

## Poznań, Poland

### JESSICA – a tool for efficient revitalisation

The municipality of Poznań and the region of Wielkopolska are among the first to use the new financial instrument JESSICA to regenerate an area of the city. A €66m fund was set up, and the city's Urban Regeneration Programme tried to encourage residents and businesses to join in the process of transformation. Already, 18 months after launch, 30% of the funds were committed, with contracts signed on six projects. The first project to receive a JESSICA loan was the Poznań Technological-Industrial Park in the Dębiec district, while the second was the Podwale Office Centre, situated close to the historic district of Śródka.

### JESSICA – a tool for efficient revitalisation

Poznań is the capital of Wielkopolska, one of the most developed regions in Poland and one of the leaders among Polish cities in urban regeneration. In the 2000s, European funds helped to bring about many important infrastructural investments in the city. The municipality succeeded in interesting the private sector in revitalising abandoned industrial buildings, and the resulting shopping malls have contributed to the dynamic development of the city's central zone.

The first Urban Regeneration Programme for Poznań, prepared in 2005, focused on the historical central area with strategic importance for urban development. It involved local communities, NGOs, businesses, artists, the local parish and media. This programme designated the pilot district of Śródka as an 'experimental laboratory' both for citizens and for the city administration. The previously neglected Śródka was successfully transformed and reintegrated with the city.

In the new programme, the city saw the opportunity to involve the private sector. The authorities wanted to maintain the efficiency of public expenditure so they decided to introduce a demarcation line between zones, so that they would intervene in some zones with public investment while leaving others to the private sector. A €66m fund was set up, and 18 months after launch, 30% of the funds had been committed, with contracts signed on six projects. The first project to receive a JESSICA loan was the Poznań Technological-Industrial Park in the Dębiec district, while the second was the Podwale Office Centre, situated close to the historic district of Śródka.

JESSICA offered an opportunity to develop a cost-effective financing solution to achieve these goals. It supports public-private partnerships in regeneration projects, which is one of the basic conditions for the effective transformation of deprived urban areas. Poznań was one of the first cities in Europe to make use of this new financial instrument. The experience with will pay off significantly in the next EU programming period, when the share of revolving financial instruments is likely to increase.

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# *JESSICA – a tool for efficient revitalisation*

Poznań had already achieved a successful economic transformation by the end of the 1990s, and at this point the authorities began to seek new instruments to involve private partners in brownfield construction projects. The municipality succeeded in interesting private businesses in the rehabilitation of abandoned industrial areas, and in 2005 one of these, the *Stary Browar* ('Old Brewery') Business and Art Centre, won the International Council of Shopping Centers' award for the Best Mid-Sized Shopping Centre in the World. Together with the *Kupiec Poznański* ('Poznań Merchant') shopping centre, the Old Brewery has contributed to the dynamic development of the city's central zone around Półwiejska Street. After 2006, European Funds helped to bring forward many important urban infrastructural investments. No wonder that the municipality, together with the whole region, were the first in Europe to eagerly embrace the new financial instrument – JESSICA.

Poland has been a major beneficiary of EU financial assistance, starting with pre-accession funds, and later, as a 'Cohesion' Member State, the Structural Funds, for both infrastructure and human capital. Nevertheless, people were under no illusion that financial assistance from the EU would gradually diminish. Thus, when JESSICA was posited as a new financial mechanism for EU support, Poland showed a keen interest. The first region which signed the memorandum of understanding for JESSICA's implementation was Wielkopolska, with its capital Poznań.

### *Regeneration through a participative approach*

Poznań is now the fifth-largest city in Poland, with a population of 568 000. It has 25 universities and colleges with 130 000 students. It is one of the leading Polish cities as regards urban revitalisation – its Urban Regeneration Programme is often presented as the model of a smart approach towards regeneration that integrates both hard and soft measures. The Śródka district was successfully transformed and reintegrated with the city as a pilot project of the city's regeneration programme, having previously been a much neglected district.



