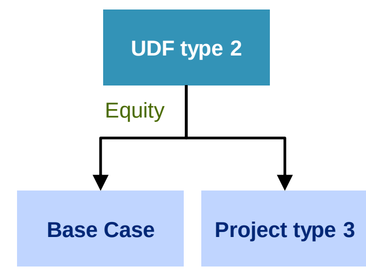
Cases	JESSICA				Private Partner		SRU		Others		Financial institution		Public entities (SRU+Grant+JESSICA)	
	Participation	IRR	Payback	Funds	IRR	Payback	IRR	Payback	IRR	Payback	IRR	Payback	IRR	Payback
Base Case	Equity + Loan	*4,6%*	12	2.850	*8,3%*	15	*1,9%*	19	*1,9%*	19	*6,5%*	6	*3,3%*	16
Case 1	Loan	*6,5%*	5	3.000	*19,4%*	5	*13,1%*	5	*0,7%*	n.a	*4,5%*	5	*10,6%*	5
Case 2	Loan	*6,5%*	8	2.497	*n.a.*	n.a.	*5,7%*	10	*n.a.*	n.a.	*6,5%*	6	*0,3%*	10
Case 3	Equity + Loan	*4,2%*	14	2.000	*7,7%*	14	*2,9%*	17	*n.a*	n.a.	*6,5%*	7	*(4,4)%*	n.a

JESSICA participation and Case selection:

Given these selections and assumptions, several types of UDFs might be created in order to participate in these types of Project: UDFs investing in long / short payback projects, UDF investing in projects using the form of a Real Estate Investment Fund, UDF geographically specialized, etc.

For the purpose of this analysis, it were considered two types of UDFs: UDF type 1 investing solely through loans; and UDF type 2 investing solely through equity. Other types of UDF could be considered, and this exercise is purely an attempt to show the JESSICA flexibility in terms of UDFs with different configurations and corresponding results.





In the following pages these UDFs are further detailed, with the explanation of the main assumptions and the results obtained. Additionally, the Uses and Sources of Funds and Free Cash flows of each UDF type and investment are presented.

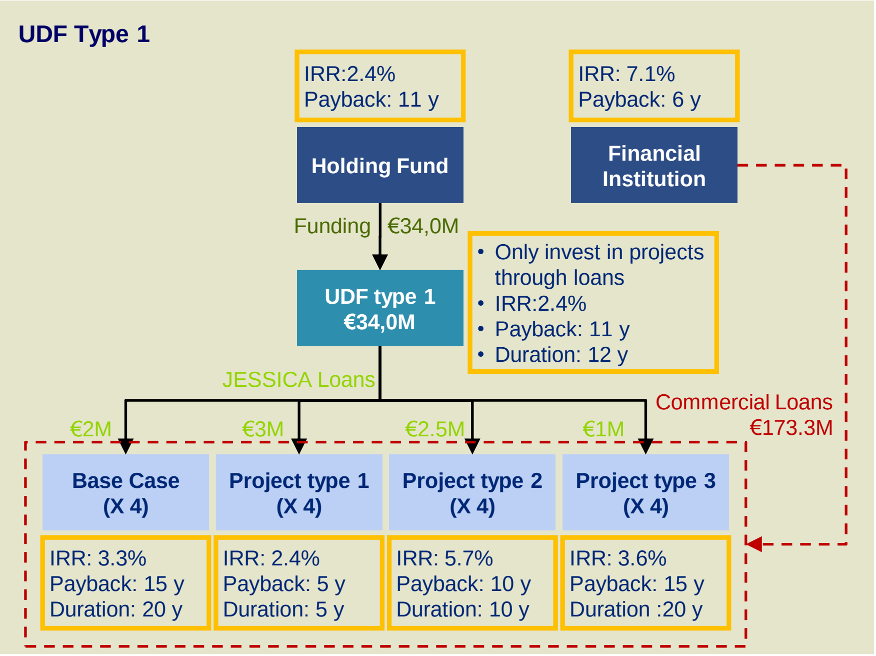
It is also presented an example of the participation of a Financial Institution at UDF level is analyzed and presented in order to support the reasoning behind its involvement (as a UDF manager).

UDF Type 1 – Assumptions and Results

Description of the UDF type 1

Assumptions

- The UDF Type 1 is specialized in supplying projects with loans, therefore its investment selections are:
  - Base case (with a duration of 20 years);
  - Project type 1 (with a duration of 5 years);
  - Project type 2 (with a duration of 10 years);
  - Project type 3 (with a duration of 20 years);
- These investments are performed by the UDF 3 times representing investment in other similar projects and adding dimension to the UDF.
- JESSICA funding for each Project is only through debt, although for some cases the Best Scenario identified includes JESSICA equity (implying that in parallel to this UDF type, other UDF type only investing using equity is needed).
- The UDF is solely funded by the JESSICA HF (100%).
- The Financial Institution(s):
  - Is the UDF manager, receiving the management fee (1.5% over total fund size per year) and supporting all the management costs;
  - Supplies the Projects with commercial loans, obtaining the resulting interest and reimbursement.
- It was not considered financial revenues from the UDF' annual unused cash.
- The dividend profile is an input, never resulting in a negative cash account. In fact, a minimum working capital availability is annually guaranteed through a positive cash account.
- In the case of a possible negative cash account in the UDF in the first years, the shareholders grant the necessary supplementary capital for short term periods (the first to be repaid).
- UDF is extinguished after all the Projects have been finalised.



Results:

- UDF total investment amount to € 34.0 M, to be applied providing loans to 16 (4x4) different projects.
- The projects selected will also require commercial loans of € 173.3 M (in project type 1, equity is also provided by financial institutions in the amount of € 1.2 M / project).
- UDF will obtain an IRR and payback of 2.4% and 11 years.
- The estimated IRR and paybacks of the financial institutions involved is 7.1% and 6 years.

UDF Type 1 – Uses and Sources of Funds

Below is presented the table with a possible Uses and Sources of Funds statement for an UDF type 1.

Investments and correspondent returns are according to the cash needs / excess profile of the project types the UDF participates in

USES AND SOURCES OF FUNDS		TOTAL	1	2	3	4	5	6	7	8	9	10	11	12
(k Euro)														
Investment inflow		**43.599**	**-**	**536**	**895**	**1.300**	**13.860**	**4.153**	**4.669**	**4.291**	**4.145**	**2.642**	**4.424**	**2.684**
Base case E/L		**13.032**	**-**	**316**	**519**	**519**	**519**	**519**	**519**	**519**	**519**	**1.979**	**4.424**	**2.684**
Loan	4	**13.032**	-	316	519	519	519	519	519	519	519	1.979	4.424	2.684
Case 1 L		**13.092**	**-**	**-**	**-**	**312**	**12.780**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan	4	**13.092**	-	-	-	312	12.780	-	-	-	-	-	-	-
Case 2 L		**11.530**	**-**	**46**	**116**	**209**	**302**	**3.374**	**3.890**	**2.136**	**1.456**	**(1)**	**-**	**-**
Loan	4	**11.530**	-	46	116	209	302	3.374	3.890	2.136	1.456	(1)	-	-
Case 3 E/L		**5.945**	**-**	**174**	**260**	**260**	**260**	**260**	**260**	**1.636**	**2.171**	**665**	**(0)**	**(0)**
Loan	4	**5.945**	-	174	260	260	260	260	260	1.636	2.171	665	(0)	(0)
Management cash flow		**(6.114)**	**(510)**	**(510)**	**(510)**	**(510)**	**(510)**	**(510)**	**(510)**	**(510)**	**(510)**	**(510)**	**(510)**	**(510)**
Equity	100,00%	**33.968**	**8.240**	**5.530**	**6.226**	**8.626**	**1.426**	**1.069**	**1.069**	**1.782**	**-**	**-**	**-**	**-**
JESSICA HF	100,00%	**33.968**	8.240	5.530	6.226	8.626	1.426	1.069	1.069	1.782	-	-	-	-
Financial Institution	0,00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Previous year cash account			**-**	**90**	**17**	**2**	**92**	**43**	**87**	**46**	**28**	**64**	**96**	**11**
SOURCES		**TOTAL**	**7.731**	**5.646**	**6.628**	**9.418**	**14.869**	**4.756**	**5.315**	**5.610**	**3.664**	**2.196**	**4.011**	**2.185**
Investment expenses		**33.968**	**8.240**	**5.530**	**6.226**	**8.626**	**1.426**	**1.069**	**1.069**	**1.782**	**-**	**-**	**-**	**-**
Base case E/L		**7.979**	4.857	3.122	-	-	-	-	-	-	-	-	-	-
Loan	4	**7.979**	4.857	3.122	-	-	-	-	-	-	-	-	-	-
Case 1 L		**12.000**	-	-	4.800	7.200	-	-	-	-	-	-	-	-
Loan	4	**12.000**	-	-	4.800	7.200	-	-	-	-	-	-	-	-
Case 2 L		**9.989**	**713**	**1.078**	**1.426**	**1.426**	**1.426**	**1.069**	**1.069**	**1.782**	**-**	**-**	**-**	**-**
Loan	4	**9.989**	713	1.078	1.426	1.426	1.426	1.069	1.069	1.782	-	-	-	-
Case 3 E/L		**4.000**	**2.671**	**1.329**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan	4	**4.000**	2.671	1.329	-	-	-	-	-	-	-	-	-	-
Cash account			90	17	2	92	43	87	46	28	64	96	11	-
Dividends		**37.485**	(600)	100	400	700	13.400	3.600	4.200	3.800	3.600	2.100	4.000	2.185
Private partner	0,00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA HF	100,00%	**37.485**	(600)	100	400	700	13.400	3.600	4.200	3.800	3.600	2.100	4.000	2.185
USES		**TOTAL**	**7.731**	**5.646**	**6.628**	**9.418**	**14.869**	**4.756**	**5.315**	**5.610**	**3.664**	**2.196**	**4.011**	**2.185**

Management fees (1.5% of the total UDF Size) paid by the UDF to the UDF manager.

Dividends are paid to the HF according to the Capital invested in the UDF.

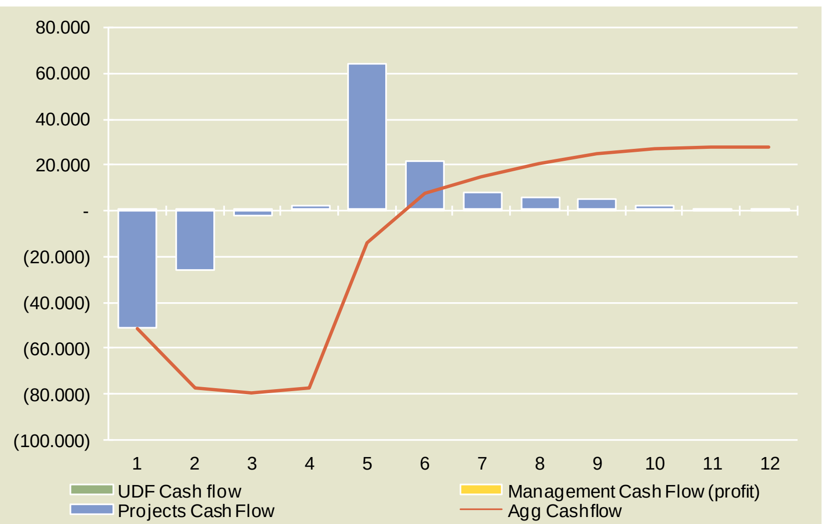
Supplementary capital paid by the partners in order to maintain a positive cash account.

Financial Institution Perspective

In this case, due to the large amount of funding provided by the Financial Institution, namely at project level, and with a profit from UDF management activity (management fee of 1,5% of fund size and fixed costs assumed of 166K€), **the aggregated IRR for the Financial Institution is 7.1% with a 6 year payback period.**

FREE CASH FLOW STATEMENT		TOTAL	1	2	3	4	5	6	7	8	9	10	11	12
UDF Cash flow		-	-	-	-	-	-	-	-	-	-	-	-	-
Management Cash Flow (profit)		**4.122**	**344**	**344**	**344**	**344**	**344**	**344**	**344**	**344**	**344**	**344**	**344**	**344**
Projects Cash Flow		**24.310**	**(52.181)**	**(26.601)**	**(3.278)**	**861**	**62.893**	**23.550**	**7.687**	**5.287**	**4.365**	**1.725**	**0**	**0**
Base Case	4	**15.996**	(34.343)	(19.845)	6.467	11.485	22.965	13.665	4.885	4.625	4.365	1.725	0	0
Case 1	4	**2.676**	(4.800)	-	(11.200)	(16.072)	34.748	-	-	-	-	-	-	-
Case 2	4	**2.984**	(5.943)	(3.686)	(1.236)	2.887	2.749	7.584	631	(3)	0	0	-	-
Case 3	4	**2.654**	(7.094)	(3.070)	2.691	2.561	2.431	2.301	2.171	665	0	0	0	0
FREE CASH FLOW		**28.432**	**(51.837)**	**(26.257)**	**(2.934)**	**1.204**	**63.237**	**23.893**	**8.031**	**5.631**	**4.709**	**2.069**	**344**	**344**

The following graph presents the aggregated accumulated cash flow for the financial institution.



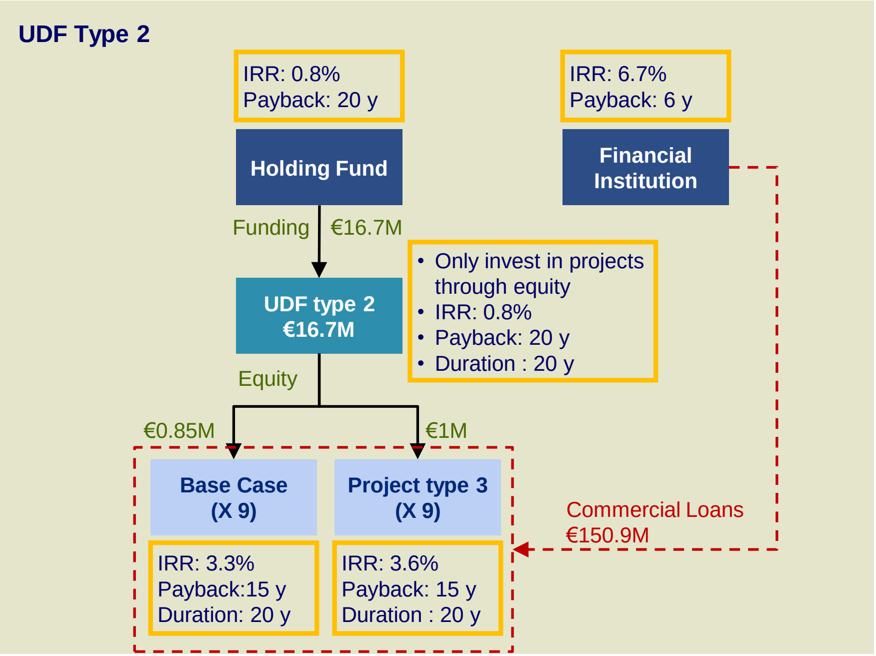
UDF Type 2 – Assumptions and Results

Description of the UDF type 2

Assumptions

- The UDF Type 2 is specialized in supplying projects with equity, therefore its investment selections are:
    - Base case (with a duration of 20 years);
    - Project type 3 (with a duration of 20 years);
- These investments are performed by the UDF 8 times representing investment in other similar projects and adding dimension to the UDF.
- JESSICA funding for each Project is only through equity, although for some cases the Best Scenario identified includes JESSICA loans (implying that in parallel to this UDF Type, other UDF Type only investing using debt is needed).
- The UDF is solely funded by the JESSICA HF (100%).
- The Financial Institution(s):
    - Is the UDF manager, receiving the management fee (1.5% over total fund size per year) and supporting all the management costs;
    - Supplies the Projects with commercial loans, obtaining the resulting interest and reimbursement.
- It was not considered financial revenues from the UDF' annual unused cash.
- The dividend profile is an input, never resulting in a negative cash account. In fact, a minimum working capital availability is annually guaranteed through a positive cash account.
- In the case of a possible negative cash account in the UDF in the first years, the shareholders grant the necessary supplementary capital for short term periods (the first to be repaid).
- UDF is extinguished after all the Projects have been finalised.

(at green, differences to UDF Type 1)



Results:

- UDF total investment amount to € 16.7 M, to be applied providing equity to 18 (9x2) different projects.
- The projects selected will also require commercial loans of € 150.9 M .
- UDF will obtain an IRR and payback of 0.8% and 20 years.
- The estimated IRR and paybacks of the financial institutions involved is 6.7% and 6 years.

