



JESSICA

***JOINT EUROPEAN SUPPORT FOR SUSTAINABLE INVESTMENT IN CITY
AREAS***

**INCORPORATING JESSICA INSTRUMENTS
INTO THE OPERATIONAL PROGRAMME (OP)
FOR THE MARCHE REGION**

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The following report is enclosed together with this document:

“Development in the cities of the Marche Region. The contribution of the JESSICA program”

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ENCLOSURE:

SUSTAINABLE DEVELOPMENT IN THE CITIES OF THE MARCHE REGION.

THE CONTRIBUTION OF THE JESSICA PROGRAM.

Glossary

JESSICA:	Joint European Support for Sustainable Investment in City Areas
ESDS:	European Space Development Scheme
ERDF:	European Regional Development Fund
ESF:	European Social Fund
ROP/NOP:	Regional Operational Programme / National Operational Programme
RIP UAF:	Regional Implementation Programme of the Underused Areas Fund
NSF:	National Strategic Framework
RSP:	Regional Strategic Plan
UTC:	Urban Transformation Company
PF:	Project Financing
UDF:	Urban Development Fund

INTRODUCTORY NOTE

PREAMBLE

Within its framework, the ROP ERDF 2007-2013 for the Marche Region **does not provide for an axis specifically dedicated to sustainable urban development**. The choice denotes a countertrend with respect to the overall framework of ERDF planning for the Italian regions.

The Regional Operational Programme however contains an Axis (the fifth) entitled “**Valorisation of territories**”, by means of which the intention is established to above all to promote and sustain action aimed at safeguarding environmental, artistic and cultural assets and also the recovery and protection of areas that present high levels of risk associated with both natural and anthropic phenomena. Within this context, as expressly indicated in the planning document, it is possible to envisage the funding of interventions in favour of the physical re-qualification of urban areas.

Moreover, it would be reasonable to state that, in line with the majority of the ROPs (2007-2013) of the Italian regions relating to the Competitiveness and Employment objective, the **ROP ERDF of the Marche region** primarily aims at **achieving the community objectives contained in the Lisbon strategy** and, that is, to increase the level of competitiveness and technological innovation of the regional socio-economic and productive system. In this sense it is particularly useful to recall the role which the policies and guidelines of the European Union (from the ESDS¹ to the Leipzig Charter) assign to medium-level cities and urban settlements. They are to be called upon to be the actual drivers of sustainable and competitive development for the territories, especially in those areas of the continent that are more peripheral and less densely infrastructured.

Although historically characterised by a ‘scattered’ territorial layout and by the absence of metropolitan centres, over the last few decades the Marche region has gradually and, in the main, spontaneously developed a **system of urban districts and agglomerations of a certain importance**. This structure, a careful analysis and definition of which was the subject of the study conducted by a team of the Università Politecnica of the Marche region coordinated by professor Antonio Calafati in parallel with this work², represents an important context in relation to which the JESSICA initiative may be developed in the region.

The urban districts can play a fundamental role in imparting greater impetus to technological innovation and contributing towards raising the level of quality and competitiveness of the regional economy, as centres where services of an increasingly high level are provided and as physical sites where it is possible to concentrate resources to be invested in research and training and, that is, in the development of the so-called Economy of Knowledge (Lisbon).

In light of the above, the necessity to explicitly indicate a strategy for sustainable urban development to be pursued through the ROP ERDF, a pre-condition for activation of JESSICA, thus appears not to be in contrast with the fundamental objectives of the regional planning document.

AIMS OF THE STUDY

Coherently with the spirit of the JESSICA initiative, which involves providing cities with the possibility of multiplying available financial resources for investment in sustainable development and competitiveness, and in line with the specifications contained in the Terms of Reference produced by EIB for this study, the objectives characterising the work may be summed up as follows:

¹ European Space Development Scheme.

² The study entitled “Sustainable development in the cities of the Marche - The contribution of the JESSICA programme” offers a fundamental reflection on the possible need to introduce JESSICA in the Marche region and is thus an introduction to the work illustrated here. The study is enclosed with this document.

- **To determine (qualify and quantify) the manifest demand and the potential market** for interventions of urban regeneration aimed at increasing efficiency, environmental sustainability and the appeal of the cities and urban areas of the Marche region;
- **To identify within the framework of the ROP ERDF opportunities for the implementation of JESSICA**, proposing a suitable interpretation of the document and identifying the possibility of integrating resources relating to various community and national funds;
- **To indicate one or more pathways for the activation of JESSICA**, emphasising a possible model of financial configuration (Fund(s)/holdings for urban development) and testing the feasibility of types of intervention for urban transformation to be financed by means of the JESSICA mechanism.

METHODOLOGICAL APPROACH AND STRUCTURE OF THE STUDY

In the two concurrent studies for the evaluation of the applicability of JESSICA in the Marche, the identification of a practicable path to ensure feasibility immediately appeared as a necessary condition. Determination of the **real demand for transformations to be funded through JESSICA** is in fact closely linked to the **definition of a strategy for sustainable urban development** (study planned by Prof. Calafati).

This study comprises two main parts, the first one consists in an **exhaustive overview of the current situation**, both in terms of the market for urban transformations (the factors which determine them; instruments by means of which they are implemented) and in terms of prospects for the use of ERDF resources offered by the ROP and other available public resources (in compliance with community, national or regional funds). The second part is dedicated to proposals of **configurations for the implementation of JESSICA** in the Marche.

The first part is referring to the analysis of structural imbalances (in terms of amenities), which constitute the real obstacle to improve efficiency and competitiveness of the urban centres of the Marche. This model of interpretation determined the structure of the survey and the **analysis of the market of urban and real-estate transformation**, highlighting the limits of the dynamics which, over the last few decades, have produced growth. In terms of size, this has been important but it remains unsatisfactory overall in terms of environmental sustainability and urban quality. The market analysis moreover aimed at indicating the existence and “consistency” of any financial instruments or mechanisms already active in the funding of urban development and, that is, the presence of financial actors intending to activate specific products for the sector.

It was found that another fundamental element useful for defining the demand for interventions of sustainable urban development is a careful survey of the **project-development capability currently present in the territory**, both on the part of public and also private promoters.

The results of this initial survey and the examination of the ROP ERDF help to highlight the possibilities of use of the resources allocated within the various axes in favour of interventions that would be ‘Jessicable’ and which would truly correspond with the already identified demand for sustainable urban transformation. In this regard, it is worth emphasising once again how, while recognising in Axis V of the ROP the natural origin of resources to be taken into consideration, the analysis was extended to all axes (I-V) in order to respect the marked coherence between the urban development which should be promoted through JESSICA and the predominant spirit of the planning document, which aims to the attainment of the Lisbon objectives. With the support of the same regional administration, an examination was carried out of the opportunities deriving from **the systematic integration of the ERDF** grants with those of the **OP ESF**, of the **OP EAFRD** European Agricultural Fund for Rural Development or of the **Regional Implementation Plan (RIP)** of the **UAF**, again from the perspective of their inclusion in JESSICA.

The second part of the study concerns the prospects of actual implementation of the JESSICA model in the Marche. Considerations regarding optimal configuration were made and also regarding findings relating to market conditions and the nature of the demand, the actual weight of assignable public resources (ERDF and other possible assets/resources) and the most suitable and viable model of governance within the context of the Marche region.

In this regard, it was of fundamental importance, through the **structuring and the analysis of case studies**, to



test out possible modalities of use of JESSICA resources in support of ambitious projects of sustainable urban development developed by local administrations. Analysis of the cases highlighted the modalities of reformulation of the projects in view of a funding through the JESSICA mechanism and stressed the actual **benefits deriving from the implementation of JESSICA**, that is its capacity to implement **transformations for which the territory expresses a real and urgent demand**.

PART I: SURVEY OF THE URBAN TRANSFORMATION MARKET IN THE MARCHE REGION

I.1 EXPERIENCES OF INTEGRATED PLANNING OF URBAN DEVELOPMENT

I.1.1. *The cities of the Marche region in the “complex programmes” initiative*

The local administrations of the Marche region participated in a generally active and profitable way in the so-called complex programmes initiative (“stagione dei programmi complessi”) launched, at the beginning of the nineteen-nineties, by a series of initiatives promoted by the **Local Territorial Offices** of the Ministry of Public Works (later the Ministry of Infrastructures and Transport - MIT) for the implementation of processes of requalification. The main characteristics of those programmes were their integrated way of implementation, the variety of actions available and the diversity of the sectors concerned.

As far as the initiatives funded with national grants are concerned, the administrations of the Marche succeeded in “setting up” convincing intervention programmes, capable of attracting awards for a proportionately important share of the financial resources made available by the central State through public tender procedure.

‘First-generation’ programmes

Four municipalities of the region participated successfully in the **URP** (cf. Urban Requalification Programmes, Law 179/92 and Ministerial Decree of 21/12/94): **Grottammare, Macerata, Porto Sant’Elpidio and Ascoli Piceno**. In this context, the two provincial capital cities, **Macerata and Ascoli**, completed particularly ambitious transformation programmes. The two maritime municipalities used the URPs to initiate the difficult process of recovery and rehabilitation of important abandoned industrial areas (ex-Fim area at Porto Sant’Elpidio and the ex Ferradriatica at Grottammare).

Three **PURSDTs** were funded in the Marche (Programmes for Urban Requalification and Sustainable Development of the Territory, Ministerial Decree 1169/1998): *the Urban Area of Ancona*, on a scale extending beyond the actual municipal boundaries and promoted by the **Province of Ancona**; *the City, Port and Territory* promoted by the **Municipality of Ancona** with involvement of various districts and particular sites of the city; *the Integrated Development of the Abruzzo-Marche Coastline, surrounding valleys and the Valorisation of the National Mountain Parks* under the main control of the **Municipality of Ascoli Piceno**. The three programmes experienced difficulties in the implementation phase, especially due to complex partnership and governance mechanisms. These difficulties are not linked to regional particularities, but are more generally characteristic of the **PURSDT**.

The experience of **District Contracts** involving integrated interventions of urban requalification / regeneration in areas with public housing, co-funded by central, regional and local administrations and providing for strong integration with interventions promoted by private actors may also be included amongst the set of complex programmes.

The experience of the District Contracts, which began in the nineteen-nineties was relaunched with a second funding (**CdQ II**, *Contratti di Quartiere II*, Law 21/2001 and Ministerial Decree of 31/12/2001), followed by public competitions managed at the regional level.

In the Marche region, the municipalities of **Jesi, Ancona, Ascoli Piceno, Ripatransone, Pollenza and Cupramontana** have benefited from national and regional funding and the municipalities of **Macerata, Montegranaro, Grottammare, Santa Maria Nuova and Lunano** from a funding of regional resources only.

Finally, it should be noted that **none of the cities of the Marche region participated in the community “URBAN” initiative** (neither in the planning period of 1994-99 nor in the 2000-2006 period and taking also the “URBAN Italy” initiative into consideration). This may be partly attributed to the relative absence of urban

areas characterised by a high degree of degradation, in both the physical and socio-economic sense, which constituted the main target of the URBAN initiative.

The most recent innovative programmes

“Urban” programmes issued at the ministerial level and launched over the last decade, with the explicit aim of stimulating innovative forms of territorial planning, saw the participation of a number of municipal administrations in the Marche region. In this case, fundings were assigned directly on the basis of particular characteristics of the cities (and not following the process of a public tender procedure), and focusing attention on the processes of planning and availability of resources rather than on the setting up of interventions with extraordinary ad-hoc public funding.

In particular, the **Innovative Programme in Urban Areas entitled “Ports and Stations”** (cf. Ministerial Decree 25/2/2001) concerned “areas adjacent to the railway stations of large cities and outlying, fringe areas close to the largest ports, where, in particular, conditions of urban and social degradation are present and there is a need to requalify areas of residential building”. Within this framework, the Municipality of **Ancona**, in a partnership with the other signatories of the Protocol (the Marche Regional Authority, the Italian Railway Network (*rete ferroviaria italiana, RFI*) and the Port Authority of Ancona) developed, and is still implementing, the “Viale of Luci” (Avenue of Lights) programme.

Figure 1 - Area of intervention of the IPUA



The areas involved in the IPUA programme include the Archi district and the Station area, which are adjacent to the port and crossed by via Marconi, which is the entrance route to the city of Ancona from the North. The Programme intended to enhance the role of the Archi district as a hinge-area between the primary and secondary zones of the city, valorising the relationship between the port, the innermost suburban areas and the consolidated city area through interventions involving public spaces and services, road/traffic circulation conditions and rows of buildings along particular stretches of road.

The Programme was conceptually structured on the basis of three systems: the main infrastructural system (link between the port and surrounding territory); the secondary infrastructural system (link between the urban areas involved in the project) and the system of urban requalification comprising specific interventions on elements within the area of the Programme itself.

Great importance was assumed in the implementation of the Programme by the coordination between the various actors involved and synergic collaboration between the local administration and the social world formed by the citizens, the city’s district committees, various associations and voluntary organisations and groups.

Besides the elaboration and development of the various plans and the setting up of various interventions, the

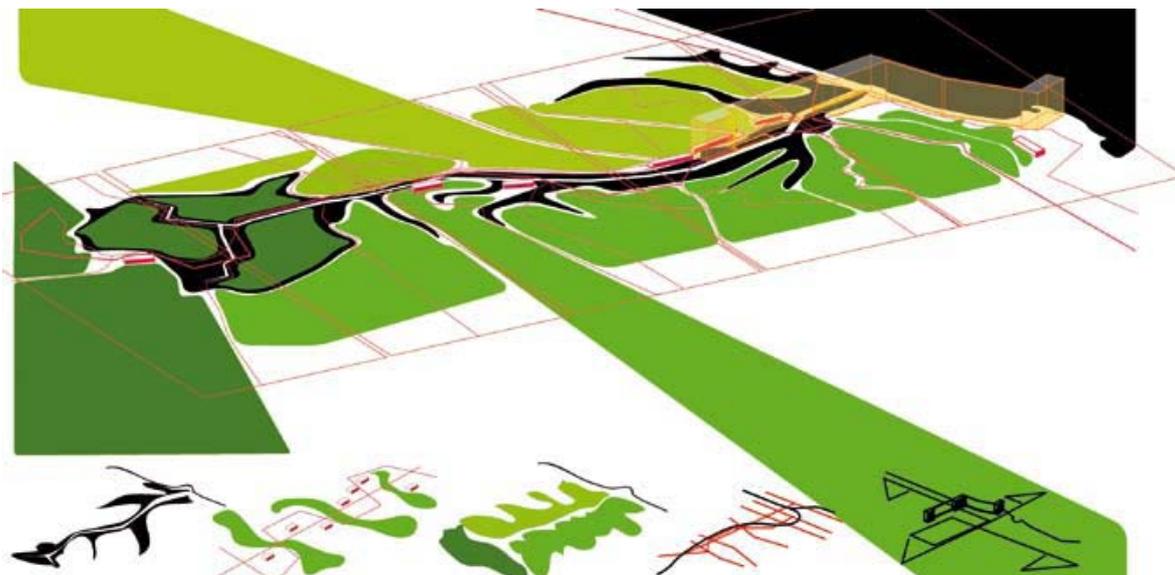
Innovative Programme allowed the Municipality of Ancona to identify possible opportunities for development for the area not only within the framework of European planning by adhering to “INTERREG III C– Connect Cities”; it also permitted **coordination with other ministerial initiatives** promoted within the regional sphere, and in particular the S.I.S.Te.M.A. programme of the Municipality of Jesi and the Strategic Plan and Urban Mobility Plan of the Municipality of Fabriano (cf. section I.1.3). Distribution across the regional territory of such projects broadly overlaps with the Esino corridor and with the transversal route, which, from the coast, reaches in as far as the border with Umbria. The Esino Corridor constitutes the part within the Marche region of the so-called “Strategic Ancona-Terni-Civitavecchia Territorial Platform”³ and forms a sector of territorial development identified also at national level as being of primary concern.

The three programmes referred to above, while having their own specific aims, courses of implementation and timing have addressed the fundamental common themes of mobility, the environment and logistics / infrastructures.

The work conducted by the Municipality of **Jesi** within the framework of the **SISTeMA Programme** (Ministerial Decree 988/2003) had the specific object of development in the sustainable and competitive sense of the Esino Corridor. In particular, the Jesi programme concentrated on optimisation of the role of the city and its territory as an interface and hinge-area (in the logistic and economic senses) between the inland areas (the municipality and area of Fabriano in particular) and the Adriatic ridge. In other terms, the objective of the Programme was to reorganize the system of territorial relations in which Jesi is inserted and to reinforce the networks of the Esino Corridor (network of economies, network of local firms, network of environments and landscapes, network of infrastructures).

The activities of the project (which did not provide for funding for the setting up of the interventions) led to results which can be related to the **drawing of a strategic scenario** (with an in-depth sectorial examination of such themes as infrastructures and landscape and with the compilation of guidelines and a master plan) and the **setting up of an important system of interaction between institutional actors** (institutionalisation of the Mayoral Forum of the Esino area, the “Working Group of technical subjects” and “functional agencies” and the already cited “Working Group for Jesi, Ancona and Fabriano”).

*Figure 2 – Synthesized image of the strategic scenario
(Department of Architecture and Planning - Milan Polytechnic)*



Placing great emphasis on large-scale infrastructural themes and on the role of the valley, the project was re-baptised as the “Park of activities of the Esino”, which intends to be an organic set of infrastructures having an

³ A platform identified by the Ministry of Infrastructures and Transport within the area of development of configuration of the National Strategic Framework for the 2007-2013 planning period.

ecological connotation and supporting innovative economic activities, but also the more traditional kind, typical of this part of the Marche region.

The SISTeMA experience was followed by the assignment of a grant, from the Ministry of Infrastructures and Transport (MIT), to organise and set up a **Territorial Project**, constituting an integrated programme of territorial development with a distinct bias towards identifying strategic, practicable action through competing for the assignment of public (national and local) funds and through the attraction of private investment.

To conclude, it would appear reasonable to state that in the Marche region various urban situations distributed in a quite uniform manner over the regional territory have **structured and - in some cases – have successfully brought to completion complex initiatives of urban requalification** promoted with public sinking-fund grants. These experiences have often had characteristics compliant with those of the integrated plans for sustainable urban development.

This has undoubtedly allowed local administrations to **acquire specific know-how and a certain familiarity with innovative procedures**. In some cases these interventions have prepared the ground very well with respect to partnership processes and concerted action, laying the bases for participatory investment projects typical also of strategic planning.

1.1.2 The experiences of public-private partnerships within integrated urban programmes

The experiences previously referred to were principally characterised by forms of public-private partnership typical of integrated (or complex) programmes. From this point of view, the integrated character of requalification / recovery action was the result more of a capacity for coordination / governance of interventions of a public and private nature than of an actual synthesis in management terms. **In the main, the public grants were used for sinking-fund investments in public infrastructures and amenities and the investments of private actors in the requalification / development of private real-estate assets.**

There were few cases of actual contribution on the part of private actors in the setting up of public assets.

Taking as an example the experience of the URPs, within the framework of the integrated urban programmes of the Marche it is possible to note a relatively **poor capacity for sinking-fund grants to function as a driver for implementation of private investments**. The four URPs of the Marche region, with approximately 25M € of public resources invested, generated private investments for just over 50M € with a proportion of 1/2. In various other regions of central-northern Italy the "leverage effect" was considerably higher (1/7 approximately in Lombardy, Liguria and the Veneto, 1/4 in the Lazio region and 1/3 in Umbria).

1.1.3 Strategic planning

Various local administrations of the Marche region have had recourse to strategic planning to develop shared projects of socio-economic and spatial development.

For a few years now, the two cities of **PESARO** and **JESI** have been engaged in and developing particularly successful pathways of strategic planning funded with their own resources. Both strategic plans clearly delineate lines of action and constitute projects.

Pesaro

Strategic planning of the city of **Pesaro** began in February 2001, aiming at completing a systematic integration and organisation of initiatives already under way, promoting the level of competitiveness of the territory and simultaneously producing new scenarios and envisaging new future scenarios.

The Plan is configured as a large set of projects and contains project ideas identified as being of primary importance through a broad process of participation.

The strategic Plan of Pesaro has its roots in a consolidated cooperative method of working on the part of the institutions and economic and social parties, forming a pattern, which, over the last few decades, has ensured continual growth within the district of Pesaro.

The Plan, denominated **“2015. Pesaro Città della Qualità (Pesaro, A City of Quality)”** has as its unifying theme the quality of life within **6 strategic areas**. It comprises 27 action programmes and 69 projects.

The 6 strategic areas are: Entrepreneurial appeal, Culture, Internationalisation and promotion, IT society and new Information and Communication Technologies (ICT), Local welfare and the Territory.

Amongst the protocols and agreements which, during the course of the works, have been signed by the various parties involved it is worth noting the agreement relating to the **PrInt-UP (Integrated project of the Urban Area of Pesaro)** project, which concerns the recovery, protection and valorisation of the natural and cultural assets with the purpose of promoting sustainable tourism. Besides the municipality of Pesaro, the municipalities of Mombaroccio, Gabicce Mare, Gradara and Unione Pian of the Bruscolo also participate in the project (for which a request for a grant was presented in response to the competition for Axis 5 "Valorisation of Territories" of the ROP-ERDF 2007-2013).

Within the framework of PrInt-UP, the Municipality of Pesaro has proposed an intervention for the *“Valorisation and New Organisation of the Civic Museums”*, concerning the recovery, rehabilitation and fittings of the Civic Museums (Palazzo Mazzolari Mosca and Palazzo Toschi Mosca) and their new organisation.

Amongst the other main programmes/projects launched by the Municipality of Pesaro during the phase of implementation of the strategic Plan the following activities can be distinguished on account of their particular originality and innovative potential:

- the **“PASSO DP” (Programma Ambientale di Sviluppo Sostenibile del Distretto Pesarese) – Environmental Programme for the Sustainable Development of the Pesaro District**. PASSO DP is an experimental early implementation of an instrument recently introduced in planning for the Marche Region: the Strategic Regional Agenda for Local Territorial Development (SRALTD) (*Agenda Regionale Strategica per lo Sviluppo Territoriale Locale (ARSTEL)*). The SRALTD aims at attaining coherent planning of a variety of local development actions within a territorial area. PASSO DP proposes action methodology based on inter-institutional cooperation between various levels of governance for the elaboration of a development strategy for the Pesaro district. With the collaboration of the Marche Region, the partners of the local PASSO DP⁴ network have conferred with regard to 5 issues relevant for the success of the Pesaro district. The objectives identified for the strategy of sustainable development of the Pesaro district are:
 1. requalification of the industrial areas,
 2. valorisation of the Foglia River,
 3. cultural/environmental resources and valorisation of the territory for tourism activities,
 4. sustainable mobility,
 5. city planning / settlement requalification of the Municipalities of the Unione Pian del Bruscolo.

For each objective, one or more actions of greater or lesser scope and complexity were developed.

- The programme **“Innovation Made in Marche – Pesaro – IMMP”**, an action plan intended to be a catalyst for territorial innovation and cooperation between various actors and institutions which aims at laying the bases apt to define and orientate important projects within the framework of technological innovation closely connected with the productive fabric of the district and, in particular, with *“Made in Italy”* products. The main actions supported by the Programme also include the **Requalification of the Tombaccia area**, which it is envisaged will become a point of reference for management in relation to services provided for the entire territory (including the municipality itself and other surrounding areas),

⁴ The bodies involved in the programme are the Municipality of Pesaro, as the promoting body, the Province of Pesaro and Urbino, the municipalities of the Unione Pian del Bruscolo (Colbordolo, Monteciccardo, Montelabbate, S. Angelo in Lizzola and Tavullia) and the Municipalities of Gabicce Mare, Gradara and Mombaroccio.

and becoming qualified as a preferential site for the development of tertiary and innovative productive activities as it gradually assumes identification as a “scientific-technological district”.

- The **E-DEMPS project**, an “e-democracy” initiative, thanks to which an on-line platform has been set up comprising various instruments supporting the participation of the local parties and citizens in strategic choices.
- **Integrated Environmental Management for Industrial Areas**, a project aimed at defining a working strategy for the conversion of the industrial and craftwork district of Pesaro into an ecologically-equipped production area.

Jesi

The strategic plan of **Jesi** has very carefully defined thematic areas within which projects may be developed.

The **thematic areas** identified as qualifying and strategic for the future of the city and of the Vallesina refer to four issues in particular:

- *competences*, referring to knowledge resources present in the local area in the form of opportunities for the training and preparation of professional operators capable of acting for and with the territory;
- *production*, referring to existing productive capability and economic activities, especially of an industrial nature, that characterise the city of Jesi and the territory of the Vallesina;
- *natural resources*, referring to production within the agricultural sphere;
- *history and culture*, referring to assets, resources and activities connected with the natural and historical environment.

Besides the various themes, the primary distinguishing features of the Esino territory were identified according to more or less circumscribed “locations”, which constitute the field within which it is envisaged that future projects and actions will occur.

The **territorial areas** refer to three dimensions:

- *networks*: the question of the Esino corridor within which important transformations are occurring in terms of the configuration of settlements, infrastructural factors and environmental aspects of the territory;
- *relations with neighbouring municipalities*: the consideration of municipalities bordering on the administrative area of Jesi, with respect to which it is necessary to promote relations of cooperation and joint projects;
- *urban sites and districts*: matters regarding the city of Jesi and, in particular, the more sensitive areas, in terms of their interest, critical significance and ongoing changes.

From the Strategic Plan **four principle areas of intervention** emerge, corresponding with four areas of work and study, which have already evolved and matured from the point of view of related debates and analytical activities that have been carried out:

- **The Esino corridor**, with its prospects for the development of the territorial context; the area is significant in terms of interventions that have been planned and also with regard to the infrastructures which it already presents;
- A **complex policy for the historical city**, relating to a possible integrated regeneration strategy for this part of the city;
- **Governance of a vast area**, concerning the need to plan structured modalities of consultation and cooperation between various actors concerning territorial policies;
- **Marchio Vallesina**, addressing the issue of the possible content of an integrated policy of local development.

Amongst these areas, reinforcement of the Esino Corridor and of Jesi itself as a central point for logistics and “intelligent” mobility was further developed in ministerial programmes for integrated interventions within the framework of SISTeMA (cf. section I.1.1) and the Territorial Project.

Other noteworthy experiences

In 2006, following the concession of a grant obtained from the Ministry of Infrastructures, the Municipality of **Fabriano** initiated preparations for a strategic plan (“**Strategic Plan for Fabriano. Vocational factors, Ideas and Projects within a Network**”) and for the **UMP** (Urban Mobility Plan) for the entire territorial system (covering an interregional area comprising Umbria and the Marche) of which it is the hub. The Plan is composed of a series of areas requiring in-depth study subdivided into 6 thematic areas: definition of the context (i); the socio-economic area and models of development (ii); competitiveness and internationalisation (iii); tourism, culture and territorial marketing (iv); the environment, landscape and the territory (v); urban projects (vi). These thematic areas, to which are added the question of infrastructures and the mobility plan, are divided into numerous lines of strategy and action. At the moment the planning process does not appear to have led to significant results in terms of developed projects.

Thanks to funds granted by the Ministry for the Environment and Protection of the Territory (in compliance with the National Fund for the Promotion of Sustainable Development), the Municipality of **Ascoli Piceno** has developed a **Plan of Sustainable Development**, with an articulation comprising **2 axes and multiple strategic lines of intervention**, in relation to which a number of feasibility studies and projects have been developed.

The fundamental objectives coincide with the 2 axes of the Plan:

- Axis 1 - **sustainable urban regeneration** of territorial areas;
- Axis 2 - **requalification and renaturalization of environmental areas** of the Tronto River.

Axis 1 aims at the recovery and systematic organisation of the urban spaces of the industrial area denominated “Castagneti”. This is an area characterised by the presence of spaces requiring a solution from the functional point of view, with production areas that are degraded or no longer in use. In brief, the requalification project in question should guarantee the development of a district in the proper sense creating an urban fabric and public spaces.

With regard to Axis 2, a feasibility study was carried out proposing a new model of development for the territory by creating a river park in the Tronto River Basin; the project provides for the reduction of hydraulic risk and pollution together with implementation of infrastructural interventions for a diversified use of the river, involving accommodation facilities and recreational and didactic activities.

Amongst local, “non-public” entities committed to elaborating integrated visions for the development of the territory, a noteworthy case is that of the **Chamber of Commerce, Industry and Craftwork Activities of Macerata**, which has been coordinating the preparation of a **Strategic Provincial Plan** since 2006. The **CARIMA Foundation** has been participating in this plan since 2007.

The process, which is continuously evolving, aims at analysing transformations of the economy of the Province and contributing towards the creation and implementation of a sustainable, long-term, economic development strategy. A number of fundamental themes have been identified (sustainable mobility; urban quality and territorial competitiveness; strategic inter-municipality cooperation; control of urban dispersion) and various studies carried out (“Urban Train”; “Borgo Marinaro at Civitanova Marche”; “A territory for industry”; “The Ceccotti Area of Civitanova Marche”; “Pievebovigliana: a strategy for the development of tourism”; and “Local systems of the Province of Macerata”), from which a variety of interesting planning proposals for sustainable urban development have emerged.

It would be reasonable to affirm that the context of the Marche region is generally characterised by a distinct **inclination to experiment innovative forms of project designing/planning**. Such an inclination can be interpreted as a sign of a now **widespread awareness of the need to direct and coordinate public (and private) action in order to increase the level of competitiveness of the territory** on the one hand and, on the other, to end a rather extensive and unsustainable use of territorial resources, which is jeopardising the quality and efficiency of local systems.

Within the context of the Marche region the strategic plans have begun to generate consent in relation to ambitious and wide-ranging operations, while the requests and demands of important territorial actors, both public and private, have been received and taken into consideration in the preparation of projects of integrated and sustainable urban development.

Strategic plans, especially those structured on the basis of a broad involvement of territorial stakeholders, as in

the case of Jesi and Pesaro, represent “*processes of shared conception of scenarios in which choices and actions may be inserted, by means of which the various actors (public and private, individual and collective, local and transnational) continuously transform the city*”⁵. In this sense, under the banner of sustainability, they constitute instruments useful for redefining the identity and competitive positioning of a territory.

Precisely for this reason the strategic plans may constitute an ideal framework for the identification of projects that may be realized by means of the **JESSICA** instrument. It is moreover worth underlining that in many ways the mid-to-long term prospect of a strategic plan coincides with the prospect the Urban Development Funds must necessarily adopt in funding the implementation of projects that aim at sustainability and quality, apart from the remunerative potential of an investment.

I.2 THE CONTRIBUTION OF PRIVATE ACTORS IN THE PROCESSES OF URBAN DEVELOPMENT

I.2.1. Financial institutions active in the regional context

Research carried out on the financial institutions of the Marche region and on the role played by the latter in support of the socio-economic development of the region has highlighted a moderate degree of involvement in initiatives aimed at the development of the territory and, in particular, urban requalification. It has moreover been found that this support tends more than anything else to result in sinking-fund contributions made in relation to specific interventions rather than in investment activity, albeit “ethical”, or, in other words, in the participation in risk capital of sustainable development operations occurring at the territorial level. In fact, for quite some time the local banks and foundations have been making efforts, contributing financially towards projects concerning, above all, Health-care, Education, Culture, Research, Cultural Activities and Charity.

The financial institutions examined were chosen on the basis of their presence in the regional territory. 7 Banks and 8 Trusts originating from a banking institute (Savings Banks) are included:

- Banca delle Marche
- Banca Popolare di Ancona (UBI Bank)
- Banca dell’Adriatico (Intesa Sanpaolo)
- Banca Unicredit
- Banca Dexia – Crediop
- Cassa di Risparmio di Ascoli Piceno
- Cassa di Risparmio di Fabriano e Cupramontana
- Fondazione-Cassa di Risparmio di Fermo [savings bank foundation]
- Fondazione-Cassa di Risparmio di Ascoli Piceno
- Fondazione-Cassa di Risparmio di Fano
- Fondazione-Cassa di Risparmio di Pesaro
- Fondazione-Cassa di Risparmio di Fabriano and Cupramontana
- Fondazione-Cassa di Risparmio di Loreto (Gruppo Banca Marche)
- Fondazione-Cassa di Risparmio di Jesi
- Fondazione-Cassa di Risparmio di Macerata

⁵ Paolo Perulli, “*Piani strategici*”, published by Franco Angeli, Milan 2004.

The Banks

As far as the banks are concerned, the research that was carried out indicated that in general no institution provides particular financial products specifically designed for the area of public administration apart from the services connected to the treasury-offices.

The majority of the banking institutes collaborate with Public Administrations and establish relations with guarantee bodies and sector associations with a view to promoting the development of small and medium-sized enterprises. Furthermore, they provide consultancy and assistance activities for structured finance operations (e.g. Project Financing).

Amongst all the others, the **Banca dell'Adriatico** (Gruppo Intesa – Sanpaolo), **Unicredit** and **Dexia Crediop** are worthy of note as these banks are particularly dedicated to the public sphere: the first two - within the complex structure by which they are characterised - have the distinction of running a sector entirely dedicated to Public Administrations, with particular attention paid to the sphere of infrastructure, while the third can be differentiated on account of its beginnings as a financier of the public sphere and the fact that it has always been involved in the structuring of ad-hoc products.

Within the Gruppo Intesa-Sanpaolo, particular attention is drawn to the company BIIS (Banca Infrastrutture, Innovazione e Sviluppo), which, amongst other things, deals with the *development of urban programmes* through a specific sector denominated “Development of Urban Projects and Valorisation of the Territory”. The Bank can purchase shares in risk capital relating to the operations in which it participates only for promotional purposes; following a brief initial period, the shares are generally discarded, with the sole role of financier remaining on a permanent basis.

Following a similar logic, the Unicredit Group has concentrated activities of this type in the company Medio Credito Centrale, in which Unicredit Infrastrutture has also been merged.

The Foundations

The banking Foundations (“Fondazioni Bancarie”), which differ from the banks on account of their nature and legal structure, participate in the development of the territory of the Marche in a completely different manner.

In most cases these are non-profit bodies, which use their financial resources for cultural, educational, religious, social or scientific purposes or for other purposes of public utility.

The most common fields of intervention are the following:

- art, cultural activities and assets;
- public health, preventive medicine;
- voluntary work and charities;
- education, training and scholastic activities;
- assistance for the elderly.

Within the thematic areas towards which they turn their attention and provide support, generally defined in their articles of association and binding in relation to the selection of the grants to be conceded, the foundations are characterised by a certain degree of flexibility in the manner in which they make use of their funds.

