



JESSICA APPRAISAL STUDY FOR CASTILLA LA MANCHA

FINAL REPORT

18/02/2011



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1 BACKGROUND AND CONTENT OF THE REPORT

1.1 *Synthesis*

The appraisal study of the JESSICA initiative in Castilla La Mancha was the result of an agreement between the Junta de Comunidades de Castilla La Mancha (regional government of Castilla-La Mancha or RGCLM) and the European Investment Bank (EIB) for the implementation of this Initiative within the framework of the 2007-14 Operative Programme (OP) of the region.

As early as June 2009, the RGCLM, as the OP Management Entity (G.D. for Budgets and Community Funds), proposed to the annual Monitoring Committee the implementation of the JESSICA initiative, for which purpose it requested the European Commission to reallocate €33,198.761 of the OP funds from Line 4 (Transport and Energy) to Line 5 (Local and Urban Development). The Management Authority was clearly willing to develop pilot projects based on JESSICA; these projects would initially affect the activities of the Territorial and Housing Organisation Department regarding land, services and facilities in urban zones and historic centres.

Work commenced on designing and appraising the JESSICA initiative in the region in July 2010. This date coincided with the session of 2010 OP Monitoring Committee, which again requested the European Commission to reallocate the funds of Line 4 to Line 5, as previously requested one year earlier. In view of the detailed justification requested by the EC in order to carry out that reallocation (basically consisting of the requirement to have a Business Plan in place, as set forth in art. 43 of EC Regulation 1828/2006), the Appraisal Study was designed and programmed to satisfy the EC's request, among other purposes, and to enable a basic feasibility study to be conducted within the shortest possible term.

The Territorial and Housing Organisation Department proposed that the Regional Land and Housing Corporation (RLHC) act as interlocutor between the Management Authority and the work team. The proposal of the European funds manager was that projects which could, in principle, be financed by the JESSICA initiative should be included in those programmed by the RLHC or those which could be managed by that Corporation. To that end, the RLHC provided detailed information for a preliminary appraisal of its projects, in addition to providing all the assistance necessary to enable them to be properly understood.

During a preliminary analysis of the eligibility of the projects proposed by the RLHC, problems were detected regarding the eligibility of those projects. Most of the RLHC proposals were land developments for “greenfield” economic activities through which the corporation provided finance for local councils or promoted the development directly. Likewise, another line of projects included housing developments or direct development charged to ordinary budgets. Only a few special cases were identified as being initially eligible. These included building halls of residence for students, support services for large residential complexes or economic activities and certain urban renovation operations, including the re-housing of the resident population.

Simultaneously, types of projects were identified which were also eligible for JESSICA. These projects were promoted by local councils or other RGCLM corporations (e.g., the Castilla La Mancha Public Infrastructures Management Corporation – GICAMAN) and included urban renovation, services and other facilities.

In addition, the RGCLM was informed of the habitual mechanism for organising a JESSICA Initiative, which is fundamentally based on setting up one or several Urban Development Funds (UDF), constituted by public tender, which in turn, select the most suitable projects that fulfil the OP conditions and those of the JESSICA Initiative. This view is different from that of

managing the JESSICA Initiative directly through the RLHC, for financing pre-established projects through its action programme.

During the months of September, October and November 2010 intensive work with the RLHC was carried out, and with the General Directorate of Budgets and Community Funds, to try and define a JESSICA structure in which the RLHC could act as a technical agent in charge of approving and validating the selected projects. This structure is explained later in chapter 7 of this document.

In November 2010 a meeting was held with the Director General of Budgets and Community Funds and the Director General of Territorial Organisation of the RGCLM at which it was agreed to wait for the decision of the OP Management Authority with respect to the strategy to be followed for implementing JESSICA. As a result of programming the appraisal study, the EIB requested the drafting of this Report, but to date, no response has been received from the RGCLM. Consequently, the JESSICA structure presented here is an initial proposal for discussion with the management Authority, subject to any changes that may be considered necessary.

To end, we should express our thanks to the RLHC and the General Directorate of Budgets and Community Funds who, despite the impasse of the JESSICA initiative in the region, have at all times made every effort to provide information, discuss proposals and facilitate smooth communications with the political representatives of the RGCLM.

1.2 Background: July 2010

In July 2010 a technical assistance contract was signed between ETT and the EIB for conducting the Appraisal Study on the JESSICA Initiative in Castilla la Mancha. The objective of this study was to identify problems and opportunities for implementing JESSICA finance lines, supported by funds from the ERDF 2007-2013 Operative Programme.