UDF Type 2 - Uses and Sources of Funds

Below is presented the table with a possible Uses and Sources of Funds statement for an UDF type 2.

Investments and correspondent returns are according to the cash needs / excess profile of the project types the UDF participates in.

USES AND SOURCES OF FUNDS		TOTAL	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
(k Euro)																						
Investment inflow		**23,924**	**-**	**(522)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,007**	**1,007**	**1,676**	**2,625**	**2,122**	**2,122**	**2,625**	**2,122**	**2,122**	**2,625**	**4,395**
Base case E/L		**10,427**	**-**	**(522)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**669**	**1,115**	**1,115**	**1,115**	**1,115**	**1,115**	**1,115**	**1,115**	**2,475**
Equity	9	**10,427**	-	(522)	-	-	-	-	-	-	-	-	-	669	1,115	1,115	1,115	1,115	1,115	1,115	1,115	2,475
Case 3 E/L		**13,497**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,007**	**1,007**	**1,007**	**1,510**	**1,007**	**1,007**	**1,510**	**1,007**	**1,007**	**1,510**	**1,920**
Equity	9	**13,497**	-	-	-	-	-	-	-	-	-	1,007	1,007	1,007	1,510	1,007	1,007	1,510	1,007	1,007	1,510	1,920
Management cash flow		**(5,007)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**	**(250)**
Equity	100.00%	**16,691**	**10,691**	**6,001**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
JESSICA HF	100.00%	**16,691**	10,691	6,001	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Institution	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Previous year cash account			**-**	**50**	**77**	**27**	**77**	**26**	**76**	**26**	**75**	**25**	**81**	**37**	**63**	**37**	**9**	**80**	**55**	**26**	**98**	**72**
SOURCES		**TOTAL**	**10,440**	**5,278**	**(173)**	**(223)**	**(174)**	**(224)**	**(174)**	**(225)**	**(175)**	**781**	**837**	**1,463**	**2,437**	**1,909**	**1,880**	**2,455**	**1,926**	**1,898**	**2,472**	**4,217**
Investment expenses		**16,691**	**10,691**	**6,001**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Base case E/L		**7,694**	4,683	3,011	-	-	-	-	-	-	-	-	-	-	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Equity	9	**7,694**	4,683	3,011	-	-	-	-	-	-	-	-	-	-	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Case 3 E/L		**8,997**	**6,007**	**2,990**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	**-**
Equity	9	**8,997**	6,007	2,990	-	-	-	-	-	-	-	-	-	-	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Cash account			50	77	27	77	26	76	26	75	25	81	37	63	37	9	80	55	26	98	72	-
Dividends		**18,917**	(300)	(800)	(200)	(300)	(200)	(300)	(200)	(300)	(200)	700	800	1,400	2,400	1,900	1,800	2,400	1,900	1,800	2,400	4,217
Private partner	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA HF	100.00%	**18,917**	(300)	(800)	(200)	(300)	(200)	(300)	(200)	(300)	(200)	700	800	1,400	2,400	1,900	1,800	2,400	1,900	1,800	2,400	4,217
USES		**TOTAL**	**10,440**	**5,278**	**(173)**	**(223)**	**(174)**	**(224)**	**(174)**	**(225)**	**(175)**	**781**	**837**	**1,463**	**2,437**	**1,909**	**1,880**	**2,455**	**1,926**	**1,898**	**2,472**	**4,217**

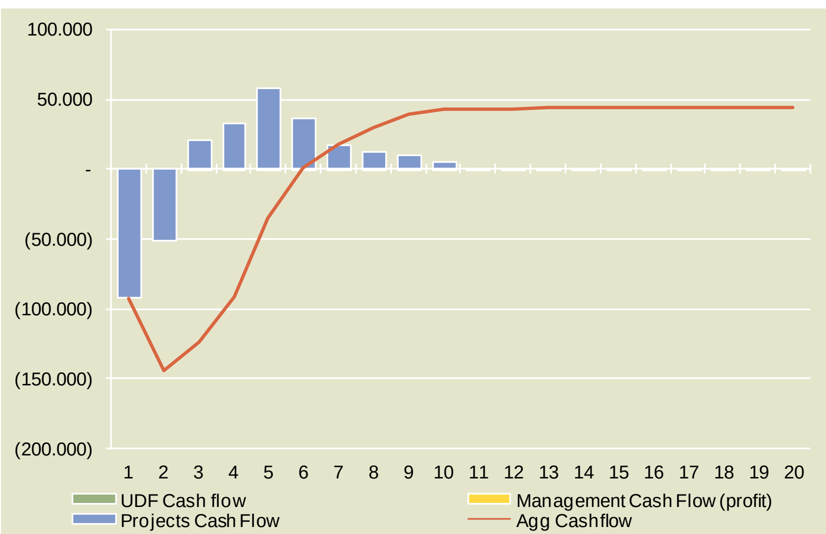
Management fees (1.5% of the total UDF Size) paid by the UDF to the UDF manager.

UDF Private partner cash flows

In this case, due to the large amount of funding provided by the Financial Institution, namely at project level, and with a profit from UDF management activity (management fee of 1,5% of fund size and fixed costs assumed of 57K€), **the aggregated IRR for the Financial Institution is 6.7% with a 6 year payback period.**

FREE CASH FLOW STATEMENT		TOTAL	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
UDF Cash flow		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Management Cash Flow (profit)		**1.687**	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84	84
Projects Cash Flow		**41.966**	**(93.234)**	**(51.559)**	**20.605**	**31.603**	**57.141**	**35.923**	**15.876**	**11.902**	**9.822**	**3.882**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Base Case	9	**35.993**	(77.272)	(44.652)	14.552	25.842	51.672	30.747	10.992	10.407	9.822	3.882	0	0	0	0	0	0	0	0	0	0
Case 3	9	**5.973**	(15.962)	(6.907)	6.054	5.761	5.469	5.176	4.884	1.495	0	0	0	0	0	0	0	0	0	0	0	0
FREE CASH FLOW		**43.653**	**(93.150)**	**(51.475)**	**20.690**	**31.688**	**57.225**	**36.008**	**15.960**	**11.987**	**9.907**	**3.967**	**85**	**85**	**85**	**85**	**85**	**85**	**85**	**85**	**85**	**85**

The following graph presents the aggregated accumulated cash flow for the financial institution.



Introduction

In this section is analyzed, from a financial perspective, the potential results for the Holding Fund of investing in UDF with the characteristics of the ones used in last section.

The main objective of this analysis is to understand if, on a theoretical business plan perspective, monies invested in UDFs are reimbursed and, consequently, it can be expected that the initial structural funds allocated to JESSICA are invested more than one time.

To develop this analysis, some **simplifying assumptions** were necessary to be assumed. Among them, the most relevant were the following:

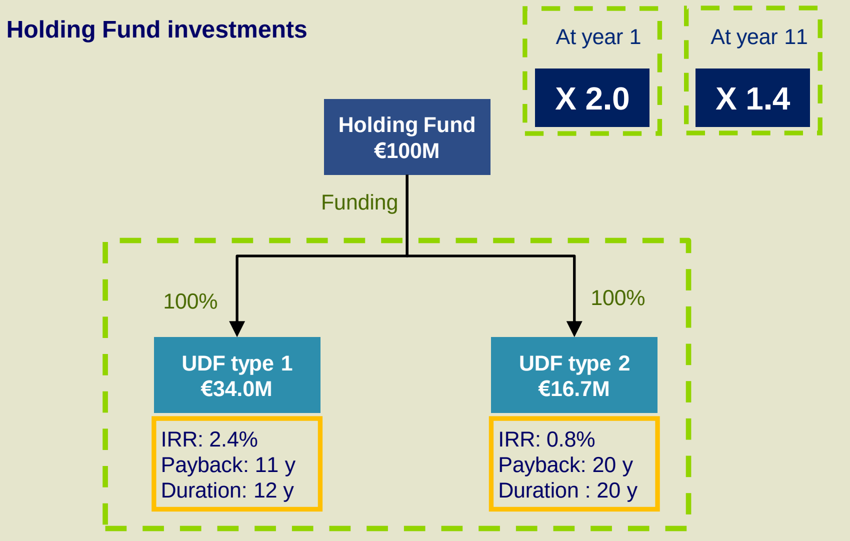
- The HF has an allocation of €100M in year 0, which starts to invest on UDF on year 1. The initial HF investment portfolio is constituted by two UDFs type 1 and two UDFs type 2.
- UDF's dividends received by the HF are annually added to HF cash account.
- The HF will exist for time period of 30 years and only one second re-investment cycle was assumed, at year 10 (other re-investment cycles could be considered, for example at year 20). In the second investment cycle, the investment amount assumed was computed considering the cash available at that year and the maintenance of HF financial sustainability in the upcoming years. In this sense, in the second investment cycle, HF is able to invest € 71 M in 1.4 new UDFs type 1 and type 2. In the year 30, the remaining cash available is returned to the National HF subscribers.
- The HF pays a management fee of 2.0% of the total fund size to its manager each year.
- The HF benefits from a 3% interest rate for its unused cash.

The **main results** obtained were the following:

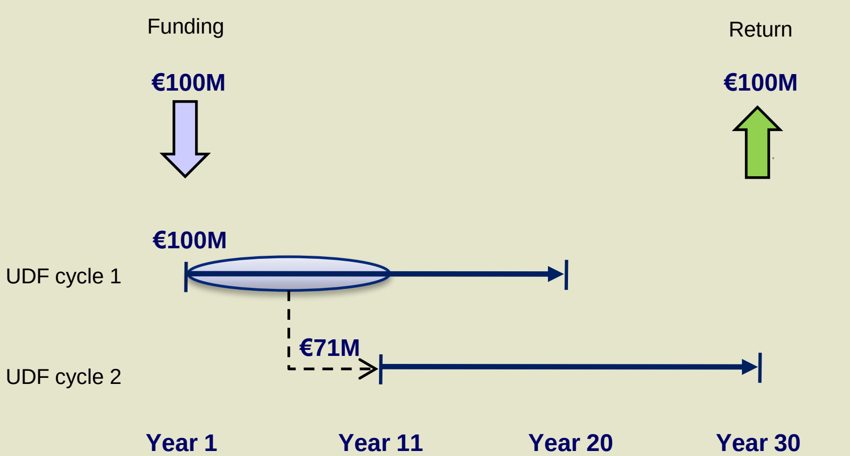
- The total amount of JESSICA investment amounts to €171M (at year 0 and year 10);
- The IRR of the HF is close to 0%;
- The cash available at the end of the HF amounts to €100M.

In the next page is presented the sources and uses of funds statement for the Holding Fund.

Holding Fund investments



Holding Fund investment cycles



Holding Fund – Uses and sources of funds

Below is presented the table with a possible Uses and Sources of Funds statement for the HF characterized in last page.

Investment inflows are the dividends received from the UDFs. The negative amounts represent supplementary capital contributions of the HF to accommodate transitory cash needs in the UDFs in the first years.

Management fees paid by the HF to the HF manager are equal to 2.0% of the total HF size.

USES AND SOURCES OF FUNDS		TOTAL	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
(k Euro)																																	
Investment inflow		**191.766**		**(1.800)**	**(1.400)**	**400**	**800**	**26.400**	**6.600**	**8.000**	**7.000**	**6.800**	**5.600**	**8.340**	**6.190**	**5.080**	**4.360**	**22.080**	**9.420**	**9.400**	**8.500**	**9.560**	**12.354**	**6.720**	**5.019**	**3.360**	**2.660**	**2.520**	**3.360**	**2.660**	**2.520**	**3.360**	**5.904**
UDF 1 L		**37.485**		(600)	100	400	700	13.400	3.600	4.200	3.800	3.600	2.100	4.000	2.185	-	-	-	-	-	-	-	-										
UDF 2 E		**18.917**		(300)	(800)	(200)	(300)	(200)	(300)	(200)	(300)	(200)	700	800	1.400	2.400	1.900	1.800	2.400	1.900	1.800	2.400	4.217										
UDF Large 1st cicle		**56.402**		(900)	(700)	200	400	13.200	3.300	4.000	3.500	3.400	2.800	4.800	3.585	2.400	1.900	1.800	2.400	1.900	1.800	2.400	4.217	-	-	-	-	-	-	-	-	-	-
UDF Large 2nd cicle		**78.963**												(1.260)	(980)	280	560	12.480	4.620	5.600	4.900	4.760	3.920	6.720	5.019	3.360	2.660	2.520	3.360	2.660	2.520	3.360	5.904
Management cash flow		**(62.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**	**(2.000)**
Equity	100,00%	**100.000**	**100.000**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA HF	100,00%	**100.000**	100.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash account interest	3,00%	**42.983**	-	**2.940**	**1.778**	**1.038**	**647**	**113**	**763**	**860**	**1.002**	**1.075**	**1.251**	**1.396**	**833**	**500**	**346**	**65**	**609**	**805**	**1.006**	**1.157**	**1.418**	**1.771**	**1.966**	**2.116**	**2.220**	**2.306**	**2.391**	**2.504**	**2.599**	**2.692**	**2.814**
Previous year cash account			-	**98.000**	**59.278**	**34.596**	**21.582**	**3.779**	**25.441**	**28.665**	**33.387**	**35.824**	**41.699**	**46.550**	**27.783**	**16.664**	**11.528**	**2.158**	**20.306**	**26.839**	**33.547**	**38.558**	**47.275**	**59.047**	**65.539**	**70.524**	**73.999**	**76.879**	**79.706**	**83.457**	**86.621**	**89.739**	**93.791**
SOURCES		**TOTAL**	**98.000**	**97.140**	**57.656**	**34.034**	**21.030**	**28.292**	**30.804**	**35.525**	**39.388**	**41.699**	**46.550**	**54.286**	**32.806**	**20.244**	**14.234**	**22.302**	**28.336**	**35.044**	**41.053**	**47.275**	**59.047**	**65.539**	**70.524**	**73.999**	**76.879**	**79.706**	**83.457**	**86.621**	**89.739**	**93.791**	**100.509**
Investment expenses		**172.240**	-	**37.862**	**23.060**	**12.451**	**17.251**	**2.851**	**2.139**	**2.139**	**3.564**	-	-	**26.503**	**16.142**	**8.716**	**12.076**	**1.996**	**1.497**	**1.497**	**2.495**	-	-	-	-	-	-	-	-	-	-	-	-
UDF 1 L		**33.968**		8.240	5.530	6.226	8.626	1.426	1.069	1.069	1.782	-	-	-	-	-	-	-	-	-	-	-	-										
UDF 2 E		**16.691**		10.691	6.001	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
UDF Large 1st cicle	1,0	**50.659**		18.931	11.530	6.226	8.626	1.426	1.069	1.069	1.782	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UDF Large 2nd cicle	1,4	**70.922**		-	-	-	-	-	-	-	-	-	-	26.503	16.142	8.716	12.076	1.996	1.497	1.497	2.495	-	-	-	-	-	-	-	-	-	-	-	-
Cash account			98.000	59.278	34.596	21.582	3.779	25.441	28.665	33.387	35.824	41.699	46.550	27.783	16.664	11.528	2.158	20.306	26.839	33.547	38.558	47.275	59.047	65.539	70.524	73.999	76.879	79.706	83.457	86.621	89.739	93.791	-
Dividends		**100.509**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.509
USES		**TOTAL**	**98.000**	**97.140**	**57.656**	**34.034**	**21.030**	**28.292**	**30.804**	**35.525**	**39.388**	**41.699**	**46.550**	**54.286**	**32.806**	**20.244**	**14.234**	**22.302**	**28.336**	**35.044**	**41.053**	**47.275**	**59.047**	**65.539**	**70.524**	**73.999**	**76.879**	**79.706**	**83.457**	**86.621**	**89.739**	**93.791**	**100.509**

First investment cycle is made with the initial funds. This investment is made in for the three types of investments and then multiplied in order to achieve a €100M HF allocation.

Cash account interest rate is 3%, being interest calculated based on the available cash in the previous year.

Second cycle of investment is totally performed with the return obtained from the first investment cycle in UDFs. This investment is a replica of the long term investment performed in the first cycle but at a smaller scale due to the lower cash availability.

Cash available at the end of the HF could be reinvested or returned to the Portuguese HF subscribers.