As far as the dynamics of urban development and requalification are concerned, they often appear as the protagonists of rehabilitation work done on buildings of historical or cultural interest or which may be related to the health care sector (hospitals).

By way of examples, a few significant cases are indicated below:

- The *Fondazione - Cassa of Risparmio of Fano* purchased a religious and civil building in 2005 and had it restored and fitted out - in collaboration with the Municipality of Fano - as a centre for university studies.
- Amongst the principle interventions of the *Fondazione – Cassa of Risparmio of Fermo*, the rehabilitation of the Matteucci Tower and the recovery and repositioning of the monument dedicated to Saporoso

Matteucci in the Cathedral of Fermo (in collaboration with the Monuments and Fine Arts Service) are worthy of note. It is moreover worth recalling that in the planning review of the body for the year 2009 a subscription of shares in the “F2i” Infrastructure Fund ⁶ was provided for.

- The *Fondazione – Cassa of Risparmio of Pesaro* has contributed towards interventions for the restructuring and securing of safe conditions at a sports ground in collaboration with the Municipality of Tavolato and the construction of a kindergarten in collaboration with the Municipality of Peglio.

I.2.2. The role played by financial institutions within the framework of urban and territorial development projects

Various examples of commitment on the part of banks present in the territory can be found denoting their support of initiatives for socio-economic and territorial development, where they have also acted as principle funding body (or vehicle of funding) of projects promoted in collaboration with public administrations of the Marche region. There are also significant cases of products/instruments launched by the banking system for the promotion of local enterprises, with relevant potential spin-offs in the urban and territorial transformation market.

In particular, since 2007, the **Banca delle Marche** group has been managing a line of credit opened by the European Investment Bank to finance the project “Riqualficazione Offerta Turistica” (Requalification of Tourism Services) promoted by the Regional Authorities. Since 2002, Banca Marche (one of the main local players) has also been managing a cash-advance loan arrangement for € 120 M, again provided by the EIB, dedicated to manufacturing and service companies to cover expenses relating to real-estate, machinery and equipment.

Yet another significant example is represented by the tender procedure, publicised in December 2006, for the funding of interventions for territorial and entrepreneurial development in the Ascoli Piceno area. The agreement was signed by Banca Intesa, Carisap and the Confcommercio branch of the province itself and was aimed at supporting, both financially and operationally, projects for the development of enterprises and initiatives relating to forms of territorial requalification. In the tender procedure, Banca Intesa indicated an appropriation of € 27.000.000 in favour of realizable public and or private projects; Carisap contributed € 5.000.000. Projects admitted had to satisfy 5 criteria: banking eligibility, territorial relevance, aggregation and partnership, innovation and internationalisation.

In time, Dexia Crediop, a highly specialised bank dedicated to serving Public Administrations, was also found to be an important financial partner within the sphere of operations aimed at the development of the territory. The bank structures particular forms ⁷ of project financing, mortgages, specific grants dedicated to the setting up of infrastructures and/or services of public utility.

In particular, in 2003, Dexia Crediop signed an agreement with the Council of Europe Development Bank (CEB) for the constitution of a fund for discounted grants aimed at interventions for the valorisation of artistic and historical assets, the construction of scholastic structures and urban requalification. Dexia Crediop uses this fund to finance mortgages and subscribe domestic bonds issued by local bodies. In the Marche region itself, the Province of Pesaro and Urbino have obtained from this fund a grant of €450.000 for the restructuring of an old mill situated at the Ponte Vecchio di Colbordolo to be converted into a museum.

In 1997, through the Banca Nazionale del Lavoro, the Municipality of Jesi also issued municipal bonds for a total value of 15.5 billion Lire to finance projects aimed at the recovery of the historic centre, this being a unique case amongst Italian municipalities that made use of this financial instrument for the collection of additional resources for investment. The bonds were liquidated normally at maturity in 2007.

Finally, attention is drawn to two cases of direct contribution made by financial institutions - essentially of the sinking fund type – for urban requalification programmes:

⁶ The F2i Infrastructures Fund is a closed-end investment fund aimed at funding infrastructures in Italy. The managing director of F2i is Vito Gamberale and the initial provision (2 billion) is undertaken by sponsoring companies such as the Cassa Depositi e Prestiti, the banking foundations Cariplo, Mps, Crt and Carisbo and the banks Intesa Sanpaolo and Unicredit.

⁷ The technical form is adapted in relation to the specific operation and can also focus on the involvement of numerous actors.

- **Jesi – District Contract II (Contratto di Quartiere)**

Within the framework of the district contract “Abitare il Centro Antico” (Living the Old Centre), the Fondazione Cassa di Risparmio of Jesi participated in the requalification project, funding the rehabilitation of the two main facades in Piazza Colocci. The total grant amounted to €150.000.

- **Ascoli Piceno – District Contract II (Contratto di Quartiere)**

The Cassa di Risparmio of Ascoli Piceno entirely funded the design and setting up of a roundabout along the central traffic route of Ponticelli included in the District Contract for the requalification of the area itself. The grant allocated by Carisap amounts to €215,000.

1.2.3. Innovative modalities of involvement of private and financial actors in initiatives promoted by local administrations

With reference to investment activity, as previously observed, there is a certain lack of significant experiences of involvement of financial actors and private entities in general in risk capital for urban and territorial transformation operations promoted by public actors.

In contrast with this far from encouraging picture some examples representing a countertrend can be found as detailed below.

UTC - The new Via Trento: Macerata

In this case an Urban Transformation Company advocated by the Municipality of Macerata and constituted in August 2001 aimed at the requalification of the West area of the city and including:

1. the requalification of Via Trento;
2. the recovery of the building located in Via Velini originally owned by the Municipality and brought into the Company by the latter.

The UTC involves a participation with shareholdings of 3 main Banks (**Banca delle Marche, Banca Popolare di Ancona and the Cassa di Risparmio di Fabriano e Cupramontana**), which, besides granting a significant sum⁸, purchased a small unit of the risk capital of the company (2.94% each⁹) and of approximately 20 local private enterprises operating in the building sector.

The setting up of the intervention, characterised by a certain degree of complexity, was protracted for various years and involved considerable financial requirements and usage in the early years of activity (in the specific case satisfied by the partner Banks). To date, the balance closed on 31/12/2008 presents a net gain of the financial year amounting to €528,539.

Renewal of the Stadio Ballarin area – San Benedetto del Tronto

The **Fondazione Carisap** intends to entirely finance an ambitious operation for transformation of the ex-stadium area of S. Benedetto del Tronto for the setting up of very high-range territorial amenities (both public and private). For this purpose, the Municipality of S. Benedetto has obtained ownership of the area from the State. At the moment, the operation is blocked by a sentence of the Italian Court of Accounts, which deems as inadmissible the ceding of the area by the Municipality to Carisap, even though this occurred on a “temporary” basis and was aimed at the setting up of a programme of interventions of a public nature.

⁸ The total amount of the advance to the current account conceded collectively by the Banca Popolare di Ancona SPA and by the Banca Marche SPA amounts to €3,000,000.

⁹ Cerved data (May 2008).

There are other examples of initiatives, the launching of which would appear to be imminent. This testifies how the attitude of the local administrations of the Marche region (in particular the city administrations) towards innovative modalities of funding the transformation of public real-estate assets is rapidly evolving towards a greater degree of readiness and acceptance. Some of these initiatives have reached a level of maturity (in terms of coherence of planning and economic-financial sustainability) such as to be considered possible beneficiaries of grants of a possible future regional fund of the JESSICA type. Amongst these, in particular the following appear worthy of note:

UTC - Pesaro

The constitution of the UTC was approved by the Municipal Council on 23 March 2009. The Company will be required to attend to the setting up of the new building for the police headquarters (Questura), the second building of the Court of Law, an underground parking area in Piazzale Carducci and the requalification of public spaces above it. The public tender procedure organised by the Municipal Administration for selection of the private partner that will purchase 60% of the shares for the actual constitution of the company is currently being held.

UTC - Fano

It is envisaged that this UTC, strongly desired by the current administration and recently reconfirmed, will purchase and transform the Paolini Barracks (*Caserma Paolini*) to allow for transfer to the same site of all municipal services and to create a large underground parking lot for the city centre. Thus freed, the municipal buildings in the historic part of the city would be placed on the market. The UTC will be also required to undertake the transformation of an ex-aerodrome belonging to the Italian Air Force into a large urban park. The operation is currently the object of animated political debate between the political faction in office and opposition parties, which has hindered start-up.

Project Financing for the transformation of the Piazza D'Armi at Ancona

The PF operation, already launched by means of a tender procedure promoted by the municipal administration provides for the setting up of a commercial mall (approx. 6,000 square metres), a new covered market, residential and office space (a further 6,000 square metres) and a parking area.

UTC - “Campo Boario” at Jesi

Another example of an initiative, the start-up of which appears imminent, is the UTC – “Campus Boario” at Jesi, which is to undertake requalification operations and the creation of new urban fittings of public interest in a district characterised by the presence of public residential properties. The UTC was officially set up under the name of Società Campo Boario S.p.A. in June 2008. In view of the transformation, real estate owned by the Municipality - currently the sole owner of shares in this company - was merged in the UTC.

I.3. PROJECT-DEVELOPMENT CAPABILITY MANIFEST IN THE TERRITORY: INITIATIVES WHICH CAN BE DEVELOPED COHERENTLY WITH THE JESSICA MODEL

As seen in the preceding paragraphs, various experiences of an innovative kind have matured (and are still in the process of being developed) in the Marche region, with regard to the planning of sustainable urban transformation and the experimentation of new types of involvement of private funding entities.

In this general situation, initiatives proposed by the administrations (or, rather, by the territories) that have availed themselves of “extraordinary” and original planning instruments such as the Strategic Plans stand out in terms of their quality and coherence.

Within the framework of the elaboration of these instruments a number of urban transformation projects have emerged which are particularly convincing, especially in terms of their contribution towards sustainability and urban competitiveness. This is particularly true in the case of two of the most dynamic urban situations (and their related administrative contexts) of the region: **Jesi** and **Pesaro**. These ambitious projects, backed up by careful evaluations of their pertinence and strategic relevance, involve the allocation of huge grants and the search for economic benefits for potential private investors.

This approach is clearly in line with the possibility of structuring - on the basis of these proposals - investment packages that could be funded by means of a regional fund of the **JESSICA type**. A simulation of this process is offered by the analysis of the case studies developed in the second part of the study.

I.4. SITUATION OF THE REAL ESTATE MARKET

An analysis of the state of the art and trends characterising the real-estate market is necessary to complete the descriptive overview of the ongoing (and potential) processes of transformation within the context of the Marche region.

While bearing in mind the exceptional nature of the current historical phase, the portent of which stretches far beyond the bourn of local situations, the analysis reported below had as its objective an identification of the characteristics typical in the market of the Marche region. In this sense, besides taking into consideration trends of a more general character, which are moreover not particularly significant in the case of the Marche region given the considerable heterogeneity of situations at the local level, the choice was made to approach the market dynamics of some of the most significant urban contexts within the region. The choice of these contexts coincided, for obvious reasons of coherence and for economic reasons, with that relating to the identification of the case studies to be developed within the framework of the study and, that is, as already mentioned, Pesaro and Jesi-Ancona.

I.4.1 *The real-estate market in Italy*

While it has not seriously affected the financial and Italian credit system, characterised by a different structure and forms of regulation, the global economic crisis developing in recent months has had and continues to have a strong influence on the real economy. The data for 2008 show a decline of about 1.0% of the PIL in Italy with respect to 2007 with an acceleration of the drop in growth through the last quarter. More recent projections indicate a decline for 2009 of around 5%. Within our national territory, the various local areas, depending on the intrinsic characteristics of production and the financial system, have suffered the impact of the global crisis in different ways. Some analyses are provided below which focus on the real-estate market; these were conducted in relation to the two cases of interest: the Municipality of Pesaro and the Province of Pesaro-Urbino, and the Municipality of Jesi and the Province of Ancona.

The data for 2008 of the main operators of the Italian real-estate sector show a moderate slowing-down of transactions in Italy in all the various market segments: residential, tertiary (offices) and commercial (shops and commercial centres).

According to the Gabetti agency¹⁰, 2008 was the year in which the inversion of the real-estate cycle occurred. It would in fact appear that a decline of approximately 14.0% of transactions was recorded, accompanied by downturns in quotations with distinctly lower prices (approximately 2.7% less in the first semester of 2008).

The sector is definitely suffering from the economic contingency crisis, which has hit consumer activity and the

¹⁰ Interview with Guido Lodigiani – Director of the Centro Studi Gabetti.

credit sector (and, consequently, mortgages for the purchase of fixed asset) however, as observed by the *Ufficio Studi UBH*¹¹, research carried out on the Italian market reveals the presence of a moderately active demand: investment in a “first home” remains the principle method of saving for Italian families: the value of a fixed asset (in particular when used as a private dwelling) is undergoing only very slight oscillations and thus presents as a low-risk form of investment.

Current situation and forecasts for the period 2009 – 2010

In Italy and for all of the segments so far discussed, the first quarter of 2009 showed a further reduction of the tendential rate with respect to the fourth quarter of 2008: the quarterly NTN index¹² for the first three months of the current year reveals a clearly falling trend, with deterioration with respect to the previous months.

In the first quarter of 2009, the *residential segment* showed a drop in central Italy amounting to approximately -**16.9%** with respect to the same period in 2008, which denotes a deterioration in absolute terms but also greater stability of the area of central Italy with respect to the North, which, over the same period recorded a decrease of about -**20.6%**¹³.

Again, with reference to central Italy, it should also be noted that the provincial capital towns are suffering less from the sector crisis with respect to the other Italian provinces; it may be noted furthermore that the specific market seems to be revealing an early form of recovery.

With reference to the *tertiary segment* (offices), the first three months of 2009 show a dynamic similar to the residential sector, which implies a fall-off in sales and purchases with deterioration with respect to the first quarter of the year 2008, and this being lower in the central area of the peninsula (-**15.3%**) with respect to the rest of Italy (-**22.8% North; -19.7% South**).

The *commercial* segment confirms the negative trend of the months preceding the first quarter of 2009, during which it reveals the worst value recorded for the area of central Italy (-**27.4%**) with respect to the national average (-**24.0%**).

Finally, the first months of 2009 showed a moderate deterioration as far as the purchase of a second home is concerned and, consequently, localities with greater activity in the “*holiday tourism*” sector suffered in a rather more accentuated manner.

Forecasts¹⁴ concerning the real-estate sector for 2009 predict an overall downward trend lower than that of 2008. The real-estate sector is in a negative cyclical phase (third consecutive year of falls in sales and purchasing) and this is due not only to the recent global economic crisis but also to the 9 years of numerous and substantial transactions that preceded this period.

With respect to the preceding cyclical phases, the current phase presents a rather contained descent in quotations, which reveals a certain resistance of prices with respect to the past, which are in any case expected to fall in the coming months of 2009.

The spring of 2010 should see an initial inversion in the trend of the economic cycle, with positive outcomes in the real-estate sector, both in terms of sales/purchases and leasing contracts and also in the number of transactions and prices.

¹¹ Interview with Alessandro Ghisolfi, Director of the UBH Ufficio Studi.

¹² NTN represents the number of recorded transactions.

¹³ Data from the Quarterly Report / Note of the Territorial Agency for 2009.

¹⁴ UBH Ufficio Studi: real-estate sector, outlook for 2009.

I.4.2 *Focus on Pesaro and its province*

The socio-economic context

On account of its evident manufacturing “vocation”, openness towards international relations and a concentration of industrial interest on *Made in Italy* productive activity, the Province of Pesaro and Urbino¹⁵ presents a high level of exposure to export markets.

At the moment, a reversal of trends is occurring, with a reduction in production, domestic and international sales, which in turn has an effect on the labour market.

The data for the last quarter of 2008 clearly show the seriousness of this economic phase of the Province: industrial production has dropped by approximately -9.0%, with a fall-off in exportation reaching -15.6%. Redundancy subsidy payments highlight another relevant detail: the first 3 months of 2009 revealed an increase in the number of authorised hours of 436.0%.

Despite the crisis, 2008 did reveal a number of positive elements, indicating certain liveliness and a capacity for recovery in the entrepreneurial fabric of the Marche region:

- in 2008, the provincial manufacturing sector recorded a considerable increase in the number of active enterprises (+4.4%) with respect to 2007 by effect of the entry into the market of new entrepreneurial concerns;
- the enterprises linked to the production and distribution of electric energy, water and gas, have grown considerably;
- the tertiary sector and, in particular, individual services, public services, real-estate activities, information technology and research recorded a positive trend, to an extent allowing it to foresee a capacity to make a considerable contribution towards the recovery of the provincial economy;
- the real-estate sales and purchase transactions during 2008 recorded an overall 13.7%¹⁶ with respect to 2007, against a drop in prices of only 0.5%;
- increase of structures for accommodation facilities (+2.5%).

Population

A total of 151,630 families¹⁷ reside in the Province of Pesaro and Urbino, which has a recorded population of 376,321 persons. Demographic density is 128.05 inhabitants per sq.km, a value significantly lower than the national average exceeding 198 inhabitants per sq.km.

The population of the province was characterised by a birth rate of 9.5¹⁸ per 1,000 inhabitants in 2008: the value is low if considered in absolute terms but appears to be perfectly in line with the national (9.6) and regional (9.3) averages. The table below offers a brief illustration of the variation of birth rates for the Province of Pesaro, the Marche Region and Italy from 2005 to 2008:

¹⁵ Report April 2009, Chamber of Commerce of Pesaro and Urbino.

¹⁶ Data from the Territorial Agency - Cresme.

¹⁷ Atlante della competitività, September 2008, Istituto Tagliacarne.

¹⁸ Istat data - 2008.

Table 1 – Birth rates: Province of Pesaro and Urbino

ISTAT data - 2008	Birth rate			
	2005	2008	Var.	Var. %
Province of Pesaro and Urbino	9.40	9.50	0.10	0.011
Marche Region	8.80	9.30	0.50	0.057
Italy	9.50	9.60	0.10	0.011

Table 2 – Internal and external migration: Province of Pesaro and Urbino

ISTAT Data 2008	Internal migration				External migration			
	2005	2008	Var.	Var. %	2005	2008	Var.	Var. %
Province of Pesaro and Urbino	5.20	5.30	0.1	1.9	5.70	10.00	4.30	75.4
Marche Region	2.30	2.70	0.40	17.40	6.00	9.80	3.80	63.30
Italy	0.10 ¹⁹	0.30	0.20	200.00	4.40	7.60	3.20	72.7

The data relating to migration trends for the Province of Pesaro and Urbino indicate a strong appeal of the provincial capital, which shows a positive balance of **5.30**²⁰ with regard to internal migration and **10.0** in relation to external migration. The entry of persons into the Province is an indicator of dynamism and activity, especially when considering (cf. the table below) that the age bracket 15 - 64 years (working population) comprises 64.4% of the total²¹ of residents.

The average gross per capita income of families is approximately €16,098²², a value slightly higher than the national average (€16,090) and slightly lower than the value characterising the Marche Region (€16,668). Internal consumption per capita is approximately €15,181²³ (growing with respect to preceding statistics), 82.1% of which represents goods other than foodstuffs. In absolute terms the value indicates a definite predisposition towards consumer activities and is perfectly in line with the national average of 82.4%

Productive fabric

On 31 December 2007 there were 39,500 enterprises registered in the Province of Pesaro and Urbino. The commercial activities represent 23.25% of the total of enterprises, while agriculture and industry present values of 18.29% and 15.33% respectively, as can be seen in the following graph²⁴:

¹⁹ The reason why the internal migratory balance is not equal to zero at national level can be attributed to the temporal gap between the date of cancellation of a person at the municipality from which he/she has migrated and the date of registration of the same person at the municipality of arrival.

²⁰ For every 1,000 residents, 5.7 arrivals are internal and 10.8 external.

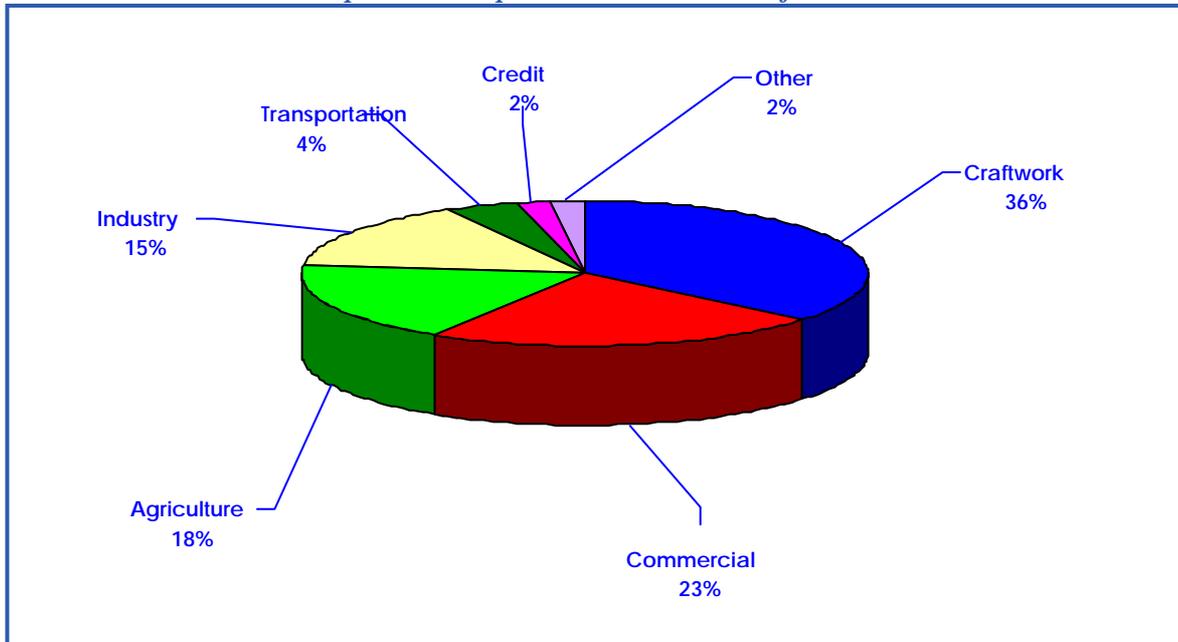
²¹ Istat data on 1st January 2009, referring to the Marche region.

²² Data from the Atlante della competitività, September 2008, Istituto Tagliacarne.

²³ Cf. Note 17.

²⁴ Cf. Note 17.

Graph 1 – Enterprises in the Province of Pesaro and Urbino



As will be easily noted in *Graph 1*, craftwork activities account for approximately 36.0% of the entrepreneurial fabric of the Province and place Pesaro and Urbino at nineteenth position on the corresponding national scale, where the average is lower by as much as 7 percentage points.

The enterprises of the Pesaro area are for the most part of average size, in line with the national figure, and moreover present figures indicating longer life: 8.4% of the firms appear to have been on the market for over 20 years. This figure places the province at twenty-third position on the corresponding national scale. In 2007, the growth rate of the entrepreneurial dynamics of Pesaro and Urbino recorded a value slightly below that of 2006 (1.81) but higher than the national average (0.45) recorded at approximately 0.9²⁵ (the rate is calculated for every 100 enterprises), indicating a certain stability of the existing enterprises and greater entrepreneurial drive with respect to the average of the Country as a whole.

Finally, other research has indicated that the breakdown of the added value²⁶ reveals that it is mainly industry (manufacturing) and services (credit and real-estate activities) that feed the provincial total. In particular, the service sector represents the foremost component of local added value and, with a tendential growth which is constant and sustained over time, is set at 64.1% of the total, while Industry and Agriculture are recorded at 4.4% and 1.5% respectively.

For the tourism sector the province is at thirtieth position at the national level with an overall 856 tourism business, offering a total of 67,125 beds. The Province of Pesaro and Urbino produces 23.0% of the wealth of the Marche region.

²⁵ The (entrepreneurial) growth rate indicates how many more non-agricultural enterprises are recorded within a certain period of time in the Register of Companies at the Chamber of Commerce, Industry, Agriculture and Craftwork, for every 100 existing at the beginning of the period and is calculated on the basis of the difference between birth-rate and death-rate figures.

²⁶ The analyses conducted with the added value method provide indicators revealing levels of economic wellbeing, i.e. the wealth of a given territory. Added value in fact expresses the productive potential of the context it refers to as it represents the difference between the value of assets and services produced and the value of assets and services purchased for use in the production process. The data refers to the year 2006, "Growth of the provincial economic system", Provincial Administration of Pesaro and Urbino.

Trade

The Province of Pesaro and Urbino presents a positive trade balance as exportation exceeds importation by over 1,439 million Euros.

The main products exported are furniture, tool machines (30.0% of the provincial exports), ships and sea craft, while amongst those imported in the largest quantities, non-ferrous metals, machinery for the production of mechanical energy, chemical products and articles of clothing are prevalent.

Employment

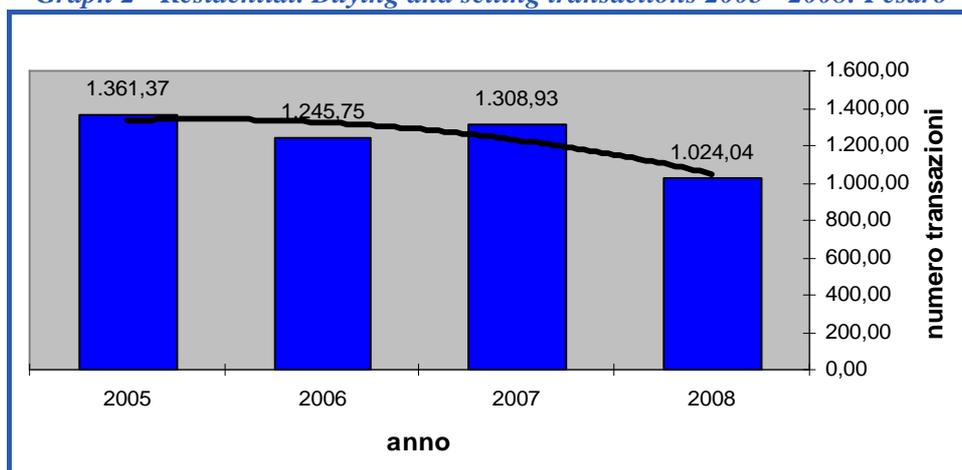
Recent data published by the Study Centre of the Province of Pesaro and Urbino reveal that there are numerous elements that reflect the impact of the current economic crisis within the local economy of the province: the growth of the number of enterprises that make use of the integrative public subsidy for wage supplementation and an increase in the number of workers with employment “mobility” status emphasise that the province is also affected by this crisis.

In 2008, the unemployment rate rose to 4.8%, exceeding regional levels. Leaving aside the current negative economic phase, which it is foreseen will end in the next 12 months approximately, it is worth noting that the Province of Pesaro and Urbino has always been characterised by an unemployment rate much lower than the national average: in 2007 the rate recorded for the province was 3.3% against 4.2% for the Marche Region and 6.1% at national level.

Analysis of the Real-Estate Market of the provincial capital of Pesaro

Buying and selling transactions: residential sector

Graph 2 - Residential. Buying and selling transactions 2005 - 2008: Pesaro



Anno = year

Numero transazioni = number of transactions

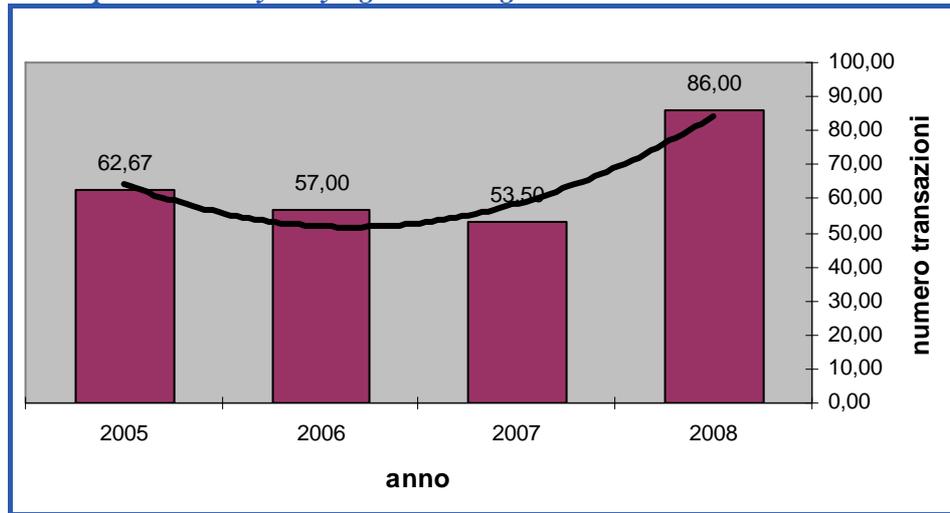
As will be noted in *Graph 2*, as an absolute value, the number of buying and selling transactions - considering only the provincial capital and the *residential segment* of the real-estate sector - shows a rather stable trend, except for the year 2008, where it records a moderate fall-off reaching approximately **-21.77%** fewer transactions with respect to 2007.

In relative terms and, that is, considering the IMI index (relation between NTN / stock of fixed asset units), at

the end of 2008 the Municipality of Pesaro recorded a value of **2.22%**, which indicates that the number of transactions amounts to 2.22 for every 100 fixed asset units. In the same year, the Marche Region recorded an IMI index of **2.16%**, while the national average was perfectly in line (**2.22%**) with that of Pesaro. Thus, in the final analysis, the provincial capital reveals a trend perfectly in line with the Italian average.

Buying and selling transactions: Tertiary sector

Graph 3 - Tertiary. Buying and selling transactions 2005 - 2008: Pesaro



Anno = year

Numero transazioni = number of transactions

As can be seen in **Graph 3**, in absolute terms, in 2008 the number of buying and selling transactions in the *tertiary segment*²⁷ of the real-estate sector showed a considerable increase.

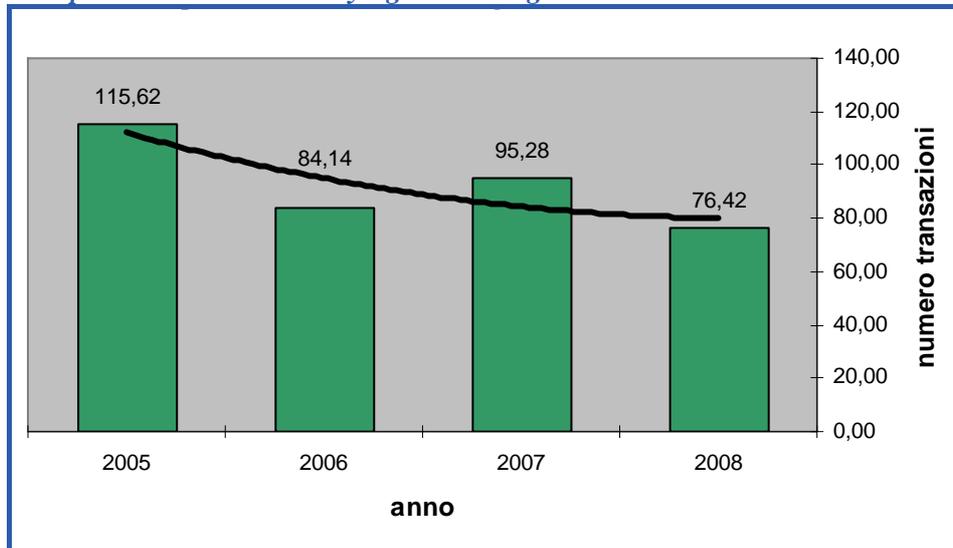
In relative terms and, that is, considering the IMI index (relation between NTN / stock of fixed asset units), at the end of 2008 the Municipality of Pesaro recorded a value amounting to **4.72%**, which indicates that the number of transactions is equal to 4.72 for every 100 fixed asset units. In the same year, the Marche Region recorded an IMI index of **3.56%**, highlighting a moderate drive in the real-estate - tertiary market in the Municipality of Pesaro. Confirming the foregoing data, the national value was only **2.91%**.

The Pesaro market seems to have not followed the trend of the national crisis as far as the tertiary segment is concerned, which is focused in particular on real estate fitted for office use. This might denote a productive presence characterised by a certain degree of drive only partially affected by the crisis.

²⁷ In this document, the term 'Tertiary Sector' refers to the area comprising offices and credit institutes.

Buying and selling transactions: commercial sector

Graph 4 - Commercial. Buying and selling transactions 2005 - 2008: Pesaro



Anno = year

Numero transazioni = number of transactions

Graph 4 above indicates in absolute terms that in 2008 the number of buying and selling transactions in the *commercial segment* of the fixed asset sector showed a considerable decrease amounting to approximately - **19.79%** of transactions with respect to 2007.

In relative terms and, that is, considering the IMI index (relation between NTN / stock of fixed asset units), at the end of 2008 the Municipality of Pesaro recorded a value amounting to **1.71%**, which indicates that the number of transactions is 1.71 for every 100 fixed asset units. In the same year, the Marche Region recorded an IMI index of **1.79%**, highlighting a trend perfectly in line with the Municipality of Pesaro. The national average was **1.92%**, which indicates that the corresponding Pesaro market is perfectly in line with the trend of the Country as a whole.

Price quotations

In recent years, price quotations within the real-estate sector have always been characterised by substantial upward variations, especially with reference to the residential sector and to the country of Italy as a whole. Throughout the world and in Europe the recent crisis has led to a general trend of decreasing prices.

In this regard, Italy has revealed a counter-trend, prices remaining stationary, with only slight downward variations, which, generally, have not reached 3 percentage points. Some operators in the sector, on the contrary, foresee for the second semester of 2009 a deterioration of prices with reference to all categories, and in particular for the tertiary segment. It must be noted that updated data concerning the areas of interest analysed here show, at the end of the first semester of 2009, quotations perfectly in line with the previous semester.

The residential market, for example, during the first semester of 2008 records on average a rise of 1.4% with respect to the first semester 2007, revealing a certain tendency towards the stationary status, while the second semester of 2008 revealed a slight initial drop of **-0.3%**.

Some analyses and studies show numerous expectations of a downturn amongst buyers, who, it would seem, have not found confirmation of such a stance in the prices offered by sellers.

In this regard it seems opportune to point out that, with reference to the Municipality of Pesaro, the Report for

the second semester of 2008 and the corresponding Report for the second semester 2007 published by the Territorial Agency show the same values with reference to all sectors analyzed (Residential, Commercial and Tertiary) as per the following table:

Table 3 – Real-estate rates - second semester 2008

Municipality of Pesaro	Territorial Agency – Central - Historic centre					
	Buying and selling			Leasing		
	Min	max	average	Min	max	average
Residential	2,530.0	3,590.0	3,060.0	6.6	9.7	8.2
Commercial	2,200.0	4,500.0	3,350.0	19.9	29.5	24.7
Tertiary	1,720.0	2,520.0	2,120.0	6.0	11.6	8.8
Production	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

The Market Value is expressed in Euro/sq.m with reference to the net (N) or gross (G) surface area.

