

URBAN REVITALIZATION AND HOUSING AFFORDABILITY: A CASE STUDY OF PORTO

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Foreword

José Alberto Rio Fernandes

Porto is the central city of a metropolitan area with about one million inhabitants in an urban area defined by a ten-kilometer radius circle; and part of one of two of the metropolitan regions of Portugal that concentrate two-thirds of Europe's most western approximately 10 million residents. Since 1910 when Portugal became a Republic, southern Portugal in general, and Lisbon in particular, had a strong relation with the king and nobility with a rather a centralized national administration. By contrast, Porto, in the north, is more Catholic and conservative, but is also more open with a free-spirited people, a population focused on work, industry, and commerce.

After the stability of Portugal's empire in the XVIII century, Porto's fortunes were nurtured primarily by port wine – an important part of it associated with families that arrived from England as well as other parts of the North and Central Europe – and an intense (and late) Industrial Revolution. Porto was a relatively stagnant city for most of the 20th century due to the Salazar-Caetano “Estado Novo” dictatorship which imposed an intercontinental view of Portugal with Lisbon as a strong capital city.

But Porto's fortunes changed with the 1974 democratic overthrow of the Salazar-Caetano regime. The effects of societal change and economic modernization during the late 20th century, however, as mostly felt in the western part of the city (Boavista) and in the suburbs — Matosinhos, Maia, and Vila Nova de Gaia. This was a period of suburbanization and commercialization. Porto's city center revitalization is a recent phenomenon.

This publication's authors, David Varady and Fatima Matos, guide us in understanding Porto's center city transformation. It is a passionate and rich multi-perspective view, based on

sound data, a literature review, and interviews with people who had access to privileged information. Varady and Matos make those voices come alive— voices and interests of those that rarely have a voice—the city’s most fragile residents.

This working paper focuses on functional gentrification. The type of neighborhood change taking place in Porto and other historic European cities is driven by tourism. In contrast, the more familiar “classic” gentrification is driven by the immigration of the “creative” class. Porto is unique in that its tourist-driven functional gentrification occurred quickly and is concentrated in a relatively small area, the historic core. Porto’s revitalization and regeneration are changing the face and soul of the city.

As of this writing and because of COVID-19, Porto’s streets are currently empty. It may seem odd to discuss the subjects of gentrification and over-tourism right now. David Varady and Fatima Matos, however, are correct in noting that tourists will return. I would add that if one does not know what the future will bring, a good way to be better prepared for it is to better understand the past. So, it is important to understand the relation between tourism and housing affordability in Porto’s recent past. I can’t agree more with the authors that “this is the time for policymakers to think about what (...) is needed for the city when the ‘good times’ return.”

It is important to note that in their analysis the authors trace the recent history of Porto’s city center from the times of the “donut” (an emptying city surrounded by growing suburbs) when most city center shops were “traditional,” and most residents were old and resided in physically deteriorating homes despite urban renewal efforts. The “entrepreneurial city” approach arrived with Porto Vivo SRU initiative in 2004, and benefited from an extraordinary public investment at the turn of the century in public space, a metro system, and a superb airport. Coincident factors (outside the scope of housing policy but having an impact, nonetheless) such as the Airbnb

platform economy, low cost air travel, a very friendly (neoliberal) atmosphere for private investment, and a (blind-eye attitude) toward physical transformation in the central city, did the rest. Problems related to gentrification, speculation, and displacement failed to receive the necessary attention from politicians. Porto's economic revitalization was a success: year after year, tourists increased in their numbers, and buildings were rehabilitated for Airbnbs. But the housing affordability crisis grew as well.

Varady and Matos call our attention to what should be a central aspect of urban policies: incumbent working- and lower-income residents. The transformation of Porto's center has been good for some but bad for others. An independent evaluation of the costs and benefits of city center revitalization has yet to be accomplished. But one has to wonder if the economic success is not a social disaster. After all, because of housing unaffordability many households have had to move away from their neighbors and friends, and have to spend more time travelling every day. Because prices have soared, those who were able to stay close to where they had been living were forced to spend more for a smaller space. And with regard to the economic growth argument, it is true that tourism and real estate investment has created more jobs in the city center, but these are poorly paid jobs and people need to spend more time commuting than is beneficial for them. Is this the type of city we want?

London, Amsterdam, Barcelona, Berlin are just some of cities that reject that type of future, and are taking strong measures to curb mass tourism and the "Airbnb platform economy." They began to do so before COVID19 put a halt to tourism, cleared the planes from the sky, and emptied the shopping streets.

Along with Varady and Matos, I agree that tourists will return. At least, I hope so. But I also hope that Porto is less tourism dependent than it was before. And that policymakers use this

time of enforced closures to ponder what equitable policies are needed. Affordability has to be considered, not only revitalization, in order to create a socially cohesive city.

Cities are social realities above all, places where we gather together to feel part of something bigger than ourselves. Cities are not “Disneylands,” places created to simply to attract visitors. Nor should cities be storehouses of economic assets for investment and renting. Porto must promote cohesive, income-mixed communities with affordable housing in order to be a “just city.”

1. The Problem

Scholars generally agree on the definition of gentrification – even though they disagree on many aspects of the phenomenon. That is, gentrification involves the replacement of a working-class population by a middle-class one. This paper argues for the existence of a different type of gentrification, functional gentrification, caused by high levels of tourism and in some cases high demand for student housing by international students (Carvalho et al. 2019). Through a case study of Porto, Portugal, we seek to better understand functional gentrification. First, what policies has Porto implemented to promote urban revitalization and how have these policies influenced tourism? What other factors have contributed to revitalization? Second, how has revitalization “played out” in terms of the housing market, economic activities, and the city’s culture? Third, what conclusions can we draw from the case study in terms of the nature of gentrification, and how cities can address the adverse effects of over-tourism?