**Fig. 1. New services in the Śródka district (Photo: L. Podbrez, Poznań)**

Śródka witnessed an extraordinary blossoming of activities aimed at regenerating the district, which released a huge amount of social potential across the whole city. The 'Wandering Architects' group launched a number of activities addressed to inhabitants. Many activities encouraging residents to participate in the regeneration of their district took place at the Advice Point at 3 Śródka Market Square, organised by the municipality to promote

revitalisation. Among them were a 'Neighbour Day', workshops for festive illuminations, and photographic contests entitled 'The Magic of my District' and 'Śródka is in the Centre'.

The widespread interest in participation and concrete support for the transformation of Śródka led the municipality to see the potential of such initiatives. They began to support this type of action, hoping that such social commitment would make itself felt in other city districts. Operations financed from the city budget began to depend on the intensity of bottom-up initiatives undertaken by local communities. Lech Podbrez, the head of the Department of Revitalisation in the municipality, recalls how the approach of the authorities gradually evolved, as did the attitude of the staff responsible for the city's development. In the previous decade, town planners had prioritised routine schemes, believing that their rationality would lead to positive transformations. But when the intensive process of transformation started, the situation changed. Especially since the Śródka experience, the authorities began to address their efforts directly to local communities. The organisational structure of the municipal offices was also changed, to make it more responsive to local needs. The Revitalisation Unit was transferred from the Town Planning Department to the Office for the Co-ordination of Development Projects, and a strong emphasis was placed on communication to encourage local communities to participate.

### *Urban regeneration prior to Jessica*

The first Urban Regeneration Programme for Poznań, which was prepared in 2005, was adopted by the City Council in March 2006. It was adapted to the investment opportunities being offered by the European Union's Pre-accession Funds in Poland at the time. This programme focused on the central historical areas with strategic importance for urban development. It was predicated on the involvement of local communities, NGOs, businesses, artists, the local parish and media. It highlighted the pilot district of Śródka as an 'experimental laboratory' for citizens and for the city administration.



**Fig. 2. The revitalized cloister (Photo: L. Podbrez, Poznań)**

Several buildings were renovated as part of this pilot programme. An 18th-century cloister was repaired and adapted for cultural activities, and the former monastery was modernised. These physical transformations quickly gave rise to social changes, which exceeded expectations. Residents and traders joined actively in the process of transformation. Commerce and services came to life. Śródka became a district that attracted

tourists and customers from the whole of Poznań, for its centrality and for its proximity to the historic old town. Art galleries and cafés proliferated. The city now supports all these initiatives using ESF resources among others within the framework of the 'Revitalisation under Construction' project.

Poznań's second Urban Regeneration Programme followed Poland's accession to the European Union. At first it embraced only the areas of Śródka, Łazarz and Jeżyce, which were neglected but not large. Afterwards, new areas were added that could be supported by the new operational programmes to cover former industrial and military sites.

Private developers have joined in the process of transformation by developing the public spaces of the district. In Śródka the majority of the buildings are privately owned. The changes in the neighbourhood have had some negative impacts. There has been an outflow of former inhabitants as a result of the increase in real estate values. The city authorities view this outflow of former residents as a serious problem. The issue has alerted the authorities to the potential for similar phenomena to arise in other districts where revitalisation initiatives are put into place.

The Śródka example inspired development throughout Poznań. But the municipality was conscious that it had to improve and add to the bottom-up approach that had been applied



**Fig. 3. The bridge linking Śródka with city centre (Photo: L. Podbrez, Poznań)**

there. Knowing that sustainable transformations depended on finance, and that it would be impossible in the long term to finance all the investments that would need to be made, even with the support of the European Union, the municipality decided to widen the partnerships. When local communities began to articulate increasingly complex needs and aspirations, it became necessary to coordinate the initiatives of the city with the private sector. Since the start of the 2010s the municipality has succeeded in involving more private investors in developmental initiatives, on the Old Brewery shopping complex model.

### ***Setting up the JESSICA instrument***

JESSICA supports the financing of public-private partnerships for regeneration and infrastructure projects. The assistance is focused on projects that are forecast to bring a financial return. However under normal commercial conditions (using bank loans, for example), many of the urban projects it helps would not be supported because their rate of return is too low. JESSICA also offers an opportunity for private developers to access finance who are not otherwise eligible to benefit from EU funds.