The Leasing Value is expressed in Euro/sq.m per month with reference to the net (N) or gross (G) surface area.

The values in the table refer to gross surfaces and were recorded for the second semester 2008.

Further, updated investigations of the market, accompanied by more in-depth research, have shown that current values, in the real-estate buying and selling / leasing market, are in line with or slightly higher than the average value proposed by the Territorial Agency, as indicated in the above table, especially with reference to the residential and tertiary segments, while, with reference to the commercial sector, a slight drop can be seen.

1.4.3 Focus on Jesi and the Province of Ancona

The socio-economic context (Province of Ancona – Municipality of Jesi²⁸)

The global and national, macroeconomic scenario is confirmed also in values regarding the Province of Ancona²⁹ on account of the relevance of the productive / manufacturing sector and of the influence which exportation has always had on the provincial trade balance.

The downward phase which characterised exportation and also consumer activity has conditioned local production, determining a reflection of initial negative results also in the labour market.

The current crisis is moreover highlighting certain limits of the economic model which has always

²⁸ As far as the Municipality of Jesi is concerned, for the majority of the thematic areas, it is necessary to refer to information regarding the Province of Ancona on account of the unavailability of reliable data at municipal level.

²⁹ Report 2008 – “7th Economics Day”, Chamber of Commerce of the Province of Ancona.

characterised the province of Ancona: the service sector and, in particular, services to enterprises, has not undergone a degree of modernisation such as to provide adequate support and aid to the entrepreneurial sector nor valid employment alternatives.

Furthermore, the presence of a multiplicity of small enterprises, which, in the main, have grown within a particular district and are thus not entirely autonomous or used to establishing relations and communicating with various markets, has not favoured the Province in global circumstances such as those currently manifest.

The Province of Ancona is essentially in line with Italy but it is worthwhile to point out some particular aspects, making reference in particular to the first months of 2009, which, amongst other things, show an initial variation of the provincial economic structure:

- with the exception of manufacturing and building activities all the economic sectors have shown more or less stable trends ³⁰, which denotes the essential solidity of the provincial economic system;
- in the first months of 2009 there was a moderate growth of services to enterprises (real-estate activities, leasing, IT services, research), which resulted in a variation of the quarterly percentage (second quarter 2009) of **1.20%**: the value is not significant in absolute terms but in relation to the provincial territory denotes a good response to the crisis which has hit the traditional sectors;
- the tourism sector (hotels and restaurants) showed a percentage increase of approximately +1.18% at the end of the second quarter 2009 with respect to the first quarter of the current year, thereby confirming the observations for the development of the service sector;
- in the first 3 months of 2009 exports suffered a downturn, reaching **-22.8%** with respect to the same period of the previous year. Also, with regard to importation, a very heavy downturn (**- 22.3%**) was recorded, maintaining a negative outcome in the trade balance.

Focusing on initial data referring to the second quarter of 2009, it is seen above all that the general view reveals a positive balance, which might represent an early sign of slight recovery.

Population

Approximately 194,000 families reside in the Province of Ancona ³¹, where the total number of inhabitants is 470,716. Ancona is the most densely-populated province of the Marche region and presents a higher population density (242.62 inh./sq.km) with respect to the regional (160.21 inh./sq.km) and national (197.85 inh./sq.km) averages. Of the 49 municipalities that make up the province only 6 exceed the threshold of twenty thousand inhabitants. The Municipality of Jesi in particular, with 40,410 residents on 31 December 2008, shows a population density equal to approximately 370 inhabitants per sq.km, exceeding the average provincial value by **52.4%**.

The birth rate within the province was 9.8 ³² for every 1,000 inhabitants in 2008: the value is slightly higher than the regional (9.3) and national (9.6) averages.

The table below shows the variation of the birth rate from 2005 to 2008 for the Province of Ancona, the Marche Region and for Italy:

³⁰ Trade recorded an increase of 70 units, achieving a percentage variation of 0.59% (higher than the average provincial percentage variation of 0.40) and agriculture revealed an increase in the stock of registered enterprises of approximately 0.25%.

³¹ Data from the Atlante della Competitività, September 2008, Istituto Tagliacarne.

³² Istat data 2008.

Table 4 - Province of Ancona

ISTAT data - 2008	Birth rates			
	2005	2008	Var.	Var. %
Ancona	8.90	9.80	0.90	10.1%
Marche Region	8.80	9.30	0.50	5.7%
Italy	9.50	9.60	0.10	1.1%

Table 5 – Internal and external migration: Province of Ancona

ISTAT Data 2008	Internal migration				External migration			
	2005	2008	Var.	Var. %	2005	2008	Var.	Var. %
Ancona	2.30	2.30	0.00	0.00	6.30	10.00	3.70	58.7
Marche Region	2.30	2.70	0.40	17.4	6.00	9.80	3.80	63.3
Italy	0.10 ³³	0.30	0.20	200.0	4.40	7.60	3.20	72.70

The average gross per capita income of families is approximately €17,362³⁴, which is much higher than the average national (+7.9%) and regional (+4.2%) values. The composition of consumer activities reveals, with respect to national reference data, a greater incidence of the part not relating to foodstuffs.

Productive fabric

In the province of Ancona there are 42,261³⁵ enterprises. The Municipality of Jesi, with its 4,964 local units, is the third Municipality of the entire province, surpassed only by the provincial capital (Municipality of Ancona, 12,408) and by the Municipality of Senigallia (5,631).

With over 11,500 registered enterprises, commerce represents the numerically most substantial sector (27.27% of all activities), which is in line with the national trend, while craftwork covers approximately 29.1% of local activities. The component Agricultural Activities is slightly higher than the national average by approximately 2 percentage points with a value of approximately 19.6%.

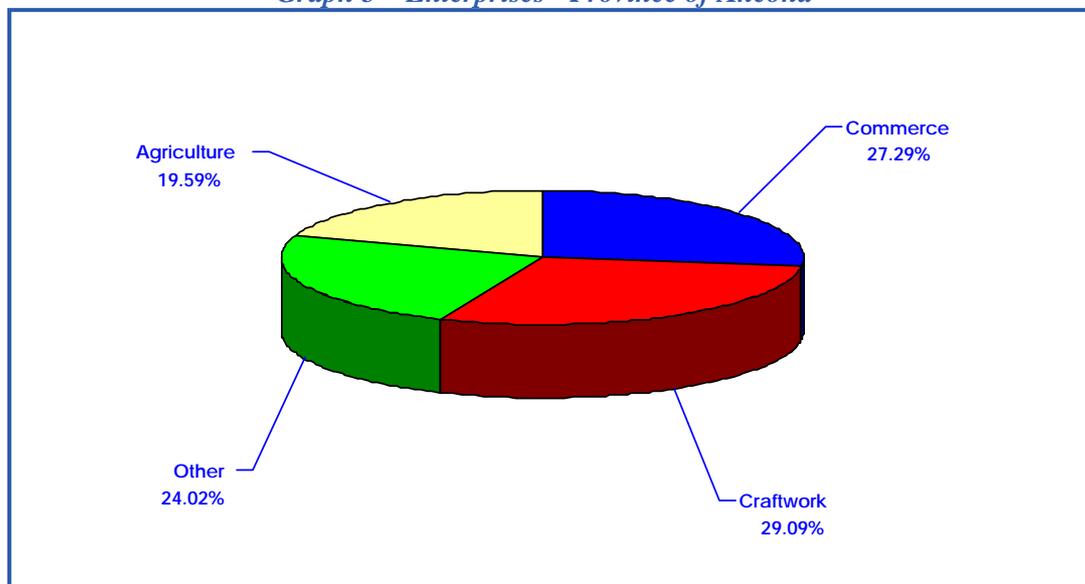
³³ cf. note for table 2.

³⁴ cf. note 20.

³⁵ cf. note 20.

The **graph** below provides a summary of the indicated composition:

Graph 5 – Enterprises - Province of Ancona³⁶



The structure of the entrepreneurial fabric shows the presence of numerous limited companies with a single ownership and medium-size companies, which is in line with the national trend. For the entrepreneurial dynamic indicated by the **growth rate**³⁷ a value of 0.31 was recorded for the year 2007, as opposed to 0.91 in 2006, mainly on account of a birth-rate of enterprises almost equal to the corresponding death-rate, and this being lower than the national value (0.45). The entrepreneurial density³⁸ presents a value of 8.98 enterprises for every 100 inhabitants, a value higher than the national value (8.68) and that of central Italy (8.43) but at the same time lower than the regional value (10.35). The Municipality of Jesi shows an entrepreneurial density perfectly in line with the provincial value (12.46 vs 12.22, respectively).

The added value produced by the province of Ancona amounts to 11,843 million euro, in relative terms, while added value per capita exceeds 28,340, which, in contrast with the absolute value, decreases with respect to the previous 29,125 euro, a value higher than the national and regional average but lower than the value of central Italy. The breakdown of added value for the province shows that approximately 1/3 of the value comes from the industrial sector, while the contribution of craftwork activities to provincial wealth amounts to approximately 14.03%, a value lower than the average value of the provinces of the Marche region (with 17.87% as the regional average) and at the same time higher than the Italian value (12.04%).

There is an overall total of 592 tourism businesses in the province, which, with 49,270 beds, is positioned at thirtieth position at national level.

Commerce

The Commercial Balance of the Province of Ancona is positive despite the unfavourable current economic situation, which has determined a downturn in incoming and outgoing transactions: in particular, in the year 2007 the Province of Ancona exported goods for a value of approximately 4,628 million euro and imported

³⁶ In this graph, the item "Other" includes all sectors, excluding those indicated, and including industry, transport etc. on account of the lack of availability of separate data – see note 17.

³⁷ cf. note 15.

³⁸ Relation between Local Units and inhabitants: the data shows the concentration of enterprises with respect to the number of residents.

goods for a value of approximately 3,013 million euro, showing a propensity to export rate ³⁹ of approximately 62.7, which is substantially higher than the national average (49.8). The mechanical engineering sector represents **78.26%** of goods exported by the Province, while the goods imported in the highest quantities are petroleum and chemical products.

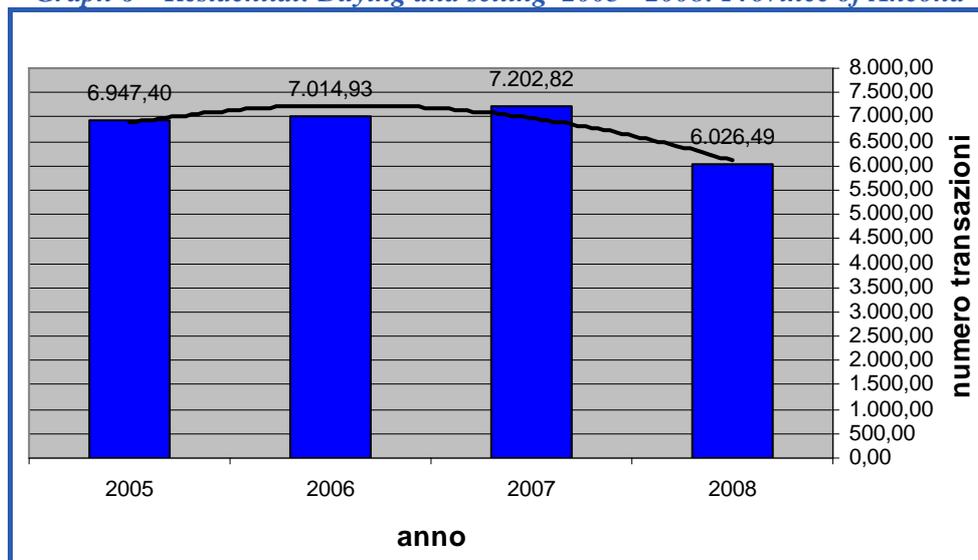
Employment

The data relating to employment in the Province of Ancona for 2008, show an extremely low impact of the current crisis on the labour market: the province maintains a structure which is practically unaltered with respect to that of previous years. The unemployment rate in 2008 rose to 3.8% from the value of 3.5% attained in 2007, showing a deviation which is quite irrelevant and well below the national (6.7%) and regional (4.7%) values.

Analysis of the real-Estate Market of the Province of Ancona

Buying and selling: residential sector

Graph 6 – Residential: Buying and selling 2005 - 2008: Province of Ancona



Anno = year

Numero transazioni = number of transactions

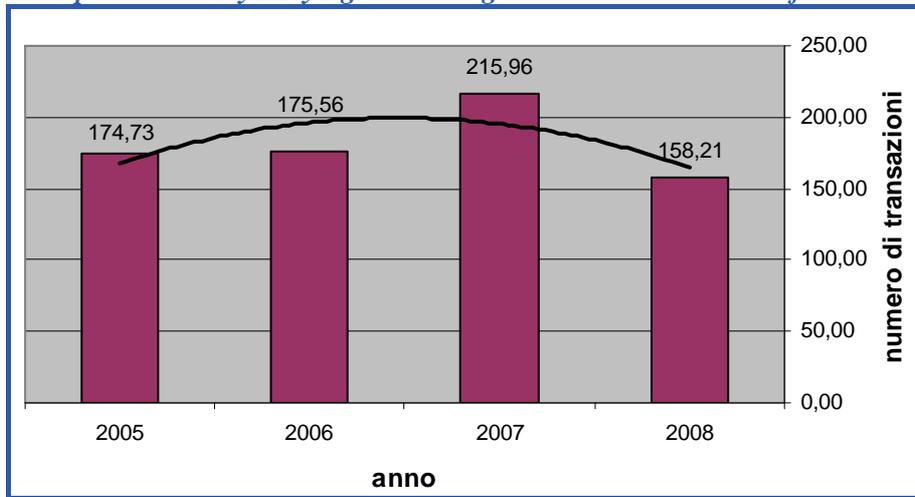
As shown in **Graph 6**, the number of buying and selling transactions occurring in the real-estate sector of the Province of Ancona, focusing only on the *residential* segment, shows a stable trend from 2005 to 2007, with the recording of a moderate downturn in 2008: in this case there were approximately **-16.3%** fewer transactions with respect to 2007. The value is high in absolute terms but fairly low if one considers, by way of an example, the Province of Pesaro (-21.77%).

Considering the IMI index and, that is, the relation between NTN/stock of real-estate units, the Province of Ancona recorded at the end of 2008 a value of **2.46%**. In the same year, the Marche Region showed an IMI index of **2.16%**, while the national average was equal to approximately **2.22%**: the province thus shows that it is in line with the national and regional trends.

³⁹ The rate referred to as importation propensity is the relation (multiplied by 100) between the overall total of exportation in the year of reference and added value produced by the entire economy within the same period.

Buying and selling: Tertiary sector⁴⁰

Graph 7 - Tertiary. Buying and selling 2005 - 2008 Province of Ancona



Anno = year

Numero transazioni = number of transactions

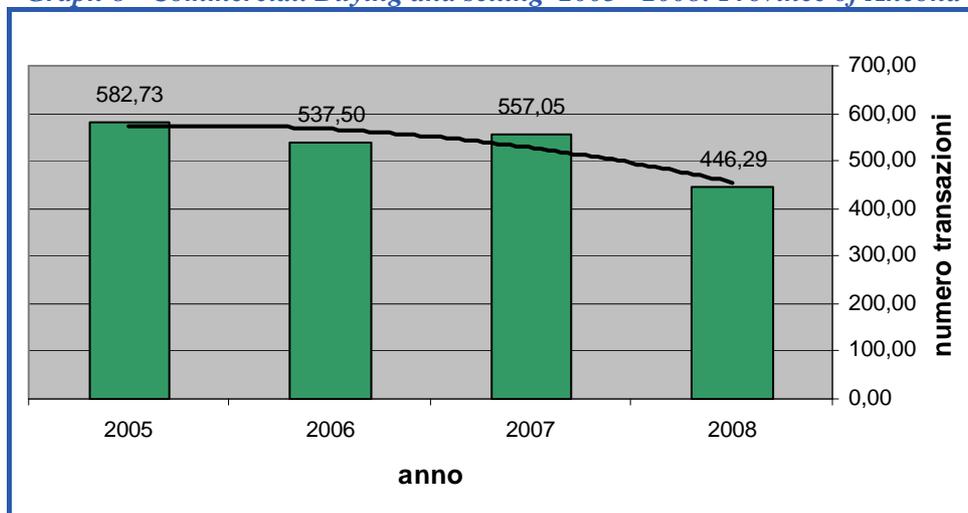
As can be seen in **Graph 7**, in absolute terms, the number of buying and selling transactions in the *tertiary segment* of the real-estate sector shows for the year 2008 a moderate downturn in the number of transactions of **-26.7%** with respect to the previous year.

In relative terms and, that is, considering the IMI index, the Province of Ancona recorded at the end of 2008 a value of **2.77%**, which indicates that the number of transactions is 2.77 for every 100 real-estate units. In the same year, the Marche Region showed an IMI index of **3.56%**, while the average national was **2.91%**.

The Province of Ancona seems to have suffered from the effects of the crisis of the real-estate market in a manner only slightly higher than the regional average and is substantially in line with the national situation.

Buying and selling: commercial sector

Graph 8 - Commercial. Buying and selling 2005 - 2008: Province of Ancona



Anno = year
Numero transazioni =
number of transactions

⁴⁰ See reference to Graph 3.

In absolute terms, **Graph 8** indicates that in 2008 the number of buying and selling transactions in the *commercial segment* of the real-estate sector revealed a considerable decrease of approximately **-19.9%** transactions with respect to 2007.

In relative terms and, that is, considering the IMI index, the Province of Ancona recorded at the end of 2008 a value of **1.92%**, which indicates that the number of transactions amounts to 1.92 for every 100 real-estate units. In the same year, the Marche Region recorded an IMI of **1.79%**, indicating a trend perfectly in line with the province of Ancona and with the average national of **1.92%**.

Price quotations (real-estate rates)

Research and the elaboration of data relating to rates (both buying and selling transactions and lease contracts) within the Province of Ancona, with particular reference to the Municipality of Jesi and outlying areas do not show significant variations between the second semester of 2007 and the second semester of 2008.

The following table shows the intervals of price quotation values for both semesters (coinciding) in the suburban/industrial ZIPA area of the Municipality of Jesi:

Table 6 – Real-estate rates: second semester 2008

Second semester 2008	Territorial Agency - Jesi: E2 Industrial Estate (ZIPA)					
	Buying and selling			Lease contracts		
	Min	Max	Average	Min	Max	Average
Residential	1,430.0	2,140.0	1,785.0	5.4	8.0	6.7
Commercial	570.0	840.0	705.0	2.7	3.9	3.3
Tertiary	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Production	620.0	940.0	780.0	3.0	4.3	3.7

The Market Value is expressed in Euro/sq.m, referring to the Net (N) or Gross (G) surface.

The Value of lease contracts is expressed in Euro/sq.m per month referring to the Net (N) or Gross (G) surface.

The values in the table refer to gross surfaces and the second semester 2008.

In terms of price quotations, the real-estate market of the Municipality of Jesi thus appears not to have suffered any effects of the global crisis, maintaining values stable over time. The data recently published by accredited sector operators show strong stability, lasting also during the first six months of 2009.

To obtain further confirmation of the data acquired by the official sites ⁴¹, research was conducted also on the values of the quotations of another suburban area of the Municipality of Jesi (Minonna) as indicated in the following table:

⁴¹ Data from the Territorial Agency.

Table 7 – Rates: a comparison - the suburban area of Minonna

Second semester 2008	Territorial Agency - Jesi: E2 Suburban area of Minonna					
	Buying and selling			Lease contracts		
	Min	Max	Medio	Min	Max	Medio
Residential	1,250.0	1,730.0	1,490.0	4.7	6.4	5.6
Commercial	1,240.0	1,880.0	1,560.0	6.8	10.2	8.5
Tertiary	1,040.0	1,560.0	1,300.0	5.6	8.5	7.1
Productive	720.0	1,040.0	880.0	3.4	4.8	4.1
<p>The Market Value is expressed in Euro/sq.m with reference to the Net (N) or Gross (G) surface.</p> <p>The Leasing Value is expressed in Euro/sq.m per month with reference to the Net (N) or Gross (G) surface.</p> <p>The values in the table refer to gross surfaces as per the second semester 2008.</p>						

The expanding suburban area of Minonna and also the ZIPA industrial area showed no variation in terms of rates between the second semester 2007 and the second semester 2008.

It is thus possible to affirm that the quotation values have maintained a strong stability.

1.4.5 Some conclusive considerations on the real-estate market in the Marche region

To conclude, it is possible to indicate a number of fundamental themes relating to the real-estate market of the Marche in the various segments discussed:

- the market showed downturns in 2008 and in the first semester of 2009 in line with the national and European trends;
- the sector is experiencing difficulty but this is in part due to a current crisis that has influenced the entire world and which it is foreseen will cease to have further negative effects already by the spring of 2010;
- the central area of Italy has shown drops generally lower in terms of the fall-off in transactions, especially in relation to the residential and tertiary segments;
- prices are going down but reveal great resistance in Italy with respect to other countries in Europe;
- with reference to the quotations, the tables shown above reveal values relating to “normal” immovable assets and, that is, with average fittings and finishing and of average age: this is the case of real estate which has just been restructured and located in a residential context particularly pleasant in terms of intrinsic and extrinsic characteristics of position.

The themes presented here, together with observations on the socio-economic context of the provinces considered in this work, would lead one to consider the current crisis state of the real-estate sector as a negative moment of transition and a trend which will be modified in the short to medium term. The overall general reflections consequently imply the use, in the evaluations provided below, of the average or average-to-high quotations presented in the tables, in relation to both the buying and selling transactions and also the leasing contracts, without considering particular decreases.



By way of confirmation of the above reflections, despite certain cautious forecasts made by operators of the real-estate sector, the official data published for the first semester 2009 reveal a strong resistance of prices despite the crisis of the sector, recording values in line with those previously recorded.

PART II: IMPLEMENTING JESSICA IN THE MARCHE REGION AND THE STRUCTURING OF PILOT CASES

II.1 THE CONSTITUTION OF ONE OR MORE “JESSICA” FUNDS IN THE MARCHE REGION: VIABLE PATHWAYS

The **JESSICA** mechanism allows using financial resources from **ERDF** (and, possibly, from other types of public resources), to support projects of sustainable urban development capable of paying back over time the fund provided. More specifically, the mechanism establishes that in order for the public resources (ERDF and others) to be used in this way, they have to be managed within the framework of specific financial vehicles. These vehicles are defined as Urban Development Funds (UDF). They imply the faculty of investing financial resources in projects, guaranteeing the financial “sustainability” of investments. Within the framework of a particular context of planning of the FESR resources (and of an OP), the Managing Authority may choose to activate directly one or more UDFs or, alternatively, to draw together all resources of the OP which it intends to attribute to JESSICA within a sole Holding Fund. The Holding Fund will have the task of constituting and managing the UDF.

The choice concerning which and how many funds should be activated is very closely linked to the quantity of resources that may be actually conferred. In fact, there exists a minimum threshold of capitalisation for grants which invest in operations of urban development, dictated by common sense and by the need to diversify investments; this threshold was established at the level of approximately 50 M Euro.

As in this phase, it is not possible to determine which pathway will be chosen for the activation of JESSICA by the regional Administration, the expression “JESSICA Fund” shall be use - conventionally, and for the sake of simplicity - to indicate both a possible PF and also the UDFs.

II.1.1 Resources available for the activation of JESSICA

Structure of the ROP ERDF of the Marche Region

The Marche Region falls within the Competitiveness and Employment Objective. The overall attribution of its Operational Programme - ERDF is relatively significant if compared with that of the large regions of central-northern Italy (which also fall within the scope of the Competitiveness and Employment Objective but are much bigger in terms of their size and population) but particularly modest if compared with that of the large southern regions of Italy (which are comprised in the Convergence Objective). The reader is invited to view the comparison in the following table.

Table 8 - Financial attribution of some Regional Operational Programmes - ERDF in Italy

Regions	Overall financial attribution of the ROP - ERDF (in €)	National unit (in €)
Lombardy (Competitiveness obj.)	532,000,000	321,112,719
Emilia-Romagna (Competitiveness obj.)	346,919,699	218,811,816
Marche (Competitiveness obj.)	288,801,634	175,894,906
Campania (Convergence obj.)	6,864,795,198	3,432,397,599
Puglia (Convergence obj.)	5,238,043,956	2,619,021,978
Sicily (Convergence obj.)	6,539,605,100	3,269,802,550

The ROP - FESR of the Marche Region is structured across five primary axes and an axis relating to technical assistance for activation of the programme. As already observed in the preamble, the overall strategy of the ROP is fully coherent with both the community priorities established by the Lisbon and Goteborg Strategies and also with the Regional Strategic Document (RSP) produced at the time determining the National Strategic Framework for the period 2007-2013. Essentially, this is a strategy presenting a strong orientation towards the **relaunching of the competitiveness of the regional productive system**. In this framework, the “urban question” does not emerge as crucial with respect to the overall effort invested. Amongst other things, the OP introduces the possibility of activating investments with an authentic “urban dimension” in the framework of a broader logic of valorisation of the territories, without assigning to investments in the main urban centres of the region any preferential title. The “valorisation of the territories” (Axis V) thus construed are assigned resources amounting to approximately 16% of the overall attribution of the Programme. Despite the fact this is the second richest axis of the ROP, its incidence is modest if compared with the sum of the first three and, that is, of the axes directly linked to activation of the Lisbon and Goteborg strategies.

Table 9 –Distribution of resources across the six axes of the ROP ERDF - Marche 2007-2013

	ERDF	National counterpart	Indicative division of the national counterpart		Total funding	Co-funding rate
	(a)	(b) = (c) + (d)	National funding - public (d)	National funding private (d)	(and) = (a) + (b)	(f) = (a) / (and)
PRIMARY AXIS 1: <i>Innovation and economy of knowledge</i>	46,803,988	72,914,902	72,914,902	0	119,718,890	38.09%
PRIMARY AXIS 2: <i>Information society</i>	13,098,553	20,405,947	20,405,947	0	33,504,500	38.09%
PRIMARY AXIS 3: <i>Energy efficiency and promotion of renewable energies</i>	14,703,375	22,906,065	22,906,065	0	37,608,440	38.09%
PRIMARY AXIS 4: <i>Possibility of accessing transportation services</i>	15,889,528	24,753,944	24,753,944	0	40,543,470	38.09%
PRIMARY AXIS 5: <i>Valorisation of territories</i>	17,974,055	28,001,385	28,001,385	0	45,975,440	38.09%
PRIMARY AXIS 6: <i>Technical Assistance</i>	4,437,231	6,912,663	6,912,663	0	11,349,894	38.09%
Total	112,906,728	175,894,906	175,894,906	0	288,801,634	38.09%

Axis V of ROP - ERDF 2007-2013

This Axis has as its main objective the **protection and valorisation of the resources of the territory**. Amongst these, albeit without any particular mention, there are also urban assets, of both real, such as the important artistic and cultural sources of appeal, for example, and immaterial, such as the quality and efficiency of services.

The modalities of activating the Axis are those typical of “**integrated planning**” developed at local level and based on inter-institutional cooperation (especially between local bodies) and on the creation of public-private partnerships.

In this sense, Axis V is **the principle and natural point of departure for a reflection regarding the finding of resources of the ROP - ERDF** to be allotted to the constitution of a “JESSICA Fund”.

The overall contribution of the axis is approximately 46 M Euro, of which 39.09% ERDF, 47.35% for the “State quota” and 13.65% for the “Regional quota”, corresponding to approximately 6.3 M Euro. The assignment of such resources is provided for by the competition mechanism.

The Study carried out an examination of the Integrated Territorial Projects (ITP) proposals received in response to the regional competition with expiry on 10-04-2009, ascertaining that they mainly concern **highly fragmented interventions** that are generally **poorly integrated with each other**. Moreover it should be noted that the interventions present a low degree of relevance for the purpose of a substantial transformation of the urban areas.

The process of evaluation of the ITP on the part of the Regional Administration is currently hindered by the **poor coherence of the proposals with the guidelines supplied by the Managing Authority** (Region), above all in relation to integration of the interventions.

Besides some significant exceptions (such as the Print-Up project presented by the Municipality of Pesaro and developed within the framework of the Strategic Plan of the city) the ITP proposals do not constitute a useful base for the structuring of interventions of “JESSICAble” urban development, as:

- they do not provide for interventions with a critical mass sufficient for increasing the level of appeal and quality of the urban areas;
- they do not prefigure activation of solid public-private partnerships capable of triggering the financial dynamics typical of the JESSICA mechanism; and,
- they do not provide, above and beyond any possible coherence with investments of private actors, for mechanisms for the remuneration of public investment.

Beyond Axis V

The two pilot cases for which it was possible to develop a realistic financial simulation (Pesaro and Jesi), which will be illustrated below, reveal an overall need for “JESSICA” resources, both in the form of loans and of equity, amounting to **over 50 Million Euro**, against an overall investment of about 230 Million. It is worth noting that both cases concern particularly ambitious projects of urban development, and these probably being over-sized with respect to the type of initiatives which the urban realities of the Marche region can realistically promote and manage in the medium term.

Nevertheless, the result confirms the potential for “JESSICA” investments as being particularly high, and to the extent of justifying a significant assignment of resources to financial instruments of the JESSICA type also in the presence of the prospect of funding a limited number of projects.

It is worth remembering that the overall size of the **ROP ERDF 2007-13 is 288.8 M Euro** and that of **Axis V**, in particular, approximately **46 M Euro**, of which a significant part will in any case be destined to the funding (conventional, sinking-fund) of the ITP proposed in response to the regional competition of last April.

There is thus an evident need to search also within the area of other channels of funding for resources required for the constitution of the regional JESSICA Fund. In this sense, an important contribution can come from the use of resources complying with the **RIP UAF 2007-13**, which, although not yet definitely confirmed, will be available in the near future. The RIP UAF of the Marche Region is structured with six Strategic orientations. The fifth, denominated “valorising and promoting assets, cultural wealth and activities and rural nature for the development of the attractiveness of the territory and the quality of the life”, has characteristics very similar to Axis V of the ROP

ERDF.

II.1.2 Possible financial architecture for the activation of JESSICA

As already observed, a fundamental moment of the activation of the mechanism is the constitution of one or more Urban Development Funds, towards which the resources of the ROP (and possible other public or private resources) destined to JESSICA might be conferred. The constitution of the UDFs entails selection/identification of managing parties with specific financial competences through openly publicised procedures. This is entirely the responsibility of the Managing Authority.

Alternatively, the resources of the ROP can be gathered directly within a **Holding Fund** (HF) created through the stipulation of a Funding Agreement between the Managing Authority and the managing party of the Fund itself, identified on the basis of openly publicised competitive procedures.

The Holding Fund can establish itself as an independent judicial entity and, that is, as separate capital within the framework of a Financial Institute, with the opening of dedicated accountancy.

The European regulations establish that the Managing Authorities may attributeⁱ the role of Holding Fund directly to the EIB, without the need for an openly publicised tender procedure.

In this case it will be the task of the EIB - within which the Holding Fund assumes the form of “separate assets” - to manage the JESSICA resources on behalf of the Managing Authority and according to the criteria and modalities agreed upon in the Funding Agreement through the identification, constitution and monitoring of the UDF(s) investing directly in the projects.

The advantages of this second option for the Managing Authority are mainly identifiable in:

- **more rapid timing for the activation of JESSICA** and for the commitment of resources of the ROP (fundamental in cases of risk of automatic disengagement on account of the N+2),
- **use of know-how of the EIB** in the management of operations and in particular in the constitution of the Urban Development Funds⁴²,
- **possible facilitation of the involvement of the EIB in the funding** of operations supported by the UDF.

“JESSICable” projects and the selection of pilot cases

Nature of the projects and the integration of interventions

The JESSICA instruments aim at supporting of processes of sustainable and competitive urban development in European cities. With reference to urban transformation, the acceptance of sustainable development adopted at community level, although very broad, is based on an approach implying programme planning and *integrated* intervention, typical for example of the model experimented and consolidated within the framework of the URBAN experience.

The projects to propose for JESSICA funding and, that is, to an assignment of discounted contributions in the form of loans or share-holdings of capital must thus:

- contribute towards activating (or clearly coherent with) plans for urban development matured within the sphere of processes of strategic planning or other instances of planning which is “innovative” and integrated with urban transformation,
- provide for the setting up, simultaneously and in a coordinated manner, of interventions of a private nature and of public amenities so as to generate positive external involvement immediately perceivable within the entire urban context,

⁴² At the end of 2009 the EIB stipulated eight Funding Agreements for the constitution of a Holding Fund with Managing Authorities in five EU countries (in the case of Italy, with the Region of Sicily).

- have a critical mass sufficient to create conditions of appeal suitable for the involvement of private investment, to possibly trigger analogous processes of transformation in outlying areas and to guarantee concrete improvement of the level of competitiveness and cohesion on the urban scale.

Aspects relating to urban planning and procedure

For the purpose of the approval of the fundings (on the part of JESSICA and other possible operators / financial partners) it is necessary that the interventions be structured in project vehicles (UTCs, PPP, Real-Estate Funds, PF, ...) that will guarantee efficient management and rapid setting up so as to be able to generate the envisaged financial returns. So that such vehicles can be structured and made operational, also through the creation of solid public-private partnerships, it is necessary to find a complete solution to issues relating to urban planning and relating to the ownership configuration of the areas that are the object of transformation.

In particular, it is deemed opportune that, in view of the evaluation of funding eligibility, the foreseen transformations be:

- fully compatible with the urban instruments in force (possibly also downstream in relation to the approval of ad-hoc variations),
- respectful of all the restrictions coming to bear on the areas of transformation, with formal approval of the project on the part of the competent institutions, where necessary.

It is also necessary that the vehicle responsible for implementation of the project possess complete control of the areas and buildings to be transformed. Any form of unresolved contentious proceedings relating to ownership of the areas and of the real-estate assets will necessarily represent an obstacle for positive evaluation of the feasibility and funding eligibility of the project.

Financial aspects and remunerative capacity of the investment

With respect to the entire operation, the mix of functions characterising the urban transformation for which funding is requested must afford a capacity to generate financial returns allowing for repayment not only of the contribution received from **JESSICA (ROP resources)**, both in the form of discounted loans and *equity*, but also of the additional debt formalised with financial institutions, and also to remunerate contributions of any direct investors, both public and private.