In the case of Castilla la Mancha, the management of this initiative had begun in 2009. In June 2009 the ERDF Monitoring Committee had already raised the need to have OP funds for the finance initiative, channelled through the following objectives:

“... ”

- *Implementation of instruments permitting the demand for state-subsidised housing to be covered, through regenerating specific urban regions, including extension and conditioning activities of a special nature.*
- *Increase in business activity in degraded urban areas to permit the creation of employment and palliate the effects of the economic crisis.*
- *Regeneration of degraded urban areas, thereby contributing to rebuilding those areas and the reinsertion of the persons living there.*
- *Integration and implantation of sustainable transport methods to guarantee mobility and the interoperability of public transport in the urban areas in which the actions are taken.*

...”

This proves the undisputed wish to channel the JESSICA initiative towards the finance of urban projects related to business activities, regeneration, services and transport.

To assure sufficient funds, the Management Authority (RGCLM) requested a reallocation of funds from Line 4, “Transport and Energy”, to Line 5, “Local and Urban Development”. One year later, this transfer of funds is still pending

approval by the Commission, and a new Report was presented to the ERDF Monitoring Committee in June 2010, updating the situation (see Annexe A).

The situation proposed by the Management Authority is as follows:

1. Transfer of the following funds from Line 4, by expenditure categories:

Expenditure Category	Reduction
4.16 Railway Services	€6,124,686
4.23 Regional and local roads	€13,158,196
4.26 Intermodal Transport	€1,938,165
4.28 Intelligent Transport Systems	€11,977,714
TOTAL	€33,198,761

2. In addition, 1,801,239 euros in ERDF aid would be added to the part of the finance assigned in Line 5 for the Region of Castilla-La Mancha, making a total sum of 35 M euros available for the initiative.
3. In the Protocol of Intent signed by the Region of Castilla-La Mancha and the EIB on 20 April 2009, a joint finance rate of 70% is considered, meaning that the total amount of the projects eligible for finance would be 50 M euros.

1.3 Work executed from July 2010

Between July and November 2010, the technical assistance team worked in two different areas:

1. Preparing the necessary documentation to justify the reallocation of ERDF funds from Line 4 to Line 5 to the EC. For this purpose, meetings were held with officers from the General Directorate of

Budgets and Community Funds, who worked proactively to define the criteria and strategies to be adopted.

2. The RLHC projects were studied again and others were reincorporated that did not report to this regional agency. Through this analysis, it was concluded that only some of the projects proposed by the RLHC were eligible. In addition, special situations were detected (services area in Miguel Turra, commercial land in Benquerencia, development of tertiary land in Barrio Avanzada, etc,...) without any clear type for defining the finance for a wide range of projects, and not just four or five singular cases.

The need to establish the full eligibility of the projects and comply with the procedures for creating the UDF and selecting the partners were two points that had to be agreed on with the Management Authority, which was interested in ensuring that the RLHC projects benefited from the finance, and in turn, that this entity played an important role in managing the UDF.

Given the limitations of financing only RLHC projects, two alternatives were proposed:

1. Extending the range of projects for generating land, urban renovation, services, facilities, etc. similar to those analysed and programmed by the RLHC to other Authorities and private concerns. Having available a larger library of eligible projects, in order to reduce the risk of potential failures financed by JESSICA.
2. Include other areas of authority for the Territorial and Housing Organisation Department, such as energy savings.

Both alternatives were submitted to the Management Authority, for discussion.

2 URBAN DEVELOPMENT IN CASTILLA-LA MANCHA AND REFERENCE PLANNING

2.1 General considerations

Due to its extension, Castilla-La Mancha is the third largest of the 17 Spanish Regions, and the seventh of the 288 regions in the NTUS 24 classification, with a surface area of 79,4631 sq km. This surface area comprises 15.70% of Spanish territory and is located in a strategic situation in the centre of the peninsula, sharing the larger part of the Southern Sub-Plateau. This affects most of the territory which has altitudes of between 600 and 1,000 metres above sea level.

This large central plain is bounded on the north by the Central Mountain System, on the east by the Iberian System, and on the south by the Betic System and merges with the plains of Extremadura to the west and the Depression of Madrid to the northeast.