2. Background¹

Located in northern Portugal, Porto has a population of 215,284 in a metropolitan area with 1,722,374 residents (INE, 2018). The Romans gave it the name Portus, or port and the city are known for port wine trade (Figures 1). Like other Portuguese cities, Porto is old, full of history, and has developed during most of its history according to organic patterns (Balsas, 2007). Twentieth century suburbanization created a “donut effect,” a declining center city and vibrant

¹ This background information on Porto comes from Gusman et al. (2019).

suburbs (Fernandes, 2005). However, in recent years, the Porto's central areas that had declined physically have been rehabilitated, thereby attracting investments, tourists and new residents.

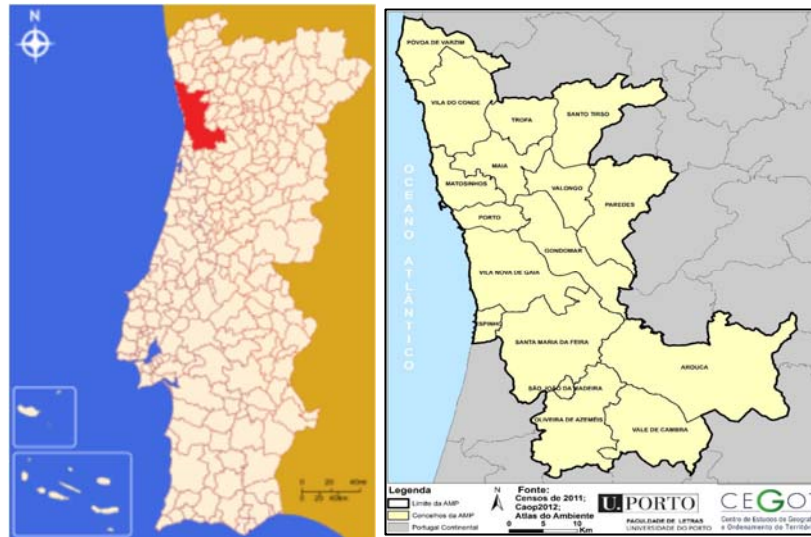


Figure 1. Porto Metropolitan Area in Portugal and municipalities of the Porto Metropolitan Area

3. Urban Revitalization

3.1. Public Policies Promoting Revitalization

Urban Renewal (1960s and 1970s). The Barredo Urban Renewal Study, a strategic urban plan coordinated by Fernando Távora and presented in 1969 “was groundbreaking in its innovative approach to management policies of the old urban areas of that time advocated for a new approach to the management policies of the old urban areas of that time, demanding a new cultural and social vision of the city” (Moniz et al. 2019).

The ideas, which Távora advocated for, were not always followed by the Committee for the Urban Renovation of the Ribéria/Barredo Area (CRUARB) which beginning in 1974

rehabilitated buildings and then either sold them or added the buildings to the social housing market.² In either case, the homes had below market rate values. In 1992, the Foundation for the Development of the Porto Historic Area (FDZHP)³ promoted an integrated program of actions that combined housing rehabilitation with job training, support for children and so forth.

More in line with Távora's theories was the Local Ambulatory Support Service (SAAL)⁴ a social housing program, which emerged within the context of the revolutionary process that took place after the demise of the Portuguese dictatorship on April 25, 1974 (Portas 1986). "SAAL Porto not only integrated Barredo as an operation but also implemented a set of programming rules inspired by Távora's recommendations promoting the first participatory process of urban renewal combined with social housing in Portugal, a case study in Europe" (Moniz & Goncalves 2019, p. 782). SAAL's participatory approach has been replaced by public-private partnerships, see below.

Porto as a UNESCO designated World Heritage Site (1996). Work led by CRUARB (Porto's urban renewal agency) allowed Porto to be classified as a World Heritage Site (Figure 2, Photo1). The UNESCO report addressed the need to protect historic buildings but it also addressed related issues like depopulation. Identifying pathways for the rehabilitation of buildings was the City's most important task, but increased energy efficiency was also important. A majority of the buildings wound up with good energy ratings (Santos et al. 2017). However, interventions for energy efficiency raised costs by 10 percent with an 8-year payback. The challenge for program officials was to not only make residents more comfortable but also to reduce energy usage.

² Branco and Alves (2015) note that the CRUARB was set up to guarantee that the working-class population that was living there would be able to remain. Unfortunately, this goal has not been achieved.

³ This foundation was created in 1990. Working with several other institutions in the City including CRUARB it worked to promote urban regeneration.

⁴ SAAL was set up by the Secretary State for Housing and Urbanism, Architect Nuno Portas.

According to the program evaluation, residents felt involved in the process and as a result followed guidance regarding energy usage.

European Capital of Culture (2001). This designation led to improvements of public space, especially public squares like Batalha (Photo 2), priority was given to both pedestrians and autos through underground car parks, and the reorganization of the road network, including the opening of the Ceuta tunnel.⁵ It also led to the creation of a new music hall, the Casa da Música, the library of Biblioteca Almeda Garrett and the Funicular (Photo 2). Coincident activities (not formally part of the Capital of Culture designation, but important nonetheless for the city's revitalization) included the creation of Porto's light rail metro system, and two new football stadiums. With its emphasis on physical changes, Porto was following the same regeneration strategy as Glasgow, European Capital of Culture for 1990. Unfortunately, the housing strategy that had been part of the 2001 Porto initiative was not implemented.