Based on the analysis of the cases of potential JESSICA funds application, at Project level, UDF level and HF level the main findings are the following:

- Due to its characteristics, namely its flexibility regarding funds reimbursement period and seniority level, JESSICA is an initiative that, if properly used, can be an adequate answer to urban regeneration funding difficulties.
- At project level, the use of JESSICA funds as debt, alone or with equity, arise as a better option than equity alone because it solves more easily the difficulties in obtaining commercial loans or obtaining private entities involvement caused by the relatively low profitability of the urban regeneration projects. JESSICA loan participation tends to solve Financial Institutions involvement issues. However, when JESSICA's equity is not sufficient to guarantee private partner involvement and if capital structure is maintained, than JESSICA's financial model must be a mix between equity and loan. Nevertheless, at project level, the selection of the financial instrument to adopt (equity, debt, guarantees) and the definition of the amount of JESSICA funds to invest (as well as Debt-to-Equity structure) should be case-driven.
- From a public perspective, for urban regeneration initiatives that have potential to generate revenues that might compensate the public investment made, but lack private attractiveness, JESSICA is an efficient way of assuring a proper and most effective use of public monies than Grants, due to the multiplying effect resulting from the obtained return. Grants don't generate return, being only once applied on one project, which makes them less effective than JESSICA.
- Due to JESSICA flexibility, and although its positive impact in urban regeneration initiatives, return rates of the UDFs might be moderate when compared with other investment funds and to the risk assumed.
- It can be foreseen financial institutions' interest in being involved with JESSICA, namely as lender at project level and as UDF manager. This is due to:
  - More balanced mix of return / risk for private partners (developers and financial institutions) involved in urban regeneration projects;
  - Competitive advantage that results from the possibility to link this role with the role of investor at the project level;
  - Guaranteed additional cash flows obtained through management fees (as UDF manager) and eventually, its own structure costs deduction;
  - Greater risk diversification through the participation in several projects in partnership with public entities (as a UDF investor);
  - Previous know-how as it may already be involved in the projects (as commercial lender), or has experience in managing investment funds;
- At HF level, the fact that the invested funds are returned by the UDF, results in the possibility to continuously reinvest in other UDFs and still obtain a refund at the end. This theoretically could result in unlimited investment amounts in the course of time;
- The amount of investment that can be performed by the HF at any given time depends on the return and the payback period of each UDF. The larger and the sooner the return obtained, the larger is the cash available to reinvest in other UDFs.
- The IRR may not be a good indicator of the HF performance, since the philosophy behind is not to obtain cash at the end, but to be able to perform reinvestments in the shortest period of time. In that sense, the main indicator should be the amount of investment performed having in consideration the initial funds used (JESSICA revolving effect). Additionally, JESSICA ability to attract private investment to the Projects should also be taken into consideration (JESSICA multiplying effect).

A. Making the case for JESSICA

A.1. The purpose of JESSICA

The Joint European Support for Sustainable Investment in City Areas (JESSICA) consists on an European Commission policy initiative to exploit financial engineering mechanisms that support investment in sustainable urban development in the context of cohesion policy. It has been launched with a view to leveraging additional resources for public-private partnerships (PPPs) and, in general, for urban-renewal and development projects in the European Union (EU) regions.

Thus, JESSICA was conceived as complementary instrument to traditional structural funds use and gives Member States the option of using some of these funds to make repayable investments in projects forming part of an integrated plan for sustainable urban development.

This initiative is set out as a tool to enhance urban regeneration role as a driver of sustainable economic growth and competitiveness. The accomplishment of this goal requires specific strategies that establish the framework for multi-sector investments that complement the first step provision of infrastructure and public equipments in an integrated approach, and mobilize of a broad range of partners with different financing capabilities and management skills – which makes the case for the demand of having an integrated sustainable urban development plan to use JESSICA funds.

This means that besides complying with structural funds eligibility rules and be part of an integrated regeneration plan, projects to be "jessicable" must return the funds applied and involve private entities.

JESSICA funds could be used in projects such as:

- Urban infrastructure, including transport, water/waste water, energy;
- Heritage or cultural sites, for tourism or other sustainable uses, including hotel, students residences, elderly residences;
- Redevelopment of brownfield sites, including site clearance and decontamination;
- Energy efficiency improvements.

A.2. JESSICA's Value Added

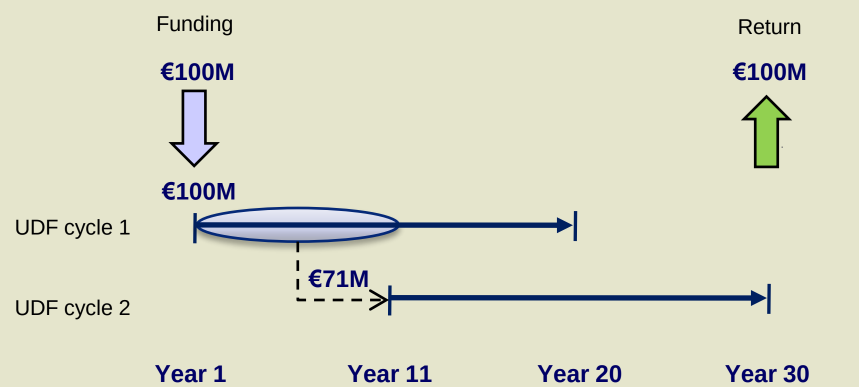
JESSICA is an adequate instrument to allow the implementation of urban regeneration projects as it changes the profitability and risk profile of the involved parties, minimizing financial obstacles resulting from projects low IRR, high risk level and in some cases, insufficient public funding.

Besides the change in the profitability and risk profile for the involved parties in the projects, JESSICA's value also arises from the revolving nature of the funds applied.

In fact, as seen before in this study, due to the return of the funds applied, more than one cycle of investment can be made using the same original funds allocation. In the theoretical case developed, for example, with the initial € 100 M it was possible to re-invest further € 71 M at year 10 and, at the end of Holding Fund life period, the amount available to new projects or to return to the HF subscribers is approximately equal, in nominal terms, to the initial allocation. In this perspective, due to funds revolving, the multiplier effect of JESSICA is higher than in the traditional non-repayable grant scheme.

With JESSICA, not only the initial unattractiveness is solved, but a larger and more permanent multiplying effect of structural funds can be expected.

Holding Fund investment cycles



B. Portuguese urban regeneration context

The analyses of the nine given regeneration projects, all contacts made with municipalities and team's experience and knowledge confirm that there is the need for urban regeneration projects to be developed, helping to create stronger and more competitive cities and territories, under a sustainable process of social, environmental and economic development and growth.

Urban regeneration problems have a local dimension with the predominance of city historical/traditional centers or urban degradated areas, among some examples of industrial areas in need of regeneration. Urban Public areas degradation is a common characteristic that needs to be addressed, usually contributing to raise amounts of investment needed and reducing private interest. In fact, low profitability rates and long payback periods, together with risk perceived in urban regeneration projects, are the main concerns for private investors. Nevertheless experience shows that, with some creativity, is possible to conceive regeneration projects that may include the requalification of public areas, as long as it is possible to reduce private investors reluctance to accept risks associated with the amount of funds to be applied.

Urban degradation is usually coupled with social deterioration and a decreasing number of residents, even in areas with relevant touristic assets. Thus, a careful and comprehensive approach must be assured in order to guarantee regenerations success. Redefining the mix of uses and finding anchor projects are the main challenges of urban regeneration initiatives and must be object of a thorough analyses and thought in order to find the main drivers for a successful regeneration process. These considerations highlight the importance of strategic planning in urban regeneration. Experience shows that Integrated Regenerations Plans have proved to be essential.

The fact that, at present time, urban regeneration project leaders/promoters are mainly Municipalities and/ or SRU's, reflects public dynamism for these sort of projects and highlights the role of these entities in the Portuguese case.

Urban regeneration funding is needed. Interest and intentions to develop regeneration projects is in place, but the lack of financial resources limits the involvement of private investors, raising the effort for the public sector and reducing the number of feasible projects.

The issue of urban regeneration is present in various instruments of Portuguese urban policy, all emphasising the importance of valuing territory and reinforcing its appeal within an integrated perspective. Several policies (between 2005 and 2007) were approved by the Government in order to create a strong framework focused on urban regeneration.

The NSRF Programmes were designed to match cities' policies and provide support for regeneration interventions in cities.

These instruments are in place and provide a framework for strategic planning on urban regeneration. Public players are acquainted with these policies and know how to use the instruments at their disposal for urban regeneration projects. Urban Regeneration Partnerships are already in place, in line with EU requirements for structural funding, although supported in a traditional grant model.

The JESSICA initiative is based on the same assumptions as the NSRF and is already mentioned in the Regional Operational Programs as a possible source of funding for Urban Regeneration Partnerships. Thus, JESSICA will be part of this framework and will be suitable for structural funds deployment.

The findings of the JESSICA Study for Portugal show that there is significant latent demand for urban regeneration, highlighting the need for a JESSICA structure to be set up alongside the current grant-based regime.

These aspects summarize the urban regeneration landscape we have found, and highlight the main issues, the type of obstacles to overcome, the opportunities to be developed, and the framework to be considered in order to improve urban regeneration interventions in Portugal with the support of JESSICA.

C. JESSICA ARCHITECTURE

The MoU and the Holding Fund

As previously mentioned, the JESSICA instrument is a potential vehicle for the deployment of part of the country's structural funding programme (ERDF) from 2007 to 2013.

Recognized the advantages of adopting the JESSICA mechanism, it is essential to coordinate it under the national regulations of the ERDF and the needs, concerns and contexts of the projects stakeholders.

In the light of initial EIB marketing of the JESSICA instrument and the Portuguese Government's own initial appraisal of the benefits of JESSICA, a MoU was signed between the Portuguese Government and the EIB to implement JESSICA in Portugal and work towards establishing a Fund with an allocation of €100M.

In this framework, the use of a Holding Fund with the role of "fund of funds", receiving returns back from the UDFs once a program of investment has been completed, thus allowing a new cycle of investment due to the revolving nature of funds conceded to the UDFs, is a solution being used to deploy JESSICA.

The implementation of a HF is the adequate solution:

- As a revolving investment fund, the Holding Fund would be instrumental in the reinvestment decision making process – enabling the Portuguese authorities to utilise the expertise of the EIB in a second round of project and UDF development.
- Provides for a dedicated Fund Manager tasked with overseeing the deployment of JESSICA funds into UDFs (on behalf of the Managing Authorities) in the early years and supporting the development of emerging investment opportunities with project delivery partners.
- Reduces the pressure on UDF creation and project development so a considered and well planned approach to project implementation can take place.
- The Holding Fund may be able to generate an annual return (on deposited funds) which, could be used to support project planning and UDF set up costs.

The Holding Fund will have an HF Investment Committee in which the Operational Programmes Management Authorities and other authorities will be represented. This Committee will have an essential role as it guarantees the correspondence between strategies defined to be followed by the Holding Fund and the NSRF and, naturally, the policies and orientations issued by the Government concerning regeneration. This strategy will be a key step for the deployment of JESSICA.

We understand that the EIB and the Government have held preliminary discussions to appoint the EIB as a fund manager and are now proceeding with detailed negotiations on a funding agreement for a Holding Fund. Our experience of other countries' adoption of JESSICA suggests this would be a suitable course of action in Portugal is because:

- The direct appointment of the EIB is a quick process when compared with a competitive EU compliant procurement process, which can take upwards of 12-18 months to complete. This is valuable time saved in the Operational Programme period.
- The EIB is a neutral body with a growing track record of managing and investing in UDF, providing valuable support to UDF planning and structuring.

Considering this framework JESSICA's architecture will be structured with two levels, with different entities and roles: Project level and UDF Level.

The project level

Project level is the demand level. As we have referred when highlighting the Portuguese urban regeneration context: there is demand for regeneration specific funding, there are intentions and projects to be developed and, in some conditions, there are players that could be interested in participating in those projects. The issue is, as we have seen in the nine cases, that this type of projects are usually not viable for commercial investors to fund on their own – either because of risk issues, or unattractive return, or both -, so action is needed to facilitate projects for the benefits of social and economic cohesion.

In order for a project to to be jessicable several requirements must be met. Considering JESSICA's original requirements and based on the analyses of the nine given cases and team's experience regarding JESSICA initiative application in other countries, we consider that the following criteria should be adopted to assess the Jessicability of each particular urban regeneration project:

- Projects should be eligible according to the National Strategic Reference Framework;
- Project should be included on an Integrated Sustainable Urban Development Plan;
- Investment should occur until 2015;
- Project should have potential to generate at least the sufficient cash flows to reimbursed JESSICA investment;
- Private partners should be involved.
- Project should generate positive externalities on the intervention area and surroundings.

One special word for the need to have an Integrated Sustainable Urban Development Plan. These plans allow for a global and integrated definition of a regeneration strategy for a degradated or obsolete urban area, focusing objectives and actions under a common framework and time frame. These plans draw the operational guidelines to follow, defining intervention areas, entities responsible for execution (public and/or private), regeneration concepts and principles, dimensions of regeneration and development to account for, uses and projects to develop, and investments and execution plans. Usually elaborated by Municipalities, SRUs or even the Government these plans are the backbone of integrated regeneration projects.

In fact, typically, projects are the result of a Municipality/SRU or even the Government action – usually projects part of an integrated plan -, and the nine cases given are a good example of this reality. Thus, at this level two different types of entities are and will be involved:

Public Partners

As stated above these entities are, for now, the main drivers of urban regeneration. Nevertheless, as the example cases showed, public effort and resources sometimes are not enough. With JESSICA the Public Sector will still maintain their driver role, but with the possibility of changing it into a role of aggregator of partners that creates the conditions for the development of urban regeneration projects - creating an integrated regeneration plan - and for the use of Structural Funds under a new framework that allows to recover reimbursed funds.

In fact, considering the previous detailed conclusions on the relevance of JESSICA's multiplier and leverage effect, the public sector role will benefit of more and better conditions to promote regeneration where needed.

Private Partners

Either owners or just investors, these partners are in any case the first direct beneficiary of the project. Typically in an urban regeneration project we will find some mix of owners and investors (in some cases they are the same), even if the latter take the place of the owners at some point of projects life.

These partners have a key role in urban regeneration because in any of the cases, they are the ones that will put forward the regeneration project in a JESSICA framework. Private investors will have an added importance as they are the ones that provide part of the leverage needed, taking advantage of the support provided by JESSICA.

JESSICA funding options – effect at project level

Having analyzed the given examples, the theoretical cases and the results of the different financial models simulated, we concluded that from a project perspective all JESSICA participation models are possible and might be desirable according to the specific project needs and restrictions. However, it is our understanding that the solution of participating as equity is less likely to be interesting if capital structure is maintained (since it does not solve the debt raising difficulties resulting from low IRR and high risk), and might only be applicable in conjunction with the concession of a JESSICA loan.

On the other hand, JESSICA participation solely with a guarantee might prove to be insufficient. Besides the fact that on a low IRR scenario there is a significant probability of execution of the guarantees by financial institutions, which may result in JESSICA's quick funding deterioration, the option for guarantees does not solve the necessity to optimize the partners return (namely private partners).

Therefore the use of debt, alone or together with equity, with a flexible reimbursement profile and/or subordinated to commercial debt, might prove to be the best suited solution to the characteristics and financial constrains of urban regeneration projects. Nevertheless, the selection of the financial instrument should be the result of a case-driven analyses.

The UDF Level

As explained before JESSICA is deployed through the constitution of UDFs. These funds, considering its focus perspective, maybe classified according to two dimensions: Material approach (Spatially led or Sector led) and Financial approach (Equity, Debt, Guarantee or mixed):

Material approach

- Spatially led – either a single country wide UDF or city / regional UDFs that are defined by geographic boundaries and invest in a mixed range of projects within that 'geography'.
- Sector led – focused on addressing certain regeneration objectives, such as infrastructure, public realm, remediation, mix use or energy efficiency within the remit of the Managing Authority. May have different geographical scales.

Both of these types of UDF are defined according to the specific type of regeneration problems that these funds are set to help. The choice of Geographical Scale (national, regional or local) and the choice of Sectorial support is totally dependant of public policies and orientations. In fact, if we consider a comprehensive approach in deploying JESSICA, a country's architecture for this initiative may have both types of UDF's.

Financial approach

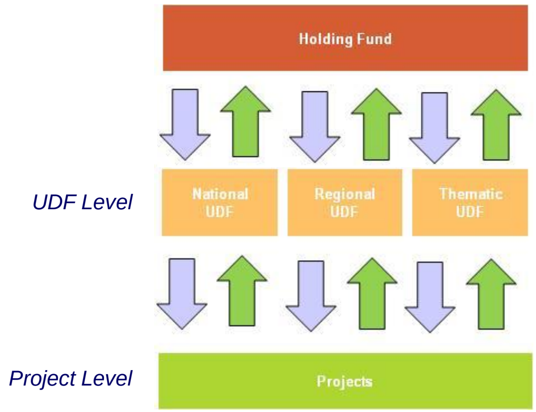
- Investor led – structured to meet the needs of private investors by allocating similar types of project and risk profiles for funds that specialize as either debt or equity investors.