During recent years, the population of Castilla-La Mancha has increased and it is now the second most important region in the peninsula in terms of recent demographic growth, which was 3.4% between 2004 and 2008, second only to the Region of Valencia (3.5 %). At present, it has more than 2 million inhabitants, one third of whom live in the province of Toledo, closely followed by Ciudad Real and Albacete, and with only just over one-fifth of its population distributed between Guadalajara and Cuenca.

The low demographic density is one of the most characteristic features of the region, with a population density of just over 25 inhab./sq km, but distributed unevenly throughout its provinces and also throughout its different territorial areas. At provincial level, there are significant differences, with Cuenca and

Guadalajara being the provinces with the lowest population densities, unlike Toledo, which has more than 40 inhab./sq km.

At local level, the population of the region is distributed among 919 townships, with 31.3% of these forming part of Guadalajara, 25.9% forming part of Cuenca, 22.2% forming part of Toledo, 11.1% forming part of Ciudad Real and 9.5% forming part of Albacete. Of these, only 9% have more than 50 inhab./sq km, concentrated mainly in the centre and north of the province of Toledo and east of Guadalajara, and in both cases, with particular emphasis on the areas bordering the Region of Madrid. The townships located in the centre of the region are located in the centre and to the north-east of Ciudad Real, being fewer and more widely dispersed in the province of Albacete, and also having a population density of more than 50 inhab./sq km.

This demographic situation is proof of the process of urban development and the migration of the population from rural areas to the cities that has taken place in Castilla La-Mancha during recent years, related to important but irregular economic opportunities that have arisen in the region of Castilla-La Mancha. Added to which, most of the townships in the region are sparsely populated: More than 90% of the townships have less than 5,000 inhabitants, concentrating only one-third of the population.

By provinces, 73.2% of the townships (460) with less than 1,000 inhabitants are concentrated in Guadalajara and Cuenca (41.1% and 32.2% respectively).

The region of Castilla-La Mancha is predominantly agrarian, since more than 70% of the region is currently dedicated to agriculture, most the cultivation of dry crops. According to the Third National Forest Inventory (2005), the land surface occupied by forests in Castilla-La Mancha totals 3.56 million hectares, which represents 45% of Spanish territory and 13% of the whole forest surface area in Spain, of which almost three-quarters consist of highlands covered with forests.

Table 1 Use made of land in Castilla-La Mancha

Use of land	Surface in hectares	Percent
Irrigated croplands	495,922	6.24%
Dry croplands	3,642,392	47.10%
Forest areas used for farming	1,474,994	18.56%
Forest areas not used for farming	2,089,785	26.30%
Ground water	61,889	0.78%
Urban areas	69,364	0.87%
Infrastructures and other uses	11,954	0.15%
Total	7,946,300	100%

Table 2 Settlements system

Inhabitants	Nº townships	% townships	Population	% population	% population
>100,000	1	0.11	166,909	8.17	29.11
50,000-100,000	6	0.65	427,907	20.94	
20,000-50,000	7	0.76	211,945	10.37	24.18
10,000-20,000	21	2.29	282,220	13.81	
3,000-10,000	94	10.23	478,206	23.41	23.41
1,000-3,000	251	27.31	300,459	14.71	23.30
<1,000	539	58.65	175,454	8.59	
Total	919	100	2,043,100	100.00	100.00

2.2 Characterisation of the settlements system in Castilla-La Mancha

The Castilla-La Mancha Settlements System is formed by all its population settlements, grouped into 919 municipal boundaries, together with their basic functional relations and the infrastructure networks that support them.

They can be summarised as follows:

We should say that only seven of these townships have more than 50,000 inhabitants and only fourteen have over 20,000 inhabitants, and that the percentage of inhabitants in the first only amount to 29.11%, which are extremely low values. The regional density is very low, only 25.71 inhab./sq km.

The peak of the regional urban system is formed by the five provincial capitals (Albacete, Ciudad Real, Cuenca, Guadalajara and Toledo) plus the townships of Talavera de la Reina and Puertollano.

The regional urban system still maintains its fundamental traditional configuration, based on polycentrism. This has been slightly modified by the demographic growth of the past decade in some districts, located in the corridors supported by dual carriageways (the Henares Corridor and La Sagra Corridor) and some small concentrations in urban areas (Toledo and Albacete).

The region has an important agricultural component, with polarisation in services, industries and construction. During recent years, its important historic, architectural and landscape heritage has allowed it to open up new areas of activity and local development.