⁵ In 2001 Porto shared the designation 'Cultural Capital of Europe' with Rotterdam. Hitters' 2007 article shows that the designation led to more physical change in Porto (which is consistent with a policy of improving public spaces) compared to more social and cultural change in Rotterdam.

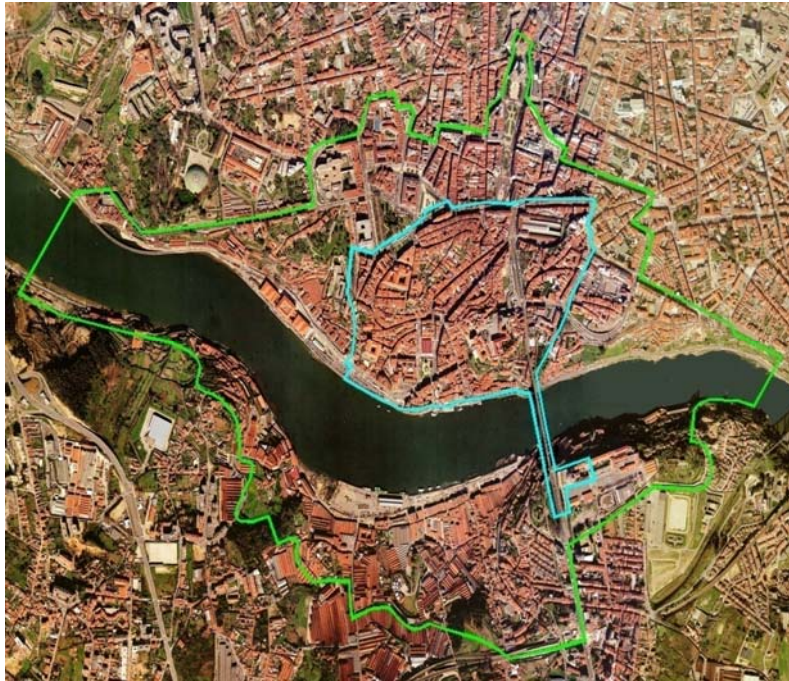


Figure 2: UNESCO World Heritage Site (boundaries, blue)



Photo 1: View of the UNESCO Heritage Historic Center



Photo 2: S. João Theater in Batalha Square and Funicular

Urban Requalification (Rehabilitation) Societies (SRUs). A 2004 law emphasized strategic planning; the individual SRU defines the priority area and chooses the strategic actions. SRUs have the power to expropriate or force the sale of buildings that are in a poor state of repair. The legal status of SRUs as public companies was based on the assumption that local authorities needed a lighter structure of governance (rather than the city bureaucracy) whereby the individual SRU could get funding from the municipality or the private sector. The SRU model made it easier to employ staff and to contract commercial loans and to quicken licensing procedures.⁶ Although the initial focus of SRUs was on recovering the housing stock as a means to promote social welfare,

⁶ Governments have carried out revitalization through public companies or public-private partnerships because they are believed to be more competent than the regular processes of public administration (Neto et al. 2014, p. 528).

and not just the recovery of buildings, critics charged that the primary focus was only on physical aspects of revitalization and that not enough focus was on social and economic ones.

In 2009 and 2012 changes in the rehabilitation laws cut funding and replaced them with tax benefits and tax reductions. These changes increased the need for municipalities and individual SRUs to engage in partnerships linked to higher investments. A 2012 policy stipulates the closing of SRU companies that are not financially sustainable while a 2020 policy emphasizes the need to attract higher income families while allowing working and middle-class families to remain in place (Branco & Alves 2017). Neto et al. (2014) note that despite the 2009 and 2012 changes in the SRU law “the social and economic subjects of urban regeneration are still absent in the present legal instrument and that further efforts should be made to support a wide and plural social fabric, and to prevent gentrification (p.541).” Unfortunately, they do not indicate what types of policies might be implemented to prevent gentrification.⁷

Branco and Alves indicate that “social security services or municipal services should provide social housing solutions for residents who are affected by [housing rehabilitation] interventions” but they do not specify what these housing solutions might be. One could be traditional social (public) housing. The other could be housing vouchers. Unfortunately, Portugal lacks a full-fledged housing voucher program at the national level.

The SRU model illustrates a serious policy dilemma. The investment opportunities for housing rehabilitation that have emerged tend to focus on commercial and tourist dynamics that

⁷ Balsas (2007) asserts that there are four reasons why in recent decades Portuguese cities have overlooked social and economic aspects of revitalization in favor of physical ones 1) the magnitude of decline was so great, 2) the cities did not have the legal means to intervene into the private market, 3) cities found it easier to focus on public space than fractionalized private space and 4) it was easier to implement the physical solutions than to deal with the organizational issues associated with social problems.

inhibit the production of affordable housing. Often these investors are foreigners who purchase buildings to rehabilitate them for activities connected with tourism.

High profit operations in desirable areas are obviously attractive to private investors, therefore they should not need this type of model... Those responsible for implementing SRUs ...have made clear ...that more socially [oriented] operations are not sustainable and need to be compensated by more commercial operations (Branco & Alves 2015).