The capacity of the project to produce such remuneration must be demonstrated through the establishment of a detailed economic-financial plan, accompanied by rigorous market analysis.

Identification of JESSICAble projects in the regional context

As previously illustrated, various local situations in the region have experimented with particularly sophisticated forms of project-design and planning for territorial development. Amongst these experiences, those regarding the Strategic Plans of Pesaro and Jesi clearly stand out amongst the first and most important in the national scenario.

Within the context of these initiatives, particularly interesting project-development capabilities were determined for the purpose of identification/conception of “JESSICAble” interventions,

- in terms of both relevance and potential efficacy in the promotion of sustainable urban development,
- and also in terms of the capacity to identify in a convincing manner the need to increase the wealth of public and collective amenities and that of creating the conditions for significant and “constructive” participation of private capital in the process of transformation.

The choice of the pilot cases, to be developed in **authentic simulations of the JESSICA mechanism** within the context of the study, thus favoured projects of particular significance in terms of advanced strategic plans: Pesaro and Jesi.

Each of the three projects moreover exemplifies an important theme of contemporary urban development, especially within the context of the Marche region:

- Rehabilitation of the large historical and architectural assets (“historical containers” or “contenitori storici”) and competitive relaunching of historic centres (Pesaro),
- The increment of the urban and environmental quality of production areas and the development of advanced services (Jesi).

II.1.3 Structuring of the projects in the form of project vehicles

For the purpose of achieving effectiveness with the introduction of the JESSICA mechanism, it is essential that the interventions of urban transformation to be supported become structured, clear and easily evaluable opportunities for investment. An exhaustive overview is provided below of the instruments available in Italy for the management of the processes of valorisation and urban transformation promoted by Local Bodies.

In general terms, **real-estate valorisation** is a complex process that aims at transforming fixed assets for the purpose of maximizing financial yield and also increasing the value of assets, identifying the “*Highest and Best Use*” (i.e. the most apt and appropriate use - in relation to the context of reference - of the building in question, in both functional terms and with respect to returns). In the case of public buildings, the concept of “valorisation” has a specific acception which takes into consideration requirements relating to **rationalisation and rehabilitation** of the buildings, **the increase of utility of the real-estate portfolio** and, last but not least, the **promotion of urban and territorial development**.

In consideration of the particular complexity of the operations of valorisation which provide for ambitious objectives to be achieved both with limited public resources and by means of specific and multiple competences, the activation of the processes is generally possible by means of recourse to **public-private forms of partnership (PPP)** and, that is, through interaction between various public and private actors, with the aim of correlating in a balanced manner the risks connected with investment with benefits expected by the actors involved.

These incisive concepts were included (and also extended) within the general configuration of the different instruments held by Local Bodies for the purpose of the valorisation of real estate. The most important strategic possibilities for the management of the processes of valorisation can be identified in the following situations:

1. traditional type of discarding by means of a **sale** with openly publicised public procedures;
2. procedures of valorisation as per Art. 3-*bis* of Legislative Decree n. 351/ 2001 converted by Law n. 410/2001: the so-called “**valorisation concession**” introduced with the finance law for 2007;
3. transfer of real estate to a **common real-estate investment fund**, whether already existing or especially established, in exchange for payment or units, which would then be the subject of a possible partial or total cession to qualified investors identified by the body itself with openly publicised public procedures;
4. the buildings can be transferred by the body also to an **instrumental company** (cf. so-called holding companies).

In this context, on account of their coherence with the themes of valorisation and PPP but - above all - with urban transformation, instruments such as **Urban Transformation Companies (UTC) and Project Financing (PF)** should be indicated.

5. The former (UTCs) are an instrument for the funding and setting up of urban transformation (and, therefore, the valorisation of portions of cities), the constitution of which is promoted at the initiative of Metropolitan Cities and Municipalities, also with the participation of the Provinces and of Regions. Such transformations would be carried out also - though not necessarily - on privately-owned buildings by means of the constitution of companies of capital, which, therefore, in the company structure, would provide for the involvement of private actors (financiers, know-how, designers etc).
6. PF however provides for the programming, setting up and management of public works or works of public utility by private actors. Therefore, the setting up of infrastructures, public housing, sports facilities etc may be envisaged, which, in general, generate development and requalification and public benefits generally.

In relation to each of the six instruments mentioned an analysis **of the potential and weaknesses and risks that may be associated with their use** is presented in the sections below. These considerations focus on **aspects of management** and concerns related to the competences required to activate them and also on the **financial and fiscal**

issues. These aspects condition strategic choices with respect to value capture and creation opportunities and are subject to the evolution of the regulatory framework.

Sale

Sales are perhaps the best known and most widely used instrument in the case of public properties which are no longer instrumental. The modality of a sale, in general, may be of two types:

- **Sale under private negotiation**, in the case of non-divided units of immovable assets, closed funds and secured rights in fixed property;
- **Sale by means of a public invitation to place bids** for immovable assets having a value not higher than € 100,000 **or a public auction** for immovable assets with a value higher than €100,000.

For specific procedures, the Regulation of each Local Body may establish criteria and modalities that are different from those indicated above.

The procedure, in any case being of an openly publicised nature, does not involve any specific requirements or competences; usually, if a variation to the Urban Planning is not necessary or if any change of use has already been established or, furthermore, if the variation procedures have already been initiated and do not require any particular consent on the part of other public actors, it is not likely that the accepted price “will be very far” from the market prices established in the area and relating to the particular function in question. The legal texts⁴³ are clear: *“the selling or the auction-based price is established according to the market criteria and values, taking into consideration the particular legal condition of the assets and of the rights”*.

A different situation would arise however if the building is not in use (in an insufficient state of repair), if investments were to be required for the rehabilitation or in any case to return the property to its natural function or if the current use is not coherent with the hypothesized use. In such cases, the Local Body must produce (either directly or by means of specialised firms) a Feasibility Study, which, starting from the analysis of the context and elaborating the 3 macro-feasibility criteria (in technical, economic-financial and legal-administrative terms), must identify the best use and, that is, the most appealing use and function in the specific area in question. This latter element, besides constituting the point of departure of the variation procedure, in fact substantially **establishes the hypothesis concerning valorisation (in this case, in terms of urban valorisation) and represents the real increase of value of the asset to be sold**. The price thus determined as the basis for the tender will not be that deriving from property registry values or from the current “physical” situation of the asset but will incorporate a part of the gain deriving from its potential and possible future exploitation.

Finally, from the financial point of view, it is evident that the sale is a procedure aimed at realizing immediate sources of income in the capital account for the Municipality, to be entered amongst postings of income from sales, from the transfer of capital and from the collection of credit (Title IV - Category 1 – Sale of assets), to be set against - within the logic of the equilibrium of accounts - the expenses entered in the capital account. In other terms, in a virtuous system, these incomes should serve to realize and fund new investments, whether public or not, as may occasionally occur to cover deficits or current expenses.

In general, there must be the guarantee of pursuing the collective interest and goals of public utility, which thus involves, in the case of a sale of public assets, the placement of the sale within a course of action that is rationally established and lodged within a broad, planned vision tending towards development of the territory supported also by public investment.

From the fiscal point of view, except for some specific cases and on the basis of the criteria recently established by the Italian Inland Revenue Agency⁴⁴, the management (including sale) of real-estate assets by local bodies is irrelevant for the purpose of application of VAT as it does not presuppose the exercise of any commercial activity.

Registry-office, registration and mortgage taxes are determined in accordance with the law and are borne by the purchaser and therefore do not influence the value of income for the Body.

⁴³ For example, see the Finance Law for the year 2005 (Law n. 311 of 30 December 2004) under sub-sections 433 – 436 - 437 and 438.

⁴⁴ See Resolution n. 169 of the Inland Revenue Agency dated 1 July 2009.

Valorisation concessions

On the basis of Art. 3 *bis* of Legislative Decree n° 351/2001, introduced by Art. 1, sub-section 259 of the Finance Law for 2007, the institution of the concession of valorisation made its appearance in the Italian legal system, assuming an autonomous relevance with respect to the ordinary concessions and leases regulated by Heading II of Presidential Decree 296/2005. The aims pursued by means of recourse to the new formula may be summarised as “the requalification and conversion of immovable assets owned by the State and, from 2008, thanks to the provisions of the cited Art. 58, also by Local Bodies, by means of interventions of recovery, rehabilitation and restructuring, also with the introduction of new established uses aimed at the performance of economic activities or activities rendering services to the citizens.

The bonus inherent in the concession of valorisation, with respect to the ordinary models of concession/leasing is moreover represented by conditions of greater flexibility introduced by the cited Art. 3 *bis*, consisting in particular in a **longer duration** (maximum, non-renewable limit of 50 years, instead of the 6/19 years of ordinary leases/concessions) and **in the entity of the instalments**, both of which are *proportionate to attaining the economic-financial balance* of the plan of investments to be realized under the responsibility and at the expense of the private concessionary.

Furthermore, besides exploiting the asset through the performance of business activities, the private subject is protected by means of the collection of a **suitable indemnity** - in cases of revocation of the concession for public interest - *evaluated and proportionate on the basis of the economic-financial plan* presented by the same and modulated in a coherent manner in accordance with the period within which revocation may occur.

From this latter point of view, there emerges the evident intention of the legislator to mitigate the risk borne by private investors, who make an investment and who will consequently have to be able to count on the stability of the duration agreed upon by contract for the concession.

Substantially, the above elements make the concession of valorisation an instrument potentially suitable (and the early experiences supervised by the State Property Agency offer confirmation of this) to permit the attraction of private capital and investments aimed at the requalification / conversion of certain properties owned by the State and Local Bodies which are particularly suited to generate income by means of the performance of remunerative economic activities on the part of private actors.

In the light of the particular conditions illustrated above, **the overall balance of the operation** and, in particular, coverage of the costs of investment by means of the net income of management and also a **suitable and fair remuneration of the private subject**, assume a determining role in the design and activation of such an instrument. These are the elements that come together in the provisions of the **Economic Financial Plan** of the operation, which, besides representing an essential document of the contractual relationship between the Public Owner and the concessionary, constitutes the basic instrument supporting determination of instalments and the duration of the concession to be proposed by tender procedure.

Thus, the instalments are in any case evaluated on the basis of real-estate quotations in the market of reference but are modulated and proportionate with the attainment of an economic and financial balance and in line with the economic-financial projections linked to management of the asset. The private party invests and restores to useable condition a building which remains publicly owned but, on the other hand, expects and will tend to pursue over the period of concession, remuneration congruent with the risks and the sector in which it is to operate.

If the sale has as its ultimate purpose to procure income, with the concession of valorisation **the priority is to favour and support development, aiming at the maintenance and increase of the value of existing assets**. At termination of the concession (after a maximum period of 50 years), the administration may choose whether to discard or find another form of use for the property.

This may indeed be a successful choice especially for properties in the city center (for example, ex military barracks, ex convents, libraries, former municipal offices no longer in use etc), which have the potential for the installation of accommodation facilities and recreational amenities, which, however, in the current situation have been abandoned and require enormous investments.

When capturing the value of public real estate assets is involved, this instrument requires specific competences concerning organisation and structuring, and a careful study to verify the various asset uses and opportunities for economic exploitation, in order to determine the various lots and duration terms to insert in the tender documentation. Moreover, associated with an immediate increase in the value of the asset, such lots and durations would in time

determine the income streams for the public ownership.

From the financial point of view, if the increase of value consequent to private investment can be immediately posted amongst the assets of the balance of the Local Body - as the property returned to useable condition remains owned and within the sphere of public wealth - the income deriving from the collection of concession instalments can be itemized amongst extra-fiscal revenue (Title III - Category 2 – Income of the assets of the body) and is therefore current revenue, which, albeit to a limited extent, contributes towards improving the equilibrium of management and the coverage of current costs.

Analysing the operation from the fiscal point of view, the private concessionary must bear the registration fees to be paid at the time of the concession, amounting to 2% of the total sum of all instalments payable during the period of the concession.

Common real-estate Investment Fund

On the basis of current norms, the financial instrument of the Common Investment Fund is a very interesting way to achieve the valorisation of public property. The State and Local Bodies may in fact transfer **to a Common Fund of real-estate Investment** (currently existing or especially constituted) real-estate properties that may be economically exploited (directly, on the basis of the status quo, or by means of a change in their established use), receiving in exchange - immediately - a payment and/or units. These latter may be the object of a subsequent cession to qualified investors identified by the body through a public procedure or they may remain within the sphere of the Public Administration.

The management of such Funds is entrusted to particular parties - usually Investment Management Companies - that possess consolidated competence and, making use of their organisation, instruments and specific know-how, deal exclusively with the management and valorisation of real estate. Thus the Body (and, in general, the Public Administration) is released from the problems and in part from the costs deriving from identifying better uses and from property management. In the case where the Body were to decide to collect payment for the transfer, the assets would be obviously evaluated on the basis of their current state and also in relation to potential future revenue deriving from the subsequent sale and/or lease.

However, if the Body were to decide to remain included in the operation, it may benefit from future income derived from the activity of management and valorisation created by the fund itself.

Furthermore, other actors - also non-public parties - might (and such a situation would be convenient) be brought into the financial instrument, which, besides funding part of the transformation necessary to activate the process of valorisation, would thus guarantee the activation of methods typical of the private sphere and therefore aimed at remuneration according to the risks and averages of the sector of reference.

These characteristics implicitly involve the possibility of realizing, both effectively and efficiently, the objectives of valorisation (in the fully-comprehensive sense) of the public assets and, by means of the subscription of an appropriate Fund Regulation, the overall control of the operation may in any case remain in public hands.

Thus, if on the one hand the Body may count on potential, high financial returns (payment and/or units), realized through the aid of ad-hoc parties, and on the activation of important processes of transformation and local development, on the other hand it can allocate human and financial resources to sectors which would require the presence of public administration more than any others.

As it is structured, the instrument has high initial costs related to activation of the complex procedure and then management costs relating to the activities of the Investment Management Companies⁴⁵, borne by the Fund itself (and therefore the actors owning the units), but over time and through forms of operational and financial management that is precise, dynamic and aimed at achieving optimal use, it should guarantee returns at least in line with the market of reference. It is thus evident that the instrument lends itself to the valorisation of consistent real-estate assets which may also involve a vast area of territory.

From the procedural point of view, the national legislator permitted - also for Local Bodies - use of the simplifying provisions of Legislative Decree n° 351 of 2001, converted with modification by Law n. 410 of 23 November 2001.

⁴⁵ These costs are normally calculated annually as a percentage (between 0.7 e 2%) of the accountancy value of the assets administered.

Thus, more precisely, the provisions of Articles 4 *et sequ.* of the cited Legislative Decree are applicable, with these latter provisions providing for the possibility on the part of the bodies that own the buildings included in the Plans for Valorisation and Sale to transfer their immovable - also residential - assets to a common real-estate investment fund or promote their constitution. Moreover, the same Bodies are exempt from the need to produce, at the time of transfer, the documents relating to ownership of the assets, conformity with urban-planning and construction laws and fiscal obligations, while notarial registration fees are reduced by law by fifty percent.

From the fiscal point of view, the provisions contained in Art. 6 of the Legislative Decree n° 351 of 2001, converted, with modifications, by Law n. 410 of 23 November 2001, are applied to the fund. Thus, in particular, the real-estate funds are defined as “with taxable interest” and that is “they are not subject to income taxation and regional tax on productive activities. The deductions applied to capital income are applied by way of taxation. The deductions provided for under article 26, sub-sections 2, 3, 3-bis and 5, of Presidential Decree n. 600 of 29 September 1973 and the reductions provided for under article 10-ter of Law n. 77 of 23 March 1983 are not applicable”.

It must be clarified whether the Fund is obliged to pay the substitute assets tax amounting to 1% and calculated on the sum total of the net accountable value of the fund. In actual fact, with Art 82, Decree Law 112 of 2008, the so-called ‘summer manoeuvre’, attempts to prevent phenomena of tax avoidance with reference to large family estates. The reference contained in the text of the cited Legislative Decree to “public bodies” therefore appears inopportune and rather creates a contrast with the aims of the provision contained in Art. 58, as, having a negative effect on the yield of the fund, it might orientate public administrations towards a discarding of properties to the detriment of the initiatives of valorisation through the instrument of the fund.

Finally, regarding the fiscal status of the participants in the fund, Art 7 of the cited Decree Law should be applied; except for certain cases, this article excludes fiscal imposition and therefore creates an advantage in the activation of the instrument: “Income deriving from participation in the funds and also capital gains realized through their cession or reimbursement are not subject to taxation, unless the participations relate to commercial enterprises”. Furthermore, and in a case where the substitute tax of the preceding point is applied, “on incomes of all types, received or posted in balance sheets a tax credit will be recognised, not constituting income, amounting to 1 percent of the value of the units, proportionally referring to the period of possession determined for each taxation period. In any case, the value of the units is determined, in each taxation period, from the last report prepared by the fund management company.”

Finally, there are the VAT provisions as per Art 8 of the cited LD, which are in no way less important and establish that the management company is a passive subject for the purpose of added-value tax as regards the cession of assets and the performance of services relating to the operations of the real-estate funds which it has established. This obviously entails that VAT paid on the purchase of fixed asset and on the maintenance of the same ensures the right to a taxation allowance (VAT receivable). This regulation, although applicable in any case, has great significance with respect to the Local Bodies. In order to detract VAT paid on maintenance the latter should in fact structure a set of accounts separate from public accounts and determine a suitable structure for the execution of activities relating to the management of immovable assets; often this does not occur, thereby resulting in VAT becoming non-deductible and standing as a fixed cost.

It is to be clarified whether the Fund is obliged to pay the ICIⁱⁱ tax. Logically, properties passed to another subject should be evidently subject to the municipal tax and, amongst other things, this would create further and incremental resources for the Local Body.

[Instrumental Companies \(so-called holding companies\)](#)

Finally, and on the basis of current legislation, properties may be **Transferred by the Body also to an instrumental company** (to so-called holding companies). Holding companies are, in effect, capital companies held entirely or on a unit basis by the Local Body which have as their purpose the management and valorisation of the assets transferred to it. It is clear that the aims are quite similar to those of a Common Investment Fund. In fact the benefits of an economic and financial nature are very similar and, that is: the existence of an ad-hoc structure, VAT savings, annulment or reduction of running and maintenance costs, the transfer of funding debt and related burdens and the collection of the ICI tax. Another benefit of holding companies is given by the possibility of taking out mortgages without being subject to the Stability Pact. Lastly, however, holding companies are subject **to taxation provided for by the Unified Income Tax Law for capital companies** and, that is, the **IRES tax and the full IRAP tax**, which

together amount to **approximately 32% of the period result**.

It is likewise evident that for the success of such companies, which may be often considered as working instruments in the hands of the administrators (in-house companies), competence and impartiality are necessary factors; in more recent experiences there has most certainly not been a great abundance of such elements. In this respect in any case, restrictions contained in the Deed of Incorporation or Statute regulating the range of action of the company and relations with the Local Body (in some cases it has even been found that a holding company has in some way replaced the competences of the Municipal Council) are significant and worthy of note.

Finally, if the company is incorporated and held totally by the local Body, it is difficult to ascertain the potential deriving from a partnership with the private sphere, which may indeed result in the procurement of competences, specific know-how and liquidity.

Urban Transformation Companies

In Italy, Article 17, sub-section 59 of Law 127 of 1997 introduced the faculty, conceded to metropolitan cities and municipalities, to constitute - also with the participation of Provinces and Regional Authorities - joint-stock companies incorporated for the purpose of planning and creating interventions of urban transformation; these are better known as Urban Transformation Companies (STU – “Società di Trasformazione Urbana”) and are currently regulated by Art. 120 of L.D. n.267/00 ⁴⁶.

The UTC represents in the current legal system, the most highly-evolved form of concerted city planning: it follows a series of urban-planning instruments (Integrated Programmes, URPs, PURSDT, Local District Contracts), which also aim at overcoming the bureaucratic rigidity of the existing system and the concession of grants (above all from the private world) for the setting up of programmes for territorial requalification.

Through the sharing of objectives and results, the working model envisaged by the legislator allows for the creation of a close relation between the public body and private operators, with the purpose of starting complex interventions for requalification of the territory, city planning, construction works and environmental action in urban areas where the phenomena of discontinuity or degradation have occurred. In the intention of the legislator, UTCs should have become ordinary instruments of Public Administration in the governance of territorial transformation.

In fact, the UTCs were introduced with the purpose of facilitating accomplishment of the following goals:

- The recovery of decaying urban or non-urban areas in which the existence of a fragmented ownership causes the launching of recovery processes to become quite an arduous task (e.g. revitalisation of degraded districts);
- Promoting and creating public and also private infrastructures, works and integrated services (which otherwise it would not be possible to develop) capable of launching the process of development of the area involved (e.g. valorisation of an area where tourism is an essential business);
- Revitalising and valorising existing assets - often undervalued and comprising works in a state of abandonment and underused or possibly used for obsolete functions, with a high potential value (e.g. re-use of industrial areas no longer used);
- Raising the quality standards of the existing urban fabric with the creation of public spaces or areas for public use (large parks, museums, sports facilities, places assigned to leisure-time activities or which allow for activities in a natural environment).

A Particular feature of the UTCs consists in the possibility of providing for participation in the risk capital of private parties, these latter being identified by means of open public tender procedures. The contribution of the private sector - as intended by the legislator - is to be construed in the broad sense and in fact such means may imply the transfer of privately-owned properties and the contribution of risk capital and, above all, know-how and specific competences that are useful in both the operation structuring phase and also in the management phase.

The Local Bodies, on the other hand, will be able to make use of the various and strategic private contributions,

⁴⁶ Consolidating Act of the Laws on the Regulation of Local Bodies, i.e. Testo Unico delle Leggi sull'Ordinamento degli Enti Locali (TUEL). The regulation stems from work on the simplification of administrative processes and can be directly related to positive experiences in France with the SEM (*Sociétés à Economie Mixte*).

always and in any case maintaining (also to guarantee observance of the public interest) a role of guidance and control.

The aims and mission entrusted by the promoting local body to the UTC have an effect on the type and on the characteristics of private partners that might be involved. The law does not provide for any particular profile that should be adhered to in their identification, providing exclusively that “the private shareholders of the joint-stock company be chosen through open, publicly advertised procedures”, and not specifying even the operational modalities by which the public procedures should be implemented. With regard to the first aspect, it is evident that the local body itself will identify, in accordance with its own needs, the type of partner to which reference should be made when making a selection and that the description of the required characteristics must be logical and coherent with pre-established objectives. The professional capacities which, in general, the promoting body is interested in seeking will be related to planning capabilities, operational capacity, trading performance (for timely positioning in the market of works produced and targeted for concession to third parties) and management capacity in relation to executed interventions not ceded to or destined for use by third parties.

With regard to the participation of private actors, the law has not provided for minimum or maximum shares; such matters will be decided by means of deliberations of the Municipal Council in accordance with the aims to be achieved through the UTC.

In relation to the procedural and organisational profile and on the presupposition of the assimilability of UTCs with other public shareholding companies of the local Bodies, it is held that the approach of referring to the norms provided for the selection of a private partner in mixed companies founded to manage local public services can be adopted. In support of this choice, there is the consideration on the basis of which the urban transformation company represents a model of indirect exercise of the institutional functions of the local body, characterised by a special regulation with respect to the ordinary norms as far as contracts are concerned.

In concrete terms, the UTC is a very flexible instrument and the operational potential is very significant. Suffice it to think that the determination of perimeters relating to areas of intervention is decided by the Municipal Council by a deliberation containing a **declaration of public utility** and referring also to the sectors not directly involved in public works. For the purchase of land and real estate from private owners moreover two alternative modalities may be adopted: **a cession in good faith**, under the responsibility and at the expense of the UTC or recourse to **expropriation procedures** pursuant to Presidential Decree 327/2001 under the responsibility of the Local Body and at the expense of the UTC, which will be held to pay the expropriation indemnity. Finally, the areas owned by public bodies may be attributed to the company by way of a concession, transfer or assignment.

It is thus evident that this instrument represents, on the one hand, a great opportunity for procedural simplification and for the launching of important urban transformations, while on the other hand, an excessively biased shareholding configuration favouring the private sphere might involve a potential abuse implying the launch of operations for the sole purpose of speculation.

The UTCs and, in particular, the Statute, Convention and Shareholders’ Agreement which regulate them and define relations between the public and private areas must therefore envisage conditions of equilibrium between public and private interests. Multiple functions must be provided for which would be capable of accommodating the requirements of private investors with the public interest in relation to the increase of urban quality and the installation of infrastructures.

The transformation operations must occur in full observance of the urban-planning instruments in force: Ministerial Circular 47 uses the wording “by implementation of” and not “in compliance with”; this does not exclude therefore that the Body - where necessary - cannot provide for opportune variations through a related decision of the Council, also following the establishment of planning agreements with the other Bodies involved in the urban transformation.

On the basis of the characteristics just described, the UTC can be defined as an advanced and complex instrument for the management of processes of urban valorisation and transformation. In fact, for the purpose of “governing” such complex programmes - and as experience has shown - it is necessary to make use of an **implementation convention**. The public bodies and the private parties may negotiate such an agreement once the UTC has defined - by means of an advanced feasibility study - at least a preliminary level of city planning and architectural layout, the timing and modalities of intervention and also the sources of funding and possible returns.

⁴⁷ Circular letter n. 622 of the Ministry of Public Works dated 11 December 2000.

The open, publicly-advertised procedure should thus determine that every participant should propose at the time of submitting offers its outline for an implementation convention coherent with the competition documents and with the other aspects characterising their proposals (economic-financial plans, implementation programme, modality of intervention etc).

To conclude, and in the light of experience acquired to date, it is possible to affirm that until now recourse to the UTCs has not led to the full achievement of expected results.

The reasons for a delay in materialization of the innovative idea proposed by the legislator should be sought first of all in the complexity mentioned above. The variety and broad range of themes to be addressed, which often refer to technical and financial issues but also - and above all - to commercial law, have in fact led to certain reluctance on the part of the PA towards making use of the instrument. Moreover, it is possible to hypothesise that, paradoxically; a part of the diffidence expressed in relation to the UTC instrument depends on its extreme flexibility. In using the UTC, besides being obliged to act according to schemes of logic dictated by the market - which in the “cultural” sense would be seen as quite an alien point of reference - the Italian public actor does not feel sufficiently protected.

Obviously, there are numerous exceptions, which in any case have been determined by the administrators of medium-size and large Municipalities, which, on the basis of considerations relating to available budgets and also owing to a prudent outlook and the preparation of technical staffs, have been able to govern the entire process.

Many experts are expecting to see a new wave of UTCs in the very near future. It is clear that from the year the instrument was introduced up to now the acquisition of knowledge on the part of the PA has been quite considerable, especially in the area of Public-Private Partnerships. The administrators and directors have built on and exploited their experiences; critical points have been fully comprehended but the numerous positive aspects have certainly not been ignored.

From the fiscal point of view, the UTCs are configured as passive actors of value-added tax; consequently, VAT on purchases and on maintenance is totally deductible from VAT on sales and lease contracts. Considering the operation from the point of view of the Local Body, this characteristic involves possible financial benefits. On the other hand, the UTC is subject to full payment of the IRES and IRAP taxes, which, as pointed out above, **amount to approximately 32% of the annual economic result.**

Project Financing

Project financing, in general, constitutes a model for the setting up and financing of public works, which, in the expectations of its supporters, should at least in part provide a remedy for the scarcity of public funds and the infrastructural gap dividing Italy from other industrialised countries. The institution is above all a complex economic-financial operation aimed at a specific investment for the setting up of works and/or the management of a service as a result of the initiative of private parties or public promoters.

The use of project financing is constantly spreading and the regulations originally provided by articles 37-*bis et sequ.* of Law n° 109/94 have been followed by further legislative interventions aimed at extending the scope of the institution. It is worth noting moreover the recent third corrective decree of July 2008 in the Contracts Code, which reformed the regulations of project financing.

The three phases that had been provided for up until that time for selection of the concessionary were replaced by a single competition. The new procedure (Art. 153) states that the administration must have a competition-based Feasibility Study performed and compile a classification list for the offers presented. The offerer at the top of the list is then directly nominated as promoter. At this point the administration approves the preliminary project presented directly by the promoter or, if necessary, requests modifications. Finally, the administration awards the concession after a procedure negotiated with the promoter or, in the case of renunciation on the part of the latter, with the subsequent competitors in the classification list.

Other modifications occurring over the years concern **cancellation of the right of pre-emption in favour of the promoter**⁴⁸ on account of its non-compliance with community regulations and the elimination of the possibility of **automatically excluding irregular offers** (which now must always be examined). Finally, for qualification of the enterprises and for the purpose of demonstrating requisites, the period of activity is no longer the preceding five-year

⁴⁸ The faculty to adapt a proposal to the requests of an administration, abrogated by Leg. Decree n. 113 of 31 July 2007 (second correction to the Contracts Code)

period but the five best years of the decade preceding qualification.

At the economic level, the most relevant aspects of a project-financing operation are: the economic-financial feasibility of the project, or in other words its aptitude to produce, in its vital cycle, a cash-flow sufficient to cover operating costs, remunerate financiers (banks) and provide an adequate profit margin to the promoter of the operation (it is generally assumed that the project must be self-liquidating); the financial eligibility of the project or banking eligibility or the observance of specific financial indicators⁴⁹; the concentration of the funds in an autonomous, legal and financial centre of reference (*Special Purpose Vehicle: often a Project Company*), to which are entrusted the financial means and setting up of the project, with the consequent, legal and financial separation (*ring fence*) of the project from the sponsors, which in turn leads to *off-balance-sheet financing* of the financing project with respect to the other activities of the promoters or of the shareholders of a project company; the constitution, in favour of external financiers of the initiative, of “indirect guarantees” based on a vast range of agreements between the parties interested in the project.

In the light of experience, project financing has proven to be a very useful instrument for the purpose of realizing public works or works of public utility in situations in which the Municipality or, in any case, the granting Body is endowed with limited resources. The value of the instrument is in fact unquestionable as, for the Public Administration, it involves annulment or in any case, a consistent reduction of its financial commitment. Moreover, in PF operations which do not guarantee an adequate return for the investor, in order to guarantee equilibrium on the part of the private concessionary, the PA has the possibility of ceding rights of ownership or use in relation to immovable assets forming part of its disposable assets instead of issuing a public contribution in cash (or in terms of price). The opportunity results in a total annulment of the financial commitment of the public body.

Nevertheless, also in the case of Local Bodies possessing adequate financial resources or in any case capable of taking out new loans, it has been deemed preferable to use the PF instrument as it has guaranteed:

- the possibility of freeing up resources, which can be appropriated for other institutional activities: for example social activities, which are unlikely to be susceptible to commercial exploitation;
- certainty in terms of the timing of setting up; it is in the interest of the private concessionary to finalize works with the purpose of “exploiting” commercial management of the work as soon as possible;
- the absence or limitation of uncertainty and/or risks connected with management costs of works - both ordinary and extraordinary - as most risks and working costs are to be borne by the private concessionary company, which in turn can “off-load” some types of risk onto the insurance companies (*security packages*);
- improvement of the quality of assets/services offered through careful regulation of procedures to be adopted in the performance of the service and, in general, of private activities.

It is in fact in the presence of an improvement in the quality of services that there have often been cases where works accomplished under PF have involved an increase in rates applied (cf. for example, the setting up of cemeteries) or in any case the fees applicable for services previously provided free of charge (e.g. the installation of a car park in PF in an area formerly used freely and at no cost). The subject of the quality of services offered where an increase in rates has occurred is a highly-debated subject in Italy and at the present time current positions favour such conditions as they place upon the actual final user - and not on the citizens in general - the onus of the setting up of public works or a work of public utility.

Moreover it would appear that the question of the availability of structures created with PF is not an issue of secondary importance. In the majority of cases, at the end of the period of a concession, full availability in fact passes to the PA, with limited outlay or without incurring costs.

To conclude, attention should be given to recent trends that are becoming consolidated. In fact, until a few years ago in the majority of cases individual works were carried out with PF: car parks, cemeteries, public buildings, roads etc. On the one hand, this situation involves a containment of risks linked to operations and in fact the feasibility of a work is linked to the quantifying / evaluation of a particular demand (the demand for car parks, of burial grounds, and so on); on the other hand, the situation involves difficulty in the accomplishment of more complex operations which may involve the installation or implementation of a number of works closely related one to the other. Over the last two years⁵⁰ however, PF has indeed begun to be used for more complex operations⁵¹ within the framework of

⁴⁹ Project Cover Ratio (PCR): this consists in the relationship between the current value of project cash flows and the total sum of contracted debt. A PCR > 1 indicates a certain financial solidity of the project. Debt Service Cover Ratio (DSCR). Loan Life Debt Service Cover Ratio.

⁵⁰ “Market trends of PF” <http://www.infopieffe.it>, National observatory for PF.

urban requalification, integrated programmes with the prevalence of an offer of services instead of assets and with the insertion of public spaces at no charge (public squares, green areas, urban fittings and amenities). If on the one hand, these situations bring doubtless advantages as they are configured as projects leading to the requalification of entire urban areas basically under the supervision of private entities, on the other hand, they link the economic-financial balance of a work to a more precise evaluation of various “demands” for different services and spaces. Fundamentally, this involves an increase in the risks of an operation, which are “off-loaded” onto the request for an extension of the period of concession.

II.1.4 *Project vehicles activated within the context of the Marche region*

As illustrated in paragraph I.2.3, in relation to launch of project to initiate urban and real-estate development promoted by public bodies in the Marche region, the most consolidated experiences undoubtedly concern the constitution of Urban Transformation Companies.

To date, the two UTCs actually set up in the Marche are:

- the UTC “Nuova Via Trento S.p.A.” at **Macerata**,
- the UTC “Campo Boario S.p.A.” at **Jesi**.

The Macerata experience is one of the most advanced at national level, as the intervention of requalification and building replacement in Via Trento has already almost been completed. The UTC was constituted in August 2001 following a process of identification of private partners that was quite complex, also on account of the ownership configuration in the area, which was originally highly fragmented. The participation of the Council Administration in the UTC amounts to 20%, deriving from assignment of an immovable asset. Moreover, three credit institutes and 21 enterprises in the building sector participated in the capitalization of the UTC. By reason of its role as promoter and participation in the company capital, the Municipality has the right to nominate the president of the Board of Directors of the company. The overall investment of the intervention was over 5 million Euro. Now close to its conclusion, the operation produced - thanks to the marketing of the real-estate properties (mainly residential units) - the financial gains which had been hoped for.