This territorial model is only altered by the settlement of Albacete. This settlement represents a discontinuity in the model, and stands out with respect to the seven urban centres of the region. Albacete forms the peak of the regional urban system, congregating 8.17% of the population of the entire region in 2008. The population of this settlement and the six largest urban centres is 594,816 inhabitants, representing 29.11%.

There are twenty-eight settlements with populations of between 10,000 and 50,000 inhabitants, totalling a population of 494,165, and accounting for 24.19% of the region's population. Six of these (Azuqueca de Henares, Illescas, Seseña, Tarancón, Fuensalida and Torrijos) consolidate the process of formations of small metropolitan clusters in the centre of the peninsula. Four more small and medium settlements (Almansa, Hellín, La Roda and Caudete) make up an urban concentration zone in the area of La Roda-Albacete-Almansa-Hellín. Another two settlements (Daimiel y Miguelturra) form the urban area of Puertollano-Ciudad-Real-Daimiel.

Of the 884 rural townships, 94 are settlements with populations of between 3,000 and 10,000 inhabitants, and a total population of 478,206, representing 23% of the population in 2008.

Lastly, the 790 townships with less than 3,000 inhabitants, accounting for 85.96% of all townships, have a total population of 475,913 inhabitants, representing 23.41% of the regional population.

These data still reveal a strong rural component throughout the region and a timid urban concentration in the foregoing seven cities, meaning a change in trend in the region, which has clearly and constantly increased during recent years.

All the above data refer to 2008, when this aspect was analysed in previous studies to the regional territorial ordinance plan, making it possible to obtain an important series of data concerning multiple factors. Between 2004 and 2008, the population increased from 1,848,881 to 2,043,100 inhabitants,

representing an increase of 194,219 inhabitants, which is equivalent to a rate of 10.50% during those four years.

If we extrapolate these figures to the previous period, between 2000 and 2004, the population increased from 1,734,261 to 1,848,881 inhabitants, representing an increase of 114,620 inhabitants, which is equivalent to a rate of 6.61% during those four years.

The data corresponding to the last two years record an average annual growth in all seven settlements of 2.26%, with this figure being exceeded by the settlements of Talavera de la Reina, Toledo, Cuenca and Guadalajara. Guadalajara in particular had an extremely high annual increase of 4.23%.

Table 3 Increase in urban population between 2007 and 2008

Inhabitants	2007 census	2008 census	Increase	Annual percentage %
Albacete	164,771	166,909	2,138	1.30
Talavera de la Reina	85,549	87,763	2,214	2.59
Guadalajara	77,925	81,221	3,296	4.23
Toledo	78,618	80,810	2,192	2.79
Ciudad Real	71,005	72,208	1,203	1.69
Cuenca	52,980	54,600	1,620	3.05
Puertollano	50,838	51,305	467	0.92
Total	581,686	594,816	13,130	2.26

In the cases of Guadalajara and Toledo, their proximity to Madrid and the increase in railway and road infrastructures has led to a clear and significant rise in their populations which is of great importance for the development of both settlements. Likewise, it should be said that in the case of Toledo, the real population is actually higher than the one recorded in the census, due to the presence of a large number of civil servants who are not included in the

census. This figure is also increased by the university population, which is not included in the census either. In the case of Toledo, it is estimated that the city has an interim resident population of more than 3,000 persons.

This “university” effect is present in all the settlements mentioned above, except for Guadalajara and Puertollano, which have no universities, and is much lower in Talavera de la Reina, which has an extremely limited number of university courses.

The townships in the region show differing degrees of compliance in terms of urban planning. At present, only 60 townships have a Municipal Ordinance Plan in place, with one of the larger settlements, Talavera de la Reina, having no such plan in place, since it is pending approval at the present time.

All the larger townships have Municipal Planning Subsidiary Regulations in place, with 316 townships having such regulations. 210 townships have Land Boundary Demarcation Projects.