Porto Vivo SRU was set up as a public company promoting revitalization in the city's historic core (Figure 3). The national government owns 60 percent of the capital and the city owns 40 percent. At some of the sites, urban regeneration partnerships connect the owners in order to start joint rehabilitation of the buildings e.g., the Morro da Sé, and Mouzinho/Flores axes. Within the historic center several blocks were designated as priority areas to guide future interventions, sites where public interventions would stimulate private investment. The Cardosas and Morro da Sé developments discussed below illustrate the most important planning issues.

Porto Vivo's 2005 Management Plan (Porto Vivo Urban Renewal Company 2005; see also Novo Norte, 2008)⁸ mostly deals with tourism related issues but socio-economic concerns were not completely neglected. First, a stated goal of the plan was to 'contribute [to] improvement of the quality of life of those who will live and work in the Historic Center...' (p.59) Thus, maintaining a social mix in the historic core seems to have been a goal of the plan. However, because the plan also proposed expanding the number of 'creative' firms this effort if successful could promote gentrification and that could undercut efforts to create a population mix. Second,

⁸ Novo Norte - North Portugal Regional Operational Programme 2007/2013 - was a financial instrument, which supports regional development in the north of Portugal. It forms part of the National Strategic Reference Framework (NSRF) 2007/2013 and the new cycle of the European Union structural funding for Portugal.

while the plan acknowledged the need to involve residents of the historic core in all aspects of development planning and implementation the plan did not specify the level of involvement. Would residents simply be informed of decisions made by Porto Vivo? Alternatively, would they be asked for their opinions on policy options? Or would residents be true partners to Porto Vivo when important policy decisions are made? Porto Vivo's inability to spell out what citizen involvement means, unfortunately, is a common practice for participatory efforts around the world (Arnstein 1969).



Source: Porto Vivo SRU Master Plan, 2005

Figure 3. Porto Vivo SRU - Urban Rehabilitation Society of Baixa Portuense SA

Let us take a look at two of Porto Vivo's projects. The Cardosas development was a public-private partnership that included Porto Vivo SRU (project leader), LUCIUS (real estate promoter, construction), and Intercontinental (promotion and management of hotel) (Photo 3). Cardosas' strategic document defines a strategy of rehabilitation that aimed to produce quality housing for a

high-end market segment. The plan did not envision either affordable housing at controlled costs or rental housing for the quarter. The project involved the rehabilitation of a historic palace overlooking Paça da Liberdade into a luxury hotel. While the general façade was maintained the back (interior of the quarter) was totally demolished and reconstructed. The tenants who lived on the site were relocated to social housing or to Morro da Sé, part of the historic core that was experiencing social and physical housing problems as of 2005. The renovated dwellings were to be sold as second houses or to private investors interested in tourism related businesses such as short-term rentals. Finally, the plan included an underground car park; Porto Vivo felt it was indispensable to make housing viable in the quarter even though there was and is excellent access to public transit.



Photo 3: Intercontinental hotel façade

Critics of the Cardosas development make six points (see Branco & Alves 2017). First, the project generated a huge deficit for public partners. Second, spending so much on a luxury project is highly questionable. (It should be noted, however, that the project could be considered successful

because it generated a huge private investment). Third, a disproportionately large number of the apartments were used for short-term rentals—thus adding to the rapid turnover of the population of the historic core, a growing policy issue. Fourth, the project reduced the diversity of the population on the Cardosas site. (The larger historic core surrounding the Cardosas development remained mixed.) Fifth, the project did not respect the site’s historic heritage. While the façade of the palace was retained other historic buildings were demolished. Furthermore, the project “Disneylanded” the block behind the hotel by inserting new, old-looking buildings (Gusman et al. 2019). Finally, the project’s open space behind the hotel was privatized (the gates are closed at night for security reasons) even though the project was designated for public use.

Morro da Sé⁹ is the second of four projects coordinated by Porto Vivo in the historic center (see Chamusca 2013) (Photo 4). Porto Vivo is responsible for “The Urban Rehabilitation Program” at Sé, a total investment of 15.5 million euros allocated to 12 different operations including a self-esteem workshop, as well as public investments totaling 8 million euros in housing rehabilitation and related outlays, and 15 million euros of private investment resulting in a total of 38.5 million euros for urban rehabilitation and urban regeneration. Virtually all, 97 percent of the investment in “The Urban Rehabilitation Program”, is devoted to the physical dimension, including enhancement of public space.

Urban rehabilitation thus dominates the programs with social outcomes (which are outside the scope of SRU Porto Vivo [according to the program coordinator], but are part of Porto City Council’s duties, promoter of the urban regeneration program) neglected ... (Chamusca 2013, p.35)

⁹ Sé do Porto (the Cathedral of the Assumption of Our Lady) is located in the historic center of Porto and is one of the city’s most important Romanesque monuments.

According to Chamusca, the need to depend on private capital constrains the type of intervention that will occur at Morro da Sé (and other Porto Vivo sites) and as a result neglects some of the social and economic concerns most directly linked to the needs of residents. The neglect of social issues has facilitated the gradual gentrification of the Cardosas and Sé sites. Due to the high cost of rehabilitation and the dominance of the private market, the newly rehabilitated homes are only available to the middle class.

Porto Vivo has finished its work in the historic core. There are proposals for new Urban Rehabilitation Areas in Bonfim, Cedofeita Aliados, Miragaia, Lapa and Santos Pousada.