UDFs created with this approach are directed at solving specific financial problems, related with the lack of specific types of resources needed for the regeneration context. This type of UDFs are cumulative with material approach types in order to achieve the maximum efficiency of the model.

The definition of an UDF architecture for the deployment of JESSICA implies the choice of an adequate and balanced mix of these UDF models, or if, considered preferable, the option for a minimalistic approach more in line with the intended strategy, but in any case necessarily capable of delivering the expected output considering the strategy adopted and projects need and demand.

According to our findings, there are no better solutions in terms of the type of UDF to adopt and indeed a blend of the above options might be the most suitable for implementation. This means that the most determining aspect for the conception of JESSICA architecture at the UDF level is the strategy defined for JESSICA use and deployment. It will be the set of options embraced by the Investment Committee, reflecting public policies adopted and government orientations, that will determine which type of architecture will be the most appropriated to carry and fulfill those objectives. Thus, a good model will pursue the approved strategy with an balanced and effective mix of spatial (national, regional, local) and sectorial (thematic, according to nature of investment) models - not excluding investor lead UDF option, to satisfy specific market needs.

The next figure is as illustrative example of a mixed model architecture.



However, having different types of UDF means that the effectiveness of such structure relies on the correct application of funds according to defined objectives and the prevention of any sort of conflict of interests between UDF's on whether which of them has to approve/finance each project.

For the elaboration of this study the Portuguese Government indicated 9 urban regeneration cases to be analyzed and used as example projects representing Portuguese urban regeneration panorama. No other indications were given in what concerns a prospective view of possible initial projects or other orientations to be used in the deployment of JESSICA. Thus it is not possible to propose a final architecture for the implementation of the first Portuguese UDFs.

UDF Manager and UDF size.

UDFs must have a UDF Manager which will act as custodian and invest initial JESSICA monies from the EU. These funds will be allocated into projects that meet the JESSICA assumptions, according to the JESSICA requirements. The manager role would be focused on proactively developing project opportunities with partners, with the support of technical advisors and experts on the development of regeneration projects proposals within the UDF, thus assuring JESSICA funds to be well implemented in private public partnerships or joint ventures.

Thus UDF managers will be responsible for generation, pre-screening, and analysis of projects to be funded according to JESSICA assumptions, as well as for the day to day management, supervision of projects, funds disbursement and collection. They will act as supervisors and only allow investments in well defined projects that only require funding support and where project delivery partners display strong project development . Financial institutions and other entities with financial nature will be particularly well positioned to act as UDF managers.

Concerning UDF sizes, the defined strategy will also be relevant to determine this variable. In fact, this will be directly dependant of the type of orientations to be pursued when deploying JESSICA. For instance, a national UDF will necessarily have a more significant size than a local UDF. In the same line, the size of local UDFs will be dependant of the strategy defined in what concerns the number of UDF admissible. The same happens with other UDF types.

Nevertheless, in what concerns UDF size there is an additional issue that must be noted.

When we consider the future UDF Manager point of view, and considering the role financial institutions may have as UDF managers, there is a critical dimension that must be taken into account when considering the launch of a tender for the selection of a UDF Manager. In that regard, three aspects should be take into consideration :

i) Risk optimization;

ii) Professional management structure costs

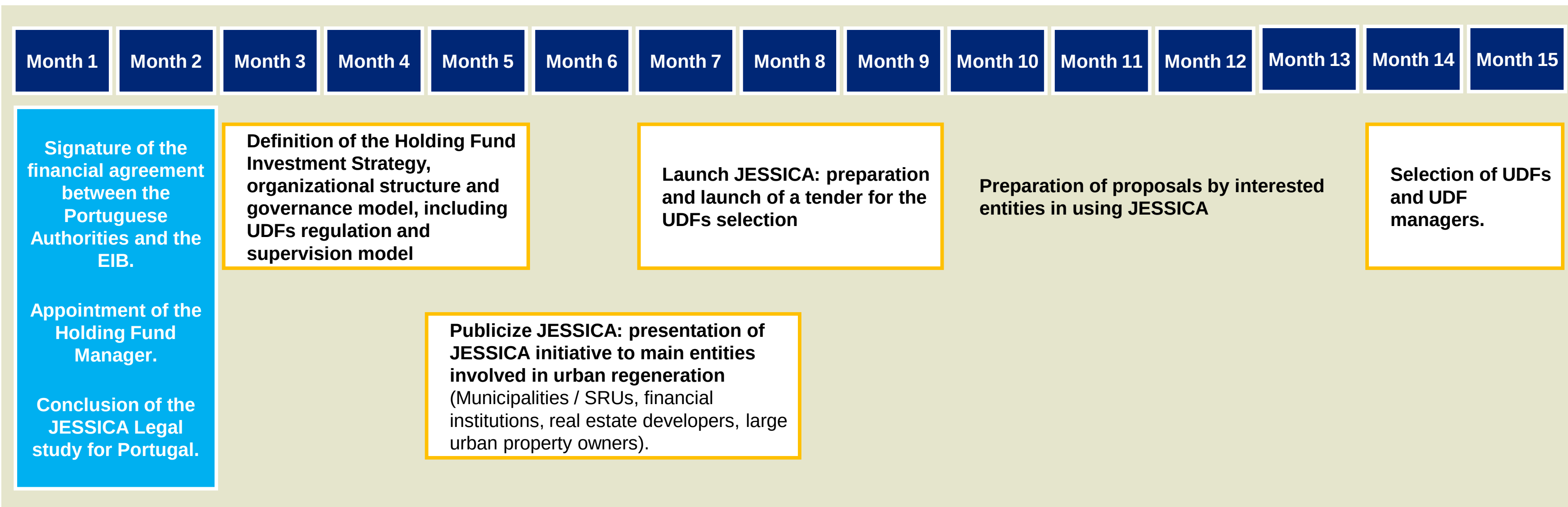
iii) Restrictions in the remuneration to the UDF managing entity

When determining the minimum UDF Net Asset Value, in order to guarantee a sustainable critical size, we assumed that the chosen UDF must have a structure with the sufficient competences on project selection and asset management. In this context, from an UDF manager point of view and only considering an objective of non negative profit for UDF management activity, with an annual management cost of € 200 K and management fees between 1% and 2% over total funds managed, the minimum critical size for an UDF varies between € 10 M and € 20 M.

E. Implementation plan

Below is presented an implementation plan with the macro steps expected to be carried in order to apply JESSICA initiative in Portugal.

The first step defined – the definition of HF investment strategy and UDFs supervision model – should be made taken into consideration political priorities to be defined by Portuguese Authorities. The second step's – publicize JESSICA – main goals are to increase awareness of JESSICA as an urban regeneration instrument, to prepare potential interested parties to the tender and to identify issues that should be considered in preparing the tender. After these first two steps, a selection process should be launched giving way to the selection of UDF Managers and UDF constitution and later, projects development.



Investment Funds

An investment fund is an autonomous investment vehicle, managed by specialized professionals and companies, that results of an aggregation of private and public savings applications in fixed or movable assets. The fund is a common vehicle in which each participant has its own share or unit.

The investment funds can be divided in national, resident and foreign according to its market location investment policy. Moreover, it can capitalize or distribute profits generated by its portfolio on a periodic basis, and it can divide its investments amongst different kinds of assets, such as stocks, bonds, real estate and cash, to optimize the risk/reward tradeoff based on an individual's or institution's specific situation and goals (Asset Allocation). In this regard, it can also generate returns based on index comparisons.

According to its investment nature, funds are classified in the following categories:

i) Treasury Funds
ii) Bond Funds
iii) Funds of funds
iv) Mixed funds
v) Share funds
vi) Flexible funds
vii) Real Estate Investment funds (REIFs)

Why Real Estate Investment Funds

Due to the Real Estate investment character of the JESSICA projects and the regeneration and rehabilitation scope of the program, our analysis is going to be focused on REIFs, as these type of funds can be seen as a plus when compared with other type of investment structure or vehicle. The advantages can be seen fundamentally as tax benefits, and this type of funds can facilitate private-public partnerships.

Real Estate Investment Funds

Real Estate Investment Funds (REIF) are alternative financial investment vehicles that focus their applications on real estate properties. These REIF's are managed by real estate and capital markets specialized professionals, normally defined as management companies of fixed or moveable assets (Sociedade Gestora de Fundos de Investimento Imobiliário – S.G.F.I.I. or Sociedades Gestoras de Fundos de Investimentos Mobiliários – S.G.F.M.).

When managing an investment fund, the management company must always act on its own behalf, but for the joint account of all unit holders within the scope of a management agreement. When doing so, the investment company must always act in the interest of the unit holders. The investment company cannot legally bind the investment fund or its unit holders. Therefore, the investment company opens a separate depositary bank account in its own name on behalf of each specific investment fund.

It is a mandatory requirement that the assets belonging to the investment funds are held in safekeeping by another credit institution, the depositary bank, which must be authorized to engage in at least deposit taking and custody business. In particular, the depositary bank performs the following tasks: continuous control of the real property interest, the interest of other assets not eligible for deposit, as well as safekeeping of bank deposits, money market notes and securities forming part of the investment fund.

In addition to the safekeeping of the assets belonging to the investment funds, the depositary bank's function also includes the control of the investment company. In order to protect the interest of the investors, the consent of the depositary bank has to be obtained in case of an alienation of, or the creation of an encumbrance on property.

The assets of a REIF can be comprised of:

- Properties that can be included in the assets of an investment fund, held either through right of ownership, building leasehold or through other rights of equal content, the said real estate being free of any encumbrances or responsibilities that may hinder significantly their capacity to be transacted.

- Properties held by real estate investment funds that are urban properties or independent apartments (condominium). Rural or mixed property can only be acquired by a REIF when expressly authorized through a Regulation from the Securities Market Commission.

- Properties under joint ownership with other investment funds or pension funds, are subject to the existence, when applicable, of an agreement on the establishment of the division of the property or the sharing of the income generated by the real estate.

- Liquidity – cash, bank deposits, deposit certificates, participation units in treasury funds and securities issued or guaranteed by a Member-State of the European Community with a residual maturity no less than 12 months.

In this regard, we note that, irrespective of the type of REIF, the unit holders are not legally liable, in any way, by the debts of either the fund or the management company.

Type of Real Estate Investment Funds

Concerning the capital variability, the REIF's can be classified in:

(i) Open-ended Funds – these type of funds are indirect real estate investment vehicles, and their holding units are directly backed by the properties and liquid assets held by the fund. This structure continuously creates new holding units on demand. Investors can buy holding units at net asset value from the fund and may redeem them on a daily basis at the prevailing net asset value, which can be higher or lower than the initial price at which the investors bought;

(ii) Closed -end Funds – are characterized by having a defined duration and fixed capital. At the time of issue, the holding units are subscribed by private or public investors. The price of a holding unit in a closed-ended fund is determined partially by the value of the investments in the fund, and partially by the premium (or discount) placed on it by the market;

(iii) Mixed Funds – The capital of mixed investment funds is comprised of a fixed portion and a variable portion, represented by two distinct categories of units. The fixed portion of the mixed investment fund's capital can not be less than the variable portion.

Depending on the number of persons to which the subscription REIF was offered, it can be classified as public (if the offer is made to at least 100 people), private (if the potential subscribers number is less than 100 people). Finally, there are also other three particular types of REIFs, the Special REIF, Urban Requalification REIFs, and the "housing rental REIFS".

Open-ended Real Estate Investment Funds

Open-ended investment funds are in place, when their participation or holding units are in a variable number, and they can be managed by management companies of fixed or moveable assets.

The subscription and redemption of participation units of an investment fund is done in accordance with the justifications of the management regulation, without prejudice of the fact that the management entity can suspend redemption operations when the redemption requests go beyond those of subscription in excess of 5% of the total assets of the investment fund in a single day or 10% of a single asset, in a consecutive 5 days period.

The REIF asset mix rules are set in Article 38, no. 1 of Decree-Law No. 13/2005, in which the following limits are established (calculated in accordance with the REIFs gross asset value):

- minimum investment in real estate (75%)
- maximum investment in building projects (25%);
- maximum investment in a single property or comparable asset (20%)
- maximum exposure to leases to a single tenant (20%)
- maximum investment in real estate companies (25%);
- maximum leverage (25%).

Closed-ended funds

The closed-ended investment funds, can be private placed, or public placed, being the definition of private the result from the Securities Code (*Código dos Valores Mobiliários* or CVM), in its Articles 109 and 110, that qualifies public offerings all the offers made to at least 100 people.

The private placed investment funds can be managed by managing companies or credit institutions with their own funds over €7.5 M. With the unit subscription, the unit holder grants the managing company a broad mandate to manage on its behalf.

The REIF asset mix rules are set article 38, no. 1 of Decree-Law No. 13/2005, in which the following limits are established (calculated in accordance with the REIFs gross asset value):

- minimum investment in real estate (75%);
- maximum investment in building projects (50%, if the building projects are rehabilitation – 60%);
- maximum investment in a single property or comparable asset (25%);
- maximum exposure to leases to a single tenant (25%);
- maximum investment in real estate companies (15%);
- maximum leverage (33%);

In relation to the rules on asset mix, only the first rule (minimum investment in real estate of 75%) is applicable to the privately placed closed ended REIFs, and in which the ceiling of the leverage is 33%. No maximum limits in a single real estate property, in real estate companies and in building projects, as well as the maximum exposure to leases of a single group exist. In the event that the number of unit holders is less than five or, on the other hand, if all the unit holders are institutional investors, the maximum leverage ceiling is not applicable.

Mixed funds

The capital of mixed investment funds is comprised of a fixed portion and a variable portion, represented by two distinct categories of units. The fixed portion of the mixed investment fund's capital can not be less than the variable portion.

The REIF asset mix rules are set Article 38, no. 1 of Decree-Law No. 13/2005, in which the following limits are established (calculated in accordance with the REIFs gross asset value):

- minimum investment in real estate (75%);
- maximum investment in building projects (25%);
- maximum investment in a single property or comparable asset (20%);
- maximum exposure to leases to a single tenant (20%);
- maximum investment in real estate companies (15%);

The regime established for mixed funds is more restrictive, as it does not permit any type or amount of debt.

"The subscription and redemption price of the units that represent the variable portion of the investment fund's capital corresponds to the value established in the respective management regulation, either augmented or diminished accordingly by the eventual subscription or redemption commissions that must be paid by the unit holders. (Article 53 of Decree-Law No. 13/2005)".

These funds can be managed by fixed or movable asset management companies.

Establishment and Maintenance Costs

The establishment of a Fund is initiated by an application drawn up the Managing Company, which includes the Management Regulation that will regulate the operation of the Fund. This service is normally provided free of charge by the Managing Company, however, the client should consider his legal counsel costs, should he so wish them.

The Managing Company charges a management fee which is usually a percentage of the fund's net asset value. The Custodian or Depositary Bank charges a custody fee which is usually a percentage of the fund's net asset value.

The *CMVM (Comissão do Mercado de Valores Mobiliários)* charges a supervision fee. Aside from these structural costs, the Fund will also bear the costs foreseen in its Management Regulation. One representative example of these costs is the following:

"Aside from the management fee and the custody fee, the following will be considered costs of the Fund:
1. All the expenses related to the construction, acquisition, maintenance, leasing and sale of real estate property, namely:
a. Drafting of projects, supervision of construction, licenses and other costs related to real estate construction and promotion;
b. Notary and public registry fees related to the obtaining of certificates required by the Fund;
c. Any taxes or fees required by the Fund;
d. All legal costs related to all cases in which the Fund is involved as an owner, as well as the professional fees or stipends paid to lawyers and solicitors;
e. Real estate agency costs, if such exist;
f. All costs related with the maintenance and/or improvements made to the assets of the Fund, including the various fees and taxes that exist or may exist in the future and that the Fund is responsible for;
2. Expenses related to insurance premiums of the Fund's properties.
3. Expenses related to studies, projects and appraisals of properties ordered by the Fund and included in it's portfolio or on real estate property being analyzed in order to support an acquisition decision;
4. Any mandatory publications required of the Fund;
5. Advertising campaigns done with the objective of promoting the Fund's assets;
6. All the acquisition and sale expenses of the Fund's assets, namely:
a. Expenses related to bank transfers;
b. Expenses related to currency exchange;
c. Expenses related to transactions in the stock market;
d. Expenses related to transactions in the money market;
7. Fees charged by the Fund's auditor (Revisor Oficial de Contas)
8. Expenses related to the listing in a Stock Exchange or any other listing in a registered market;
9. Other expenses duly documented that are incurred in the fulfillment of the Fund's legal obligations."