At present, 319 townships have no planning. These are governed by provincial regulations (provincial subsidiary regulations) which date from the 1980s. The above data are quite significant and must be analysed with respect to their number and surface areas:

Table 4 Municipal urban planning

Townships with no urban planning			
	Nº townships	Population	Surface area in sq km
Albacete	11	7,149	996
Ciudad Real	9	11,828	1,874
Cuenca	107	25,193	5,678
Guadalajara	134	15,053	4,660
Toledo	60	55,690	3,611
Total	321	113,913	16,819

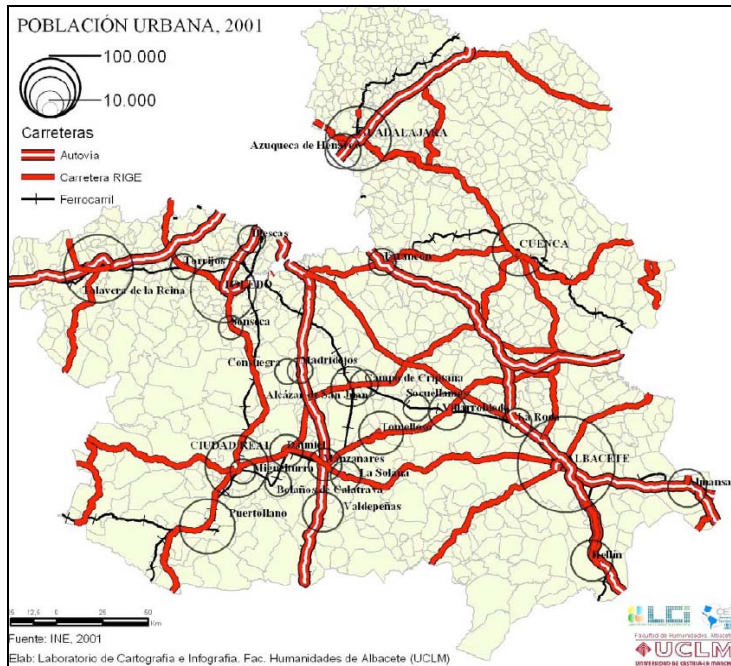
The townships with no urban planning have 113,913 inhabitants, and most of them are in mountainous areas, with little vitalisation. In all cases, the fact that 35% of the townships have no specific planning is significant, and greatly affects the rural nature of the townships. These townships have only 6% of the whole regional population and their surface area encompasses 21.2% of the regional total.

The process of replacing former planning instruments with regulated ones, within the new legal urban planning framework of Castilla-La Mancha which commenced in 1998, is still slow, mainly due to the problems posed by excess red tape in processing and approving the Municipal Ordinance Plan.

The following map, which has been prepared by the Geographic and Territorial Ordinance Department of Castilla-La Mancha University, supervised by Professor Felix Pillet Capdeón, shows the distribution of the region’s population in 2001.

Figure 1 Location of the regional population of Castilla-La Mancha

[Figure: URBAN POPULATION - Roads - RIGE Roads - Carriageway - - Railway line - Source: - Prepared by the Cartography and Infography Laboratory. Albacete Humanities Faculty (University of Castilla-La Mancha)]

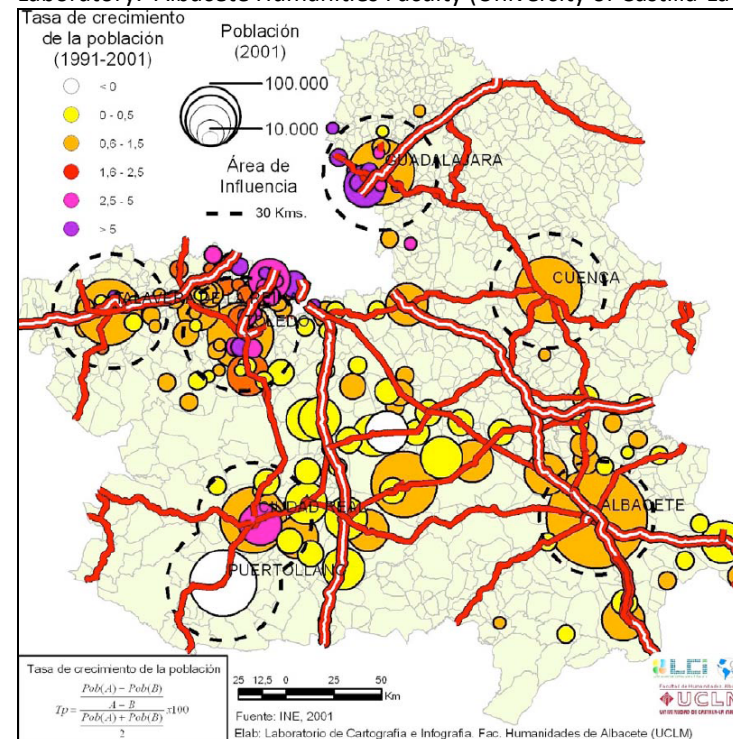


It shows the seven cities that agglutinate the highest urban population in Castilla-La Mancha. These are supported mainly by the large road networks that lead from Madrid to the rest of the peninsula and which cross the region. The weakness of the transversal roads prevents the generation of larger townships than these, which has led to a fall in the populations of the areas between the settlements.