Photo 4: Morro da Sé view

3.2. External Factors Coincident with Revitalization

While the public policies described above were important in promoting Porto's revitalization so were other factors. For example, in 2017/2018 Ryanair started to fly into Porto enabling Europeans to spend 3 or 4-day mini-vacations there. (Now, many airlines including budget ones fly into Porto.) Secondly, as a result of the failure of the Arab Spring, tourists who had planned to spend vacations in North Africa, Turkey and so forth changed their plans and vacationed in Spain and Portugal instead. Thirdly, Portugal's Golden Visa Program caused foreigners to invest in new housing and housing redevelopments, and has therefore stimulated the production of Airbnb units. Fourthly, Portugal's 2012 Urban Lease Law set a five-year period of transition from the old pre-1990 lease contracts to a new regime of rents free of rent control.¹⁰

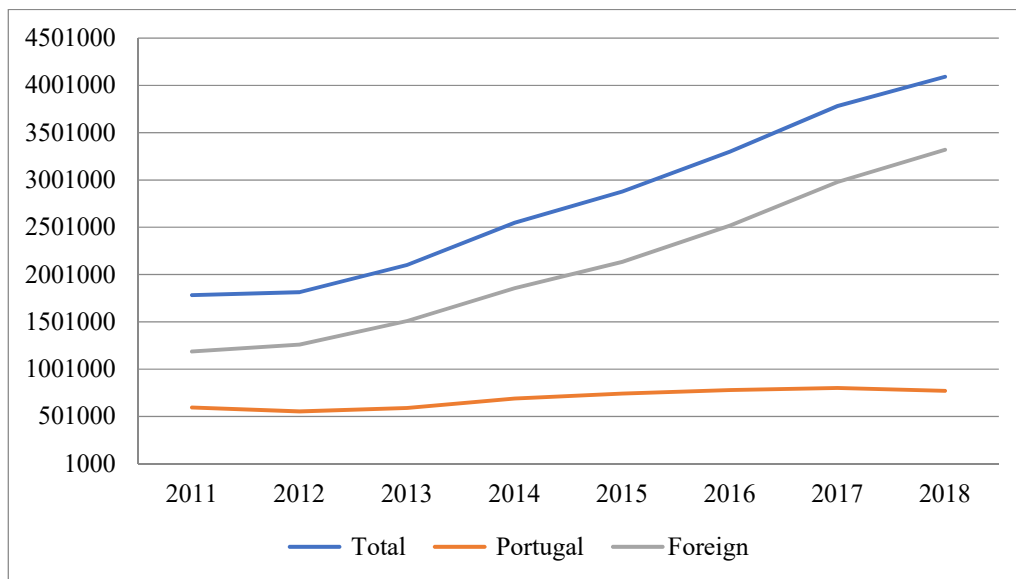
Thus, it is the coincidence of public urban regeneration policies and these external events and not public regeneration projects alone that is responsible for Porto's regeneration.

¹⁰ The exception is low-income tenants or those with disabilities where the rent increases are supposed to be compensated by housing allowances paid for by the State. The amount of the rental allowance is equal to the difference between the value of the new rent and the rent that can be supported by the tenant based on the Corrected Gross Annual Income of the tenant's household (Decree Law n° 156/2015).

4. Urban Revitalization

4.1. Impacts on Housing Affordability¹¹

Porto's uptick in tourism beginning in the early 2000s is quite startling. Air traffic rose by 166 percent between 2008 and 2016. In terms of overnight stays, tourism in Porto is more intensive than in other European cities like Barcelona given the ratio of tourist establishments per resident. The strength of tourism is considered alarming because most of the tourist assets are in the center of the city, which is a fairly small space. When Porto was designated a "European Best Destination" in 2017, (Visit Portugal 2017; it was awarded the same title in 2012 and 2014) this increased the flow of tourists into the Porto Metropolitan Area. Figure 4 shows a sharp spike in overnight stays by foreign tourists during the past decade.

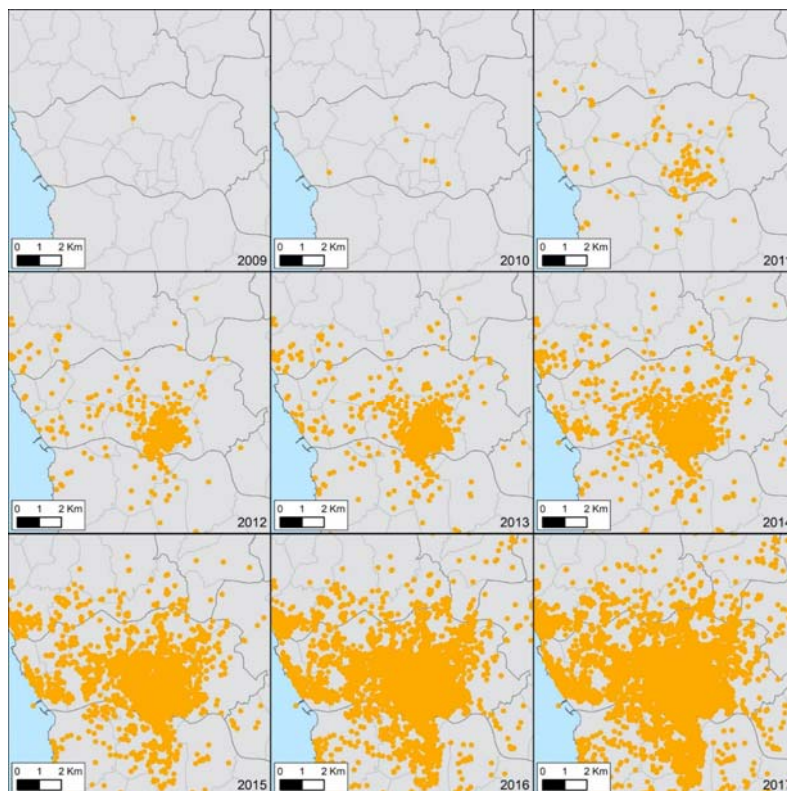


Source: INE, Tourism Database

Figure 4. Overnight Stays, Foreigners vs. Portuguese, 2011-2018 in Porto city

¹¹ Objective information on tourism and housing affordability comes from Gusman et al. (2019).