In Poznań, JESSICA was targeted at urban regeneration projects. The initiative was implemented under two measures of the Wielkopolska regional operational programme. The total allocation for JESSICA in this region was initially €66 million, out of which €50 million came from the ERDF and €16 million from a Polish state. After almost three years, the total is now over €70 million. The boost stems from the bank interest earned on this deposit in the meantime.

In October 2008, the regional authorities signed a memorandum of understanding with the European Investment Bank. After almost six months of negotiations, on 29th April 2009, a funding agreement for more than €66 million was signed between the managing authority and the EIB. In the second quarter of 2009, a holding fund was created at the EIB, and the agreed funds were transferred. In the spring of 2010 the European Investment Bank launched the selection of the organisation to manage the Urban Development Fund, which would disburse funds in the form of repayable investments in public-private partnerships or in

other urban regeneration projects. Bank Gospodarstwa Krajowego (BGK) was selected as fund manager for Wielkopolska, including Poznań. BGK is Poland's only state-owned bank, and provides banking services for the public sector, in particular in support of the government's economic programmes, as well as local government and regional development programmes implemented with public funds, including those of the European Union.

According to Michał Kopeć from BGK, interest in this new instrument was slow to start. At first it was greeted with scepticism because there were grants available to authorities, so loans did not seem attractive. However, the generous period of repayment for the loans (20 years), the four-year repayment holiday, and finally the evaporation of grant resources meant that it has been viewed much more positively. By mid-2012 there were 20 applications already filed, of which four were in Poznań. One essential factor in the attractiveness of a JESSICA loan, Mr Kopeć emphasises, is the 'social indicator'. This has meant that his bank can significantly lower the interest rate, from 4.75% to 2.75%. They emphasise that it will pay off in the next EU programming period, when the share of revolving financial instruments will increase.

On the municipal level the implementation of JESSICA depended on the progress made by the regional authorities, who are responsible for setting up the holding fund and agreeing the Urban Development Funds. The city started preparing the Integrated Plans for Sustainable Urban Development in September 2009. It then became necessary to update the existing Urban Regeneration Programme for Poznań in line with the JESSICA requirements. In March 2010, a programme that included former industrial and military areas was approved.

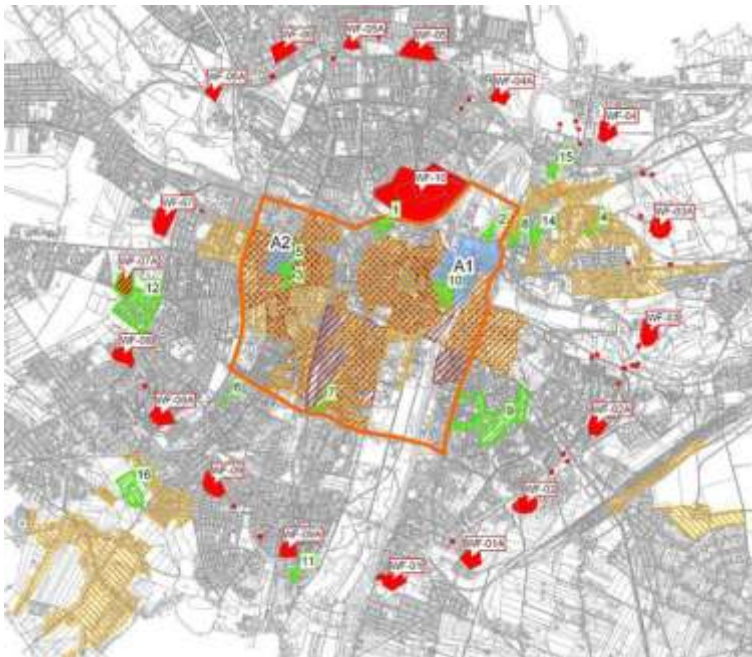
The holding fund was agreed under the Wielkopolska regional operational programme (WROP), managed by the Marshal's Office of Wielkopolska. The majority of activities financed using this instrument were covered by the WROP's fourth priority, for the regeneration of urban areas, some of them under the first priority – support for undertakings linked with regional strategy for innovation – and some of them under the third priority – business environment institutions in urban areas.