The Municipality of Jesi set up an UTC with entirely public capital in June 2008 for the requalification and renewal of a popular district located in the inner suburbs of the city known as the “Campo Boario”. Besides the restructuring of existing buildings (including a large number of public residential properties), the intervention includes the setting up of numerous new amenities of both a public and private character. In view of the transformation, real-estate owned by the Municipality - which, at present, is the sole holder of company shares - was transferred to the UTC. The transformation operation has not yet begun but procedures for the selection of private investors will be initiated in the near future.

Besides these two ongoing experiences, the Municipality of **Pesaro** has initiated the procedure (the closing of which has been planned to occur in February 2010) for the selection of a private majority partner aimed at the setting up of an UTC. The UTC will have as its object the setting up of an intervention consisting in: the requalification of Piazzale Carducci and the setting up of an underground car park, the extension of Palazzo of Giustizia and the construction of a building to be used for the Police Headquarters (Questura).

Besides the operations of a distinctly urban character, the context of the Marche is involved in a particularly ambitious initiative of infrastructural and territorial development: the so-called “**Quadrilatero Marche Umbria**”, for the implementation of which a project company has been incorporated. This is a public, company (the partners are the Anas, the Regional Government of Umbria, the Regional Government of the Marche, the Province of Macerata, the Chamber of Commerce of Macerata, The Chamber of Commerce of Perugia, the Chamber of Commerce of Ancona and the Province of Perugia), which will have a non-profit basis but will aim at the identification of additional resources (with respect to those of the public sphere) for the financing and setting up of the infrastructural work through a prior acquisition of the value which the work itself is destined to generate. This should occur through the acquisition, valorisation and the placing on the market of areas to be used for production

⁵¹ cf. requalification of the ex Fruit and Vegetable Market area in Bologna.

activities located in strategic positions with respect to a new territorial-infrastructure asset. The company Quadrilatero Marche Umbria SpA was set up in June 2003. The process of valorisation is currently still ongoing but initial forecasts relating to the volume of co-funding that can be activated through this mechanism appear to be very optimistic.

II.2 PRESENTATION AND ANALYSIS OF THE PILOT CASES

II.2.1 Structuring of operations - intervention programmes

The case studies, selected according to the criteria referred to in the first part of this document, were developed within the framework of the study in close collaboration with the local administrations involved. The project capability developed by the administrations themselves was analysed in detail and a selection was made and, where opportune, a partial remodulation of the interventions proposed was carried out for the purpose of their structuring in potentially fundable “packages” according to the JESSICA mechanisms. It should be noted that this operation, especially with regard to Pesaro and Jesi, was conducted in very close collaboration with the “protagonist” administrations and that the simulations derived represent, also in this sense, occasions for definitely practicable investment if the process of implementation of JESSICA starts moving forward.

Pesaro – Requalification and revitalising of the historic centre

Objectives and strategy

The package of interventions of urban transformation selected for the Pesaro case constitutes an important part of a broader plan for valorisation and requalification of the historic centre of Pesaro characterised by an articulated series of interventions, both material and immaterial. The overall effort must necessarily make reference to hypotheses, which, while defining specific areas of intervention, allow for a “reinterpretation” **and requalification of the historic centre as a whole, aiming at primary measures intended to recompose the social and productive fabric and its relation to the city in its entirety.** In this sense the project (“Revitalising the historic centre”) contained in the *Strategic Plan 2015. Pesaro, a City of Quality* falls within the thematic area of “Local Welfare” and the sphere of the action plan “A City of Quality and Wellbeing”, focusing on the theme of urban quality, which, in the case of the historic centre, also becomes a work of social revitalising and reinforcement of a sense of identity and belonging.

The main, simultaneous and synergic objectives which the proposed project aims to achieve can be summed up as follows:

- stimulate within the historic centre of Pesaro the capacity to create positive external interest, attract investments and new functions placed at the disposal of the entire city;
- implement building interventions compatible with the architectural value of the buildings and the need to enhance residential capacities, promote socio-economic activities and attract new entrepreneurial ventures;
- bring back to the historic centre its **role as a place of aggregation**, thus allowing the whole city to enjoy the “added value” deriving from its history, identity, urban and architectural quality and, at the same time, preventing the abandonment of prestigious buildings.

Project concepts and proposed interventions

The project of revitalising the historic centre comprises interventions for the rehabilitation, conversion and use of historic and prestigious buildings. The choices then tend towards the maintenance of the integrity of the buildings, and enhancing the possibility of clearly appreciating the historic structure and configuration. From an interpretation of values and potential began the identification of the most adequate configuration with respect to functions to be developed and the requirements for conservation of the historic areas.

With this stance established, functions and intended uses for the complex of buildings inserted in the programme of interventions structured as a case study were identified:

- **The ex-detention centre for minors** –provision of services and spaces for young people, “reconnecting” and re-opening the complex for the rest of the city. The ex-detention centre is composed of 4 parts, which correspond with an equal number of intended uses: the ex-convent will become the seat of the Provincial Unit for Employment and Training and also for private tertiary activities; the ex-church will become a place assigned to recreational activities and accommodation facilities (again, mainly for young people); the open space will be used to create an urban park with areas for sports activities; and, the remaining part will host new residences (these two latter sections, while being an integral part of the project for the transformation of the area, are not included in the interventions of the case study for reasons connected with the ownership configuration).
- **The San Benedetto complex** – conversion of the built-up spaces is to be completed with the requalification of green spaces leading to the “belvedere” of the Orti Giuli. The main functions of the blocks of buildings are to provide spaces for “Services” and, in particular: the health-care district authorities (ASUR) or other public services and services for the library in the “laundry” block; the rest of the built-up areas are to be converted for tertiary uses and commercial and residential purposes. Two storeys of underground car-parking space have been planned to support the functions mentioned.
- **Ex-convent of San Domenico** – setting up of prestigious commercial spaces and accommodation facilities in the heart of the historic centre in the part of the ex-convent currently owned by the Municipality. The remaining part is currently being transformed into a new university building. The two interventions are funded and managed in an autonomous manner (the second does not form part of the programme of interventions of the JESSICAble package) but were designed in a unitary manner from the architectural point of view.

Figure 3 – Sites of intervention in the historic centre

(source: Municipality of Pesaro)

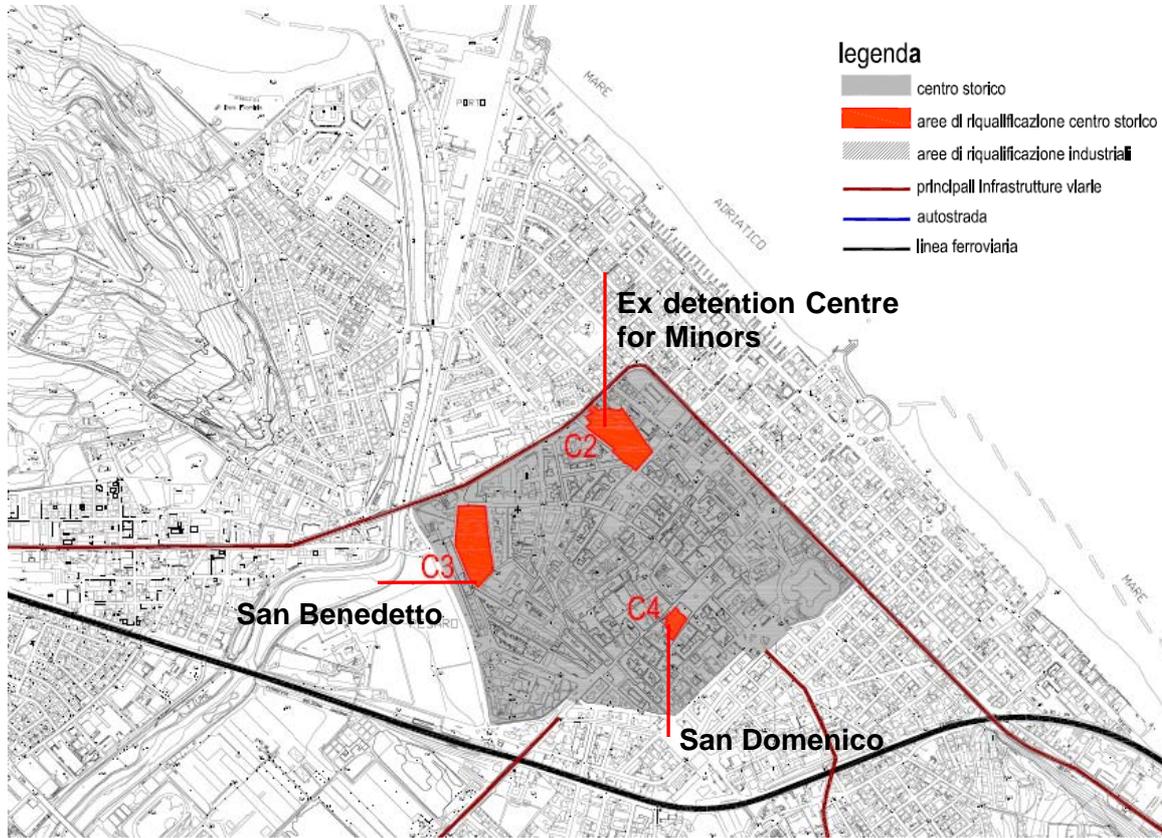


Figure 4 – Aerial view of the Ex-Detention Centre for minors (above) in its current state with the area of intervention to be funded by means of the JESSICA mechanism marked in red and (below) a rendering of the overall transformation project for the area



Figure 5 – Aerial view of the San Benedetto complex (current state)



Figure 6 – Aerial view of the San Domenico complex (current state)



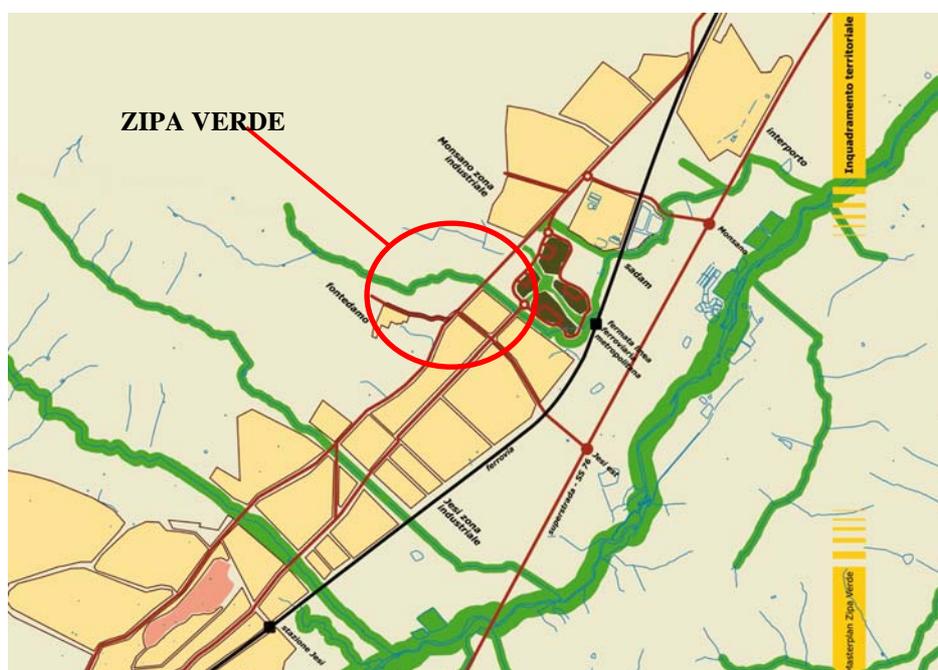
Jesi – ‘Zipa Verde’ – A New Urban and Territorial hub

Objectives and strategy

The intervention denominated 'ZIPA Verde' is located in the municipal territory of Jesi but, objectively, it can be qualified as a **project for inter-municipal, territorial requalification** of the functionally integrated urban system of which Jesi is the centre and leading element.

The ambitious project will provide for the setting up of a low-environmental-impact, industrial area. The envisaged result will be a **“production and technology park”, a high-quality area for industrial plants and for research and tertiary activities directly linked to productive activities**. It will be an extension and completion of already existing areas allotted to production activities (ZIPA 1, ZIPA 2 and ZIPA 3), which will be involved in interventions of adaptation of existing assets to promote greater environmental sustainability. A further primary objective of the project is that of creating an area of privileged settlement for initiatives characterised by a high technological content, which are being launched and/or developed in the Marche region and in the province of Ancona in particular. The area will, inter alia, benefit from the, currently ongoing, setting up within the territory of Jesi of a new Interport for the Marche region. This will constitute one of the main districts of the planned regional logistics platform with a port, airport, interport and future goods depot area.

Figure 7 - Territorial organisation (source: Municipality of Jesi – “Master plan for an ecologically-equipped production area”)



The intervention in fact assumes a very broad connotation as it will allow for an **environmental requalification of the entire valley area, aiming at creating a new urban point of reference** (but with an importance extending beyond the boundaries of the municipality); a portion of city will thus be strongly characterised by new functions and spaces / public amenities at the service of all citizens and not only the production sector in the strict sense. It is by no mere chance that in the Strategic Plan of Jesi, the industrial ZIPA area is included in the “urban sites” of the identified “territorial areas” and its expansion is considered as one of the city’s main development projects.

Infrastructures relating to mobility and transportation and environmental infrastructures are the two transversal issues, which, already present in the “Esino Corridor” project of the Strategic Plan and the ministerial SISTeMA Programme, create a backdrop to choices relating to the “ZIPA Verde” project.

Project concept and functions proposed for installation

The data relating to the area of industrial development are: a territorial surface of 455,000 sq.m; a land area of 204,000 sq.m and a gross working surface of 143,000 sq.m (estimating an average height of 6 metres, there will be a covered volume of approximately 900,000 cubic metres).

The **intended uses permitted** are: industries and craftwork (compatible with the eco-district), tertiary complexes, services and collective amenities at urban level, facilities for theatrical activities and entertainment, recreation activities, leisure-time activities and parking space.

As far as **functions strictly related to production** are concerned, besides the installation of production units and services for manufacturers, 'ZIPA Verde' will also provide for advanced tertiary services for enterprises featuring high technological and innovative content and closely linked with the manufacturing activities in the same area. Spin-off initiatives connected with universities or laboratories accredited by the Ministry for the Universities and Research (MUR) would also be considered as highly desirable adjuncts in the area.

The **location advantages** offered by the industrial park are ensured by the presence of qualified persons, the availability of well-equipped spaces and the possibility of benefiting from marketing, promotion policies and networking.

In this perspective, a Service Centre for Technological Innovation (SCTI) within the "ZIPA Verde" area will be a facility shared with the enterprises and offering the presence of leading enterprises at national and international levels. The centre will also be characterised by the possibility offered to implement networks and technological transfer activities and the presence of a management entity, as provided for by the regional regulations for APEAs (*Aree Produttive Ecologicamente Attrezzate*), the ecologically-equipped production areas. In this way, a competitive advantage is ensured for the development of networks allowing for collaboration and cooperation between the enterprises present at the site.

With regard to **public services** (sports, recreational and leisure-time activities), such activities will represent the central point (also on account of central planimetric positioning with respect to the entire area) of the new urban area. A **garden-park** and **green axis** surrounding the buildings will moreover provide further elements for the landscape redesigning and environmental qualification of the intervention.

Figure 8 – The 'green' areas (source: Municipality of Jesi – "Master plan for an ecologically-equipped production area")



The **two transversal themes of the project - improvement of the mobility systems and environmental sustainability** – are reflected in the “ZIPA Verde” project with various interventions. One of these provides for the reorganisation of the road and access system, allowing for improved access also for rubber-tired public transportation, and the important opening of the **new metropolitan station** on the regional railway line (an intermediate stop between Jesi and Chiaravalle). A further intervention emphasises the need to **reduce emissions to zero level** in relation to the energy required for operation of the entire system and with the use of methods for the rebalancing of ecological systems (management and re-use of rainwater, diversified collection of refuse and the use of ecological platforms (“isole ecologiche”), establishment of green areas as environmental compensation and protection for sensitive areas, high construction quality in interventions with bio-architectural techniques, the setting up of collective transportation methods and special paths for pedestrians and cyclists).

Figure 9 - The mobility system (source: Municipality of Jesi – “Master plan for an ecologically-equipped production area”)



Implementation and partnerships

The “ZIPA Verde” project is subdivided into sectors and presents a modular structure so that its implementation by areas is in any case sustainable in urban-planning, economic and financial terms.

To guarantee the success of a project of such scope the **setting up of a broad partnership**, which may involve various actors, including the main local actors involved in technological transfer operations, immediately appears as the most convenient way of proceeding:

- representatives of enterprises (expressing a demand for innovation);
- universities, research centres and units specialised in technological transfer (providers of knowledge);
- local and regional bodies: actors involved in economic planning and research;
- representative of enterprises present in the Zipa zone and leading firms from the industrial area: as direct beneficiaries of the activities;

- manager of the industrial area, for the management of spaces where activities are carried out.

A “**control unit**” of institutional actors has already been established (Region, Province, Zipa consortium), with which a process of project sharing (with a protocol of understanding) can be initiated.

II.3 ECONOMIC-FINANCIAL ANALYSIS OF THE PILOT CASES

II.3.1 Methodology

An economic and financial analysis aims at evaluating the sustainability and the relevance of an investment.

In the first place, within the framework of this document, it was necessary to make sure that flows of income would be sufficient to cover flows of outlay (for investments and current management); secondly, it was ascertained whether the project might succeed in remunerating in an appropriate manner the capital invested overall: a necessary condition for use of the JESSICA instrument.

As per consolidated practice, for the purpose of evaluating its possible financial sustainability, an initial rapid comparison was made between the wealth generated by the project and the costs sustained for its setting up via an analysis of total costs and total gains. Subsequently, an analysis was conducted of related cash flow, for which a reference period of 30 years was hypothesized, the duration of this period being defined on the basis of reflections relating to the complexity and the type of intervention in question.

In particular:

- **operational cash flow** (free cash flow or available flow), derived from the difference - calculated year by year - between income and outlay relating to the typical, operative management of the project, and thus hypothesising payment of so-called ‘virtual’ taxes⁵²;
- **equity** (or “financial”) **cash flow**, which the shareholders have a right to after having repaid debt (financial management) and paying real taxes (fiscal management)⁵³.

Finally, on the basis of the cash flows mentioned above, some of the most frequently-used indices of evaluation adopted in the sphere of economic-financial analyses were calculated: the Internal Rate of Return⁵⁴ and the Pay-Back Period⁵⁵.

This document provides a realistic simulation of the economic-financial sustainability of the two interventions proposed: in both cases, work was carried out on the basis of precise context analyses, referring to the main economic dynamics and, in particular, regarding urban transformation, also to the real-estate market.

Both simulations highlight the need to adopt the JESSICA instrument in order to ensure the concrete setting up of proposed interventions.

For both of the pilot cases reported, analysis was conducted, hypothesising the use of a specific financial “vehicle” having the function of manager for the numerous interventions envisaged by the projects. In the case of Pesaro, the vehicle chosen is a Seeded Real-Estate Fund (Property Fund), while in the case of Jesi, it was an Urban

⁵² In the case presented, mention is made of virtual and not real taxes as the analysis focused solely on operative management, thus disregarding financial management (in particular, no consideration is yet made of burdens deriving from debt, which, however, will be appropriately counted in equity cash flow or, that is, in the flow the shareholders have a right to). More precisely, the virtual taxes are calculated on the financial aggregate “Operational Income”, which is structured starting from the working revenue, from which working costs (municipal property rates, costs for vehicle management and maintenance costs of fixed property), amortization and costs relating to properties sold are then deducted.

⁵³ For the equity flow, with respect to the preceding case, the taxes are real as they are calculated on the financial aggregate “Pre-tax Income”. The latter is equal to the algebraical sum of “Operational Income” and “Debt Burden”.

⁵⁴ Mathematically, the IRR is defined as the **discount rate**, which provides the **net current value** of a series of **cash flows** equal to zero. It is the composite annual rate of actual return which an investment generates; in technical terms it represents the yield of an investment. An investment project is desirable, according to this criterion, if the IRR is higher than the **opportunity cost** of the capital, which in practice is given by the performance of State bonds.

⁵⁵ Period di Reimbursement; this is the time necessary for an investment to reintegrate the initially requested outlay of capital.

Transformation Company (UTC).

II.3.2 *Funding hypotheses and scenarios*

For each of the hypothesized vehicles, simulations were performed on the basis of various capital structure scenarios (equity and debt).

The equity / debt relations proposed below are based, on the one hand, on the nature of the interventions provided for by both transformations and, on the other hand, on the need to render the simulations feasible: during the current period of global economic crisis stronger financial leverage⁵⁶ would be hardly admissible.

As far as the Property Fund (Pesaro) is concerned, a contribution of equity was considered as formed by real estate and liquid capital (cash) for an overall value of 35.0% of the total sources of funding; the remaining 65.0% was composed of debt.

With reference to the UTC (Jesi), similarly, a contribution of equity was considered composed of liquid resources, amounting to 40.0% of the total sources, which, for the remaining part, was formed by debt (60.0%).

The different structure and composition of the sources necessarily implies different results. In particular, every type of resource involves periodical outlay (in terms of dividends with reference to the equity and passive interest in relation to the debt), which have different effects on the performance of the overall investment.

The benefit of JESSICA in this study is to be found, in all cases studied, in discounted funds and, only in the JESSICA II case, in contributions of equity with limited expectations of performance.

Consequently, the instrument in question permits:

- the possibility of extending total available resources;
- a savings in terms of financial burdens to be paid annually;
- in the JESSICA II case, a savings, in terms of dividends distributed on the unit introduced by way of equity, which will be used to feed the yield of the private actors involved.

The simulations conducted and reported below aim at highlighting the differing contribution of JESSICA - in economic-financial terms - to the urban development programmes:

- **Basic case:** the basic case is the only one that does not consider the presence of JESSICA funds and structures the sources of funding, distinguishing a part of equity and a part of debt. The equity is represented by the company capital introduced by any private actors and by public entities; the debt is represented in part by a common funding obtained from an ordinary commercial bank at an interest rate estimated on the basis of market values equal to 6.0%.
- **JESSICA I case:** case I presents a structure of capital with a part of equity and a part of debt. The equity corresponds to company capital provided by any private actors and by public entities; the debt corresponds to a common funding obtained from an ordinary commercial bank at a market rate estimated at 6.0% and to a discounted funding denominated for the sake of conciseness as “JESSICA”, at an estimated interest rate of 2.5%.
- **JESSICA case II:** case II, like the preceding cases, structures the sources of funding, distinguishing a part of equity and a part of debt. The equity is composed in part by the capital introduced by any private actors and by public entities and in part by the capital provided by way of investment and denominated “JESSICA”; the debt is composed in part by a common funding obtained from an ordinary commercial bank at a market rate estimated at 6.0% and in part by a discounted funding denominated for the sake of brevity as “JESSICA” at a rate estimated at 2.5%.
- **Sinking-fund hypothesis:** the hypothesis of a sinking fund presents a structure of capital formed by a part of equity and a part of debt. The equity is represented by the company capital contributed by any private actors and by public entities; the debt is composed in part by a common funding obtained from an ordinary commercial bank at a market rate estimated at 6.0% and in part by a funding denominated for the sake of conciseness as “JESSICA” and

⁵⁶ Financial leverage is the relation between net financial indebtedness and net assets (equity) of an investment. In the technical jargon to exploit the financial leverage means [borrowing](#) capital, trusting in one's capacity to invest it, obtaining a [yield](#) greater than the [interest rate](#) requested by the lender.

conceded as a sinking fund (by its very nature, such a funding does not provide for reimbursement of units or for the payment of interest). It should be noted that such a scenario, hypothesized for the sake of completeness in this study, is non-realistic on account of the lack of availability of such enormous sinking-fund resources on the part of Public Administrations.

The rate of interest applied by the commercial bank was estimated at approximately 6.00%, on the basis of market values, but considering that over the next 12/24 months interest rates will probably show an inversion of the most recent trend and start to rise.

The rate applied to the JESSICA sources as debt (passive interest) and equity (dividends) was estimated at 2.5%, in line with the considerations already made in other studies for the activation of JESSICA⁵⁷: the rate used, which is decidedly limited, is aimed at preserving the value of the financial resources over time. Moreover, it was considered that the JESSICA instrument uses structural funds, which exclude the objective of speculation.

As far as remuneration of any public resources (dividends in capital contributed as equity - fixed property and/or cash) is concerned, a rate amounting to 2.0% was estimated in accordance with the same logic adopted in relation to the funds used through the JESSICA instrument.

II.3.3 *Costs-Revenue analysis*

Each simulation was constructed on the basis of the same methodology. In particular, the methodology used in the economic-financial analysis was organized in different levels: the first step focused on the *estimation of costs and revenue* relating to each project and compilation of the related Profit and Loss account (provided below). As far as the costs are concerned, it should be noted that the estimates affected are based on market values and also include unforeseen potential. The revenue, coming from the management activities of a part of the projects, were estimated in an extremely prudent manner on account of the particular economic phase which characterises the current context and uncertainty with respect to the near future.

Costs, for both of the cases reported, were indicated separately as investment costs and management/operational costs: it is estimated that the costs of investment, according to the hypothesized chrono-programme, would be sustained in the first three-year period, during the setting up of the project, while the operational costs⁵⁸ become manifest only at the time the work has been completed. The start-up costs over the first 3 years were also considered and, that is, the burden relating to management of the financial “vehicle” by means of which the operation (Property Fund or UTC) is structured and passive interests relating to the grants obtained as debt.

Revenue, for both of the cases reported, refers to sales and/or lease-contract activities of real estate designed as residential property or for commercial and/or tertiary uses. Some of these items are particularly low as they relate to fixed asset for which functions of social utility and uses connected with the development of the territory were pictured. In particular, for the calculation of the items referred to above, prices well below the official market values were used.

It should be noted moreover that the annual revenue from rent was integrated using the official inflation rate currently provided for the next years.

As far as the intervention at Jesi is concerned, revenue from photovoltaic plants provided for by the project was also considered. This income has a double nature: on the one hand, energy produced and not consumed by the producing entity can be ceded to the national grid through a sale at preset market prices; on the other hand, the Ministerial Decree issued on 19/02/07 provides for photovoltaic plants which were brought into service as of January 1st 2009 indicating an incentiviation rate, articulated in relation to the power of the plant and the level of architectural integration. The incentiviation rate was extended for the year 2010 and, despite a reduction of 2.0%, it is still particularly advantageous.

⁵⁷ By way of an example, see the study published in October 2009 entitled “*Implementación de JESSICA en Andalucía. Estudio de evaluación: Perspectivas y Oportunidades*, Afi Consultores de Administraciones Públicas.”

⁵⁸ Working costs are formed by the cost of extraordinary maintenance for the produced works (required every 4 years at increasing rates), municipal tax (if a local property tax is applicable) and the costs of managing the vehicle.

II.3.4 Cash-flow analysis

A detailed analysis of cash flows structured according to the conventional methods was then performed. Subsequently, the flows allowed for the calculation of the Internal Rate of Yield and the Pay Back Period for each of the actors involved in the operation.

As previously mentioned, the flows were divided into working cash flows (income and costs connected with the operational activity of the interventions originating from the Internal Rate of Yield of the Project) and financial cash flows, which also include revenue and costs connected with aspects linked to financial management and which consequently vary according to the underlying funding hypothesis (structure of the debt). The cash flows were structured on the basis of a duration of thirty years, which, as previously mentioned, was chosen on the basis of the complexity and on the type of interventions, both in terms of structure and envisaged functions. At the thirtieth year, the Residual Value of the accomplished interventions was estimated, using the conventional methodology (see **BOX I**).

An analysis of the financial flows calculated in this manner allowed for an evaluation of **gain prospects of each of the actors involved**, starting from the assumption that the commercial banks would require an average yield of 6.0%, “JESSICA” 2.5% and the EEPP 2.0% as a hypothesis. The calculation of the gains of the other actors involved was then performed. In particular, the limited yield expectations on contributed capital as equity on the part of JESSICA and the public actors allows for a freeing up of resources in favour of the private investors and, consequently, attaining appealing yield rates.

Finally, particular attention was paid to identification of the fiscal taxation scheme applicable to the dividends distributed, depending on the financial vehicle chosen and on the nature of the actors owning the equity.

II.3.5 Pilot case: Pesaro

Introduction

This case focuses on the rehabilitation/enhancement of the role of the historical centre as a centre for cultural and artistic activities, a meeting point and place where ‘rare’ services may be offered. In particular, the case takes into consideration three “historical containers” within the historic centre of the Municipality of Pesaro that are no longer used and would be requalified and revitalised through integrated multiple interventions:

- The ex-Detention Centre for Minors,
- The San Benedetto complex,
- The San Domenico complex.

By reason of the entirely public ownership of the buildings to be transformed, the complexity of the operation as a whole, and also the need to consider the various levels of appeal of the individual transformations, a Public Seeded Real-estate Fund’ was selected as the adopted project vehicle.

BOX I. Residual value

The residual value of an asset is defined as the estimated value which “the enterprise” might receive at that moment from its disposal, net of the estimated costs of disposal (Evaluations, Italian Accountancy Committee). In practice, it is calculated using the perpetual revenue formula: more precisely, at the end of the management period considered an evaluation is made of the asset in relation to its capacity to generate further financial flows. In the case of urban transformations analyzed below, the residual value was calculated as a perpetual revenue formed by the rental incomes, which is estimated to last beyond the next thirty-years. The perpetual-revenue formula requires that the identified value of annual revenue be updated to the time of evaluation (30 years): the average yield rate found in the market for rental contracts, without including inflation growth of property lease-contract prices, was used in the calculation.

The identified financial vehicle

A Seeded Real-estate Fund is a financial instrument which allows the saver to participate in the economic results of initiatives developed for fixed assets. This can occur, not using the typical scheme of a share-holding in a capital company but rather the organisational model of assets managed by a professional intermediary (Savings Management Company).

A Seeded Real-estate Fund is constituted by means of the transfer of fixed assets, secured property rights or holdings in real-estate companies on the part of a subject (the contributing party). The fund therefore provides for the possibility of subscribing units by means of an assignment of assets. The units of the real-estate fund, which are attributed to the contributor in exchange for the assignment affected can then be relocated on the financial market and purchased by specialised sector operators. The income for the owners of the units is represented by the gains generated by the activity of the fund: the income may be periodically distributed or accumulated and distributed with the liquidation of the fund. The vehicle pictured for the case of Pesaro is configured as a mixed fund, the assets of which are constituted in part by contributions (seeded real-estate fund) and in part by direct transfer of financial resources on the part of the subscribing parties (ordinary real-estate fund). The real estate contributed is generally under public ownership: in particular, to date, these are properties owned by the Municipality of Pesaro and real estate owned by the regional health-care authority ASUR (*Azienda Sanitaria Unica Regionale*), and consequently, a linear and equitable distribution of corresponding units can be easily attained.

The Seeded Property Fund presents advantages in financial and management terms⁵⁹:

- Entrusting of the management of assets to a specialised firm (investment management companies) with proven competence in the valorisation of real estate;
- The guarantee of direct and immediate income for the contributing Local Body (the units can be sold immediately or it is possible to wait for receipt of the dividends);
- Possibility of entry for private actors for various reasons interested in the operation;
- Possibility of maintaining the overall control of the operation in public hands by means of the subscription of an appropriate Fund Regulation;

Acquisition of doubtless fiscal benefits: the fund is not subject to the IRES and IRAP taxes (with taxable interest): the actors owning the units are held to pay a substitute tax amounting to approximately 20% of the dividend issued.

Economic-financial analysis

The total cost of execution of the works included in the transformation of the 3 structures referred to amounts to approximately €51.0 million, while for the start of the operation (costs of management of the vehicle and passive interests on the debt) costs were estimated for a total sum of between €4.0 million and €2.0 million approximately, depending on the case examined.

The revenue relating to the project refers to the renting or to the sale of the buildings (or parts of them) according to the different intended uses. The prices of a lease and sale, estimated in a precautionary manner, take into consideration the *official market values* relating to the area of the historic centre and the quality of the buildings after revitalising operations: in this regard it should be noted that as far as the buildings with functions of a social nature are concerned (youth centres, health-care districts), a lease-contract price significantly lower than the market value was hypothesized.

The following table shows the analysis of the revenue obtainable from the interventions included in the pilot case in question:

⁵⁹ For a further information see section 2.1.3 - Structuring of projects in project vehicles.

Table 10 – Analysis of revenue: Real-Estate Fund - Pesaro

Interventions	sq.m (or other unit)	Type of revenue
Recovery and transformation of the Ex-Detention Centre for Minors		
Youth centre - utilising the church (including: exhibition spaces, co-working, catering, bookshop/media store, budget design hotel)	1,500	Income from lease-contracts
Tertiary – offices	800	Income from lease-contracts
Recovery and transformation of the SAN BENEDETTO complex		
Recovery and rehabilitation for the health-care district authority (ASUR) or other public functions	6,420	Income from lease contracts (public services -ASUR, University)
Residential units	5,619	Income from sale
Accommodation facilities – restaurant/bar	210	Income from sale
Services and tertiary	1,466	Income from lease
Extension, library and services	1,300	Public works
Public routes	1,150	Public works
Public space and green areas		Public works
Underground garages	4,000	Income from sale
Recovery and transformation of the SAN DOMENICO complex		
Hotel	993	Income from lease (boutique hotel)
Accommodation facilities and commercial activities	993	Income from sale
Total	24,451	
Total income from sales		Annual income from leases
32,878,200		1,174,963

In **Table 10** the works indicated in blue represent the interventions that produce income, while those identified in black represent public works which do not bring any kind of economic return but which have a social function. The interventions for which extremely low lease-contract values were estimated by reason of the public function of the buildings are indicated in red. As these are works with a long-lasting utility and function, the analysis of the cash flows was coherently structured on the basis of a thirty-year period and was distinguished according to the structure of the underlying capital. Nevertheless, the partners involved for whatever reason may at any time decide to leave the operation, ceding their units or credit to other operators.