The Airbnb platform has played an important role in Porto's regeneration story. Considering only the Airbnb platform, the number of properties listed went from less than 100 in 2011 to more than 11,000 as of May 31, 2018. In May 2018, there were 15,610 properties registered on Airbnb in the Porto Metropolitan Area of which 74 percent were located in the municipality of Porto (Fernandes et al 2018 a) (Photo 5). De facto sharing properties (private and shared rooms) today are 29 percent of the total properties listed in Porto. The twenty owners with the largest number of properties operate almost 1000 properties (6 percent of the total) (Fernandes et al 2018 a). In the Porto Metropolitan Area, Airbnb's generated more than 6.8 million euros annually. Figure 5 shows the continuing concentration of these properties in the city center.



Source: Fernandes et al, 2018 a

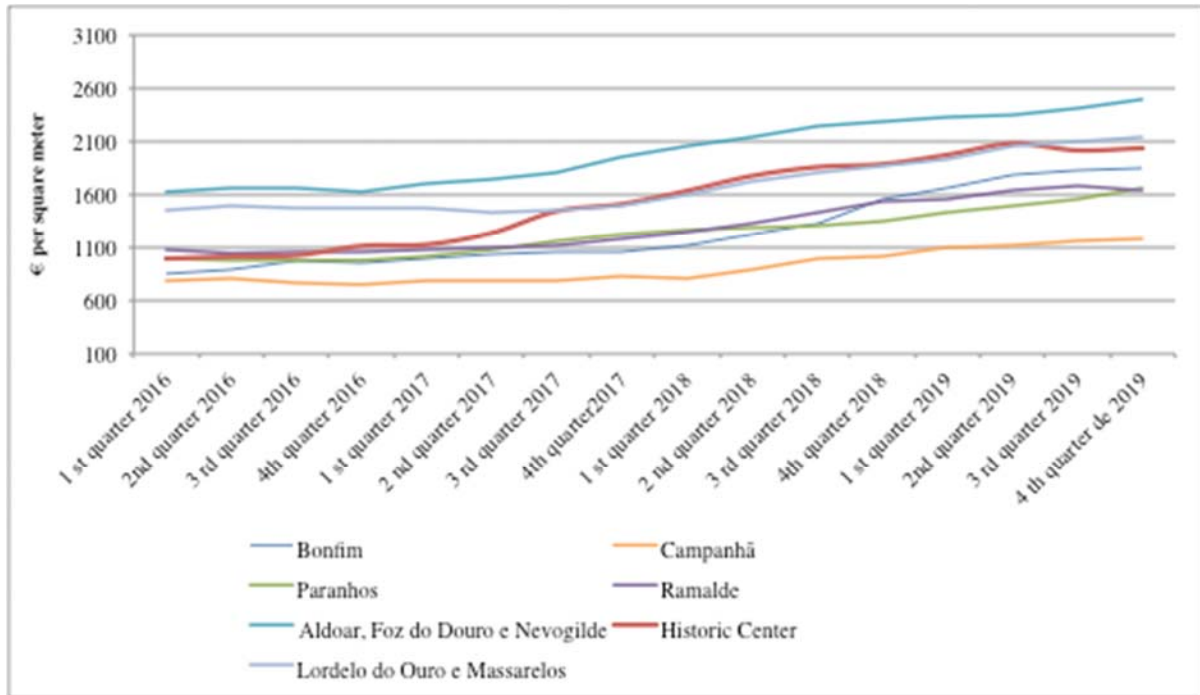
Figure 5. Airbnb. Changes in spatial distribution between 2009 and 2017



Photo 5. Airbnb

Tourism has had significant effects on Porto’s housing and demographics. Between 2000 and 2017 the average value of building transactions increased by 42 percent, and economic activities in the urban core have changed (see Figure 6). Those related to trade, construction and manufacturing have decreased while activities such as consultancy, accommodation and food, electricity, information, and communication, have increased. Rents have increased exponentially and income cannot keep up with the prices charged currently. “People with a pension of 250 or 280 euros per month cannot even pay for a room in the city center” (Barber 2020). Nevertheless, the city of Porto has lost 18.7 percent of its residents in the last 10 years while all of the surrounding municipalities have logged population growth. “The inhabitants of Porto have been displaced into