### ***The zones for JESSICA***

All these amendments were incorporated into the third Urban Regeneration Programme for Poznań. The city authorities wanted to maintain the high efficiency of public expenditure, so they decided to introduce a precise demarcation line between zones where the further revitalisation would be driven by public resources, and zones where investments would be private. After long consultations the city council accepted the programme in April 2012. Areas identified for regeneration made up approximately 10% of the city. The programme aimed to encourage inhabitants and business to participate in the activities of urban regeneration. It divided areas of activities into categories, depending on how the regeneration activities could be financed.

Separating the areas in which initiatives are to be led by the municipality, from those where development will depend almost exclusively on private funds was a tough decision for the city authorities. Each area requires a particular assortment of coordinated actions. The geographical coverage and the content of specific investments are often difficult to foresee. Only two city centre areas were designated to receive public budget support: Śródka and its adjacent neighbourhoods (approximately 1 sq. km, 2 500 inhabitants) and Jeżyce (approx. 0.3 sq. km, 9 000 inhabitants). This is 'Zone A', the degraded urban areas, to be supported by systematic revitalisation actions – activating and integrating communities and implementing communal investment projects. In this zone the developmental activities would continue to be based mostly on public grants. 'Zone B' areas are also degraded urban areas, but they include former industrial and military facilities, where revitalisation can be supported primarily by the JESSICA initiative, through the selected investments, accompanied by social initiatives.

These recommendations are fundamental to the JESSICA procedure, where they play the role of the primary condition for the verification procedure. The city of Poznań decided to put on its indicative list only those proposals that definitely fulfil JESSICA's criteria. However, this list remains open: further proposals can be added even after these proposals have been approved. To date, private investors are interested in more than half of the areas listed in the programme. The municipality has issued certificates for them to present to the Urban Development Fund.



**Fig. 4. Zones in the Urban Regeneration Programme**  
(Source: Poznań municipality)

### *Which projects are Jessicable?*

The idea of a 'jessicable' project is one that after thorough financial analysis looks as though it would be viable as an investment for an Urban Development Fund. The requirements outlined in JESSICA's criteria eliminated many projects initially considered attractive by the city and/or investors. This was a new situation that was sometimes hard to accept. But experience has shown that such

strict criteria are necessary for the success of the Urban Development Funds. Recalling the projects submitted to JESSICA, not only from Poznań, but from the whole region, Lukasz Walczyna, who deals with revolving financial instruments in the managing authority, affirms that the verification procedure does indeed favour the most financially sustainable projects.

The first proposal submitted by the Poznań municipality to JESSICA was the Old Gasworks, a neglected post-industrial area in the centre of Poznań. Built in the 19th century, it was no longer in operation, but it was of high architectural value. The residents of the neighbourhood had the idea of creating a cultural centre there. The municipality had financed the concept design for its transformation for cultural activity, as well as a preliminary feasibility study for its regeneration, and the JESSICA instrument was listed among its possible sources of funding. The project was the centrepiece of the Local Action Plan developed within the URBACT 'Jessica 4 Cities' project. At the time it was thought to be a 'jessicable project'. Matters seemed relatively advanced when a disagreement arose among three semi-public owners of the area. Paradoxically they had the chance to obtain financing in the grant mode. But the owners were undecided about whether they should submit their project to JESSICA for a loan.

At present the site itself has still not yet been renovated, and it is a kind of blot on the city centre landscape. On the other hand the city has managed to avoid engagement in a project that could have become a black hole for public resources. This was a consequence of the JESSICA procedure, which required proof of the viability of the project and its profitability. For a city that intends to realise a huge programme of urban investments it is important not to burden the budget with too many long-term liabilities. The Old Gasworks area will have to wait for more profitable ideas regarding its use.