Table 11 - Structure of capital: simulations – Real-Estate Fund - Pesaro

Basic case			JESSICA case I			JESSICA case II			Hypothesis with sinking fund		
Investment	50,960,739		Investment	50,960,739		Investment	50,960,739		Investment	50,960,739	
Equity	17,836,259	35.0%	Equity	17,836,259	35,0%	Equity	17,836,259	35,0%	Equity	17,836,259	35.0%
Debt	33,124,480	65.0%	Debt	33,124,480	65,0%	Debt	33,124,480	65,0%	Debt	11,593,568	22.8%
JESSICA	-	0.0%	JESSICA	21,530,912	65,0%	JESSICA	21,530,912	65,0%	Comm. bank.	11,593,568	100.0%
Comm. bank	33,124,480	100.0%	Comm. bank	11,593,568	35,0%	Comm. bank	11,593,568	35,0%	“Sinking fund”	21,530,912	42.2%
Start-up capital	3,875,564		Start-up capital	2,782,870		Start-up capital	2,782,870		Start-up capital	2,002,375	
Equity	3,875,564	100.0%	Equity	2,782,870	100.0%	Equity	2,782,870	100.0%	Equity	2,002,375	100.0%
IRR of the project	5,83%		IRR of the project	5.83%		IRR of the project	5.83%		IRR of the project	5.83%	
Gross IRR of the fund	5,69%		Gross IRR of the fund	8.15%		Gross IRR of the fund	8.15%		Gross IRR of the fund	14.58%	
PBP	30th year		PBP	30th year		PBP	30th year		PBP	year 6	
Residual value	66,091,109		Residual Value	66,091,109		Residual Value	66,091,109		Residual Value	66,091,109	

Table 12 - Structure of Equity – Real-Estate Fund – Pesaro

	Value in €	Value in %		Value in €	Value in %		Value in €	Value in %		Value in €	Value in %
Equity – cash	21,711,823	78.0%	Equity - cash	20,619,129	77.1%	Equity - cash	15,269,868	57.1%	Equity - cash	19,838,633	74.2%
Equity – real estate	6,127,178	22.0%	Equity - real estate	6,127,178	22.9%	Equity - real estate	6,127,178	22.9%	Equity - real estate	6,127,178	22.9%
Equity - JESSICA	-	-	Equity - JESSICA	-	-	Equity - JESSICA	5,349,261	20.0%	Equity - JESSICA	-	-
Total Equity	27,839,001	100%	Total Equity	26,746,307	100%	Total Equity	26,746,307	100%	Total Equity	25,965,811	100%

Table 11 illustrates the simulations – performed with reference to the different capital structures and in terms of equity and debt - of the vehicle hypothesized for the interventions to be executed in the Municipality of Pesaro; it also shows main results in terms of attainable yield (Internal Rate of Yield) and the timing of investment returns (PBP, Pay Back Period).

Table 12 shows the detailed structure of the only unit introduced as equity and reveals the contribution of real estate on the part of public owner entities and also the introduction of liquid capital affected by the other actors involved.

The total cost of the transformation (execution costs) is covered in all of the simulations provided: 35.0% by means of equity and the remaining 65.0% by means of debt. As far as the start-up costs are concerned, it was hypothesized that these would be covered in any case by means of a further injection of equity, not calculated in the above-mentioned structure of capital on account of its not being directly relating to the project.

**Table 13 – Yield and Pay-Back Period for every subject involved:
Real Estate Fund - Pesaro**

Summary Table					
		<i>Basic case</i>	<i>JESSICA case I</i>	<i>JESSICA case II</i>	<i>Hypothesis with sinking fund</i>
Project	IRR Economic	5.8%	5.8%	5.8%	5.8%
	<i>Pay Back</i>	-	-	-	-
Public partners	IRR net	2.0%	2.0%	2.0%	2.0%
	<i>Pay Back</i>	<i>30 years</i>	<i>30 years</i>	<i>30 years</i>	<i>30 years</i>
Private partners	IRR net	4.6%	5.8%	7.0%	10.2%
	<i>Pay Back</i>	<i>30 years</i>	<i>30 years</i>	<i>30 years</i>	<i>year 12</i>
JESSICA Equity	IRR net	-	-	2.5%	-
	<i>Pay Back</i>	-	-	<i>30 year</i>	-
JESSICA Debt	IRR	-	2.5%	2.5%	-
	<i>Pay Back</i>	-	<i>year 22</i>	<i>year 22</i>	-
Debt – Commercial bank	IRR	6.0%	6.0%	6.0%	6.0%
	<i>Pay Back</i>	<i>year 9</i>	<i>year 6</i>	<i>year 6</i>	<i>year 6</i>
(seeded) Real Estate Fund	IRR gross	5.7%	8.1%	8.1%	14.6%
	<i>Pay Back</i>	<i>30 year</i>	<i>30 year</i>	<i>30 year</i>	<i>year 6</i>
Extended public sector	IRR	2.0%	2.4%	2.42%	-4.3%
	<i>Pay Back</i>	<i>30 year</i>	<i>26 year</i>	<i>30 year</i>	<i>n.a.</i>
	VAN with disinvestim. In 2016	€2,612,208	€18,616,581	€20,701,598	€2,722,849

The above table shows the financial results recoverable by the actors involved in the Pesaro operation in each of the cases provided and described in detail below. The analysis is completed by the hypothesis relating to the estimate of IRR and the Pay Back Period in relation to the Extended Public Sector, which thus includes and aggregates the cash flows of the Public Partners that contribute real estate and of JESSICA (both debt and equity). In this latter case, the presumed value of execution deriving from a hypothesis of disinvestment in 2016 of all public investments was also estimated. These estimates are detailed in the paragraph “Option of

disinvestment in 2016 of invested public resources”.

In the **BASIC CASE**, total debt amounts to approximately €33.0 million. With the project IRR amounting to approximately 5.83% and the cost of the debt equal to approximately 6.0%, it is evident that the IRR of the fund shows a slightly lower result, equal to approximately 5.69%. The effect of passive interest is particularly burdensome (this being the reason why start-up costs are also higher) in the balance of the operation and implies yield values which, in the eyes of external operators, render the investment generally unappealing.

The financial institutes, in most the cases, would be suspicious of operations that show a financial IRR (distinct from that of project IRR as it includes “financial management” of the operation) lower than the cost of the debt requested.

Finally, the above table also shows that the yield proposed to any possible private actors would not be in line with alternative investments present in the market at an equal level of risk: a yield equal to approximately 4.6% is offered by investments characterised by a low risk profile and consequently their involvement would not be very likely.

The result of the above reflections would amount to a lack of necessary funds and the consequent abandonment of the project.

The cash flow subdivided into macro-categories is provided below:

Table 14 - Profit and Loss account – Pesaro – Basic Case

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30	Valore residuo
CONTI ECONOMICI																
Ricavi Operativi																
+ da vendita				11.507.370	11.507.370	9.863.460										
% vendita				35%	35%	30%										
+ da locazione				1.174.963	1.198.462	1.222.431	1.246.880	1.271.818	1.432.273	1.460.919	1.490.137	1.678.136	1.711.699	1.745.933	1.966.204	
Ricavi Operativi Totali				12.682.333	12.705.832	11.085.891	1.246.880	1.271.818	1.432.273	1.460.919	1.490.137	1.678.136	1.711.699	1.745.933	1.966.204	
Costi operativi																
- costi di gestione veicolo	152.882	331.245	509.607	347.612	347.612	331.173	232.538	232.538	232.538	232.538	232.538	232.538	232.538	232.538	232.538	232.538
- costi di manutenz. straord.	-	-	-	-	-	-	348.807	-	-	1.278.959	-	-	1.627.766	-	-	-
- ICI				81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388
Costi Operativi Totali	152.882	331.245	509.607	429.000	429.000	412.561	662.733	313.926	313.926	1.592.885	313.926	313.926	1.941.692	313.926	313.926	
MOL	-152.882	-331.245	-509.607	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	-131.967	1.176.211	1.364.210	-229.993	1.432.007	1.652.278	
- ammortamento (beni gestiti)				928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901
- COGS (costo beni venduti)				6.999.076	6.999.076	5.999.208										
Risultato Operativo	-	152.882	-	331.245	-	509.607	4.325.356	4.348.855	3.745.221	-	344.755	28.990	189.445	-	1.060.868	247.309
- interessi	-	298.120	-	944.048	-	1.639.662	-	1.728.553	-	1.210.721	-	729.878	-	507.950	-	497.954
Reddito ante imposte	-	451.003	-	1.275.292	-	2.149.269	-	2.596.803	-	3.138.134	-	3.015.344	-	852.705	-	468.964
imposte di esercizio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

anno = year

Ricavi Operativi = Operational Income

+ from sales

% sales

+ from lease contracts

Ricavi Operativi Totali = Total Operational Income

Operational costs

- vehicle management costs
- extraordinary maintenance costs
- ICI (local munic. Tax)

Costi Operativi Totali = Total Operational Costs

MOL = MOL

- ammortamento (beni gestiti) = amortization (assets managed)

- COGS (costo beni venduti) = COGS (cost of goods sold)

Risultato Operativo = Operational Result

- interessi = interest

reddito ante imposte = income before tax

imposte di esercizio = tax business year

Table 15 – Cash flows – Pesaro – Basic Case

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30	Valore residuo
FLUSSI DI CASSA																
Flusso di cassa operativo																
% realizzazioni	30%	35%	35%													
Investimenti	- 15.288.222	- 17.836.259	- 17.836.259													
MOL	- 152.882	- 331.245	- 509.607	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	131.967	1.176.211	1.364.210	229.993	1.432.007	1.652.278	
Imposte virtuali su Redd. Operat.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Flusso di cassa operativo	- 15.441.104	- 18.167.503	- 18.345.866	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	- 131.967	1.176.211	1.364.210	- 229.993	1.432.007	1.652.278	66.091.109
Flusso cumulato	- 15.441.104	- 33.608.607	- 51.954.473	- 39.701.140	- 27.424.308	- 16.750.978	- 16.166.831	- 15.208.940	- 9.606.877	- 9.738.844	- 8.562.634	- 2.485.994	- 2.715.987	- 1.283.981	6.438.522	
TIR economico	5,83%															
Flusso di cassa netto																
Flusso di cassa operativo	- 15.441.104	- 18.167.503	- 18.345.866	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	- 131.967	1.176.211	1.364.210	- 229.993	1.432.007	1.652.278	
+ imposte virtuali	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- imposte di esercizio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
+ accensione debiti	9.937.344	11.593.568	11.593.568	-	-	-	-	-	-	-	-	-	-	-	-	-
+ immissione di equity per inv.	5.350.878	6.242.690	6.242.690	-	-	-	-	-	-	-	-	-	-	-	-	-
Flusso cassa per servizio debito	- 152.882	- 331.245	- 509.607	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	- 131.967	1.176.211	1.364.210	- 229.993	1.432.007	1.652.278	
- interessi passivi	- 298.120	- 944.048	- 1.639.662	- 1.728.553	- 1.210.721	- 729.878	- 507.950	- 497.954	- 424.045	- 409.015	- 393.083	- 275.284	- 251.329	- 225.935	- 38.182	
- rimborso debiti	-	-	-	- 8.630.528	- 8.630.528	- 7.397.595	- 166.599	- 176.595	- 250.503	- 265.534	- 281.466	- 399.264	- 423.220	- 448.614	- 636.367	
flusso di cassa netto	- 451.003	- 1.275.292	- 2.149.269	1.894.252	2.435.583	2.545.858	- 90.402	283.342	443.798	- 806.516	501.662	689.661	- 904.542	757.458	977.729	
+ ulteriore immissione di equity	451.003	1.275.292	2.149.269	-	-	-	90.402	-	-	-	-	-	-	-	-	-
flusso di cassa al netto equity	-	-	-	1.894.252	2.435.583	2.545.858	-	283.342	443.798	- 806.516	501.662	689.661	- 904.542	757.458	977.729	66.091.109
immissione totale			21.711.823													
Flusso di cassa finanziario																
immissione equity complessiva	- 5.801.880	- 7.517.983	- 8.391.960	-	-	-	-	-	-	-	-	-	-	-	-	-
flusso di cassa al netto equity	-	-	-	- 1.894.252	- 2.435.583	- 2.545.858	-	- 283.342	- 443.798	- 806.516	- 501.662	- 689.661	- 904.542	- 757.458	- 977.729	- 66.091.109
Flusso di cassa finanziario	- 5.801.880	- 7.517.983	- 8.391.960	1.894.252	2.435.583	2.545.858	-	283.342	443.798	- 806.516	501.662	689.661	- 904.542	757.458	977.729	66.091.109
Flusso cumulato	- 5.801.880	- 13.319.863	- 21.711.823	- 19.817.570	- 17.381.987	- 14.836.129	- 14.836.129	- 14.552.787	- 12.998.018	- 13.804.534	- 13.302.872	- 11.273.526	- 12.178.068	- 11.420.611	- 7.745.401	
TIR finanziario	5,69%															
PBP finanziario	30° anno															

FLUSSI DI CASSA = CASH FLOWS

Operational cash flow

% execution

investments

MOL = MOL

Virtual taxes on operational income

Flusso di cassa operativo = Operational cash flow

Flusso cumulato = Accumulated flow

TIR economico = economic IRR

Flusso di cassa netto = Net cash flow

Flusso di cassa operativo = Operational cash flow

- imposte virtuali = virtual taxation

- imposte di esercizio = taxation fin. Year

- accensione debiti = contracted debts

- immissione di equity per inv. = intr. of equity for inv.

Flusso cassa per servizio debito = Cash flow for debt service

- interessi passivi = passive interest

- rimborso debiti = repayment debts

Flusso di cassa netto = Net cash flow

- ulteriore immissione di equity = further intr. of equity

Flusso di cassa al netto equity = Cash flow net of equity

Immissione totale = Total introduction

Flusso di cassa finanziario = Financial cash flow

Immissione equity complessiva = Overall introduction of equity

Flusso di cassa netto equity = Cash flow net of equity

Flusso di cassa finanziario = Financial cash flow

Flusso cumulato = accumulated cash flow

TIR finanziario = Financial IRR

PBP finanziario = Financial PBP

In **JESSICA CASE I**, the same total of debt (approximately € 33.0 million) is funded with 65.0% (approximately €21.0 million) through JESSICA, at a rate amounting to 2.5%, and with the remaining part (€ 11.0 million) through funding contracted with a commercial bank at a market rate amounting to 6.0%. The discounted rate applied to the funding, denominated “JESSICA” allows for considerably higher levels of yield: the fund presents an IRR equal to 8.15% (+43.2% with respect to the basic case), a value in line with typical expectations in relation to the market and, at the same time, is sustainable and appealing for financial institutions.

From **Table 13**, a yield emerges for private actors amounting to 5.8%; also in this case the rate is in line with the average market values.

The case here examined shows better results also in terms of times of return for investment: the Pay Back Period, which in the basic case is again at the thirtieth year for all actors involved, except for the commercial bank, significantly improves for the debt unit financiers (6 years for the commercial bank and 22 years for JESSICA funding).

Table 16 - Profit and Loss account – Pesaro - JESSICA Case I

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30	Valore residuo
CONTO ECONOMICO																
Ricavi Operativi																
+ da vendita				11.507.370	11.507.370	9.863.460										
% vendita				35%	35%	30%										
+ da locazione				1.174.963	1.198.462	1.222.431	1.246.880	1.271.818	1.432.273	1.460.919	1.490.137	1.678.136	1.711.699	1.745.933	1.966.204	
Ricavi Operativi Totali				12.682.333	12.705.832	11.085.891	1.246.880	1.271.818	1.432.273	1.460.919	1.490.137	1.678.136	1.711.699	1.745.933	1.966.204	
Costi operativi																
- costi di gestione veicolo	152.882	331.245	509.607	347.612	347.612	331.173	232.538	232.538	232.538	232.538	232.538	232.538	232.538	232.538	232.538	232.538
- costi di manutenz. straord.	-	-	-	-	-	-	348.807	-	-	1.278.959	-	-	1.627.766	-	-	-
- ICI				81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388
Costi Operativi Totali	152.882	331.245	509.607	429.000	429.000	412.561	662.733	313.926	313.926	1.592.885	313.926	313.926	1.941.692	313.926	313.926	
MOL	- 152.882	- 331.245	- 509.607	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	- 131.967	1.176.211	- 1.364.210	- 229.993	1.432.007	1.652.278	
- ammortamento (beni gestiti)				928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901
- COGS (costo beni venduti)				6.999.076	6.999.076	5.999.208										
Risultato Operativo	- 152.882	- 331.245	- 509.607	4.325.356	4.348.855	3.745.221	344.755	28.990	189.445	- 1.060.868	247.309	- 435.309	- 1.158.895	503.105	723.376	
- interessi	- 185.083	- 586.096	- 1.017.957	- 1.112.154	- 854.492	- 613.864	- 494.605	- 479.316	- 379.208	- 361.033	- 342.404	- 220.432	- 198.289	- 175.591	- 26.980	
Reddito ante imposte	- 337.965	- 917.341	- 1.527.564	3.213.201	3.494.364	3.131.357	839.360	450.326	189.762	1.421.901	95.095	214.876	1.357.183	327.514	696.396	
imposte di esercizio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

CONTO ECONOMICO = Profit and Loss Account

Ricavi Operativi = Operational Income

+ from sales

% sales

+ from lease contracts

Ricavi Operativi Totali = Total Operational Income

Operational costs

- vehicle management costs

- extraordinary maintenance costs

- ICI (local munic. Tax)

Costi Operativi Totali = Total Operational Costs

MOL = MOL

- ammortamento (beni gestiti) = amortization (assets managed)

- COGS (costo beni venduti) = COGS (cost of goods sold)

Risultato Operativo = Operational Result

- interessi = interest

reddito ante imposte = income before tax

imposte di esercizio = tax business year

Table 17 – Cash flows – Pesaro - JESSICA Case I

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30	Valore residuo
FLUSSI DI CASSA																
Flusso di cassa operativo																
% realizzazioni		30%	35%													
Investimenti	- 15.288.222	- 17.836.259	- 17.836.259													
MOL	- 152.882	- 331.245	- 509.607	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	131.967	1.176.211	1.364.210	229.993	1.432.007	1.652.278	
Imposte virtuali su Redd. Operat.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Flusso di cassa operativo	- 15.441.104	- 18.167.503	- 18.345.866	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	131.967	1.176.211	1.364.210	229.993	1.432.007	1.652.278	66.091.109
Flusso cumulato	- 15.441.104	- 33.608.607	- 51.954.473	- 39.701.140	- 27.424.308	- 16.750.978	- 16.166.831	- 15.208.940	- 9.606.877	- 9.738.844	- 8.562.634	- 2.485.994	- 2.715.987	- 1.283.981	- 6.438.522	
TIR economico	5,83%															
Flusso di cassa netto																
Flusso di cassa operativo	- 15.441.104	- 18.167.503	- 18.345.866	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	131.967	1.176.211	1.364.210	229.993	1.432.007	1.652.278	
+ imposte virtuali	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- imposte di esercizio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
+ accensione debiti	9.937.344	11.593.568	11.593.568	-	-	-	-	-	-	-	-	-	-	-	-	-
+ immissione di equity per inv.	5.350.878	6.242.690	6.242.690	-	-	-	-	-	-	-	-	-	-	-	-	-
Flusso cassa per servizio debito	- 152.882	- 331.245	- 509.607	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	131.967	1.176.211	1.364.210	229.993	1.432.007	1.652.278	
- interessi passivi	- 185.083	- 586.096	- 1.017.957	- 1.112.154	- 854.492	- 613.864	- 494.605	- 479.316	- 379.208	- 361.033	- 342.404	- 220.432	- 198.289	- 175.591	- 26.980	- 11.134.019
- rimborso debiti	-	-	-	- 4.625.667	- 4.639.865	- 4.074.739	- 611.586	- 626.875	- 726.983	- 745.158	- 763.787	- 885.758	- 907.902	- 930.600	- 1.079.211	- 33.124.480
flusso di cassa netto	- 337.965	- 917.341	- 1.527.564	6.515.511	6.782.476	5.984.727	- 522.044	148.300	12.156	1.238.158	70.020	258.019	1.336.184	325.816	546.087	
+ ulteriore immissione di equity	337.965	917.341	1.527.564	-	-	-	-	-	-	-	-	-	-	-	-	-
flusso di cassa al netto equity	-	-	-	6.515.511	6.782.476	5.984.727	- 522.044	148.300	12.156	1.238.158	70.020	258.019	1.336.184	325.816	546.087	66.091.109
immissione totale			20.619.129													
Flusso di cassa finanziario																
immissione equity complessiva	- 5.688.843	- 7.160.032	- 7.770.255	-	-	-	-	-	-	-	-	-	-	-	-	-
flusso di cassa al netto equity	-	-	-	6.515.511	6.782.476	5.984.727	- 522.044	148.300	12.156	1.238.158	70.020	258.019	1.336.184	325.816	546.087	66.091.109
Flusso di cassa finanziario	- 5.688.843	- 7.160.032	- 7.770.255	6.515.511	6.782.476	5.984.727	- 522.044	148.300	12.156	1.238.158	70.020	258.019	1.336.184	325.816	546.087	66.091.109
Flusso cumulato	- 5.688.843	- 12.848.874	- 20.619.129	- 14.103.617	- 7.321.142	- 1.336.415	- 1.858.459	- 2.006.759	- 3.041.842	- 4.280.000	- 4.209.980	- 4.770.486	- 6.106.670	- 5.780.854	- 4.695.497	
TIR finanziario	8,15%															
PBP finanziario	30° anno															

FLUSSI DI CASSA = CASH FLOWS

Operational cash flow

% execution

investments

MOL = MOL

Virtual taxes on operational income

Flusso di cassa operativo = Operational cash flow

Flusso cumulato = Accumulated flow

TIR economico = economic IRR

Flusso di cassa netto = Net cash flow

Flusso di cassa operativo = Operational cash flow

- imposte virtuali = virtual taxation

- imposte di esercizio = taxation fin. Year

- accensione debiti = contracted debts

- immissione di equity per inv. = intr. of equity for inv.

Flusso cassa per servizio debito = Cash flow for debt service

- interessi passivi = passive interest

- rimborso debiti = repayment debts

Flusso di cassa netto = Net cash flow

- ulteriore immissione di equity = further intr. of equity

Flusso di cassa al netto equity = Cash flow net of equity

Immissione totale = Total introduction

Flusso di cassa finanziario = Financial cash flow

Immissione equity complessiva = Overall introduction of equity

Flusso di cassa netto equity = Cash flow net of equity

Flusso di cassa finanziario = Financial cash flow

Flusso cumulato = accumulated cash flow

TIR finanziario = Financial IRR

PBP finanziario = Financial PB

Table 18 - Cash Flows JESSICA - JESSICA Case I

Debt Analysis	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30
<i>Debtor - Jessica</i>															
iniziale	-	6.459.274	13.995.093	21.530.912	20.962.994	20.380.878	19.784.209	19.172.623	15.168.309	14.441.325	13.696.168	8.817.299	7.931.541	7.023.638	1.079.211
erogazione	6.459.274	7.535.819	7.535.819	-	-	-	-	-	-	-	-	-	-	-	-
rimborso	-	-	-	-567.918	-582.116	-596.669	-611.586	-626.875	-726.983	-745.158	-763.787	-885.758	-907.902	-930.600	-1.079.211
finale	6.459.274	13.995.093	21.530.912	20.962.994	20.380.878	19.784.209	19.172.623	18.545.748	14.441.325	13.696.168	12.932.381	7.931.541	7.023.638	6.093.038	0
interessi -	80.741 -	255.680 -	444.075 -	538.273 -	524.075 -	509.522 -	494.605 -	479.316 -	379.208 -	361.033 -	342.404 -	220.432 -	198.289 -	175.591 -	26.980
Flusso Cassa Jessica -	6.378.533 -	7.280.140 -	7.091.744	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191
<i>Cumulato -</i>	<i>6.378.533 -</i>	<i>13.658.672 -</i>	<i>20.750.417 -</i>	<i>19.644.226 -</i>	<i>18.538.035 -</i>	<i>17.431.844 -</i>	<i>16.325.653 -</i>	<i>15.219.462 -</i>	<i>8.582.316 -</i>	<i>7.476.125 -</i>	<i>6.369.935</i>	<i>267.211</i>	<i>1.373.402</i>	<i>2.479.593</i>	<i>9.116.738</i>
				VA	€ 16.402.830										
				tasso	4,50%										

Iniziale = initial

Erogazione = issued

Rimborso = repayment

Finale = final

Interessi = interest

Flusso Cassa Jessica = Cash Flow Jessica

Cumulato = Accumulated

JESSICA CASE II presents a more complex structure of sources: of the total equity, 30.0% of the Equity Cash (€5.0 million) is supplied by JESSICA at a yield rate of 2.5% on the distributed dividend. Moreover, 65.0% of the total debt (€21.0 million) is funded through JESSICA at an interest rate amounting to 2.5%. In this case, the double intervention of JESSICA in the operation, contributing equity and debt capital simultaneously, allows for a considerable savings in terms of costs for passive interest (as in JESSICA I case) and, at the same time, allows for remuneration of the private investors, which would supply the remaining part of the equity in a more appropriate manner (the corresponding IRR reaches 7.0% approximately).

The Pay Back Period in the JESSICA II case is equivalent to JESSICA case I: 6 years for the commercial bank and 22 years for the unit introduced through JESSICA.

Table 19 - Profit and Loss account – Pesaro - JESSICA Case II

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30	Valore residuo
CONTO ECONOMICO																
Ricavi Operativi																
+ da vendita				11.507.370	11.507.370	9.863.460										
% vendita				35%	35%	30%										
+ da locazione				1.174.963	1.198.462	1.222.431	1.246.880	1.271.818	1.432.273	1.460.919	1.490.137	1.678.136	1.711.699	1.745.933	1.966.204	
Ricavi Operativi Totali				12.682.333	12.705.832	11.085.891	1.246.880	1.271.818	1.432.273	1.460.919	1.490.137	1.678.136	1.711.699	1.745.933	1.966.204	
Costi operativi																
- costi di gestione veicolo	152.882	331.245	509.607	347.612	347.612	331.173	232.538	232.538	232.538	232.538	232.538	232.538	232.538	232.538	232.538	232.538
- costi di manutenz. straord.	-	-	-	-	-	-	348.807	-	-	1.278.959	-	-	1.627.766	-	-	-
- ICI				81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388	81.388
Costi Operativi Totali	152.882	331.245	509.607	429.000	429.000	412.561	662.733	313.926	313.926	1.592.885	313.926	313.926	1.941.692	313.926	313.926	
MOL	- 152.882	- 331.245	- 509.607	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	- 131.967	1.176.211	1.364.210	- 229.993	1.432.007	1.652.278	
- ammortamento (beni gestiti)				928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901	928.901
- COGS (costo beni venduti)				6.999.076	6.999.076	5.999.208										
Risultato Operativo	- 152.882	- 331.245	- 509.607	4.325.356	4.348.855	3.745.221	- 344.755	28.990	189.445	- 1.060.868	247.309	435.309	- 1.158.895	503.105	723.376	
- interessi	- 185.083	- 586.096	- 1.017.957	- 1.112.154	- 854.492	- 613.864	- 494.605	- 479.316	- 379.208	- 361.033	- 342.404	- 220.432	- 198.289	- 175.591	- 26.980	
Reddito ante imposte	- 337.965	- 917.341	- 1.527.564	3.213.201	3.494.364	3.131.357	- 839.360	- 450.326	- 189.762	- 1.421.901	- 95.095	214.876	- 1.357.183	327.514	696.396	
imposte di esercizio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

CONTO ECONOMICO = Profit and Loss Account

Ricavi Operativi = Operational Income

+ from sales

% sales

+ from lease contracts

Ricavi Operativi Totali = Total Operational Income

Operational costs

- vehicle management costs

- extraordinary maintenance costs

- ICI (local munic. Tax)

Costi Operativi Totali = Total Operational Costs

MOL = MOL

- ammortamento (beni gestiti) = amortization (assets managed)

- COGS (costo beni venduti) = COGS (cost of goods sold)

Risultato Operativo = Operational Result

- interessi = interest

reddito ante imposte = income before tax

imposte di esercizio = tax business year

Table 20 – Cash Flows - Pesaro - JESSICA case II

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30	Valore residuo
FLUSSI DI CASSA																
Flusso di cassa operativo																
% realizzazioni		30%	35%	35%												
Investimenti	-	15.288.222	- 17.836.259	- 17.836.259												
MOL	-	152.882	- 331.245	- 509.607	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	- 131.967	1.176.211	1.364.210	- 229.993	1.432.007	1.652.278
Imposte virtuali su Redd. Operat.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Flusso di cassa operativo	-	15.441.104	- 18.167.503	- 18.345.866	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	- 131.967	1.176.211	1.364.210	- 229.993	1.432.007	1.652.278
Flusso cumulato	-	15.441.104	- 33.608.607	- 51.954.473	- 39.701.140	- 27.424.308	- 16.750.978	- 16.166.831	- 15.208.940	- 9.606.877	- 9.738.844	- 8.562.634	- 2.485.994	- 2.715.987	- 1.283.981	- 6.438.522
TIR economico		5,83%														
Flusso di cassa netto																
Flusso di cassa operativo	-	15.441.104	- 18.167.503	- 18.345.866	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	- 131.967	1.176.211	1.364.210	- 229.993	1.432.007	1.652.278
+ imposte virtuali	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- imposte di esercizio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
+ accensione debiti	-	9.937.344	- 11.593.568	- 11.593.568	-	-	-	-	-	-	-	-	-	-	-	-
+ immissione di equity per inv.	-	5.350.878	- 6.242.690	- 6.242.690	-	-	-	-	-	-	-	-	-	-	-	-
Flusso cassa per servizio debito	-	152.882	- 331.245	- 509.607	12.253.333	12.276.832	10.673.330	584.147	957.891	1.118.347	- 131.967	1.176.211	1.364.210	- 229.993	1.432.007	1.652.278
- interessi passivi	-	185.083	- 586.096	- 1.017.957	- 1.112.154	- 854.492	- 613.864	- 494.605	- 479.316	- 379.208	- 361.033	- 342.404	- 220.432	- 198.289	- 175.591	- 26.980
- rimborso debiti	-	-	-	-	- 4.625.667	- 4.639.865	- 4.074.739	- 611.586	- 626.875	- 726.983	- 745.158	- 763.787	- 885.758	- 907.902	- 930.600	- 1.079.211
flusso di cassa netto	-	337.965	- 917.341	- 1.527.564	6.515.511	6.782.476	5.984.727	- 522.044	- 148.300	12.156	- 1.238.158	70.020	258.019	- 1.336.184	325.816	546.087
+ ulteriore immissione di equity	-	337.965	- 917.341	- 1.527.564	-	-	-	-	-	-	-	-	-	-	-	-
flusso di cassa al netto equity	-	-	-	-	6.515.511	6.782.476	5.984.727	- 522.044	- 148.300	12.156	- 1.238.158	70.020	258.019	- 1.336.184	325.816	546.087
immissione totale	-	-	-	20.619.129	-	-	-	-	-	-	-	-	-	-	-	-
Flusso di cassa finanziario																
immissione equity complessiva	-	5.688.843	- 7.160.032	- 7.770.255	-	-	-	-	-	-	-	-	-	-	-	-
flusso di cassa al netto equity	-	-	-	-	6.515.511	6.782.476	5.984.727	- 522.044	- 148.300	12.156	- 1.238.158	70.020	258.019	- 1.336.184	325.816	546.087
Flusso di cassa finanziario	-	5.688.843	- 7.160.032	- 7.770.255	6.515.511	6.782.476	5.984.727	- 522.044	- 148.300	12.156	- 1.238.158	70.020	258.019	- 1.336.184	325.816	546.087
Flusso cumulato	-	5.688.843	- 12.848.874	- 20.619.129	- 14.103.617	- 7.321.142	- 1.336.415	- 1.858.459	- 2.006.759	- 3.041.842	- 4.280.000	- 4.209.980	- 4.770.486	- 6.106.670	- 5.780.854	- 4.695.497
TIR finanziario		8,15%														
PBP finanziario		30° anno														

FLUSSI DI CASSA = CASH FLOWS
Operational cash flow
% execution
investments
MOL = MOL
Virtual taxes on operational income
Flusso di cassa operativo = Operational cash flow
Flusso cumulato = Accumulated flow
TIR economico = economic IRR
Flusso di cassa netto = Net cash flow
Flusso di cassa operativo = Operational cash flow

- imposte virtuali = virtual taxation
- imposte di esercizio = taxation fin. Year
- accensione debiti = contracted debts
- immissione di equity per inv. = intr. of equity for inv.
Flusso cassa per servizio debito = Cash flow for debt service
- interessi passivi = passive interest
- rimborso debiti = repayment debts
Flusso di cassa netto = Net cash flow

- ulteriore immissione di equity = further intr. of equity
Flusso di cassa al netto equity = Cash flow net of equity
Immissione totale = Total introduction
Flusso di cassa finanziario = Financial cash flow
Immissione equity complessiva = Overall introduction of equity
Flusso di cassa netto equity = Cash flow net of equity
Flusso di cassa finanziario = Financial cash flow
Flusso cumulato = accumulated cash flow
TIR finanziario = Financial IRR
PBP finanziario = Financial PBP

Table 21 – Cash Flow – JESSICA - JESSICA Case II

Debt Analysis	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30
<i>Debtor - Jessica</i>															
iniziale	-	6.459.274	13.995.093	21.530.912	20.962.994	20.380.878	19.784.209	19.172.623	15.168.309	14.441.325	13.696.168	8.817.299	7.931.541	7.023.638	1.079.211
erogazione	6.459.274	7.535.819	7.535.819	-	-	-	-	-	-	-	-	-	-	-	-
rimborso	-	-	-	-567.918	-582.116	-596.669	-611.586	-626.875	-726.983	-745.158	-763.787	-885.758	-907.902	-930.600	-1.079.211
finale	6.459.274	13.995.093	21.530.912	20.962.994	20.380.878	19.784.209	19.172.623	18.545.748	14.441.325	13.696.168	12.932.381	7.931.541	7.023.638	6.093.038	0
<i>interessi -</i>	<i>80.741 -</i>	<i>255.680 -</i>	<i>444.075 -</i>	<i>538.273 -</i>	<i>524.075 -</i>	<i>509.522 -</i>	<i>494.605 -</i>	<i>479.316 -</i>	<i>379.208 -</i>	<i>361.033 -</i>	<i>342.404 -</i>	<i>220.432 -</i>	<i>198.289 -</i>	<i>175.591 -</i>	<i>26.980</i>
Flusso Cassa Jessica -	6.378.533	7.280.140	7.091.744	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191
<i>Cumulato -</i>	<i>6.378.533 -</i>	<i>13.658.672 -</i>	<i>20.750.417 -</i>	<i>19.644.226 -</i>	<i>18.538.035 -</i>	<i>17.431.844 -</i>	<i>16.325.653 -</i>	<i>15.219.462 -</i>	<i>8.582.316 -</i>	<i>7.476.125 -</i>	<i>6.369.935</i>	<i>267.211</i>	<i>1.373.402</i>	<i>2.479.593</i>	<i>9.116.738</i>
					VA 4,50%	€ 16.402.830									

Iniziale = initial
 Erogazione = issued
 Rimborso = repayment
 Finale = final

Interessi = interest
 Flusso Cassa Jessica = Cash Flow Jessica
 Cumulato = Accumulated

Finally, the **Sinking-Fund Hypothesis** reflects the debt structure of JESSICA case I but differs insofar as the funding unit denominated JESSICA assumes the connotation of a sinking fund, not providing for reimbursement of the capital unit and payment of related interest.