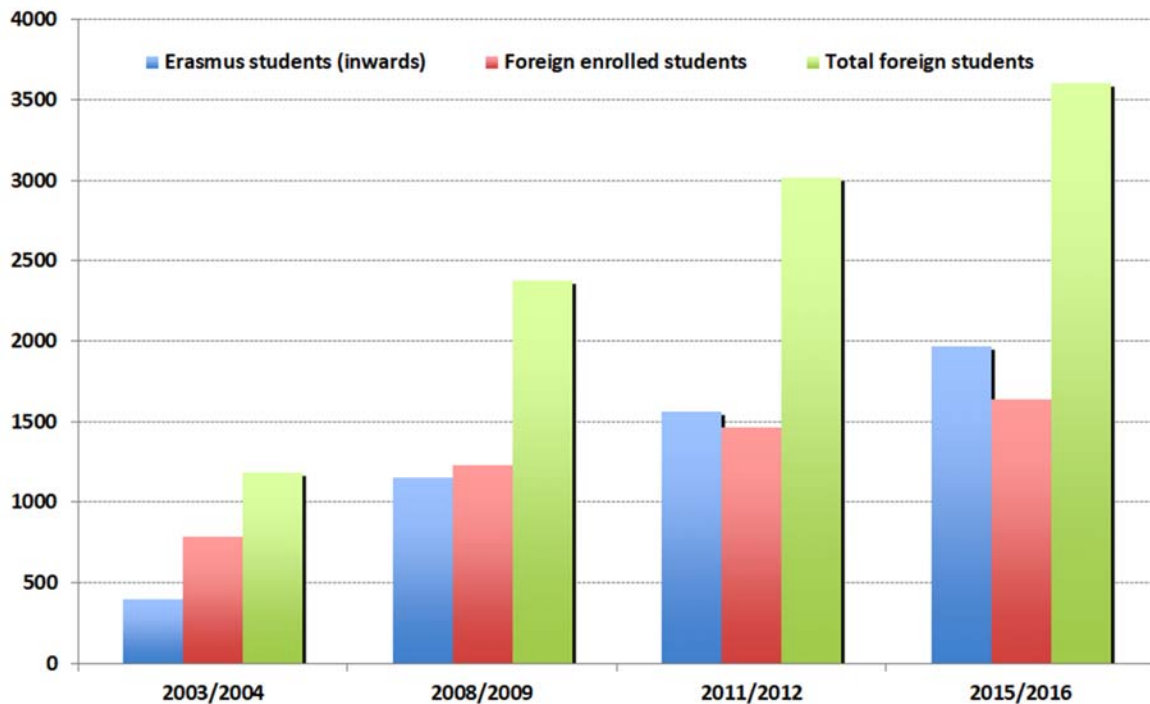
the surrounding territories and this area [the historic core] is losing its residential function” (Gusman et al. 2019).



Source: INE, Housing price statistics

Figure 6. Tourism’s Impact on Porto’s Housing Prices (median value 2016-2019), by Neighborhood

The sharp rise in international students in Porto, so called “studentification” (Carvalho et al. 2019) has also transformed the housing market (see Figure 7). Over the past 10 years the number of enrolled international students at the University of Porto has more than tripled, while the number of students in the international exchange programs increased five times. This influx has contributed to an increase in the demand for temporary housing leading to a 40 percent price increase in this segment between 2015 and 2017. These impacts have been felt primarily in the historic core and adjoining districts.



Source: Fernandes et al, 2018 b

Figure 7. Changes in the Number of Foreign Students in Porto, 2003-2016

4.2. Porto's Inadequate Response to the Housing Affordability Crisis

In recent years, as Porto's image has improved, the middle class has experienced increased difficulty in remaining in the central area, since residential market prices following European levels have become unaffordable. Younger people are losing access to this housing as well. Many of them are having trouble separating from their families because they do not have jobs allowing them to afford city housing.

Porto has a large number of families that need to be relocated to homes with better conditions or that are waiting vacancy in social housing. There are over 2.000 families in these conditions in the Municipality of Porto (IHRU, 2018). Because of the ongoing difficulties of

families in accessing the housing market, the Portuguese government has recently two support programs for increasing housing affordability.

The first one, the “Affordable Rent Program” (Decree-Law No. 68/2019), offers homes at affordable renting prices, taking into account the incomes of the families. This program is mainly aimed at families whose income are too small to access the housing market, but too large to be eligible for government social housing. The second, “Rehabilitate to Rent - Affordable Housing,” aims to finance the rehabilitation of buildings over 30 years old, preferably located in areas signaled for urban rehabilitation. Once rehabilitated, these units are intended to have controlled rents.

4.3. A Qualitative Approach to the Housing Affordability Crisis

Up to now we have presented statistics related to the impact Porto’s revitalization on the housing stock and on the demographic makeup of the population. Statistics are no match for case studies in describing the pain created by revitalization-driven evictions.

“One evicted resident [linked to renovations] Otelinda de Jesus Pinto lives on the ground floor of one dilapidated building in the city’s old town. She’s lived there her entire life, seen her children grow up and free the coop, and never thought that one day she would be told to leave. When she received a notice of eviction for unpaid bills, she knew her time was up. With a pension of just 280 euros per month, keeping up with the rent became impossible. “What will I do now that I have received the eviction notice?” she asks desperately. I’m going to have to collect my things and put everything in boxes. In these old houses where we live, where we have always lived, where we raised our children, where

we have carved our roots, this is what the government should be concerned about. Not tourists! ...After 53 years in her modest home, Otelinda was evicted. For a few more days she can enjoy her breathtaking view of the city before it becomes an additional selling point on a holiday rental website. “I wanted to stay in my little house, but unfortunately it’s not always possible as we would like...she said calmly, although her sorrow must be great. In her place will soon be swarms of tourists, and in place of the building she once called home, a sparkling new boutique hotel” (Barber 2020).