The Old Gasworks was not the only project that did not fulfil the JESSICA criteria. There was another project, undertaken by a private developer, and connected with the revitalisation of a neglected ex-industrial estate, that seemed an ideal fit for the Urban Regeneration

Programme. It was on the indicative list and the municipality had high hopes for it – with the promise of high-quality office spaces and high-value housing. However, after a check by the BGK bank, the UDF for Poznań, it turned out that the financial side of the project, whose total value was about €15 million, was doubtful. In the end, BGK refused the financing. The reason for the failure to meet the requirements was a poorly conceived development plan that was poorly adjusted to the changing needs of the market.



**Fig. 5. Model of the Poznań Technological-Industrial Park in Dębiec (Source: PTIP, Poznań)**

One of first projects to receive a JESSICA loan was the Poznań Technological-Industrial Park in the Dębiec district. 'This is the first public investment in Europe that will arise due to JESSICA,' stated Leszek Wojtasiak, the vice-marshall of the Wielkopolska region. One investor in the Park is the Wielkopolska Centre for Support of Investments, a private limited company created and entirely owned by the city of Poznań. Starting in 2007 it has concentrated on investing in supporting entrepreneurship, especially the creation of new firms. It had started by adapting old administrative and social buildings. In 2010 the construction of a new fully equipped five-storey office building began. Two storeys of this building

will contain the business incubator, and the remaining three storeys the technological part. This project was financed by conventional grant funding under the regional operating programme, with an entire investment value amounting to almost €10 million, of which more than €3 million was ERDF co-financing. The JESSICA loan will enable the construction of a second phase with a floor area of 5 500 sq. m., and thus the completion of the entire infrastructure of the park. The entire value of the JESSICA part of the building is about €8 million, with a loan value of roughly €4.5 million.

The second project in Poznań which received JESSICA support was the Podwale Office Centre, situated directly behind the historic district of Śródka, close to railway. It is a private investment of €7.5 million, of which €5.5 million will be covered by the JESSICA loan. The project has fulfilled the strict criteria for qualification and will contribute to adapting and modernising a rundown industrial park for service and office purposes.

### ***An investment in the future***

In 2008 Danuta Hubner, at the signing ceremony of the agreement between the Board of Wielkopolska region and European Investment Bank, said: 'Wielkopolska is the first region in Poland and Europe to have prepared all that was necessary to access the JESSICA initiative... For us this is an extremely important day.' Today the Poznań authorities are of the same opinion.

The first experiences show that JESSICA forces important changes in the renewal processes. Working with private sector and with the bank managing the funds caused the municipality a lot of problems. Targets for the city's spatial policies did not align with the JESSICA rules, so many of them must wait for another way of financing or be reshaped with new ideas – and this slows down the renewal process. But the number of potential projects has increased, even though they are geographically scattered, and the schedule of actions is not fully under control of the municipality. Also, because of commercial confidentiality, the transparency of the process is sometimes lower than it should be. But in the long-term

perspective these disadvantages seems to be not critical. On the contrary – the development seems to be less risky, stabler and cheaper – this is the influence of applying market rules.

The call for applications for JESSICA loans was launched in October 2010, and stays open until the end of 2015. Yet after 18 months of JESSICA action in Wielkopolska, 30% of resources had already been allocated, with contracts signed on six projects, two of which are in Poznań. This suggests that the commitments are on track to spend up the fund. Considering the difficult start and long discussion on the detailed guidelines for projects, this figure is a considerable achievement. It also represents a success on the European scale. This success has involved many different actors at various levels in the JESSICA structures, in the managing authority of the regional operational programme (WRPO), in the municipality and among potential beneficiaries. In addition to the actual projects that have already begun to take shape as a result of this form of the financing, the greatest success must surely be the preparedness of Poznań for the future, when in all likelihood revolving financial instruments will play a growing role.

The real success will be if Poznań is able to infuse its JESSICA developments with the type of creativity and excitement that was achieved in the previous period using conventional funding in the Śródka area. Urban development is not only a technocratic and financial matter. Revitalising cities means that neighbourhoods find new meanings and activities through innovative participation and new ideas.

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