Tax Regime

Although they do not have legal personality ("under the special regime of joint ownership, they constitute autonomous assets that belong to a plurality of natural and legal persons referred to as unit holders" – art. 2, no. 2, Decree-Law No. 13/2005) the investment funds are subject to Corporate Income Tax under Article 2, No. 1b of the Portuguese Corporate Income Tax Code. The latter considers that the tax applies to all entities even if they do not have legal personality so long as they have headquarters or their effective management is in Portuguese territory and that the income is not taxed under Portuguese Personal Income Tax.

The tax regime for REIFs is set out in Article 22 of the Tax Benefits Statute, which states that the income obtained will be taxed in an independent manner and through the application of rates that vary in relation to the income's nature, and that those taxes are to be withheld by the paying entity in the same manner as if they were individuals residing in Portugal.

The following chart summarizes the tax regime in force for investment funds:

Tax	Rate	Observations
On income deriving from		
Securities	20%	
Rents	20%	Maintenence expenses are deductible
Financial Capital Gains	10%	Net Capital losses
Real Estate Capital Gains	12.5% (50% of the standard 25% rate)	Revaluation of the acquisition cost and charges with the appreciation of the assets over the last 5 years
On Property		
IMT (transaction)	Exempt, except if the unit holders are not expert investors, in case a 3 – 3.25% rate applies	
IMI (holding)	Exempt, except if the unit holders are not expert investors, in case a 0.2% rate applies p.a.	

Source: CMVM – Comisão de Mercaco de Valores Mobiliários; Deloitte analysis

Tax advantage:

If the unit holder is subject to Corporate Income Tax*,* the income from the REIF is considered revenue and the respective taxes that the REIF must pay will be treated as prepayments of taxes.

The investment funds are exempt of VAT but, on the other hand, cannot deduct VAT that is charged. If it is in the interest of the unit holders, the Fund can waive the right to this exemption.

The tax advantages of the funds is that they are exempt of some taxes, i.e. *IMT (versus a* general rule of 6 to 6.5%) and *IMI (versus* a basic rule of between 0.2% and 0.4% as of January 1, 2009*),* aside from the fact that, for individuals, the taxation of the income deriving from the fund is calculated at a fixed rate and deducted automatically upon payment; a system which tends to be more favorable than if the income were included in the individual's general income of the year.

These advantages apply fully if the unit holders are expert investors. If this is not the case *(i.e.*, whenever the investors are not expert investors or are financial institutions on behalf of such investors), the Fund bears IMT and IMI at half the standard rates.

Portuguese law defines "expert investor" or "qualified investor" as:

a) Credit institutions;
b) Investment firms;
c) Insurance companies;
d) Collective investment institutions and respective managing companies;
e) Pension funds and respective managing companies;
f) Other financial institutions authorized or regulated, namely securitization funds, respective managing companies and other financial companies prescribed in the law, securitization companies, risk capital companies, risk capital funds and respective managing companies;
g) Financial institutions of non-European Union Member States that carry out business similar to any business referred to in the preceding paragraphs;
h) Entities that trade in financial instruments on commodities;
i) National and regional governments, central banks and public organizations that manage public debt, international and supranational institutions such as the European Central Bank, the European Investment Bank, the International Monetary Fund and the World Bank.

Special Real Estate Investment Funds

The capital of the special real estate investment funds comprises assets capable of being included in the total assets of real estate investment funds and also land properties or mixed land/town properties, simple exploitation rights over real estate properties and associated financial arrangements. These funds can be managed by management companies of fixed or moveable assets.

The special real estate investment funds can carry debt in accordance to the category that they adopt: open-ended, publicly placed closed-ended or privately placed closed-end.

Urban Rehabilitation Real Estate Investment Funds

In 2008, the urban rehabilitation regime,(RGEU) has been introduced, creating important tax incentives regarding the rehabilitation of urban buildings, through urban rehabilitation actions (Decree-Law No. 156/2006) located in urban rehabilitation areas (an area with urban degraded, ancient or historic buildings, classified as cultural interest or other, in accordance with Decree-Law No. 104/2004, of May 7).

The Portuguese Real Estate Investment funds tax regime foresees some specific tax benefits, with regards to the concerns of property tax:

• Municipal Tax exemption, with no timeframe limit or ending period

• Transfer Tax exemption with no ending period.

Since January 2008, additional tax incentives were introduced regarding REIFs whose assets are constituted by no less than 75% of real estate subjected to rehabilitation initiatives, which comply with the legal requirements mentioned above.

These kind of Investment funds can benefit from a complete exemption from Corporate Income Tax on their overall income, meaning that, namely, their real estate capital gains income are completely tax exempt. The income derived from the holding units is subject to withholding tax, for either personal income tax or corporate income tax, at a special 10% rate at the level of the holders.

Additionally, since 2007, there is a VAT tax reduction rate, from 20% to 5% applicable to urban rehabilitation constructions.

In contrast to the IMI and IMT exemption, granted without any timeframe, this IRC exemption is only applicable for these kind of investment funds that are incorporated between January 1, 2008 and December 21, 2012.

However, it should be considered that in closed investment funds' vehicles not exclusively held by qualified investors the IMI and IMT exemption is reduced to 50%.

The following chart shows the main Urban Rehabilitation Real Estate Investment Funds in Portugal and their management companies:

REIF	Type	Managing Entity	Investment Policy	Duration	Net Asset Value (€)
Orey Reabilitação	Close-ended	Orey Gestão de Activos	Urban Rehabilitation in the Lisbon and Oporto Area	5 years	5.577.602,13
Sete Colinas	Close-ended	Fundimo - Sociedade Gestora de Fundos de Investimento	Urban Rehabilitation of the classic Lisbon Areas	10 years	88.558.037,07
Espirito Santo Reconversão Urbana	Close-ended	ESAF - Espirito Santo Activos Financeiros	Urban Rehabilitation and reconversion in the Lisbon's City Center	5 years	30.152.853,03
Espirito Santo Reconversão Urbana II	Close-ended	ESAF - Espirito Santo Activos Financeiros	Construction projects and Urban Rehabilitation in OCDE countries, namely in Portugal	5 years	20.217.223,93
Santa Casa 2004	Close-ended	Fundbox - S.G.F.I.I.	Urban Regeneration of Santa Casa da Misericórdia de Lisboa properties and increase the income deriving from them	8 years	56.617.978,75
Imopromoção	Close-ended	Millennium BCP - Gestão de Fundos de Investimento	Tourism and Urban Rehabilitation in Portugal	10 years	56.920.564,42

Source: CMVM – Comisão de Mercado de Valores Mobiliários; Deloitte analysis

The REIFs shown above are the main active rehabilitation funds in Portugal, they are characterized by being closed-ended and private-placed investment funds. Typically, these investment funds charge a management fee, around 1.5% over the fund 's Net Asset Value, and paid accordingly with the funds' regulation.

There are more Urban Rehabilitation REIFs in Portugal, but these ones are quite smaller and act merely as an investment vehicle to obtain tax benefits in specific projects.

FIIAHs – Real Estate Investment Funds and Companies for the Residential Rental Market

In 2009, the State Budget Law has created a new type of Real Estate Investment Fund, called *" Fundos de Investimento Imobiliário para Arrendamento Habitacional " or "FIIAH".*

These investment funds allow for a private individual to sell his place of permanent residence (including for tax purposes) to a FIIAH and, simultaneously, enter into a lease contract with the fund, with a purchase option at the end of the contract. The scheme is similar with a sale&leaseback.

If the tenant decides not to exercise the purchase option at the end of the agreement or on the date of any early termination thereof, he/she/it is, nevertheless, entitled to receive any capital gains made by FIIAH on its sale of the property to third parties. These capital gains shall, however, be set against any outstanding and unpaid rents and the costs involved in selling the property. The capital gains are payable to the tenant within a maximum period of two years from the termination of the agreement even if the FIIAH has not sold the building.

The property's purchase price should be agreed between the parties but may not be higher than the amount determined by valuation experts;

The amount of the rent is also agreed between the parties and shall be increased in accordance with the annually published coefficients. No reference is made to the terms of the lease agreement, which shall therefore be subject to the "New Urban Lease Law".

FIIAHs are closed-ended REIF's, and they can be private or public placed. To benefit from the special tax regime, FIIAH's have to be constituted between 31st December 2008, and 31st December 2013. All the properties acquired between these dates, by these investment funds are also subject to the same regime.

The Net Asset Value of the investment fund after the first active year, must reach the minimum of €10 M. When publicly placed, the investment fund should have the minimum of 100 unit holders, being each individual participant limited to the maximum of 20% of the total Net Asset Value of the FIIAH.

The FIIAHs asset mix rules are calculated in accordance with the REIFs gross asset value, and it should respect the minimum of 75% of properties subject to long term first residency rental use, and located in Portugal.

The results concerning the holding units of the FIIAHs must be distributed in a minimum annual periodicity, and always in the minimum percentage of 85% of the fund's net income.

Concerning the tax regime, FIIAHs can benefit from a complete exemption from Corporate Income Tax on their overall income, as long as constituted between January, 1st of 2009, and December 31st of 2013.

Regarding FIIAH's holding units, the unit holders can benefit from a total exemption from Corporate Income Tax, and Individual Income Tax on their income. However, the positive difference between capital gains and capital losses computed in the disposal of the holding units is excluded from such tax exemption.

As long as the properties are in the FIIAH's portfolio, and they are used as long term permanent residency they are IMI exempt.

FIIAHs are also exempt from IMT and Stamp Tax.

Fundimo, a Caixa Geral de Depósitos' management company, is the only entity that has created a FIIAH. This investment fund, called "*FIIAH – Caixa Arrendamento*" is a close-end private placed investment fund , with 5 qualified investors.

Real Estate Investment Fund Industry in Portugal

Real-estate investment funds appeared in Portugal during the 80s, and since that date has been an increasing industry in the country. To make investment in real-estate funds more attractive, the government granted a number of tax benefits to this product, namely exemption from local government rates and property transfer tax, more favorable taxation of the funds' returns and exemption from personal income tax.

Through a revision of the real-estate funds legislation the government made the real-estate funds a more efficient and flexible vehicle to attract investment to the property market.

In February of 2009 there were 151 active REIFs and 81 SREIFs. Of these 151 REIFs, 13 are open-ended, 138 are closed-ended and 81 are SREIFs. In February 2009 the volume under real estate fund management was around €10.696 M representing a increase of less than 1% between April 2008 and February 2009, this slowdown on the activity is associated to the crisis on the capital markets and the sub-prime crisis.

		REIFs	SREIFs
Number of Funds		151	81
	Open-ended	13	1
	Closed-ended	138	80
Value under Management (M€)		9.156	1.540
	Open-ended	3.973	138
	Closed-ended	5.183	1.401
Average Fund Value (M€)		61	19

Source: CMVM – Comisão de Mercaco de Valores Mobiliários; Deloitte analysis

Main Players in the Market

The main market players in the real estate investment fund industry are, Fundimo (12.8%), Interfundos (10.8%) and ESAF (9.7%) representing 33% of the total number of funds under management. The Real Estate Fund 'Fundimo', managed by Fundimo, recorded the largest amount under management (€776 M).

Concerning the Net Asset Value under management, the main market players are Fundimo, managed by Fundimo, Gespatrimónio Rendimento, managed by ESAF, and BPN Imofundos, managed by BPN Imonegócios, representing 18.2% of the total Net Asset Value.

The following chart resumes the 10 largest investment funds, their management companies, type, and market share.

Managing Entity	REIF	Type	Value (M€)	%
Fundimo	Fundimo	Open-ended	776,0	7,26%
ESAF	Gespatrimónio Rendimento	Open-ended	764,4	7,15%
BPN Imofundos	BPN Imonegócios	Open-ended	472,2	4,41%
Banif Gestão de Activos	Banif Imopredial	Open-ended	361,8	3,38%
Santander Asset Management	Novimovest	Open-ended	350,1	3,27%
Millennium BCP	AF Portfolio Imobiliário	Open-ended	309,8	2,90%
Fimoges	Fundes	Closed-end SREIF	298,4	2,79%
Silvip	Fundo de Valores e Investimentos Prediais - VIP	Open-ended	295,6	2,76%
Intrfundos	Imorenda	Closed-end	263,3	2,46%
Imópolis	Imodesenvolvimento	Closed-end	253,2	2,37%
Outros	-		6.551,2	61,25%
		Total	10.696,0	

Source: CMVM – Comisão de Mercaco de Valores Mobiliários; Deloitte analysis

The sectors most in demand by national funds are offices and industrial which account for more than 50% of total funds under management with retail properties only accounting for 16%. There have been no changes in this allocation of assets by sector of activity over the last few years.

The EIB and the Government of Portugal are seeking to use an appropriate JESSICA structure for financing urban renewal projects.

In order to conceive such structure, examples of urban renewal programs were indicated to be studied and to identify the applicability of JESSICA Funds in these projects, considering JESSICA requirements and the Operational Programs established by the Portuguese Structural Funds Authorities.

In order to understand the context, advantages and impacts, meetings were held with representatives of each project, namely:

- Arco Ribeirinho Sul (CCDR-LVT Eng. Fonseca Ferreira)
- Évora (President of Municipality of Évora, Dr. José Ernesto d'Oliveira)
- Porto Vivo (Executive Board, Dra. Ana Paula Delgado)
- Guimarães (President of Municipality of Guimarães, António Magalhães)
- Gaia (Vice President of Municipality of Gaia, Dr. Marco António Costa)
- Maia (CEO of Parque Maior, Dr. Inácio Fialho de Almeida)
- Coimbra (Member of the Board of Coimbra Viva SRU, Engº. João Paulo Craveiro)
- Marvila (Director in the Municipality of Lisbon, Engº. João Tremoceiro)

Arco Ribeirinho Sul

The Arco Ribeirinho Sul meeting with the President of CCDR-LVT, Eng. Fonseca Ferreira, was important to understand the context and size of this project.

The project objective is the requalification of an industrial zone of Lisbon's metropolitan area located on the south margin of Tagus river and degradated over the last 20 years. With a total amount of investment over 2.000M€ and an a estimated timeline of 12-18 years, the project is to be developed mainly on public property and most of the costs and expenses are fully supported by the Public Authorities. Among first interventions are the decontamination of an industrial area and creation of new industrial zones for small and medium enterprises.

At the moment, the project is still subject to be evaluated by the Board of Ministers, thus the information was kept confidential.

Évora

The meeting regarding Évora Viva SRU's urban renewal projects for Évora historical centre with the President of Municipality of Évora, José Ernesto d'Oliveira and with the responsible for Évora's SRU, Jorge Pires, was important to understand the relevance of urban rehabilitation on the context of Évora's Municipality.

According to the President of Municipality of Évora, the historical centre lost social and economical vitality, over the last 30 years. One of the major problems is the relatively high number of empty houses and its degradated state. The most important problem of Évora urban renewal programs is facing is housing rehabilitation, mainly due to houses conditions and the need to create conditions to attract new residents, in order to repopulate the historical centre. In addition, there are several intentions that may turn into potential jessicable projects namely: university residences, hotels, residences for elder's assistance, etc.

There are private entities wiling to participate in the projects intentions mentioned previously, and the help of structural funds under a Jessica framework could boost projects attractiveness for private entities.

Porto Vivo

The meeting with the Executive Board of Porto Vivo SRU, Ana Paula Delgado, was important to understand the context and aim of the urban renewal projects developed by Porto Vivo, with the purpose of reestablish the historical zone of Porto, socially and economically degradated over the last 20 years.

Several urban renewal interventions were presented and, according to the Porto Vivo's perspective, could be jessicable:

- Morro da Sé
- Mouzinho/Flores
- Cardosas
- Corpo da Guarda
- Carlos Alberto
- D. João I

The Porto's' historical centre suffers from problems which are common to most of the Portuguese historical centers: social and economical degradation, and decreasing population. The historical centre has a high percentage of empty houses, and more in risk to become inhabited. Rehabilitation of these houses, integrated on commercial and touristic projects are the major ideas to be implemented by the urban renewal projects created by SRU, in order to make the historical centre more attractive for young couples to live in.

Private interest is identified since, most of the projects already have the financial participation of private entities, but a proper financial structure with better conditions, or even the presence of the EIB itself on the equity structure could make the urban renewal programmes more attractive for private entities.

Guimarães

The meeting with the President of Guimarães municipality, António Magalhães, was relevant in order to understand Campurbis project and its context.