4.4. Impacts on Cultural Identity

Revitalization-skeptics believe over-tourism threatens historical authenticity, the diversity of the population and the loss of local identity (Balsas 2007, Carvalho et al. 2019, Gusman et al. 2019)¹². Porto provides numerous examples of over-tourism; we will mention two. It is widely believed that Livraria Lello Bookshop’s interior inspired Harry Potter’s library in Hogwarts; Rowling lived in Porto in the early 1990s. In fact, according to a May, 2020 news report, Rowling never visited this shop (Daas, 2020).¹³ What is important here is that his fans have believed that she did - and many will likely continue to flock to it, despite Rowling’s revelation. The bookstore owner’s decision some four years ago to charge an entrance fee despite being packed—no one buys books—did nothing to deter tourists; the long line of tourists frequently blocks sidewalk pedestrian flow (Photo 6). Around 4,000 to 5,000 visit every day and the bookstore generated 8 million euros revenue last year. Another example is Casa Oriental (Photo 6), a café and store not

¹² However, the literature we reviewed for this paper does not provide any meaningful support for the assertion that tourist-driven revitalization leads to a loss in local identity.

¹³ As part of the same May, 2020 interview, Rowling said: “If this cheers people up who were disappointed by the news from [Livraria Lello]. I wrote here [at Café Majestic, another Porto cultural icon]. It is probably the most beautiful café I ever wrote, in fact” (Daas, 2020).

far from Livaria Lello that trivializes Portuguese culture by hanging fake clothes from the window and by selling overpriced “vintage” sardines. Both of these examples exemplify ‘staged authenticity’ ”.... ”The tourist activity often contributes to the destruction of what distinguishes it in a process that destroys (or at least depreciates) what it seeks to value.” (Gusman et al. 2019)

European cities are in intense pressure with one another. If Porto loses its cultural character as a result of over-tourism it will lose its competitive edge.

“Authenticity, livability, and viability are all desirable characteristics that make city centers more interesting places to live, work, shop and visit...To remain competitive in the third millennium, the city centers of Lisbon and Porto need to be able to recreate their own existence” (Balsas 2007, p.255).



Photo 5. Livraria Lello and Casa Oriental

5. Conclusion: Thinking About the Future

Porto illustrates a new form of gentrification whereby over-tourism and studentification create a housing affordability problem and push poor and working-class families from the historic core. Revitalization programs have successfully changed the image of Porto but have inadequately addressed social and economic issues. Perhaps city leaders can learn from the past. Porto's revitalization programs have gone through a big circle, from an initial comprehensive socio-economic-physical strategy (CRUARB in the 1960s and 1970s) to a primarily physical one (Porto Vivo, starting in the 1990s) involving public private partnerships beginning in the early 1990s. Activists are currently pressing for a new, more comprehensive strategy. Resuscitating equitable past approaches is urgently needed.

Porto could also better address the affordability and cultural preservation issues—as well as the need to create stable income and tenure-mixed communities—by considering: (1) diverting tourism to nearby cities (e.g. from Porto to Braga and Aveiro), (2) using Portugal's Right to Habitation law, part of the Constitution, to change priorities in favor of affordability programs,¹⁴ (3) adopting inclusionary housing programs that require developers to include a certain percentage of affordable housing units in new developments or rehabilitation projects (Calavita, & Mallach 2010), (4) allowing cities to introduce their own regulations to counter the effects of Airbnb expansion as in currently occurring in Amsterdam and Barcelona (Gusman et al. 2019, Henley 2019), (5) limiting rent increases, (following Berlin, see Morris & Beck 2020) and (6) using vacant

¹⁴ In 2018 and 2019, the government launched two new social housing programs (*The 1st right* and the *Urgent Accommodation Support Program*) and the Affordable Housing Program.

city-owned land or State properties¹⁵ for mixed-income developments managed either by the city, private companies, cooperative organizations, or community land trusts.

Porto faces a number of roadblocks in adopting these innovative approaches. First there is no adequate and affordable rental market for the local middle class. The existence of rent control since 1948 discouraged developers from investing in market-rate rental properties. Second the public rental market only addresses the most vulnerable residents and is clearly insufficient to meet the needs of both low and middle-income families. Current policies are beginning to address this first need but a comprehensive program would require financial resources beyond Portugal's ability especially as it and other European countries face the prospects of a deep recession. Third, the housing market is "out of control" due to speculation. International investors are looking for real estate assets of high potential, in the city center and this international investment is adversely affecting low and middle-income residents. The future depends on the city's ability to continue to attract outside investment but to be able to channel more of it toward improving the quality of life for the city's low and middle-income residents.

¹⁵ The Porto municipality until 2025 will build three affordable housing projects with a total investment of around 125 million euros, and about 900 homes. One of these projects will be built on the site of an old military quarter belonging to the Ministry of Defense. Another will be built on one of the few pieces of vacant land that the municipality still owns.

6. Epilogue

As we were finishing this paper, Porto and the rest of the world were being ravaged by the worldwide Covid-19 epidemic. Tourists have disappeared, airbnbs are empty and foreign real estate investment has dried up (Photo 6). It would be a mistake to assume that the preceding analyses and recommendations are now outdated due to the pandemic. In reality, the tourists will return and the city will recover. The only question is “when”? Now is a good time for policymakers to think about what equitable policies are needed for the city for when the “good times” return.



Photo 6. Steak’n Shake, without tourists, at Praça Guilherme Gomes Fernandes with the mural by Joana Vasconcelos (May 2020)

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