The effects on cash flows and on related evaluations are evident: the cash flow of the fund improves quite considerably thanks to the double savings deriving from the considerable reduction of debt to be paid back and of the interest to be paid, allowing for an IRR of the fund amounting to 14.6% with respect to the 8.1% of JESSICA cases I and II.

In the same way, table 14 indicates a yield rate for the private actors involved in the operation equal to approximately 10.2%: an appealing value in terms of both the funds market and investment.

Finally, the Pay Back Period undergoes significant variation decreasing to the twelfth year for the private actors and to the sixth for the fund.

Despite the visibly positive performance of the case in question, it is necessary to emphasise the lack of availability of such a high amount of sinking fund resources for Public Administrations. It should be noted that with the JESSICA II case, appreciable levels of yield are attained, which are already appealing also for private investors.

Option of disinvestment in 2016 of overall Public Resources Invested

The economic-financial analysis was concluded, formulating an hypothesis of **advance abandonment of the Property Fund** and, therefore, of the Pesaro operation: in particular, the hypothesis was made that at the sixth year and, that is, immediately downstream with respect to the planning phase (2016), there is a need for and a convenience in freeing the funds obtained by means of JESSICA, given their rotating nature, and also of disinvesting the units detained by the Public Subject which contributed real estate (so-called A units).

A simulation was performed of the presumed value obtainable from the sale on the financial market (for example, on the part of institutional investors) of the equity and debt units, guaranteeing the purchasers a yield amounting to 5.8% for equity and 4.5% for the debt units.

The yield of 5.8% offered to future purchasers of the equity units is aligned with the net IRR provided for the private partners that will invest in the Pesaro Fund at the moment of its constitution. It should be noted *inter alia* that the hypothesized value is in line with the average of funding performances recorded over the last 10 years by the Italian ordinary non-speculative real-estate investment funds.

The yield offered to the purchasers of the debt (hypothesized at 4.5%) obtains a lower risk level (debt in any case has priority of payment with respect to risk capital) also deriving from the project's attainment of the full operative regime and the movement of the related cash flows.

It is evident that both of the hypothesized values, beyond the level of risk and the different expectations of remuneration of the potential purchasers, will be verified against the market trends of the capital that will develop in coming years. The results are represented in the following table.

Table 22 – Advance abandonment: JESSICA funds - Real-Estate Fund - Pesaro

	Equity units Public Actors	Equity units JESSICA	JESSICA Debt	Total resources of the Extended Public Sector
	<i>Hypothesis of the market value at the 6th year (in €)</i>	<i>Hypothesis of the market value at the 6th year (in €)</i>	<i>Hypothesis of the market value at the 6th year (in €)</i>	<i>Hypothesis of the market value at the 6th year (in €)</i>
JESSICA case I	2,213,751	-	16,402,830	18,616,581
JESSICA case II	2,213,751	2,085,017	16,402,830	20,701,598

The advance abandonment of the fund would inevitably imply a slight loss on the total contributed as debt and equity, this being due, essentially, to the yields of 4.5% and 5.8% offered and guaranteed, respectively, on the debt and in the units hypothetically ceded on the market. At the same time, it is worth noting the sum of resources that would become available through an advance sale: table 23 shows that in JESSICA case I there would be, overall (and, that is, including units of the Public Actors and JESSICA funds), approximately **€18.6 million** and in JESSICA case II, approximately **€20.7 million**. To complete the simulation and therefore evaluate the overall sum of Public Resources that could be reinvested in 2016, it is necessary to increase these latter income values, which for various reasons the Public Subject and JESSICA will have received up to that point. In particular, the Municipal Administrations and the Regional Health Service Agency (contributing real estate) will receive in the first 5 years of activity of the fund (for JESSICA cases I and II) approximately **€1.4 million** as net dividends from units; while the units of the fund under the JESSICA mechanism will return approximately a net **€ 1.5 million** (JESSICA case II); finally, for the JESSICA debt **€ 2.2 million** will be collected in the first 5 years as capital and interest (for JESSICA cases I and II).

Comparing the total of future incomes - from dividends, from reimbursement of debt and from the hypothesis of a sale - with initial outlay, a calculation was then made of the rate of rotation of the public resources invested in the Pesaro operation for various reasons.

The following table indicates the **rotation capacity of the public resources invested** in the hypothesis of abandonment of the real-estate fund in the year 2016.

Table 23 – Income from dividends, from reimbursement and from sale – Initial outlay – Rate of Rotation of Public Resources

	Equity units Public Partners			Equity units JESSICA			JESSICA Debt		
	<i>Initial outlay</i>	<i>Total income in 2016</i>	<i>Rot. rate.</i>	<i>Initial outlay</i>	<i>Total income in 2016</i>	<i>Rot. rate.</i>	<i>Initial outlay</i>	<i>Total income in 2016</i>	<i>Rot. rate.</i>
JESSICA case I	6,127,178	3,530,412	58%	-	-	-	20,750,417	18,615,212	90%
JESSICA case II	6,127,178	3,530,412	58%	5,349,261	3,580,603	67%	20,750,417	18,615,212	90%



Considering the whole entity of Public Resources (Equity units - Public Partners, Equity units – JESSICA and JESSICA Debt) invested in the operation and then disinvested in 2016, the rate of rotation is 82% in Case I and 80% in Case II.

II.3.6 Pilot Case: Jesi

Introduction

The case in question focuses on the creation of a new production area characterised by very high ecological-environmental performance, and such as to attract and promote enterprises in high-tech sectors and supply high-range services to the entire territorial system: the area enjoys a strategic position at a limited distance from the centre of the Municipality of Jesi.

The intervention provides for multiple integrated projects mainly aimed at the construction of fixed assets: property destined for use in the tertiary (production; offices) and commercial (catering; individual services; stores) sectors.

By reason of the need to purchase the area which is the object of the intervention through possible expropriation procedures and in order to maintain public control over the project, despite participation in the minimum company capital on the part of the PA, the UTC (Urban Transformation Company) was selected as a project vehicle despite the fact that, unlike the Seeded Investment Fund, it is subject to ordinary taxation.

Identified financial vehicle

The Urban Transformation Companies (UTC) are a particular type of mixed public-private capital company, which, on account of their specific company purpose (planning and implementing interventions of urban transformation), appear to offer important opportunities for the contribution of private resources for the execution of public works and infrastructures.

The modality of purchasing currently privately owned areas where urban transformations are to be implemented is one of the qualifying points in the choice of an UTC: the related regulations provide for the possibility of also introducing procedures for expropriation or relating to agreements in good faith.

Above and beyond the particular and possible position of the partners that are owners of the areas, the general rule set out under sub-section 1 of Article 120 is that the private shareholders of the UTC are chosen by means of a publicly-advertised procedure.

In operational terms, the company must provide for the activities of planning and construction provided for by the intervention of urban transformation and, therefore, for the commercial disposal of what has been built.

A sensitive point is represented by the convention that regulates relations between the local shareholding body and the company. The possible content of this convention can be very varied; it may contain the rules and modalities according to which the company is held to operate but it may reach the point of contemplating also causes for termination of company restrictions or also relating to the relations between partners. The agreement stipulated in the opportune manner allows for the continuation of public control of an intervention.

The Urban Transformation Company presents advantages of various kinds⁶⁰:

- Possibility of using procedures of expropriation in the event of an absence of ownership of the areas relating to the transformation project;
- Guarantee of income for the contributing Local Body (units can be sold or it would be possible to wait for the collection of dividends);
- Possibility of the entry of private actors interested in the operation for whatever reason;

⁶⁰ For further details see section 2.1.3 – Structuring of projects with project vehicles.

- Possibility of maintaining the overall public control of the operation by means of the subscription of an appropriate convention.

Financial-economic analysis

The total cost of execution of the works included in the complex amounts to approximately €181.0 million, while for the start-up of the operation (vehicle-management costs and passive interest on debt) costs of approximately €11.0 million (the Basic Case), €8.0 million in the JESSICA I and II cases and €6.0 million in the Sinking Fund Hypothesis were estimated.

The revenue relating to the project refers to the lease or sale of real estate (or a part of such property) according to the different intended uses. Rental and sales prices, estimated in a precautionary manner, take into consideration the already existing ZIPA production area (as per the official price lists) and the quality of the real estate to be realized, which would have particular ecological, environmental and energy characteristics (possible Grade A ⁶¹). It should be that for the interventions which pursue a public aim, in particular for the economic and cultural development of the territory, such as the creation of a space for public events and co-working and spaces for the installation of start up activities and spin-offs, in the calculation of revenue, leasing prices that were significantly lower than market values were adopted.

The following table shows an analysis of the income possible through the interventions included in the pilot case in question:

Table 24 – Analysis of revenue – UTC Jesi

Interventions	sq.m (or other unit)	Types of revenue
Infrastructures and public spaces (amenities and green areas)		
New southern road axis	12,270	Public works
Road conditions for internal distribution	45,760	Public works
Covered pedestrian areas	6,850	Public works
Related photovoltaic coverage	6,850	Incentivation rate and sale of energy
Cycle paths	2,500	Public works
Collective green areas within the Zipa zone	42,560	Public works
Green banks (excluding the green strip – Albini area)	30,430	Public works
Square which can be converted into a summer arena for public entertainment events	600	Public works
Car parks (permeable paving – green blocks)	13,000	Public works
New metropolitan railway station (platform canopies, service areas, bicycle parking space, pedestrian subways)	400	Income from renting of approximately 60 sq.m of space
Related photovoltaic coverage	400	Incentivation rate and sale of energy
Spaces for production activities and services for enterprises		
Advanced tertiary activities supporting the production system	2,500	Income from leasing

⁶¹ Grade A refers to the energy characteristics of a building and aspects such as construction materials used, acoustic insulation and specific building techniques.

Interventions	sq.m (or other unit)	Types of revenue
Related photovoltaic coverage	2,500	Incentivation rate and sale of energy
Laboratories for R&D activities	2,000	Income from leasing
Related photovoltaic coverage	2,000	Incentivation rate and sale of energy
Spaces for manufacturing-industrial activities (workshops with green coverings)	100,000	75% income from sale – 25% income from leasing
Space for events and co-working	3,600	Income from leasing (occupation - 65%)
Related photovoltaic coverage	3,600	Incentivation rate and sale of energy
Tertiary (management of production activities)	6,000	75% Income from sales – 25% Income from leasing
Related photovoltaic coverage	6,000	Incentivation rate and sale of energy
Mixed spaces for installation of start-up and spin-off activities	15,000	Income from leasing
Related photovoltaic coverage	15,000	Incentivation rate and sale of energy
Uncovered space for logistics	85,120	(included in the services of the area)
Spaces for commercial activities and individual services (located along the central boulevard and in the services centre – central pavilion)		
<i>Bar-restaurants</i>	1,500	50% Income from sales - 50% Income from leasing
<i>Hotel</i>	3,000	Income from leasing
<i>Sports centre (fitness, Spa and swimming pool)</i>	3,000	Income from leasing
<i>Shops and individual services (commercial strip)</i>	6,000	50% Income from sales - 50% Income from location
Total	143,000	
Total revenue From sales	Annual revenue from leasing	Annual revenue from "Energy Account"
87,371,250	3,882,592	2,090,125

In **Table 24**, the works indicated in blue represent the works that produce income, while those in black represent Public works which do not contribute any kind of economic return but which have exclusively social aims. Interventions for which leasing prices below market values were hypothesized are indicated in red.

Unlike the case of Pesaro, included in the possible revenue from the execution of the work there is the annual sum of revenue from the “Energy Account”, which derives from the copious installation of solar panels in the area being the object of the intervention: as previously said, public contributions in favour of the creation of ‘clean’ energy plants exist in Italy, with particular attention paid to photovoltaic systems. The creation of a photovoltaic plant entails a double advantage: on the one hand, for approximately 20 years, the aforementioned State incentives may be received; on the other hand, during the working life of the plant, a profit is obtained from the sale of the energy produced or there is a savings on bills in case of use of the same. It should be noted, moreover, that a photovoltaic plant, adopting a cautious approach, has a working life of approximately 30 years and thus in the residual value of the works executed (cf. BOX I.), calculated as perpetual income of annual revenue produced after the thirtieth year by the immovable units produced, no revenue relating to the aforementioned plant was included.

As these are works with a long-term utility and functionality, the analysis of the cash flows was coherently structured on the basis of a period of thirty years and, as for the case previously analysed, was reported in accordance with the structure of underlying capital. Also in the pilot case in question, it is possible for the actors involved to adopt an “exit-strategy” to recover resources invested or a part of them in advance.

Table 25 - Structure of capital: simulations – UTC Jesi

Basic case			JESSICA case I			JESSICA case II			Sinking fund hypothesis		
Investment		181.238.128	Investment		181,238,128	Investment		181.238.128	Investment		181.238.128
Equity	72,495,251	40.0%	Equity	72,495,251	40.0%	Equity	72,495,251	40.0%	Equity	72,495,251	40.0%
JESSICA	-	0.0%	JESSICA	-	0.0%	JESSICA	14,499,050	20.0%	JESSICA	-	0.0%
Other	72,495,251	100.0%	Other	72,495,251	100.0%	Other	57,996,201	80.0%	Other	72,495,251	100.0%
Debt	108,742,877	60.0%	Debt	108,742,877	60.0%	Debt	108,742,877	60.0%	Debt	54,371,438	30.0%
JESSICA	-	0.0%	JESSICA	54,371,438	50.0%	JESSICA	54,371,438	50.0%	Com. Bank	54,371,438	100.0%
Comm. bank.	108,742,877	100.0%	Comm. bank.	54,371,438	50.0%	Comm. bank.	54,371,438	50.0%	“Sinking fund”	54,371,438	50.0%
Start-up capital		11,227,702	Start-up capital		8,468,352	Start-up capital		8,468,352	Start-up capital		6,497,387
Equity	11,227,702	100.0%	Equity	8,468,352	100.0%	Equity	8,468,352	100.0%	Equity	6,497,387	100.0%
Project IRR	4.54%		Project IRR	4.54%		Project IRR	4.54%		Project IRR	4.54%	
IRR of the UTC	4.32%		IRR of the UTC	5.58%		IRR of the UTC	5.58%		IRR of the UTC	9.54%	
PBP	year 30		PBP	year 30		PBP	year 30		PBP	year 10	
Residual Value	168,455,199		Residual Value	168,455,199		Residual Value	168,455,199		Residual Value	168,455,199	

Table 26 - Structure of Equity: UTC Jesi

	Value in €	Value in %		Value in €	Value in %		Value in €	Value in %		Value in €	Value in %
Equity – Pub. Subj.	837,230	1.0%	Equity – Pub. Subj.	809,636	1.0%	Equity – Pub. Subj.	809,636	1.0%	Equity – Pub. Subj.	789,926	1.0%
Equity - Private	82,885,724	99.0%	Equity - Private	80,153,967	99.0%	Equity - Private	63,961,246	79.0%	Equity – Private	78,202,712	99.0%
Equity - JESSICA	-	-	Equity - JESSICA	-	-	Equity - JESSICA	16,192,721	20.0%	Equity - JESSICA	-	-
Total Equity	83,722,953	100%	Total Equity	80,963,603	100%	Total Equity	80,963,603	100%	Total Equity	78,992.638	100%

Table 25 indicates the structure of capital hypothesized for each simulation, distinguishing the financial sources and providing the consequent overall results.

The total cost of transformation (execution costs) is covered, in all of the cases examined, as follows: 40.0% through equity and for the remaining 60.0% through debt. It is hypothesized that the start-up costs are covered in each case by a further injection of equity, which, in this case too, is not calculated in the above-mentioned structure of capital.

Table 27 – Yield and Period of Return for every subject involved – UTC Jesi

Summary Table					
		<i>Basic case</i>	<i>JESSICA case I</i>	<i>JESSICA case II</i>	<i>Sinking fund hypothesis</i>
Project	IRR economic	4.54%	4.54%	4.54%	5.8%
	<i>Pay Back</i>	-	-	-	-
Public partners	IRR net	2.04%	1.99%	2.00%	1.96%
	<i>Pay Back</i>	<i>30 years</i>	<i>30 years</i>	<i>30 years</i>	<i>30 years</i>
Private partners	IRR net	4.34%	5.61%	6.29%	9.62%
	<i>Pay Back</i>	<i>30 years</i>	<i>30 years</i>	<i>30 years</i>	<i>10 years</i>
JESSICA Equity	IRR net	-	-	2.50%	-
	<i>Pay Back</i>	-	-	<i>year 30</i>	-
JESSICA Debt	IRR	-	2.5%	2.5%	-
	<i>Pay Back</i>	-	<i>year 22</i>	<i>year 22</i>	-
Debt – Commercial bank	IRR	6.0%	6.0%	6.0%	6.0%
	<i>Pay Back</i> ⁶²	<i>13 years</i>	<i>15 years</i>	<i>15 years</i>	<i>15 years</i>
UTC	IRR - financial	4.32%	5.58%	5.58%	9.54%
	<i>Pay Back</i>	<i>30 years</i>	<i>30 years</i>	<i>30 years</i>	<i>10 years</i>
Extended public sector	IRR	2%	2.59%	2.56%	-13.9%
	<i>Pay Back</i>	<i>year 30</i>	<i>year 22</i>	<i>year 26</i>	n.a.
Extended public sector	VAN in the case of disinvestim. In 2016	€ 375,718	€41,697,863	€47,756,619	€334,756

⁶² It should be noted that with regard to the Pay Back Period of the Commercial bank, i.e. the time required to pay back the initially granted debt, in the cases proposed hypotheses were made for different modalities of reimbursement relating to the various sums of the conceded grants. In particular, for the basic case the hypothesis was made for a partial reimbursement of the debt for approximately 61 million Euro (about 56% of the total) in the years when the sales will be effected and then a consolidation of the remaining debt (approximately 47.5 million Euro) with a classical amortization in 24 years. For JESSICA cases I and II, hypothesizing more contained commercial debts, more limited reimbursements were considered in the early years in which the sales are made (approximately 17.5 million out of the total 54 million) with residual debt then spread over 24 years of amortization and thus allowing for higher flows to the partners of the UTC. Such a choice reflects the difference of two years in the PBP of the Commercial Bank Debt between the Basic Case and JESSICA cases I and II. The IRR of the commercial banks, in all of the cases reported, remains constant and amounting to 6%; it would be the task of the administrators of the UTC to negotiate appropriate conditions and mortgage costs with respect to the actual activities.

Coherently with the analysis carried out in relation to Pesaro, the table shows the details of the financial results that can be obtained by the actors involved in each of the cases presented. Also in the case of Jesi the IRR and PBP indicators are shown for the **Extended Public Sector** and the **presumable value of execution** deriving from the hypothesis of disinvestment - in 2016 - of all the investments relating to JESSICA and the public entities. In the section “Option of Disinvestment in 2016 of Overall Public Resources Invested” the analyses and estimates are provided in detail.

In the **Basic Case**, the total debt amounts to approximately **€ 109.0 million**: as the project IRR amounts to 4.54% and the cost of the debt hypothesized is at 6.0%, it is evident that the IRR of the UTC is slightly lower, amounting to 4.32%. The incidence of passive interest is particularly heavy in relation to the balance of the operation and implies yield values (besides the start-up costs, as previously said) which, generally, make the investment unappealing in the eyes of external operators, whether these are private entities or funding institutes.

Table 27 above shows that also the yield proposed to possible private actors would not be in line with alternative investments present on the market at an equal level of risk: realistically, an envisaged yield amounting to 4.34% would not be so attractive.

Table 28 - Profit and Loss account: Jesi – Basic Case

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30	Valore residuo
CONTO ECONOMICO																
Ricavi Operativi																
+ da vendita				30.579.938	30.579.938	26.211.375										
% vendita				35%	35%	30%										
+ da locazione				3.882.592	3.950.925	4.020.462	4.091.222	4.163.227	4.622.668	4.704.027	4.786.818	5.315.076	5.408.622	5.503.813	6.111.197	
+ da conto energia				2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	627.038	627.038	
Ricavi Operativi Totali				36.552.654	36.620.988	32.321.962	6.181.347	6.253.352	6.712.793	6.794.152	6.876.943	7.405.201	7.498.747	6.130.851	6.738.235	
Costi Operativi																
- costi di gestione veicolo (S TU)	271.857	589.024	906.191	906.191	753.291	600.391	469.334	469.334	469.334	469.334	469.334	469.334	469.334	469.334	469.334	469.334
- costi di manutenz. straord.				-	-	-	1.086.803	-	-	3.984.943	-	-	5.071.745	-	-	-
- ICI				253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587
Costi Operativi Totali	271.857	589.024	906.191	1.159.778	1.006.878	853.979	1.809.724	722.922	722.922	4.707.864	722.922	722.922	5.794.667	722.922	722.922	
MOL	-271.857	-589.024	-906.191	35.392.876	35.614.110	31.467.983	4.371.623	5.530.431	5.989.872	2.086.288	6.154.021	6.682.280	1.704.080	5.407.929	6.015.313	168.455.199
- ammortamento del gestito				3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794
- COGS (costi del venduto)				21.960.750	21.960.750	18.823.500										
Risultato Operativo	-271.857	-589.024	-906.191	9.877.333	10.098.566	9.089.689	816.829	1.975.637	2.435.078	-1.468.506	2.599.228	3.127.486	-1.850.714	1.853.135	2.460.519	
- interessi	-978.686	-3.099.172	-5.382.772	-5.882.394	-4.598.037	-3.405.419	-2.854.980	-2.798.797	-2.383.388	-2.298.909	-2.209.362	-1.547.262	-1.412.616	-1.269.891	-214.606	
Reddito ante imposte	-1.250.543	-3.688.196	-6.288.963	3.994.939	5.500.529	5.684.270	-2.038.151	-823.160	51.690	-3.767.415	389.866	1.580.223	-3.263.330	583.244	2.245.913	
- imposte di esercizio	-	-	-	1.254.411	1.727.166	1.784.861	-	-	16.231	-	122.418	496.190	-	183.139	705.217	

CONTO ECONOMICO = Profit and Loss Account

Ricavi Operativi = Operational Income

+ from sales

% sales

+ from lease contracts

Ricavi Operativi Totali = Total Operational Income

Operational costs

- vehicle management costs
- extraordinary maintenance costs
- ICI (local munic. Tax)

Costi Operativi Totali = Total Operational Costs

MOL = MOL

- ammortamento (beni gestiti) = amortization (assets managed)

- COGS (costo beni venduti) = COGS (cost of goods sold)

Risultato Operativo = Operational Result

- interessi = interest

reddito ante imposte = income before tax

imposte di esercizio = tax business year

Table 29 – Cash Flows: Jesi – Basic Case

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30	Valore residuo
FLUSSI DI CASSA																
Flusso di cassa operativo																
% realizzazioni	30%	35%	35%													
Investimenti	-54.371.438	-63.433.345	-63.433.345													
MOL	-271.857	-589.024	-906.191	35.392.876	35.614.110	31.467.983	4.371.623	5.530.431	5.989.872	2.086.288	6.154.021	6.682.280	1.704.080	5.407.929	6.015.313	
Imposte virtuali su Redd. Operat.	-	-	-	-3.101.482	-3.170.950	-2.854.162	-256.484	-620.350	-764.614	-	-816.157	-982.031	-	-581.885	-772.603	
Flusso di cassa operativo	-54.643.296	-64.022.369	-64.339.535	32.291.394	32.443.160	28.613.821	4.115.138	4.910.081	5.225.257	2.086.288	5.337.864	5.700.249	1.704.080	4.826.045	5.242.710	168.455.199
Flusso cumulato	- 54.643.296	- 118.665.664	- 183.005.200	- 150.713.806	- 118.270.646	- 89.656.825	- 85.541.687	- 80.631.606	- 51.575.132	- 49.488.844	- 44.150.980	- 15.048.707	- 13.344.627	- 8.518.582	- 17.477.819	
TIR economico	4,54%															
Flusso di cassa netto																
Flusso di cassa operativo	-54.643.296	-64.022.369	-64.339.535	32.291.394	32.443.160	28.613.821	4.115.138	4.910.081	5.225.257	2.086.288	5.337.864	5.700.249	1.704.080	4.826.045	5.242.710	
+ imposte virtuali	-	-	-	3.101.482	3.170.950	2.854.162	256.484	620.350	764.614	-	816.157	982.031	-	581.885	772.603	
- imposte di esercizio	-	-	-	-1.254.411	-1.727.166	-1.784.861	-	-	-16.231	-	-122.418	-496.190	-	-183.139	-705.217	
+ accensione debiti	32.622.863	38.060.007	38.060.007	-	-	-	-	-	-	-	-	-	-	-	-	
+ immissione di equity per inv.	21.748.575	25.373.338	25.373.338	-	-	-	-	-	-	-	-	-	-	-	-	
Flusso cassa per servizio debito	-271.857	-589.024	-906.191	34.138.466	33.886.944	29.683.122	4.371.623	5.530.431	5.973.641	2.086.288	6.031.603	6.186.090	1.704.080	5.224.791	5.310.096	
- interessi passivi	-978.686	-3.099.172	-5.382.772	-5.882.394	-4.598.037	-3.405.419	-2.854.980	-2.798.797	-2.383.388	-2.298.909	-2.209.362	-1.547.262	-1.412.616	-1.269.891	-214.606	
- rimborso debiti	-	-	-	-21.405.956	-21.405.956	-18.347.963	-936.386	-992.569	-1.407.979	-1.492.457	-1.582.005	-2.244.104	-2.378.750	-2.521.475	-3.576.761	
flusso di cassa netto	-1.250.543	-3.688.196	-6.288.963	6.850.116	7.882.951	7.929.741	580.256	1.739.064	2.182.275	-1.705.078	2.240.237	2.394.723	-2.087.286	1.433.424	1.518.730	
+ ulteriore immissione di equity	1.250.543	3.688.196	6.288.963	-	-	-	-	-	-	1.705.078	-	-	2.087.286	-	-	
flusso di cassa al netto equity	-	-	-	6.850.116	7.882.951	7.929.741	580.256	1.739.064	2.182.275	-	2.240.237	2.394.723	-	1.433.424	1.518.730	
immissione totale	-	-	83.722.953	-	-	-	-	-	-	-	-	-	-	-	-	
Flusso di cassa finanziario																
immissione equity complessiva	22.999.118	29.061.534	31.662.301	-	-	-	-	-	-	-	-	-	-	-	-	
flusso di cassa al netto equity	-	-	-	6.850.116	7.882.951	7.929.741	580.256	1.739.064	2.182.275	-1.705.078	2.240.237	2.394.723	-2.087.286	1.433.424	1.518.730	
Flusso di cassa finanziario	-22.999.118	-29.061.534	-31.662.301	6.850.116	7.882.951	7.929.741	580.256	1.739.064	2.182.275	-1.705.078	2.240.237	2.394.723	-2.087.286	1.433.424	1.518.730	168.455.199
Flusso cumulato	-22.999.118	-52.060.652	-83.722.953	-76.872.838	-68.989.887	-61.060.146	-60.479.890	-58.740.825	-48.911.606	-50.616.685	-48.376.447	-39.151.175	-41.238.461	-39.805.036	-35.515.429	
TIR finanziario	4,32%															
PBP finanziario	30° anno															

FLUSSI DI CASSA = CASH FLOWS

Operational cash flow

% execution

investments

MOL = MOL

Virtual taxes on operational income

Flusso di cassa operativo = Operational cash flow

Flusso cumulato = Accumulated flow

TIR economico = economic IRR

Flusso di cassa netto = Net cash flow

Flusso di cassa operativo = Operational cash flow

- imposte virtuali = virtual taxation

- imposte di esercizio = taxation fin. Year

- accensione debiti = contracted debts

- immissione di equity per inv. = intr. of equity for inv.

Flusso cassa per servizio debito = Cash flow for debt service

- interessi passivi = passive interest

- rimborso debiti = repayment debts

Flusso di cassa netto = Net cash flow

- ulteriore immissione di equity = further intr. of equity

Flusso di cassa al netto equity = Cash flow net of equity

Immissione totale = Total introduction

Flusso di cassa finanziario = Financial cash flow

Immissione equity complessiva = Overall introduction of equity

Flusso di cassa netto equity = Cash flow net of equity

Flusso di cassa finanziario = Financial cash flow

Flusso cumulato = accumulated cash flow

TIR finanziario = Financial IRR

PBP finanziario = Financial PBP

With respect to the previously examined pilot case (Real-estate Fund - Pesaro), it should be noted that, in the case of Jesi, the generally lower yields in part depend on fiscal and taxation issues (ordinary taxation, IRES and IRAP) rather than on characteristics intrinsic in the project, which appears to be rather ambitious but, at the same time, potentially lucrative and interesting also for private operators, especially if these were entrepreneurial actors also interested in an installation in their own area of productive activity.

It should also be noted that the type of real estate provided for by the intervention, given the high ecological and energy standards foreseen, is characterised by particularly high construction costs with respect to the ordinary costs required by a productive area.

In **JESSICA Case I**, the same amount of debt (€109.0 million) is funded in the proportion of 50.0% through JESSICA, at a rate amounting to 2.5% and, for the remaining part, through a funding agreed with a commercial bank at a rate hypothesized at 6.0%. As in the case of Pesaro, it is possible to note the benefit, in terms of a higher yield, obtained thanks to the discounted rate of interest applied to the JESSICA funding unit: the IRR of the UTC rises to 5.58% (+29.2% vs. the Basic Case), a value in line with the market.

From Table 18, a yield emerges, for private actors, equal to approximately 5.61%: this value, although still at an average level, is closer to the alternative yields of investment and with similar characteristics in terms of risk.

In this regard it should be noted that ZIPA Verde represents an integrated project of territorial development which has the potential of accelerating processes of economic and productive development in the territorial context of reference. Such potential may render the investment attractive for various private entrepreneurial actors interested in the development of productive activities besides opportunities offered by real-estate development. To date, the Municipality has received, both directly and indirectly, many manifestations of interest on the part of private entities concerning the industrial development of the area which is the object of intervention.

Table 30 - Profit and Loss account: Jesi - JESSICA Case I

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30	Valore residuo
CONTO ECONOMICO																
Ricavi Operativi																
+ da vendita				30.579.938	30.579.938	26.211.375										
% vendita				35%	35%	30%										
+ da locazione				3.882.592	3.950.925	4.020.462	4.091.222	4.163.227	4.622.668	4.704.027	4.786.818	5.315.076	5.408.622	5.503.813	6.111.197	
+ da conto energia				2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	627.038	627.038
Ricavi Operativi Totali				36.552.654	36.620.988	32.321.962	6.181.347	6.253.352	6.712.793	6.794.152	6.876.943	7.405.201	7.498.747	6.130.851	6.738.235	
Costi Operativi																
- costi di gestione veicolo (S TU)	271.857	589.024	906.191	906.191	753.291	600.391	469.334	469.334	469.334	469.334	469.334	469.334	469.334	469.334	469.334	469.334
- costi di manutenz. straord.							1.086.803	-	-	3.984.943	-	-	5.071.745	-	-	
- ICI				253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587
Costi Operativi Totali	271.857	589.024	906.191	1.159.778	1.006.878	853.979	1.809.724	722.922	722.922	4.707.864	722.922	722.922	5.794.667	722.922	722.922	
MOL	-271.857	-589.024	-906.191	35.392.876	35.614.110	31.467.983	4.371.623	5.530.431	5.989.872	2.086.288	6.154.021	6.682.280	1.704.080	5.407.929	6.015.313	168.455.199
- ammortamento del gestito				3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794
- COGS (costi del venduto)				21.960.750	21.960.750	18.823.500										
Risultato Operativo	-271.857	-589.024	-906.191	9.877.333	10.098.566	9.089.689	816.829	1.975.637	2.435.078	-1.468.506	2.599.228	3.127.486	-1.850.714	1.853.135	2.460.519	
- interessi	-693.236	-2.195.247	-3.812.797	-4.438.093	-4.035.280	-3.657.782	-3.462.845	-3.380.668	-2.805.749	-2.694.346	-2.577.865	-1.756.443	-1.596.115	-1.428.124	-234.544	
Reddito ante imposte	-965.093	-2.784.271	-4.718.988	5.439.240	6.063.286	5.431.908	-2.646.016	-1.405.031	-370.671	-4.162.851	21.363	1.371.043	-3.446.829	425.011	2.225.975	
- imposte di esercizio	-	-	-	1.707.921	1.903.872	1.705.619	-	-	-	-	6.708	430.508	-	133.454	698.956	

CONTO ECONOMICO = Profit and Loss Account

Ricavi Operativi = Operational Income

+ from sales

% sales

+ from lease contracts

Ricavi Operativi Totali = Total Operational Income

Operational costs

- vehicle management costs
- extraordinary maintenance costs
- ICI (local munic. Tax)

Costi Operativi Totali = Total Operational Costs

MOL = MOL

- ammortamento (beni gestiti) = amortization (assets managed)

- COGS (costo beni venduti) = COGS (cost of goods sold)

Risultato Operativo = Operational Result

- interessi = interest

reddito ante imposte = income before tax

imposte di esercizio = tax business year

Table 31 – Cash Flow: Jesi - JESSICA Case I

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30	Valore residuo
FLUSSI DI CASSA																
Flusso di cassa operativo																
% realizzazioni	30%	35%	35%													
Investimenti	-54.371.438	-63.433.345	-63.433.345													
MOL	-271.857	-589.024	-906.191	35.392.876	35.614.110	31.467.983	4.371.623	5.530.431	5.989.872	2.086.288	6.154.021	6.682.280	1.704.080	5.407.929	6.015.313	
Imposte virtuali su Redd. Operat.	-	-	-	-3.101.482	-3.170.950	-2.854.162	-256.484	-620.350	-764.614	-	-816.157	-982.031	-	-581.885	-772.603	
Flusso di cassa operativo	-54.643.296	-64.022.369	-64.339.535	32.291.394	32.443.160	28.613.821	4.115.138	4.910.081	5.225.257	2.086.288	5.337.864	5.700.249	1.704.080	4.826.045	5.242.710	168.455.199
Flusso cumulato	- 54.643.296	- 118.665.664	- 183.005.200	- 150.713.806	- 118.270.646	- 89.656.825	- 85.541.687	- 80.631.606	- 51.575.132	- 49.488.844	- 44.150.980	- 15.048.707	- 13.344.627	- 8.518.582	- 17.477.819	
TIR economico	4,54%															
Flusso di cassa netto																
Flusso di cassa operativo	-54.643.296	-64.022.369	-64.339.535	32.291.394	32.443.160	28.613.821	4.115.138	4.910.081	5.225.257	2.086.288	5.337.864	5.700.249	1.704.080	4.826.045	5.242.710	
+ imposte virtuali	-	-	-	3.101.482	3.170.950	2.854.162	256.484	620.350	764.614	-	816.157	982.031	-	581.885	772.603	
- imposte di esercizio	-	-	-	-1.707.921	-1.903.872	-1.705.619	-	-	0	-	-6.708	-430.508	-	-133.454	-698.956	
+ accensione debiti	32.622.863	38.060.007	38.060.007	-	-	-	-	-	-	-	-	-	-	-	-	
+ immissione di equity per inv.	21.748.575	25.373.338	25.373.338	-	-	-	-	-	-	-	-	-	-	-	-	
Flusso cassa per servizio debito	-271.857	-589.024	-906.191	33.684.955	33.710.238	29.762.364	4.371.623	5.530.431	5.989.872	2.086.288	6.147.313	6.251.772	1.704.080	5.274.476	5.316.357	
- interessi passivi	-693.236	-2.195.247	-3.812.797	-4.438.093	-4.035.280	-3.657.782	-3.462.845	-3.380.668	-2.805.749	-2.694.346	-2.577.865	-1.756.443	-1.596.115	-1.428.124	-234.544	
- rimborso debiti	-	-	-	-7.550.136	-7.585.990	-6.749.027	-2.270.521	-2.352.698	-2.927.617	-3.039.020	-3.155.501	-3.976.923	-4.137.251	-4.305.241	-5.498.822	
flusso di cassa netto	-965.093	-2.784.271	-4.718.988	21.696.726	22.088.968	19.355.555	-1.361.743	-202.935	256.506	-3.647.078	413.948	518.406	-4.029.286	-458.890	-417.009	
+ ulteriore immissione di equity	965.093	2.784.271	4.718.988	-	-	-	1.361.743	202.935	-	3.647.078	-	-	4.029.286	458.890	417.009	
flusso di cassa al netto equity	-	-	-	21.696.726	22.088.968	19.355.555	-	-	256.506	-	413.948	518.406	-	-	-	
immissione totale	-	-	80.963.603	-	-	-	-	-	-	-	-	-	-	-	-	
Flusso di cassa finanziario																
immissione equity complessiva	22.713.668	28.157.609	30.092.326	-	-	-	-	-	-	-	-	-	-	-	-	
flusso di cassa al netto equity	-22.713.668	-28.157.609	-30.092.326	21.696.726	22.088.968	19.355.555	-1.361.743	-202.935	256.506	-3.647.078	413.948	518.406	-4.029.286	-458.890	-417.009	168.455.199
Flusso di cassa finanziario	-22.713.668	-28.157.609	-30.092.326	21.696.726	22.088.968	19.355.555	-1.361.743	-202.935	256.506	-3.647.078	413.948	518.406	-4.029.286	-458.890	-417.009	168.455.199
Flusso cumulato	-22.713.668	-50.871.277	-80.963.603	-59.266.876	-37.177.908	-17.822.353	-19.184.096	-19.387.031	-21.193.578	-24.840.656	-24.426.708	-26.425.674	-30.454.960	-30.913.850	-38.161.161	
TIR finanziario	5,58%															
PBP finanziario	30° anno															

FLUSSI DI CASSA = CASH FLOWS

Operational cash flow

% execution

investments

MOL = MOL

Virtual taxes on operational income

Flusso di cassa operativo = Operational cash flow

Flusso cumulato = Accumulated flow

TIR economico = economic IRR

Flusso di cassa netto = Net cash flow

Flusso di cassa operativo = Operational cash flow

- imposte virtuali = virtual taxation

- imposte di esercizio = taxation fin. Year

- accensione debiti = contracted debts

- immissione di equity per inv. = intr. of equity for inv.