The Guimarães historical area was classified in 2001 as World Heritage. Although some relevant investment was already made (mainly in the building rehabilitation), there are still some areas requiring urban renewal intervention.

Couros area involves an investment of circa 60 M€, of which about 10M€ was considered eligible under an urban regeneration partnership program. However, the heavily Public funding base of the project and the lack of interest of private entities are difficulting its concretization.

Besides this project, it were mentioned other potentially jessicable ideas, namely parking lots construction and the rehabilitation of an old theatre.

Gaia

Our meeting with Vice-President of Municipality of Gaia, Marco António Costa and the responsible of Gaia SRU, Defensor de Castro, was important to understand the work of municipality regarding urban regeneration and to identify some initiatives currently being analyzed which could be use JESSICA framework. Among these initiatives are:

- Covering Guilherme Gomes Fernandes street;
- Creation of fun/leisure park with bars and outside coffee shops;
- Requalification of industrial buildings into a hotel or/and a students residence;
- Implementation of an urban heat and hot water distribution system.

There are private entities which might be interested in these initiatives.

Maia

In the meeting with the CEO of *Parque Maior*, Inácio Fialho de Almeida, related to urban renewal projects for Maia, reflected the present needs, ideas and objectives for the city of Maia, specially for the city centre.

The centre of Maia lacks rehabilitation of social neighborhoods, which are in a medium/ high stage of degradation, thus requiring urban renewal interventions. For the project *Parque Maior*, the equity structure was divided between a private entity and *Parque Maior*, with the financial support a commercial bank.

Other ideas to be implemented are the rehabilitation of public spaces, but they lack financial support. The participation of JESSICA could open the possibility to implement such ideas, making them more attractive for private entities to participate.

Coimbra

The meeting with Eng. João Paulo Craveiro, CEO of Coimbra Viva, helped to explain the context of the urban renewal intervention planned for the historical centre of Coimbra.

The biggest issue surrounding the historical centre is, probably, the large percentage of devoluted buildings on an advanced stage of degradation. The urban renewal projects are directed to the rehabilitation of such buildings, and giving them new utilities (commercial, services) but leaving a part for housing. For the first intervention, Coimbra Viva pretends to create a close-ended real estate investment fund which is currently being proposed by the financial institutions.

Other ideas/projects are to be implemented in the historical centre (eg: hotel), but the presence of JESSICA could emphasize the possibility to implement more projects with more private entities participation, on the perspective of Coimbra Viva SRU.

Marvila Viva

The meeting with the manager of the *Marvila Viva* project, Eng. João Tremoceiro, allowed for a more clear idea regarding the projects being developed in urban area which will benefit from the construction of the new Lisbon Metropolitan Area Hospital and of the third bridge over the Tagus river.

At the moment the projects are still in the evaluation stages and no decision has been made regarding which projects will be developed.

Conclusions

After the meetings arranged with the Authorities / Responsibles for the example urban renewal intervention cases provided, we conclude that ,these are on different stages of development.

Based on the information provided, we assume that these intervention programs are to be implemented in order to overcome social and economical degradation of historical centers mainly by creating solutions to reestablish social dynamism that once existed. Some programs have a significant percentage of housing, integrated with commercial, services and tourism equipments to establish an equilibrium regarding risk exposure for the private entities that participate on the equity of the programmes.

On such context, and based on the information given, there are some intervention programs for which we have directed our study, namely: Morro da Sé, Cardosas, Coimbra and Évora.

Base Case with Grant – w/o JESSICA

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
(euro)																						
EBITDA		20,600	-	-	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%	**6,180**	**3,795**	**2,385**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SRU	30.00%	**1,854**	1,139	716	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private entity	60.00%	**3,708**	2,277	1,431	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Owners, banks)	10.00%	**618**	380	239	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan	70.00%	**14,420**	**8,855**	**5,565**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial loan	100.00%	**14,420**	8,855	5,565	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA loan	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant	30.00%	**2,850**	**1,800**	**1,050**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Previous cash account			-	**450**	**27**	**639**	**915**	**1,080**	**691**	**583**	**523**	**510**	**825**	**895**	**964**	**1,034**	**1,104**	**1,173**	**1,243**	**1,312**	**882**	**452**
SOURCES			**14,450**	**9,450**	**1,527**	**2,339**	**3,215**	**2,780**	**1,991**	**1,883**	**1,823**	**1,810**	**2,125**	**2,195**	**2,264**	**2,334**	**2,404**	**2,473**	**2,543**	**2,612**	**2,182**	**1,752**
Investment expenses		**23,000**	**14,000**	**9,000**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - public spaces			2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**3,000**	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - buildings for sale			4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**6,000**	3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - comercial area for rent			2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**3,000**	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Students residence			2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Hotel			3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working capital desinvestment			-	-	**(800)**	**(1,600)**	**(4,000)**	**(1,600)**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recovery of investment expenses (buildings for sale)			-	-	(800)	(1,600)	(4,000)	(1,600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt repayment		**14,420**	-	-	**700**	**2,000**	**5,000**	**3,000**	**1,000**	**1,000**	**1,000**	**720**	-	-	-	-	-	-	-	-	-	-
Commercial loan		**14,420**			700	2,000	5,000	3,000	1,000	1,000	1,000	720	-	-	-	-	-	-	-	-	-	-
Cash account			450	27	639	915	1,080	691	583	523	510	825	895	964	1,034	1,104	1,173	1,243	1,312	882	452	-
Financial costs			-	**576**	**937**	**892**	**762**	**437**	**242**	**177**	**112**	**47**	-	-	-	-	-	-	-	-	-	-
Commercial loan	6.50%		-	576	937	892	762	437	242	177	112	47	-	-	-	-	-	-	-	-	-	-
JESSICA loan	6.50%		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes			-	**(153)**	**51**	**132**	**373**	**252**	**166**	**184**	**201**	**218**	**230**	**230**	**230**	**230**	**230**	**230**	**230**	**230**	**230**	**230**
Dividends		**11,521**	-	-	-	-	-	-	-	-	-	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,500	1,500	1,521
USES			**14,450**	**9,450**	**1,527**	**2,339**	**3,215**	**2,780**	**1,991**	**1,883**	**1,823**	**1,810**	**2,125**	**2,195**	**2,264**	**2,334**	**2,404**	**2,473**	**2,543**	**2,612**	**2,182**	**1,752**

Base Case with Grant – JESSICA Loan

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
(k euro)																						
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 works - public spaces			2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**3,000**	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - buildings for sale			4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**6,000**	3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - comercial area for rent			2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**3,000**	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Students residence			2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Hotel			3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working capital desinvestment			**-**	**-**	**(800)**	**(1,600)**	**(4,000)**	**(1,600)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Recovery of investment expenses (buildings for sale)			-	-	(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%		-	524	861	816	686	361	166	101	36	0	0	0	0	0	0	0	0	0	0	0
JESSICA loan	6.50%		-	113	185	185	185	185	185	185	185	171	106	41	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Income taxes			**-**	**(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**

Base Case with Grant – JESSICA Equity

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**
(k euro)																						
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	17.61%	**1,215**	740	475	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private entity	35.22%	**2,430**	1,479	951	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA	41.30%	**2,850**	1,735	1,115	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Owners, banks)	5.87%	**405**	247	158	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan	70.00%	**16,100**	**9,800**	**6,300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	100.00%	**16,100**	9,800	6,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA loan	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant	0.00%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Previous cash account			**-**	**-**	**(0)**	**580**	**841**	**1,039**	**634**	**479**	**372**	**312**	**300**	**336**	**419**	**522**	**625**	**728**	**830**	**933**	**1,036**	**1,138**
SOURCES			**14,000**	**9,000**	**1,500**	**2,280**	**3,141**	**2,739**	**1,934**	**1,779**	**1,672**	**1,612**	**1,600**	**1,636**	**1,719**	**1,822**	**1,925**	**2,028**	**2,130**	**2,233**	**2,336**	**2,438**
Investment expenses		**23,000**	**14,000**	**9,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Rehabilitation works - public spaces			2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**3,000**	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - buildings for sale			4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**6,000**	3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - comercial area for rent			2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**3,000**	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Students residence			2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Hotel			3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working capital desinvestment			**-**	**-**	**(800)**	**(1,600)**	**(4,000)**	**(1,600)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Recovery of investment expenses (buildings for sale)			-	-	(800)	(1,600)	(4,000)	(1,600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt repayment		**16,100**	**-**	**-**	**700**	**2,000**	**5,000**	**3,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**400**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan		**16,100**		-	700	2,000	5,000	3,000	1,000	1,000	1,000	1,000	1,000	400	-	-	-	-	-	-	-	-
JESSICA loan		**-**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash account			-	(0)	580	841	1,039	634	479	372	312	300	336	419	522	625	728	830	933	1,036	1,138	-
Financial costs			**-**	**637**	**1,047**	**1,001**	**871**	**546**	**351**	**286**	**221**	**156**	**91**	**26**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	6.50%		-	637	1,047	1,001	871	546	351	286	221	156	91	26	-	-	-	-	-	-	-	-
JESSICA loan	6.50%		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes			**-**	**(169)**	**(27)**	**38**	**231**	**159**	**104**	**121**	**139**	**156**	**173**	**190**	**197**	**197**	**197**	**197**	**197**	**197**	**197**	**197**
Dividends		**9,373**	-	(468)	-	-	-		-	-	-	-	-	600	1,000	1,000	1,000	1,000	1,000	1,000	1,000	2,241
USES			**14,000**	**9,000**	**1,500**	**2,280**	**3,141**	**2,739**	**1,934**	**1,779**	**1,672**	**1,612**	**1,600**	**1,636**	**1,719**	**1,822**	**1,925**	**2,028**	**2,130**	**2,233**	**2,336**	**2,438**

Base Case with Grant – JESSICA Equity and Loan

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
(k euro)																						
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	26.28%	**1,814**	1,104	710	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private entity	52.57%	**3,627**	2,208	1,419	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA	12.39%	**855**	520	335	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Owners, banks)	8.76%	**605**	368	237	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan	70.00%	**16,100**	**9,800**	**6,300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	87.61%	**14,105**	8,586	5,519	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA loan	12.39%	**1,995**	1,214	781	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant	0.00%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Previous cash account			**-**	**-**	**(0)**	**580**	**841**	**1,039**	**634**	**479**	**372**	**312**	**295**	**331**	**420**	**523**	**625**	**728**	**831**	**933**	**1,036**	**1,139**
SOURCES			**14,000**	**9,000**	**1,500**	**2,280**	**3,141**	**2,739**	**1,934**	**1,779**	**1,672**	**1,612**	**1,595**	**1,631**	**1,720**	**1,823**	**1,925**	**2,028**	**2,131**	**2,233**	**2,336**	**2,439**
Investment expenses		**23,000**	**14,000**	**9,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Rehabilitation works - public spaces			2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**3,000**	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - buildings for sale			4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**6,000**	3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - comercial area for rent			2,500	2,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**3,000**	1,500	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Students residence			2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Hotel			3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working capital desinvestment			**-**	**-**	**(800)**	**(1,600)**	**(4,000)**	**(1,600)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Recovery of investment expenses (buildings for sale)			-	-	(800)	(1,600)	(4,000)	(1,600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt repayment		**16,100**	**-**	**-**	**700**	**2,000**	**5,000**	**3,000**	**1,000**	**1,000**	**1,000**	**1,005**	**1,000**	**395**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan		**14,105**	-	-	700	2,000	5,000	3,000	1,000	1,000	1,000	405	-	-								
JESSICA loan		**1,995**	-	-							-	600	1,000	395	-	-	-	-	-	-	-	-
Cash account			-	(0)	580	841	1,039	634	479	372	312	295	331	420	523	625	728	831	933	1,036	1,139	-
Financial costs			**-**	**637**	**1,047**	**1,001**	**871**	**546**	**351**	**286**	**221**	**156**	**91**	**26**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Commercial loan	6.50%		-	558	917	871	741	416	221	156	91	26	0	0	0	0	0	0	0	0	0	0
JESSICA loan	6.50%		-	79	130	130	130	130	130	130	130	130	91	26	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Income taxes			**-**	**(169)**	**(27)**	**38**	**231**	**159**	**104**	**121**	**139**	**156**	**173**	**190**	**197**	**197**	**197**	**197**	**197**	**197**	**197**	**197**
Dividends		**9,374**	-	(468)	-	-		-	-	-	-	-	-	600	1,000	1,000	1,000	1,000	1,000	1,000	1,000	2,242
USES			**14,000**	**9,000**	**1,500**	**2,280**	**3,141**	**2,739**	**1,934**	**1,779**	**1,672**	**1,612**	**1,595**	**1,631**	**1,720**	**1,823**	**1,925**	**2,028**	**2,131**	**2,233**	**2,336**	**2,439**

Case 1 – w/o JESSICA

USES AND SOURCES OF FUNDS Projection year			1	2	3	4	5
(euro)							
EBITDA		**18.000**	**(150)**	**(150)**	**(150)**	**(150)**	**1.800**
Equity	44,44%	**8.000**	**8.000**	-	-	-	-
SRU	20,00%	**1.600**	1.600	-	-	-	-
Private entity	30,00%	**2.400**	2.400	-	-	-	-
JESSICA	0,00%	-	-	-	-	-	-
Others	50,00%	**4.000**	4.000	-	-	-	-
Loan	55,56%	**10.000**			**4.000**	**6.000**	-
Commercial loan	100,00%	**10.000**	-	-	4.000	6.000	-
JESSICA loan	0,00%	-	-	-	-	-	-
Previous year cash account			**-**	**5.390**	**1.280**	**1.169**	**1.368**
TOTAL SOURCES			**7.850**	**5.240**	**5.130**	**7.019**	**3.168**
Investment expenses		**16.000**	**2.500**	**4.000**	**4.000**	**5.500**	**-**
Rehabilitation works - public spaces			-	-	-	-	-
Eligible investment (facades, energy,…)		-					-
Non-eligible investment		-					-
Rehabilitation works - buildings for sale			2.500	4.000	4.000	2.500	-
Eligible investment (facades, energy,…)		**3.000**	500	1.000	1.000	500	-
Non-eligible investment		**10.000**	2.000	3.000	3.000	2.000	-
Rehabilitation works - commercial area to rent			-	-	-	-	-
Eligible investment (facades, energy,…)		-	-	-	-	-	-
Non-eligible investment		-	-	-	-	-	-
Rehabilitation works - Parking lot			-	-	-	3.000	-
Eligible investment (facades, energy,…)		**1.000**	-	-	-	1.000	-
Non-eligible investment		**2.000**	-	-	-	2.000	-
Working capital requirements			**-**	**-**	**-**	**-**	**(16.000)**
Parking lot			-	-	-	-	(3.000)
Recovery of investment expenses (buildings for sale)			-	-	-	-	(13.000)
Debt repayment		**10.000**	**-**	**-**	**-**	**-**	**10.000**
Commercial loan		**10.000**					10.000
JESSICA loan		-					-
Cash account			5.390	1.280	1.169	1.368	-
Financial costs			**-**	**-**	**-**	**260**	**650**
Commercial loan	6,50%		-	-	-	260	650
JESSICA loan	6,50%		-	-	-	-	-
Income taxes			**(40)**	**(40)**	**(40)**	**(109)**	**305**
Dividends		**8.213**	-	-	-	-	8.213
TOTAL USES			**7.850**	**5.240**	**5.130**	**7.019**	**3.168**

Case 1 – JESSICA Loan

USES AND SOURCES OF FUNDS Projection year			1	2	3	4	5
(euro)							
EBITDA		**18.000**	**(150)**	**(150)**	**(150)**	**(150)**	**1.800**
Equity	44,44%	**8.000**	**8.000**	-	-	-	-
SRU	20,00%	**1.600**	1.600	-	-	-	-
Private entity	30,00%	**2.400**	2.400	-	-	-	-
JESSICA	0,00%	**-**	-	-	-	-	-
Others	50,00%	**4.000**	4.000	-	-	-	-
Loan	55,56%	**10.000**			**4.000**	**6.000**	-
Commercial loan	70,00%	**7.000**	-	-	2.800	4.200	-
JESSICA loan	30,00%	**3.000**	-	-	1.200	1.800	-
Previous year cash account			**-**	**5.390**	**1.280**	**1.169**	**1.368**
TOTAL SOURCES			**7.850**	**5.240**	**5.130**	**7.019**	**3.168**
Investment expenses		**16.000**	**2.500**	**4.000**	**4.000**	**5.500**	**-**
Rehabilitation works - public spaces			-	-	-	-	-
Eligible investment (façades, energy,…)		**-**					-
Non-eligible investment		**-**					-
Rehabilitation works - buildings for sale			2.500	4.000	4.000	2.500	-
Eligible investment (façades, energy,…)		**3.000**	500	1.000	1.000	500	-
Non-eligible investment		**10.000**	2.000	3.000	3.000	2.000	-
Rehabilitation works - commercial area for rent			-	-	-	-	-
Eligible investment (façades, energy,…)		**-**	-	-	-	-	-
Non-eligible investment		**-**	-	-	-	-	-
Rehabilitation works - Parking lot			-	-	-	3.000	-
Eligible investment (façades, energy,…)		**1.000**	-	-	-	1.000	-
Non-eligible investment		**2.000**	-	-	-	2.000	-
Working capital requirements			**-**	**-**	**-**	**-**	**(16.000)**
Parking lot			-	-	-	-	(3.000)
Recovery of investment expenses (buildings for sale)			-	-	-	-	(13.000)
Debt repayment		**10.000**	**-**	**-**	**-**	**-**	**10.000**
Commercial loan		**7.000**					7.000
JESSICA loan		**3.000**					3.000
Cash account			5.390	1.280	1.169	1.368	-
Financial costs			**-**	**-**	**-**	**260**	**650**
Commercial loan	6,50%		-	-	-	182	455
JESSICA loan	6,50%		-	-	-	78	195
Income taxes			**(40)**	**(40)**	**(40)**	**(109)**	**305**
Dividends		**8.213**	-	-	-	-	8.213
TOTAL USES			**7.850**	**5.240**	**5.130**	**7.019**	**3.168**

Case 1 – JESSICA Equity

USES AND SOURCES OF FUNDS Projection year			1	2	3	4	5
(euro)							
EBITDA		**18.000**	**(150)**	**(150)**	**(150)**	**(150)**	**1.800**
Equity	44,44%	**8.000**	**8.000**	-	-	-	-
SRU	14,00%	**1.120**	1.120	-	-	-	-
Private entity	21,00%	**1.680**	1.680	-	-	-	-
JESSICA	37,50%	**3.000**	3.000	-	-	-	-
Others	27,50%	**2.200**	2.200	-	-	-	-
Loan	55,56%	**10.000**			**4.000**	**6.000**	-
Commercial loan	100,00%	**10.000**	-	-	4.000	6.000	-
JESSICA loan	0,00%	**-**	-	-	-	-	-
Previous year cash account			**-**	**5.390**	**1.280**	**1.169**	**1.368**
TOTAL SOURCES			**7.850**	**5.240**	**5.130**	**7.019**	**3.168**
Investment expenses		**16.000**	**2.500**	**4.000**	**4.000**	**5.500**	**-**
Rehabilitation works - public spaces			-	-	-	-	-
Eligible investment (facades, energy,…)		**-**					-
Non-eligible investment		**-**					-
Rehabilitation works - buildings for sale			2.500	4.000	4.000	2.500	-
Eligible investment (facades, energy,…)		**3.000**	500	1.000	1.000	500	-
Non-eligible investment		**10.000**	2.000	3.000	3.000	2.000	-
Rehabilitation works - commercial area for rent			-	-	-	-	-
Eligible investment (facades, energy,…)		**-**	-	-	-	-	-
Non-eligible investment		**-**	-	-	-	-	-
Rehabilitation works - Parking lot			-	-	-	3.000	-
Eligible investment (facades, energy,…)		**1.000**	-	-	-	1.000	-
Non-eligible investment		**2.000**	-	-	-	2.000	-
Working capital requirements			**-**	**-**	**-**	**-**	**(16.000)**
Parking lot			-	-	-	-	(3.000)
Recovery of investment expenses (buildings for sale)			-	-	-	-	(13.000)
Debt repayment		**10.000**	**-**	**-**	**-**	**-**	**10.000**
Commercial loan		**10.000**					10.000
JESSICA loan		**-**					-
Cash account			5.390	1.280	1.169	1.368	-
Financial costs			**-**	**-**	**-**	**260**	**650**
Commercial loan	6,50%		-	-	-	260	650
JESSICA loan	6,50%		-	-	-	-	-
Income taxes			**(40)**	**(40)**	**(40)**	**(109)**	**305**
Dividends		**8.213**	-	-	-	-	8.213
TOTAL USES			**7.850**	**5.240**	**5.130**	**7.019**	**3.168**

Case 1 – JESSICA Equity and Loan

USES AND SOURCES OF FUNDS Projection year			1	2	3	4	5
(euro)							
EBITDA		**18.000**	**(150)**	**(150)**	**(150)**	**(150)**	**1.800**
Equity	44,4%	**8.000**	**8.000**	-	-	-	-
SRU	16,2%	**1.299**	1.299	-	-	-	-
Private entity	24,4%	**1.949**	1.949	-	-	-	-
JESSICA	18,8%	**1.500**	1.500	-	-	-	-
Others	40,7%	**3.252**	3.252	-	-	-	-
Loan	55,6%	**10.000**			**4.000**	**6.000**	-
Commercial loan	85,0%	**8.500**	-	-	3.400	5.100	-
JESSICA loan	15,0%	**1.500**	-	-	600	900	-
Previous year cash account			**-**	**5.390**	**1.280**	**1.169**	**1.368**
TOTAL SOURCES			**7.850**	**5.240**	**5.130**	**7.019**	**3.168**
Investment expenses		**16.000**	**2.500**	**4.000**	**4.000**	**5.500**	**-**
Rehabilitation works - public spaces			-	-	-	-	-
Eligible investment (facades, energy,…)		**-**					-
Non-eligible investment		**-**					-
Rehabilitation works - buildings for sale			2.500	4.000	4.000	2.500	-
Eligible investment (facades, energy,…)		**3.000**	500	1.000	1.000	500	-
Non-eligible investment		**10.000**	2.000	3.000	3.000	2.000	-
Rehabilitation works - commercial area for rent			-	-	-	-	-
Eligible investment (facades, energy,…)		**-**	-	-	-	-	-
Non-eligible investment		**-**	-	-	-	-	-
Rehabilitation works - Parking lot			-	-	-	3.000	-
Eligible investment (facades, energy,…)		**1.000**	-	-	-	1.000	-
Non-eligible investment		**2.000**	-	-	-	2.000	-
Working capital requirements			**-**	**-**	**-**	**-**	**(16.000)**
Parking lot			-	-	-	-	(3.000)
Recovery of investment expenses (buildings for sale)			-	-	-	-	(13.000)
Debt repayment		**10.000**	**-**	**-**	**-**	**-**	**10.000**
Commercial loan		**8.500**	-	-	-	-	8.500
JESSICA loan		**1.500**	-	-	-	-	1.500
Cash account			5.390	1.280	1.169	1.368	-
Financial costs			**-**	**-**	**-**	**260**	**650**
Commercial loan	6,50%		-	-	-	221	553
JESSICA loan	6,50%		-	-	-	39	98
Income taxes			**(40)**	**(40)**	**(40)**	**(109)**	**305**
Dividends		**8.213**	-	-	-	-	8.213
TOTAL USES			**7.850**	**5.240**	**5.130**	**7.019**	**3.168**

Case 2 – w/o JESSICA

USES AND SOURCES OF FUNDS Projection year		TOTAL	1	2	3	4	5	6	7	8	9	10
(euro)												
EBITDA		**32,382**	**119**	**563**	**1,019**	**1,319**	**1,494**	**1,563**	**1,569**	**1,956**	**1,769**	**13,531**
Equity	30.00%	**10,313**	**675**	**1,013**	**1,500**	**1,500**	**1,500**	**1,125**	**1,125**	**1,875**	**-**	**-**
SRU	100.00%	**10,313**	675	1,013	1,500	1,500	1,500	1,125	1,125	1,875	-	-
Private entity	0.00%	**-**	-	-	-	-	-	-	-	-	-	-
JESSICA	0.00%	**-**	-	-	-	-	-	-	-	-	-	-
Others (Owners, banks)	0.00%	**-**	-	-	-	-	-	-	-	-	-	-
Loan	70.00%	**22,070**	**1,575**	**2,382**	**3,150**	**3,150**	**3,150**	**2,363**	**2,363**	**3,938**	**-**	**-**
Commercial loan	100.00%	**22,070**	1,575	2,382	3,150	3,150	3,150	2,363	2,363	3,938	-	-
JESSICA loan	0.00%	**-**	-	-	-	-	-	-	-	-	-	-
Grant	50.00%	**3,500**	**250**	**375**	**500**	**500**	**500**	**375**	**375**	**625**	**-**	**-**
Previous year cash account			**-**	**56**	**374**	**495**	**447**	**578**	**263**	**448**	**573**	**139**
SOURCES			**2,619**	**4,388**	**6,543**	**6,964**	**7,091**	**6,003**	**5,695**	**8,842**	**2,341**	**13,671**
Investment expenses		**35,000**	**2,500**	**3,750**	**5,000**	**5,000**	**5,000**	**3,750**	**3,750**	**6,250**	**-**	**-**
Rehab. works - buildings & commercial areas for sale			1,250	1,875	2,500	2,500	2,500	1,875	1,875	2,500	-	-
Eligible investment		**3,375**	250	375	500	500	500	375	375	500	-	-
Non-eligible investment		**13,500**	1,000	1,500	2,000	2,000	2,000	1,500	1,500	2,000	-	-
Rehab. works - buildings & comercial area to rent			1,250	1,875	2,500	2,500	2,500	1,875	1,875	3,750	-	-
Eligible investment		**3,625**	250	375	500	500	500	375	375	750	-	-
Non-eligible investment		**14,500**	1,000	1,500	2,000	2,000	2,000	1,500	1,500	3,000	-	-
Working capital desinvestment			**-**	**(1,250)**	**(1,875)**	**(2,500)**	**(2,500)**	**(2,500)**	**(1,875)**	**(1,875)**	**(2,500)**	**-**
Recovery of investment expenses (buildings for sale)			-	(1,250)	(1,875)	(2,500)	(2,500)	(2,500)	(1,875)	(1,875)	(2,500)	-
Debt repayment		**22,070**	**-**	**1,250**	**2,500**	**3,500**	**3,500**	**4,000**	**3,000**	**3,500**	**820**	**-**
Commercial loan		**22,070**	-	1,250	2,500	3,500	3,500	4,000	3,000	3,500	820	**-**
Cash account			56	374	495	447	578	263	448	573	139	-
Financial costs			**-**	**102**	**176**	**218**	**195**	**173**	**66**	**25**	**53**	**(0)**
Commercial loan	6.50%		-	102	176	218	195	173	66	25	53	(0)
Income taxes			**63**	**162**	**247**	**298**	**318**	**317**	**305**	**369**	**329**	**3,586**
Dividends		**13,585**	-	-	-	-	-	-	-	-	3,500	10,085
USES			**2,556**	**4,388**	**6,543**	**6,964**	**7,091**	**6,003**	**5,695**	**8,842**	**2,341**	**13,671**

Case 2 – JESSICA Loan

USES AND SOURCES OF FUNDS Projection year		TOTAL	1	2	3	4	5	6	7	8	9	10
(euro)												
EBITDA		**32.382**	**119**	**563**	**1.019**	**1.319**	**1.494**	**1.563**	**1.569**	**1.956**	**1.769**	**13.531**
Equity	30,00%	**10.313**	**675**	**1.013**	**1.500**	**1.500**	**1.500**	**1.125**	**1.125**	**1.875**	**-**	**-**
SRU	100,00%	**10.313**	675	1.013	1.500	1.500	1.500	1.125	1.125	1.875	-	-
Private entity	0,00%	**-**	-	-	-	-	-	-	-	-	-	-
JESSICA	0,00%	**-**	-	-	-	-	-	-	-	-	-	-
Others (Owners, banks)	0,00%	**-**	-	-	-	-	-	-	-	-	-	-
Loan	70,00%	**22.070**	**1.575**	**2.382**	**3.150**	**3.150**	**3.150**	**2.363**	**2.363**	**3.938**	**-**	**-**
Commercial loan	88,69%	**19.572**	1.397	2.113	2.794	2.794	2.794	2.095	2.095	3.492	-	-
JESSICA loan	11,32%	**2.497**	178	270	356	356	356	267	267	446	-	-
Grant	50,00%	**3.500**	**250**	**375**	**500**	**500**	**500**	**375**	**375**	**625**	**-**	**-**
Previous year cash account			**-**	**56**	**374**	**495**	**447**	**578**	**263**	**448**	**93**	**160**
SOURCES			**2.619**	**4.388**	**6.543**	**6.964**	**7.091**	**6.003**	**5.695**	**8.842**	**1.861**	**13.691**
Investment expenses		**35.000**	**2.500**	**3.750**	**5.000**	**5.000**	**5.000**	**3.750**	**3.750**	**6.250**	**-**	**-**
Rehab. works - buildings & commercial areas for sale			1.250	1.875	2.500	2.500	2.500	1.875	1.875	2.500	-	-
Eligible investment		**3.375**	250	375	500	500	500	375	375	500		-
Non-eligible investment		**13.500**	1.000	1.500	2.000	2.000	2.000	1.500	1.500	2.000		-
Rehab. works - buildings & comercial area to rent			1.250	1.875	2.500	2.500	2.500	1.875	1.875	3.750	-	-
Eligible investment		**3.625**	250	375	500	500	500	375	375	750		-
Non-eligible investment		**14.500**	1.000	1.500	2.000	2.000	2.000	1.500	1.500	3.000		-
Working capital desinvestment			**-**	**(1.250)**	**(1.875)**	**(2.500)**	**(2.500)**	**(2.500)**	**(1.875)**	**(1.875)**	**(2.500)**	**-**
Recovery of investment expenses (buildings for sale)			-	(1.250)	(1.875)	(2.500)	(2.500)	(2.500)	(1.875)	(1.875)	(2.500)	-
Debt repayment		**22.072**	**-**	**1.250**	**2.500**	**3.500**	**3.500**	**4.000**	**3.000**	**3.980**	**342**	**-**
Commercial loan		**19.572**	-	1.250	2.500	3.500	3.500	3.255	2.095	3.472	-	-
JESSICA loan		**2.500**	-	-	-	-	-	745	905	508	342	-
Cash account			56	374	495	447	578	263	448	93	160	-
Financial costs			**-**	**102**	**176**	**218**	**195**	**173**	**66**	**25**	**22**	**(0)**
Commercial loan	6,50%		-	91	147	166	120	74	(1)	(1)	0	0
JESSICA loan	6,50%		-	12	29	52	75	99	68	26	22	(0)
Income taxes			**63**	**162**	**247**	**298**	**318**	**317**	**305**	**369**	**337**	**3.586**
Dividends		**13.606**	-	-	-	-	-	-	-	-	3.500	10.106
USES			**2.556**	**4.388**	**6.543**	**6.964**	**7.091**	**6.003**	**5.695**	**8.842**	**1.861**	**13.691**