Flusso cassa per servizio debito = Cash flow for debt service

- interessi passivi = passive interest

- rimborso debiti = repayment debts

Flusso di cassa netto = Net cash flow

- ulteriore immissione di equity = further intr. of equity

Flusso di cassa al netto equity = Cash flow net of equity

Immissione totale = Total introduction

Flusso di cassa finanziario = Financial cash flow

Immissione equity complessiva = Overall introduction of equity

Flusso di cassa netto equity = Cash flow net of equity

Flusso di cassa finanziario = Financial cash flow

Flusso cumulato = accumulated cash flow

TIR finanziario = Financial IRR

PBP finanziario = Financial PBP

Table 32– Cash Flow: JESSICA - JESSICA Case I

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30
Debtor - Jessica															
iniziale	-	16.311.432	35.341.435	54.371.438	52.937.290	51.467.288	49.960.535	48.416.114	38.304.125	36.468.294	34.586.567	22.266.090	20.029.308	17.736.606	2.725.302
erogazione	16.311.432	19.030.003	19.030.003	-	-	-	-	-	-	-	-	-	-	-	-
rimborso	-	-	-	1.434.148	1.470.002	1.506.752	1.544.421	1.583.032	1.835.831	1.881.727	1.928.770	2.236.782	2.292.702	2.350.019	2.725.302
finale	16.311.432	35.341.435	54.371.438	52.937.290	51.467.288	49.960.535	48.416.114	46.833.083	36.468.294	34.586.567	32.657.797	20.029.308	17.736.606	15.386.587	0
interessi	203.893	645.661	1.121.411	1.359.286	1.323.432	1.286.682	1.249.013	1.210.403	957.603	911.707	864.664	556.652	500.733	443.415	68.133
Flusso Cassa Jessica	16.107.539	18.384.343	17.908.593	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434							
Cumulato	16.107.539	34.491.881	52.400.474	49.607.039	46.813.605	44.020.170	41.226.736	38.433.302	21.672.695	18.879.260	16.085.826	674.781	3.468.215	6.261.650	23.022.256
						VA tasso									
						€41.421.629,67									
						4,50%									

Iniziale = initial

Erogazione = issued

Rimborso = repayment

Finale = final

Interessi = interest

Flusso Cassa Jessica = Cash Flow Jessica

Cumulato = Accumulated

JESSICA Case II presents a more complex structure of sources: of the equity total, approximately 20% of the equity cash (approximately €14.0 million) is contributed by “JESSICA” at a rate of yield amounting to 2.5% on the distributed dividend and, of the total debt, approximately 50.0% (€ 55.0 million) is funded through JESSICA at a rate of interest amounting to 2.5%. In this third simulation, the double intervention of JESSICA in the operation, introducing capital as equity and debt simultaneously allows for a considerable saving in terms of costs for passive interest (as in JESSICA case I) and, at the same time, allows for remuneration of any private investors potentially involved in the remaining part of the equity in a more significant manner (the related IRR is at 6.3% approximately).

Table 33 - Profit and Loss account – Jesi - JESSICA Case II

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30	Valore residuo
CONTO ECONOMICO																
Ricavi Operativi																
+ da vendita				30.579.938	30.579.938	26.211.375										
% vendita				35%	35%	30%										
+ da locazione				3.882.592	3.950.925	4.020.462	4.091.222	4.163.227	4.622.668	4.704.027	4.786.818	5.315.076	5.408.622	5.503.813	6.111.197	
+ da conto energia				2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	2.090.125	627.038	627.038
Ricavi Totali				36.552.654	36.620.988	32.321.962	6.181.347	6.253.352	6.712.793	6.794.152	6.876.943	7.405.201	7.498.747	6.130.851	6.738.235	
Costi Operativi																
- costi di gestione veicolo (STU)	271.857	589.024	906.191	906.191	753.291	600.391	469.334	469.334	469.334	469.334	469.334	469.334	469.334	469.334	469.334	469.334
- costi di manutenz. straord.				-	-	-	1.086.803	-	-	3.984.943	-	-	5.071.745	-	-	-
- ICI				253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587	253.587
Costi Operativi Totali	271.857	589.024	906.191	1.159.778	1.006.878	853.979	1.809.724	722.922	722.922	4.707.864	722.922	722.922	5.794.667	722.922	722.922	722.922
MOI	-271.857	-589.024	-906.191	35.392.876	35.614.110	31.467.983	4.371.623	5.530.431	5.989.872	2.086.288	6.154.021	6.682.280	1.704.080	5.407.929	6.015.313	168.455.199
- ammortamento del gestito				3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794	3.554.794
- COGS (costi del venduto)				21.960.750	21.960.750	18.823.500										
Risultato Operativo	-271.857	-589.024	-906.191	9.877.333	10.098.566	9.089.689	816.829	1.975.637	2.435.078	-1.468.506	2.599.228	3.127.486	-1.850.714	1.853.135	2.460.519	
- interessi	-693.236	-2.195.247	-3.812.797	-4.438.093	-4.035.280	-3.657.782	-3.462.845	-3.380.668	-2.805.749	-2.694.346	-2.577.865	-1.756.443	-1.596.115	-1.428.124	-234.544	
Reddito ante imposte	-965.093	-2.784.271	-4.718.988	5.439.240	6.063.286	5.431.908	-2.646.016	-1.405.031	-370.671	-4.162.851	21.363	1.371.043	-3.446.829	425.011	2.225.975	
- imposte di esercizio	-	-	-	1.707.921	1.903.872	1.705.619	-	-	-	-	6.708	430.508	-	133.454	698.956	

Iniziale = initial

Erogazione = issued

Rimborso = repayment

Finale = final

Interessi = interest

Flusso Cassa Jessica = Cash Flow Jessica

Cumulato = Accumulated

Table 34 – Cash Flows - Jesi - JESSICA Case II

	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30	Valore residuo
FLUSSI DI CASSA																
Flusso di cassa operativo																
% realizzazioni	30%	35%	35%													
Investimenti	-54.371.438	-63.433.345	-63.433.345													
MOL	-271.857	-589.024	-906.191	35.392.876	35.614.110	31.467.983	4.371.623	5.530.431	5.989.872	2.086.288	6.154.021	6.682.280	1.704.080	5.407.929	6.015.313	
Imposte virtuali su Redd. Operat.	-	-	-	-3.101.482	-3.170.950	-2.854.162	-256.484	-620.350	-764.614	-	-816.157	-982.031	-	-581.885	-772.603	
Flusso di cassa operativo	-54.643.296	-64.022.369	-64.339.535	32.291.394	32.443.160	28.613.821	4.115.138	4.910.081	5.225.257	2.086.288	5.337.864	5.700.249	1.704.080	4.826.045	5.242.710	168.455.199
Flusso cumulato	-	54.643.296	- 118.665.664	- 183.005.200	- 150.713.806	- 118.270.646	- 89.656.825	- 85.541.687	- 80.631.606	- 51.575.132	- 49.488.844	- 44.150.980	- 15.048.707	- 13.344.627	- 8.518.582	- 17.477.819
TIR economico	4,54%															
Flusso di cassa netto																
Flusso di cassa operativo	-54.643.296	-64.022.369	-64.339.535	32.291.394	32.443.160	28.613.821	4.115.138	4.910.081	5.225.257	2.086.288	5.337.864	5.700.249	1.704.080	4.826.045	5.242.710	
+ imposte virtuali	-	-	-	3.101.482	3.170.950	2.854.162	256.484	620.350	764.614	-	816.157	982.031	-	581.885	772.603	
- imposte di esercizio	-	-	-	-1.707.921	-1.903.872	-1.705.619	-	-	0	-	-6.708	-430.508	-	-133.454	-698.956	
+ accensione debiti	32.622.863	38.060.007	38.060.007	-	-	-	-	-	-	-	-	-	-	-	-	
+ immissione di equity per inv.	21.748.575	25.373.338	25.373.338	-	-	-	-	-	-	-	-	-	-	-	-	
Flusso cassa per servizio debito	-271.857	-589.024	-906.191	33.684.955	33.710.238	29.762.364	4.371.623	5.530.431	5.989.872	2.086.288	6.147.313	6.251.772	1.704.080	5.274.476	5.316.357	
- interessi passivi	-693.236	-2.195.247	-3.812.797	-4.438.093	-4.035.280	-3.657.782	-3.462.845	-3.380.668	-2.805.749	-2.694.346	-2.577.865	-1.756.443	-1.596.115	-1.428.124	-234.544	
- rimborso debiti	-	-	-	-7.550.136	-7.585.990	-6.749.027	-2.270.521	-2.352.698	-2.927.617	-3.039.020	-3.155.501	-3.976.923	-4.137.251	-4.305.241	-5.498.822	
flusso di cassa netto	-965.093	-2.784.271	-4.718.988	21.696.726	22.088.968	19.355.555	-1.361.743	-202.935	256.506	-3.647.078	413.948	518.406	-4.029.286	-458.890	-417.009	
+ ulteriore immissione di equity	965.093	2.784.271	4.718.988	-	-	-	1.361.743	202.935	-	3.647.078	-	-	4.029.286	458.890	417.009	
flusso di cassa al netto equity	-	-	-	21.696.726	22.088.968	19.355.555	-	-	256.506	-	413.948	518.406	-	-	-	
immissione totale	-	-	80.963.603	-	-	-	-	-	-	-	-	-	-	-	-	
Flusso di cassa finanziario																
immissione equity complessiva	22.713.668	28.157.609	30.092.326	-	-	-	-	-	-	-	-	-	-	-	-	
flusso di cassa al netto equity	-	-	-	21.696.726	22.088.968	19.355.555	-1.361.743	-202.935	256.506	-3.647.078	413.948	518.406	-4.029.286	-458.890	-417.009	
Flusso di cassa finanziario	-22.713.668	-28.157.609	-30.092.326	21.696.726	22.088.968	19.355.555	-1.361.743	-202.935	256.506	-3.647.078	413.948	518.406	-4.029.286	-458.890	-417.009	168.455.199
Flusso cumulato	-22.713.668	-50.871.277	-80.963.603	-59.266.876	-37.177.908	-17.822.353	-19.184.096	-19.387.031	-21.193.578	-24.840.656	-24.426.708	-26.425.674	-30.454.960	-30.913.850	-38.161.161	
TIR finanziario	5,58%															
PBP finanziario	30° anno															

Iniziale = initial

Erogazione = issued

Rimborso = repayment

Finale = final

Interessi = interest

Flusso Cassa Jessica = Cash Flow Jessica

Cumulato = Accumulated

Table 35 – Cash Flows – JESSICA - JESSICA case II

<i>Debitor - Jessica</i>	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8...	...anno 14	anno 15	anno 16...	...anno 22	anno 23	anno 24...	...anno 30
iniziale	-	16.311.432	35.341.435	54.371.438	52.937.290	51.467.288	49.960.535	48.416.114	38.304.125	36.468.294	34.586.567	22.266.090	20.029.308	17.736.606	2.725.302
erogazione	16.311.432	19.030.003	19.030.003	-	-	-	-	-	-	-	-	-	-	-	-
rimborso	-	-	-	1.434.148	1.470.002	1.506.752	1.544.421	1.583.032	1.835.831	1.881.727	1.928.770	2.236.782	2.292.702	2.350.019	2.725.302
finale	16.311.432	35.341.435	54.371.438	52.937.290	51.467.288	49.960.535	48.416.114	46.833.083	36.468.294	34.586.567	32.657.797	20.029.308	17.736.606	15.386.587	0
interessi -	203.893	645.661	1.121.411	1.359.286	1.323.432	1.286.682	1.249.013	1.210.403	957.603	911.707	864.664	556.652	500.733	443.415	68.133
<i>Flusso Cassa Jessica -</i>	<i>16.107.539</i>	<i>18.384.343</i>	<i>17.908.593</i>	<i>2.793.434</i>	<i>2.793.434</i>	<i>2.793.434</i>	<i>2.793.434</i>	<i>2.793.434</i>							
<i>Cumulato -</i>	<i>16.107.539</i>	<i>34.491.881</i>	<i>52.400.474</i>	<i>49.607.039</i>	<i>46.813.605</i>	<i>44.020.170</i>	<i>41.226.736</i>	<i>38.433.302</i>	<i>21.672.695</i>	<i>18.879.260</i>	<i>16.085.826</i>	<i>674.781</i>	<i>3.468.215</i>	<i>6.261.650</i>	<i>23.022.256</i>
					VA	€41.421.629,67									
					tasso	4,50%									

Iniziale = initial

Erogazione = issued

Rimborso = repayment

Finale = final

Interessi = interest

Flusso Cassa Jessica = Cash Flow Jessica

Cumulato = Accumulated

As in the case of Pesaro, the [Sinking Fund Hypothesis](#) differs from JESSICA case I as the unit of funding denominated JESSICA assumes the connotation of a sinking fund.

The significant savings, obtained in terms of a reduction of the debt to be repaid and of the payment of the related passive interest allows for a visible improvement of the financial performance of the UTC, attaining an IRR of 9.54%, equal to approximately 71% more with respect to the remaining JESSICA I and JESSICA II cases.

At the same time, **Table 27** shows a yield rate for any private actors involved in the operation equal to approximately 9.62%, a value decidedly appealing in both the funding and investment markets.

Finally, the Pay Back Period also undergoes a relevant variation, dropping to the twelfth year for the UTC and also for private partners.

As previously indicated, this hypothesis was shown above all for the sake of the completeness of the analysis. It is in fact worthy of note that the possibility that the public actors involved (mainly the Municipality but also, possibly, the Provincial or Regional Government) might invest € 55 million with a sinking fund in the setting up of the ZIPA Verde appears quite unrealistic. Option for disinvestment in 2016 of the series of Public Resources Invested

Coherently with the procedure adopted for the Pesaro pilot case, the economic-financial analysis was concluded, also for Jesi, formulating an hypothesis of advance abandonment of the UTC. More precisely, the hypothesis envisages that at the sixth year and, that is, immediately after the end of the current period of planning of the community funds (2016), the need and convenience would emerge to disinvest the units or shares held, for various reasons, by the Public Actors and “free” resources invested in JESSICA (whether equity or debt) for use in other projects.

The simulation performed aims at estimating the value obtainable from the sale of the equity and the debt. In conformity with the previous case and, therefore, for the purpose of guaranteeing to future purchasers interesting margins proportionate with the risks of the operation, the same financial targets indicated previously were used. Thus, the cash flows deriving from the units or shares (equity flows of the public partners and the JESSICA equity flow) were discounted at 5.8%, while the cash flows associated with repayment of the JESSICA debt were discounted at 4.5%. The different values are given in the following table.

Table 36 – Advance abandonment - JESSICA funds and units - Public Actors – UTC Jesi

	Equity units Public Actors	Equity units JESSICA	JESSICA Debt	Total resources of the extended public sector
	<i>Hypothesis: market value at the 6th year (in €)</i>	<i>Hypothesis: market value at the 6th year (in €)</i>	<i>Hypothesis: market value at the 6th year (in €)</i>	<i>Hypothesis: market value at the 6th year (in €)</i>
JESSICA case I	276,233	-	41,421,630	41,697,863
JESSICA case II	276,577	6,058,413	41,421,630	47,756,619

The early abandonment of the UTC implies a slight loss on the total introduced as Equity and Debt, basically owing to the different yields offered to guarantee the sale of the units or the debt. The sum of the resources which would become available from the sixth year in the case of sale is illustrated in table 37: an overall total of **€ 41.7 million** in JESSICA case I and approximately **€**

47.7 million in JESSICA case II.

For the sake of offering a complete picture it is necessary to add to such values the income (dividends, interest and reimbursement of capital units), which for various reasons the public partner and JESSICA would collect in the first five years of activity. In case I, the public partner will receive an overall 239,000 Euro, while for reimbursement of the JESSICA debt income would be counted as approximately €5.6 million Euro. In case II, however, besides the categories referred to, one would also need to consider the dividends (approximately €5.5 million) which would be distributed to the shares/units held by JESSICA.

Finally, also for Jesi UTC case, **the rate of rotation of public resources was identified**, thus highlighting the “rotational” efficacy of the entire mechanism.

Table 37 – Income from dividends, repayment and sales – Initial outlay – Rate of Rotation of Public Resources

	Equity units – public partners			Equity units - JESSICA			JESSICA Debt		
	<i>Initial outlay</i>	<i>Total income in 2016</i>	<i>Rot. rate.</i>	<i>Initial outlay</i>	<i>Total income in 2016</i>	<i>Rot. rate.</i>	<i>Initial outlay</i>	<i>Total income in 2016</i>	<i>Rot. rate.</i>
JESSICA case I	809,636	514,967	64%	-	-	-	52,400,474	47,008,499	90%
JESSICA case II	809,636	515,607	64%	16,192,721	11,590,161	72%	52,400,474	47,008,499	90%

Aggregating the values, the rate of rotation of the entire Public Resources invested is estimated as 89% in case I and 85% in case II.

II.3.7 Financial analysis at the level of the Urban Development Fund

On the basis of the data relating to the two case studies and, in particular, to the different yields of the actors (both public and private) involved in the Pesaro Real Estate Fund and in the UTC at Jesi, it is possible to simulate the financial performance of an hypothetical regional UDF that funds both project vehicles.

An analysis of **incoming and outgoing cash flows relating to the UDF** was carried out, aggregating the two projects and hypothesizing that the UDF Marche would have availability equal to the amounts necessary to supply the designed units of JESSICA equity/debt. In other terms, the availability of the UDF Marche is estimated as a function of the financial stakes at play in the two projects, both for the “JESSICA case I” scenario and for the “JESSICA case II scenario”.

Thus, two different Funding Plans of the UDF Marche were structured, in which are indicated both the **costs for activating the two operational instruments** (Real-Estate Fund and UTC) and thus for setting up the investments and also the **income relating to the collection of the dividends** (Equity JESSICA) and the flows relating to **repayment of the JESSICA debt**. Particular care was also taken in the estimate of the most probable annual running costs for the UDF. These latter were proportionate with the administrative and management activities, which must be carried out for effective and efficient operation of the Urban Development Fund.

The Urban Development Fund is an innovative instrument, which is not easily compared with other forms of public or para-public management of structural funds and, in general, of public resources. For this reason the management costs of the Real-Estate Funds and, that is, the commissions applied by the Investment Management Companies which manage them were taken as a benchmark. The latter oscillate, generally, between 1% and 2%, depending on risk, the characteristics of the investments and the portfolio that is managed. In actual fact, with respect to the IMCs, the future manager of the UDF will not be responsible for activities linked to the management of the individual or entire group of fixed assets; on the other hand, the management of the UDF will imply the performance of numerous and different administrative and financial activities connected to the selection/evaluation of the projects and the monitoring of the funds used, and also the preparation of reports at least for the Managing Authority and the managers of the implementing instruments downstream. These are activities which require specific know-how and multi-disciplinary competences.

It is therefore plausible to estimate an **annual running cost amounting to 1.5% of the funds managed and invested by the UDF**. This percentage represents an approximate average of the commissions normally applied by the IMCs of Italian Real-Estate Funds.

The following table sums up the most important results in the two cases proposed.

Table 38 –Hypothetical UDF - Marche - Resources used, income and annual costs of management

JESSICA case I	
UDF	€
Use of resources	- 75,902,351
Annual income at normal operation	3,899,625
Management costs at normal operation	- 1,138,535
Net accumulated management flow from the 4th to the 30 th year	74,549,433
JESSICA case II	
UDF	€
Use of resources	- 97,444,332
average annual income at normal operation	4,643,708
average annual management costs at normal operation	- 1,461,665
Net accumulated management flow from the 4th to the 30th year	100,276,857

Table 39 – Cash Flows relating to the UDF Marche – Case I

Caso Jessica I	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8	anno 9	anno 10	anno 11	anno 12	anno 13	anno 14	anno 15	
Investimenti																
Equity Jessica																
Fondo Immobiliare Pesaro	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
STU Jesi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debt Jessica																
Fondo Immobiliare Pesaro	-6.459.274	-7.535.819	-7.535.819	-	-	-	-	-	-	-	-	-	-	-	-	
STU Jesi	-16.311.432	-19.030.003	-19.030.003	-	-	-	-	-	-	-	-	-	-	-	-	
Entrate																
dividendi da Equity																
Fondo Immobiliare Pesaro	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
STU Jesi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
rimborso Debt ed interessi																
Fondo Immobiliare Pesaro	80.741	255.680	444.075	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	
STU Jesi	203.893	645.661	1.121.411	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	
Costi di esercizio																
gestione ed amministrazione	-341.561	-740.048	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	
flusso cassa complessivo	-22.827.632	-26.404.530	-26.138.872	2.761.090												
flusso cumulato	-22.827.632	-49.232.162	-75.371.034	-72.609.944	-69.848.854	-67.087.764	-64.326.674	-61.565.584	-58.804.493	-56.043.403	-53.282.313	-50.521.223	-47.760.133	-44.999.043	-42.237.953	
Caso Jessica I	anno 16	anno 17	anno 18	anno 19	anno 20	anno 21	anno 22	anno 23	anno 24	anno 25	anno 26	anno 27	anno 28	anno 29	anno 30	valore residuo
Investimenti																
Equity Jessica																
Fondo Immobiliare Pesaro	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STU Jesi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Jessica																
Fondo Immobiliare Pesaro	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STU Jesi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Entrate																
dividendi da Equity																
Fondo Immobiliare Pesaro	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STU Jesi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
rimborso Debt ed interessi																
Fondo Immobiliare Pesaro	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	-
STU Jesi	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	-
Costi di esercizio																
gestione ed amministrazione	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-1.138.535	-
flusso cassa complessivo	2.761.090	-														
flusso cumulato	-39.476.863	-36.715.773	-33.954.682	-31.193.592	-28.432.502	-25.671.412	-22.910.322	-20.149.232	-17.388.142	-14.627.052	-11.865.962	-9.104.871	-6.343.781	-3.582.691	-821.601	-821.601



Jessica case I

Investments

Jessica Equity

Real-Estate Fund Pesaro

UTC – Jesi

Jessica debt

Real-Estate Fund Pesaro

UTC – Jesi

Income

Dividends from equity

Real-Estate Fund Pesaro

UTC – Jesi

Repayment of debt and interest

Real-Estate Fund Pesaro

UTC – Jesi

Costs Financial Year

Management and administration

Overall cash flow

Accumulated flow

Table 40 – Cash Flows relating to the UDF Marche – Case II

Caso Jessica II	anno 1	anno 2	anno 3	anno 4	anno 5	anno 6	anno 7	anno 8	anno 9	anno 10	anno 11	anno 12	anno 13	anno 14	anno 15	
Investimenti																
Equity Jessica																
Fondo Immobiliare Pesaro	-1.604.778	-1.872.241	-1.872.241	-	-	-	-	-	-	-	-	-	-	-	-	
STU Jesi	-4.542.734	-5.631.522	-6.018.465	-	-	-	-	-	-	-	-	-	-	-	-	
Debt Jessica																
Fondo Immobiliare Pesaro	-6.459.274	-7.535.819	-7.535.819	-	-	-	-	-	-	-	-	-	-	-	-	
STU Jesi	-16.311.432	-19.030.003	-19.030.003	-	-	-	-	-	-	-	-	-	-	-	-	
Entrate																
dividendi da Equity																
Fondo Immobiliare Pesaro	-	-	-	732.781	762.805	673.085	-58.713	-16.679	-13.818	-10.900	-86.382	-4.888	-1.791	1.367	-139.252	
STU Jesi	-	-	-	2.741.097	2.790.652	2.445.321	-172.038	-25.638	-16.381	-6.961	-271.982	12.379	22.305	32.406	-460.760	
rimborso Debt ed interessi																
Fondo Immobiliare Pesaro	80.741	255.680	444.075	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	
STU Jesi	203.893	645.661	1.121.411	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	
Costi di esercizio																
gestione ed amministrazione	-433.773	-944.817	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	
flusso cassa complessivo	-29.067.357	-34.113.063	-34.352.708	5.911.838	5.991.417	5.556.366	2.207.209	2.395.643	2.407.761	2.420.099	2.079.596	2.445.452	2.458.474	2.471.734	1.837.948	
<i>flusso cumulato</i>	<i>-29.067.357</i>	<i>-63.180.419</i>	<i>-97.533.127</i>	<i>-91.621.290</i>	<i>-85.629.872</i>	<i>-80.073.507</i>	<i>-77.866.297</i>	<i>-75.470.654</i>	<i>-73.062.893</i>	<i>-70.642.794</i>	<i>-68.563.198</i>	<i>-66.117.746</i>	<i>-63.659.272</i>	<i>-61.187.538</i>	<i>-59.349.590</i>	
Caso Jessica II	anno 16	anno 17	anno 18	anno 19	anno 20	anno 21	anno 22	anno 23	anno 24	anno 25	anno 26	anno 27	anno 28	anno 29	anno 30	valore residuo
Investimenti																
Equity Jessica																
Fondo Immobiliare Pesaro	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STU Jesi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Jessica																
Fondo Immobiliare Pesaro	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STU Jesi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Entrate																
dividendi da Equity																
Fondo Immobiliare Pesaro	7.875	11.227	14.646	-164.937	21.690	25.318	29.019	-150.277	36.644	40.571	44.576	-134.408	52.830	57.081	61.417	7.433.074
STU Jesi	52.297	54.766	57.140	-555.108	61.567	63.598	65.494	-509.047	-57.975	-56.564	-55.343	-644.499	-53.533	-52.979	-52.684	21.282.106
rimborso Debt ed interessi																
Fondo Immobiliare Pesaro	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	1.106.191	-
STU Jesi	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	2.793.434	-
Costi di esercizio																
gestione ed amministrazione	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665	-1.461.665
flusso cassa complessivo	2.498.132	2.503.953	2.509.746	1.717.915	2.521.217	2.526.877	2.532.473	1.778.636	2.416.629	2.421.967	2.427.194	1.659.053	2.437.257	2.442.062	2.446.694	27.253.515
<i>flusso cumulato</i>	<i>-56.851.458</i>	<i>-54.347.505</i>	<i>-51.837.759</i>	<i>-50.119.844</i>	<i>-47.598.627</i>	<i>-45.071.750</i>	<i>-42.539.277</i>	<i>-40.760.641</i>	<i>-38.344.012</i>	<i>-35.922.045</i>	<i>-33.494.851</i>	<i>-31.835.798</i>	<i>-29.398.541</i>	<i>-26.956.479</i>	<i>-24.509.786</i>	<i>2.743.729</i>



Jessica case I

Investments

Jessica Equity

Real-Estate Fund Pesaro

UTC – Jesi

Jessica debt

Real-Estate Fund Pesaro

UTC – Jesi

Income

Dividends from equity

Real-Estate Fund Pesaro

UTC – Jesi

Repayment of debt and interest

Real-Estate Fund Pesaro

UTC – Jesi

Costs Financial Year

Management and administration

Overall cash flow

Accumulated flow

II.4 CONCLUSION

II.4.1 *Comments on the economic–financial analysis*

The analysis structurally presented in this section has shown that the involvement of JESSICA, in the simulated operations of urban development is likely to lead to financial performance in the investment market: in both pilot cases analysed, the benefit afforded by use of the JESSICA instrument is evident.

The instrument above all allows for the attraction of private capital for territorial projects promoted by the public sphere, **amplifying the overall sum** of resources.

Unlike the sinking-fund logic and thanks to the “revolving” mechanism inherent in the instrument, JESSICA allows for the **valorisation of financial resources** it absorbs: the initiatives sustained by means of the JESSICA mechanism aim at preserving over time the value of an investment, permitting the re-use of the capital initially provided on the part of the public entity (Managing Authority). At the same time, the introduction of resources makes it possible to ask the commercial banks for an amount of debt that is more limited and consequently more sustainable and plausible.

As regards costs, it should be noted that the extremely advantageous rates on the grants conceded through JESSICA allow for a significant **savings in terms of interest to be paid** annually: the economic status of the project benefits significantly from a lower quota of financial burdens.

The valorisation and the extension of resources, together with the savings in terms of costs for passive interest, allow for attainment of a better overall economic-financial performance.

Finally, with reference to the sole yield of private partners a further consideration should be made. The unit which may have been contributed through JESSICA in the form of equity in this analysis provides for a percentage on expected yields (dividends) equal to approximately 2.5%: this lower return for the JESSICA contribution allows for the **freeing of further resources for distribution to the private actors** (dividends), which, in this way, may attain more appealing yields.

In practical terms, the presence of JESSICA has highlighted the possibility of offering **appealing yields** in line with those associated with investments available on the market with similar characteristics in terms of risk, for investments having a public component or in any case strongly coherent with public policies for urban and territorial development.

II.4.2 *Final considerations and recommendations*

Beyond the considerations reported above, the study has found that the Marche region might particularly benefit from the activation of JESSICA for the following reasons:

- The local bodies have the **capacity to successfully bring to completion innovative and complex planning experiences**, as the two pilot case studies highlighted it.
- The **availability of financial resources usable as sinkable fund contributions** in interventions of sustainable urban development compliant with ROP ERDF and RIP UAF is absolutely **insufficient to cover the potential demand expressed by the local administrations** and, more generally by the “urban sector”: public, private and “third sector” operators involved in initiatives aimed at the requalification and transformation of the urban areas.
- In view of the insufficient available public resources, the contribution of **private capital can most probably be involved in operations of high-quality urban transformation** implying aesthetic enhancement and the improvement of performance (in environmental and social terms) by virtue of the

traditional economic and productive strength which characterises the region, albeit in a time of a difficult and painful transitions towards new configurations and identities.

The case studies developed show that, in order to be able to attain a significant acceleration in relation to the processes of sustainable urban transformation in the region, a possible future “JESSICA fund” (regional Holding Fund, sole UDF or UDF system) should have a financial endowment higher than the sum of resources probably usable for this purpose in compliance with ROP ERDF (reference may be made in this regard to the considerations made in section II.1.1). In fact, also taking into consideration that the case studies/pilot projects developed are characterised by a particularly high level of ambition, on their own they would exhaust the capacity for investment of a UDF by approximately €80 million.

In this perspective, it is useful to note that, as illustrated by the case of Jesi, investments in sustainable urban transformations can be complementary and consistent with the effort aimed at renewal of the model of economic and productive development of the Marche region. This is an objective upon which, as seen above (section II.1.1), the regional administration has concentrated a large part of the financial resources of planning for 2007-2013. It is thus possible (and opportune) to conceive that the implementation of JESSICA in the Marche region can be characterised by its **special attention to the development of urban and territorial facilities capable also of functioning as catalysts of innovation** for existing enterprises and for the settlement of new economic activities.

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