Case 2 – JESSICA Equity

USES AND SOURCES OF FUNDS Projection year		TOTAL	1	2	3	4	5	6	7	8	9	10
(euro)												
EBITDA		**32.382**	**119**	**563**	**1.019**	**1.319**	**1.494**	**1.563**	**1.569**	**1.956**	**1.769**	**13.531**
Equity	30,00%	**10.313**	**675**	**1.013**	**1.500**	**1.500**	**1.500**	**1.125**	**1.125**	**1.875**	**-**	**-**
SRU	75,76%	**7.813**	511	767	1.136	1.136	1.136	852	852	1.421	-	-
Private entity	0,00%	**-**	-	-	-	-	-	-	-	-	-	-
JESSICA	24,24%	**2.500**	164	245	364	364	364	273	273	455	-	-
Others (Owners, banks)	0,00%	**-**	-	-	-	-	-	-	-	-	-	-
Loan	70,00%	**22.070**	**1.575**	**2.382**	**3.150**	**3.150**	**3.150**	**2.363**	**2.363**	**3.938**	**-**	**-**
Commercial loan	100,00%	**22.070**	1.575	2.382	3.150	3.150	3.150	2.363	2.363	3.938	-	-
JESSICA loan	0,00%	**-**	-	-	-	-	-	-	-	-	-	-
Grant	50,00%	**3.500**	**250**	**375**	**500**	**500**	**500**	**375**	**375**	**625**	**-**	**-**
Previous year cash account			**-**	**56**	**374**	**495**	**447**	**578**	**263**	**448**	**573**	**178**
SOURCES			**2.619**	**4.388**	**6.543**	**6.964**	**7.091**	**6.003**	**5.695**	**8.842**	**2.341**	**13.710**
Investment expenses		**35.000**	**2.500**	**3.750**	**5.000**	**5.000**	**5.000**	**3.750**	**3.750**	**6.250**	**-**	**-**
Rehab. works - buildings & commercial areas for sale			1.250	1.875	2.500	2.500	2.500	1.875	1.875	2.500	-	-
Eligible investment		**3.375**	250	375	500	500	500	375	375	500		-
Non-eligible investment		**13.500**	1.000	1.500	2.000	2.000	2.000	1.500	1.500	2.000		-
Rehab. works - buildings & comercial area to rent			1.250	1.875	2.500	2.500	2.500	1.875	1.875	3.750	-	-
Eligible investment		**3.625**	250	375	500	500	500	375	375	750		-
Non-eligible investment		**14.500**	1.000	1.500	2.000	2.000	2.000	1.500	1.500	3.000		-
Working capital desinvestment			**-**	**(1.250)**	**(1.875)**	**(2.500)**	**(2.500)**	**(2.500)**	**(1.875)**	**(1.875)**	**(2.500)**	**-**
Recovery of investment expenses (buildings for sale)			-	(1.250)	(1.875)	(2.500)	(2.500)	(2.500)	(1.875)	(1.875)	(2.500)	-
Debt repayment		**22.070**	**-**	**1.250**	**2.500**	**3.500**	**3.500**	**4.000**	**3.000**	**3.500**	**820**	**-**
Commercial loan		**22.070**	-	1.250	2.500	3.500	3.500	4.000	3.000	3.500	820	-
JESSICA loan		**-**	-	-	-	-	-	-	-	-	-	-
Cash account			56	374	495	447	578	263	448	573	178	-
Financial costs			**-**	**102**	**176**	**218**	**195**	**173**	**66**	**25**	**-**	**(0)**
Commercial loan	6,50%		-	102	176	218	195	173	66	25		(0)
JESSICA loan	6,50%		-	-	-	-	-	-	-	-		-
Income taxes			**63**	**162**	**247**	**298**	**318**	**317**	**305**	**369**	**343**	**3.586**
Dividends		**13.624**	-	-	-	-	-	-	-	-	3.500	10.124
USES			**2.556**	**4.388**	**6.543**	**6.964**	**7.091**	**6.003**	**5.695**	**8.842**	**2.341**	**13.710**

Case 2 – JESSICA Equity and Loan

USES AND SOURCES OF FUNDS Projection year		TOTAL	1	2	3	4	5	6	7	8	9	10
(euro)												
EBITDA		**32.404**	**119**	**563**	**1.019**	**1.319**	**1.494**	**1.563**	**1.569**	**1.956**	**1.769**	**13.531**
Equity	30,00%	**10.313**	**675**	**1.013**	**1.500**	**1.500**	**1.500**	**1.125**	**1.125**	**1.875**	**-**	**-**
SRU	87,88%	**9.063**	593	890	1.318	1.318	1.318	989	989	1.648	-	-
Private entity	0,00%	**-**	-	-	-	-	-	-	-	-	-	-
JESSICA	12,12%	**1.250**	82	123	182	182	182	136	136	227	-	-
Others (Owners, banks)	0,00%	**-**	-	-	-	-	-	-	-	-	-	-
Loan	70,00%	**22.092**	**1.575**	**2.404**	**3.150**	**3.150**	**3.150**	**2.363**	**2.363**	**3.938**	**-**	**-**
Commercial loan	94,34%	**20.841**	1.486	2.268	2.972	2.972	2.972	2.229	2.229	3.715	-	-
JESSICA loan	5,66%	**1.250**	89	136	178	178	178	134	134	223	-	-
Grant	50,00%	**3.500**	**250**	**375**	**500**	**500**	**500**	**375**	**375**	**625**	**-**	**-**
Previous year cash account			**-**	**119**	**459**	**579**	**530**	**660**	**344**	**528**	**151**	**220**
SOURCES			**2.619**	**4.473**	**6.628**	**7.048**	**7.174**	**6.085**	**5.775**	**8.921**	**1.920**	**13.751**
Investment expenses		**35.000**	**2.500**	**3.750**	**5.000**	**5.000**	**5.000**	**3.750**	**3.750**	**6.250**	**-**	**-**
Rehab. works - buildings & commercial areas for sale			1.250	1.875	2.500	2.500	2.500	1.875	1.875	2.500	-	-
Eligible investment		**3.375**	250	375	500	500	500	375	375	500		-
Non-eligible investment		**13.500**	1.000	1.500	2.000	2.000	2.000	1.500	1.500	2.000		-
Rehab. works - Buildings & comercial area to rent			1.250	1.875	2.500	2.500	2.500	1.875	1.875	3.750	-	-
Eligible investment		**3.625**	250	375	500	500	500	375	375	750		-
Non-eligible investment		**14.500**	1.000	1.500	2.000	2.000	2.000	1.500	1.500	3.000		-
Working capital desinvestment			**-**	**(1.250)**	**(1.875)**	**(2.500)**	**(2.500)**	**(2.500)**	**(1.875)**	**(1.875)**	**(2.500)**	**-**
Recovery of investment expenses (buildings for sale)			-	(1.250)	(1.875)	(2.500)	(2.500)	(2.500)	(1.875)	(1.875)	(2.500)	-
Debt repayment		**22.091**	**-**	**1.250**	**2.500**	**3.500**	**3.500**	**4.000**	**3.000**	**4.000**	**341**	**-**
Commercial loan		**20.841**	-	1.250	2.500	3.500	3.500	4.000	2.377	3.714	-	-
JESSICA loan		**1.250**	-	-	-	-	-	-	623	286	341	-
Cash account			119	459	579	530	660	344	528	151	220	-
Financial costs			**-**	**102**	**177**	**220**	**197**	**174**	**68**	**26**	**22**	**0**
Commercial loan	6,50%		-	97	163	193	159	125	10	(0)	0	0
JESSICA loan	6,50%		-	6	15	26	38	49	58	26	22	0
Income taxes			**-**	**162**	**246**	**298**	**317**	**317**	**305**	**369**	**337**	**3.586**
Dividends		**13.665**	-	-	-	-	-	-	-	-	3.500	10.165
USES			**2.619**	**4.473**	**6.628**	**7.048**	**7.174**	**6.085**	**5.775**	**8.921**	**1.920**	**13.751**

Case 3 – w/o JESSICA

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**	**19**
(k euro)																						
EBITDA		**8,125**	**-**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**
Equity	55.00%	**4,469**	**2,984**	**1,485**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
SRU	31.00%	**1,385**	925	460	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private entity	69.00%	**3,083**	2,059	1,025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Owners, banks)	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan	45.00%	**3,656**	**2,441**	**1,215**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	100.00%	**3,656**	2,441	1,215	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA loan	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant	65.00%	**4,875**	**3,575**	**1,300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Previous year cash account			**-**	**-**	**473**	**388**	**327**	**290**	**277**	**287**	**322**	**380**	**306**	**396**	**486**	**326**	**415**	**505**	**345**	**435**	**524**	**364**
SOURCES			**9,000**	**4,800**	**1,273**	**1,188**	**1,127**	**1,090**	**1,077**	**1,087**	**1,122**	**1,180**	**1,106**	**1,196**	**1,286**	**1,126**	**1,215**	**1,305**	**1,145**	**1,235**	**1,324**	**1,164**
Investment expenses		**13,000**	**9,000**	**4,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Rehabilitation works - public spaces		**8,000**	4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**4,000**	2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**4,000**	2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Shuttle		**2,000**	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**500**	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Parking lot		**3,000**	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt repayment		**3,656**	**-**	**-**	**500**	**500**	**500**	**500**	**500**	**500**	**500**	**156**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan		**3,656**	-	-	500	500	500	500	500	500	500	156	-	-	-	-	-	-	-	-	-	-
JESSICA loan		**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash account			-	473	388	327	290	277	287	322	380	306	396	486	326	415	505	345	435	524	364	-
Financial costs			**-**	**159**	**238**	**205**	**173**	**140**	**108**	**75**	**43**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Commercial loan	6.50%		-	159	238	205	173	140	108	75	43	10	0	0	0	0	0	0	0	0	0	0
JESSICA loan	6.50%		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes			**-**	**168**	**147**	**156**	**165**	**173**	**182**	**190**	**199**	**208**	**210**	**210**	**210**	**210**	**210**	**210**	**210**	**210**	**210**	**210**
Dividends		**1,000**	-	-	-	-	-	-	-	-	-	500	500	500	750	500	500	750	500	500	750	954
USES			**9,000**	**4,632**	**626**	**532**	**463**	**417**	**395**	**397**	**423**	**817**	**896**	**986**	**1,076**	**915**	**1,005**	**1,095**	**935**	**1,024**	**1,114**	**954**

Case 3 – JESSICA Loan

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**	**19**
(k euro)																						
EBITDA		**8,125**	**-**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**
Equity	55.00%	**4,469**	**2,984**	**1,485**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
SRU	31.00%	**1,385**	925	460	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private entity	69.00%	**3,083**	2,059	1,025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Owners, banks)	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan	45.00%	**3,656**	**2,441**	**1,215**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	45.30%	**1,656**	1,106	550	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA loan	54.70%	**2,000**	1,335	665	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant	65.00%	**4,875**	**3,575**	**1,300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Previous year cash account			**-**	**-**	**473**	**388**	**327**	**290**	**277**	**287**	**322**	**380**	**306**	**396**	**486**	**326**	**415**	**505**	**345**	**435**	**524**	**364**
SOURCES			**9,000**	**4,800**	**1,273**	**1,188**	**1,127**	**1,090**	**1,077**	**1,087**	**1,122**	**1,180**	**1,106**	**1,196**	**1,286**	**1,126**	**1,215**	**1,305**	**1,145**	**1,235**	**1,324**	**1,164**
Investment expenses		**13,000**	**9,000**	**4,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Rehabilitation works - public spaces			4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**4,000**	2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**4,000**	2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shuttle			2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**500**	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking lot			3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working capital desinvestment			**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Parking lot			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt repayment		**3,656**	**-**	**-**	**500**	**500**	**500**	**500**	**500**	**500**	**500**	**156**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan		**1,656**		-	500	500	500	156	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA loan		**2,000**		-	-	-	-	344	500	500	500	156	-	-	-	-	-	-	-	-	-	-
Cash account			-	473	388	327	290	277	287	322	380	306	396	486	326	415	505	345	435	524	364	-
Financial costs			**-**	**159**	**238**	**205**	**173**	**140**	**108**	**75**	**43**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Commercial loan	6.50%		-	72	108	75	43	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
JESSICA loan	6.50%		-	87	130	130	130	130	108	75	43	10	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Income taxes			**-**	**168**	**147**	**156**	**165**	**173**	**182**	**190**	**199**	**208**	**210**	**210**	**210**	**210**	**210**	**210**	**210**	**210**	**210**	**210**
Dividends		**6,704**	-	-	-	-	-	-	-	-	-	500	500	500	750	500	500	750	500	500	750	954
USES			**9,000**	**4,800**	**1,273**	**1,188**	**1,127**	**1,090**	**1,077**	**1,087**	**1,122**	**1,180**	**1,106**	**1,196**	**1,286**	**1,126**	**1,215**	**1,305**	**1,145**	**1,235**	**1,324**	**1,164**

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**	**19**
(k euro)																						
EBITDA		**8,125**	**-**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**
Equity	55.00%	**4,469**	**2,984**	**1,485**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
SRU	6.95%	**311**	207	103	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private entity	48.30%	**2,158**	1,441	717	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA	44.75%	**2,000**	1,335	665	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Owners, banks)	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan	45.00%	**3,656**	**2,441**	**1,215**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	100.00%	**3,656**	2,441	1,215	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA loan	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant	65.00%	**4,875**	**3,575**	**1,300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Previous year cash account			**-**	**-**	**473**	**388**	**327**	**290**	**277**	**287**	**322**	**380**	**306**	**396**	**486**	**326**	**415**	**505**	**345**	**435**	**524**	**364**
SOURCES			**9,000**	**4,800**	**1,273**	**1,188**	**1,127**	**1,090**	**1,077**	**1,087**	**1,122**	**1,180**	**1,106**	**1,196**	**1,286**	**1,126**	**1,215**	**1,305**	**1,145**	**1,235**	**1,324**	**1,164**
Investment expenses		**13,000**	**9,000**	**4,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Rehabilitation works - public spaces			4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**4,000**	2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**4,000**	2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Shuttle			2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**500**	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Parking lot			3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working capital desinvestment			**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Parking lot			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt repayment		**3,656**	**-**	**-**	**500**	**500**	**500**	**500**	**500**	**500**	**500**	**156**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan		**3,656**		-	500	500	500	500	500	500	500	156	-	-	-	-	-	-	-	-	-	-
JESSICA loan		**-**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash account			-	473	388	327	290	277	287	322	380	306	396	486	326	415	505	345	435	524	364	-
Financial costs			**-**	**159**	**238**	**205**	**173**	**140**	**108**	**75**	**43**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Commercial loan	6.50%		-	159	238	205	173	140	108	75	43	10	0	0	0	0	0	0	0	0	0	0
JESSICA loan	6.50%		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes			**-**	**168**	**147**	**156**	**165**	**173**	**182**	**190**	**199**	**208**	**210**	**210**	**210**	**210**	**210**	**210**	**210**	**210**	**210**	**210**
Dividends		**6,704**	-	-	-	-	-	-	-	-	-	500	500	500	750	500	500	750	500	500	750	954
USES			**9,000**	**4,800**	**1,273**	**1,188**	**1,127**	**1,090**	**1,077**	**1,087**	**1,122**	**1,180**	**1,106**	**1,196**	**1,286**	**1,126**	**1,215**	**1,305**	**1,145**	**1,235**	**1,324**	**1,164**

Case 3 – JESSICA Equity and Loan

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**	**19**
(k euro)																						
EBITDA		**8,125**	**-**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**
Equity	55.00%	**4,469**	**2,984**	**1,485**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
SRU	24.07%	**1,075**	718	357	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private entity	53.57%	**2,394**	1,598	795	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA	22.37%	**1,000**	667	332	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Owners, banks)	0.00%	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan	45.00%	**3,656**	**2,441**	**1,215**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan	72.65%	**2,656**	1,774	883	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA loan	27.35%	**1,000**	668	332	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant	65.00%	**4,875**	**3,575**	**1,300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Previous year cash account			**-**	**-**	**473**	**388**	**327**	**290**	**277**	**287**	**322**	**380**	**306**	**396**	**486**	**326**	**415**	**505**	**345**	**435**	**524**	**364**
SOURCES			**9,000**	**4,800**	**1,273**	**1,188**	**1,127**	**1,090**	**1,077**	**1,087**	**1,122**	**1,180**	**1,106**	**1,196**	**1,286**	**1,126**	**1,215**	**1,305**	**1,145**	**1,235**	**1,324**	**1,164**
Investment expenses		**13,000**	**9,000**	**4,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Rehabilitation works - public spaces			4,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**4,000**	2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**4,000**	2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Shuttle			2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**1,500**	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**500**	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation works - Parking lot			3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eligible investment		**2,000**	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-eligible investment		**1,000**	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working capital desinvestment			**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Parking lot			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt repayment		**3,656**	**-**	**-**	**500**	**500**	**500**	**500**	**500**	**500**	**500**	**156**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial loan		**2,656**		-	500	500	500	500	500	156	-	-	-	-	-	-	-	-	-	-	-	-
JESSICA loan		**1,000**		-	-	-	-	-	-	344	500	156	-	-	-	-	-	-	-	-	-	-
Cash account			-	473	388	327	290	277	287	322	380	306	396	486	326	415	505	345	435	524	364	-
Financial costs			**-**	**159**	**238**	**205**	**173**	**140**	**108**	**75**	**43**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Commercial loan	6.50%		-	115	173	140	108	75	43	10	0	0	0	0	0	0	0	0	0	0	0	0
JESSICA loan	6.50%		-	43	65	65	65	65	65	65	43	10	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Income taxes			**-**	**168**	**147**	**156**	**165**	**173**	**182**	**190**	**199**	**208**	**210**	**210**	**210**	**210**	**210**	**210**	**210**	**210**	**210**	**210**
Dividends		**6,704**	-	-	-	-	-	-	-	-	-	500	500	500	750	500	500	750	500	500	750	954
USES			**9,000**	**4,800**	**1,273**	**1,188**	**1,127**	**1,090**	**1,077**	**1,087**	**1,122**	**1,180**	**1,106**	**1,196**	**1,286**	**1,126**	**1,215**	**1,305**	**1,145**	**1,235**	**1,324**	**1,164**