The following map shows the growth in population during the 1990s, confirming the theory of polycentrism in the seven settlements quoted above, and the influence of the two corridors between Madrid and Toledo and between Madrid and Guadalajara.

Figure 2 Population growth by settlements

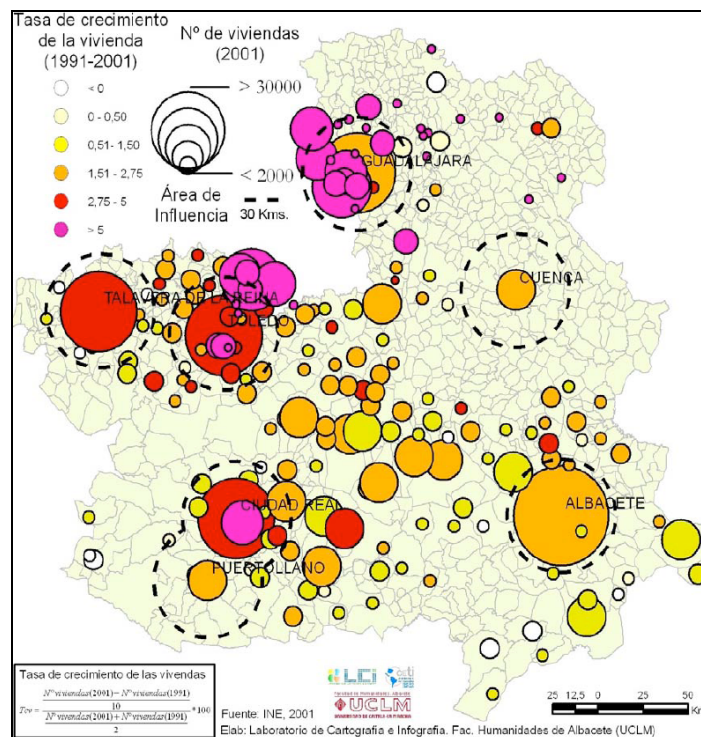
[Figure: Population growth rate - Population - Area of influence - Population growth rate - Source: - Prepared by the Cartography and Infography Laboratory. Albacete Humanities Faculty (University of Castilla-La Mancha)]



The growth rate in housing taking place during the same period is also significant and emphasises the above aspect of concentrating growth in seven clearly defined areas.

Figure 3 Growth rates by population settlements

[Figure: Homes growth rate - Nº of homes - Area of influence - Homes growth rate - Source: - Prepared by the Cartography and Infography Laboratory. Albacete Humanities Faculty (University of Castilla-La Mancha)]



The drafting of the Territorial Ordinance Plan has commenced in Castilla-La Mancha, which includes the whole region and makes it possible to determine the differences between the population settlements and the rural areas, and establish the structural and logistic elements to permit a more appropriate development. Naturally, the scale of the document will not allow us to pinpoint many aspects in detail, but it will permit the structuring of the ruralisation problems and the creation of conurbations or metropolitan areas.

This Territorial Ordinance Plan must offer a response to the imbalances currently existing in the region, such as that existing in areas of growth between the supply of access to services and infrastructures and access to housing and employment, which is the first thing needed by a family in order to move. Similarly it must respond to the imbalance in the region caused by the fall in population of between 60 and 70% in the territory and solve the problems regarding the supply of services that this brings.

It is essential to stress the need for creating functional urban areas, characterised by their centres and not by their boundaries, and for all the problems existing between urban and rural life to be included in these functional areas. In this respect, it is essential to provide townships with new concepts and visions based on non-interventionism, setting up mechanisms and simple methods for channelling development and growth in urban areas towards joint activities in which public administrations promote private initiative.

2.3 Metropolitan areas and corridors

In characterising the settlements in the region of Castilla-La Mancha, we should refer to the existence of metropolitan areas and corridors. We should also mention the metropolitan character acquired by Albacete and Toledo, and to a lesser extent, Ciudad Real. In the case of Guadalajara, this area has become a kind of line or corridor that connects it with Madrid, similar to the one between Madrid and Toledo that runs through the district of la Sagra.

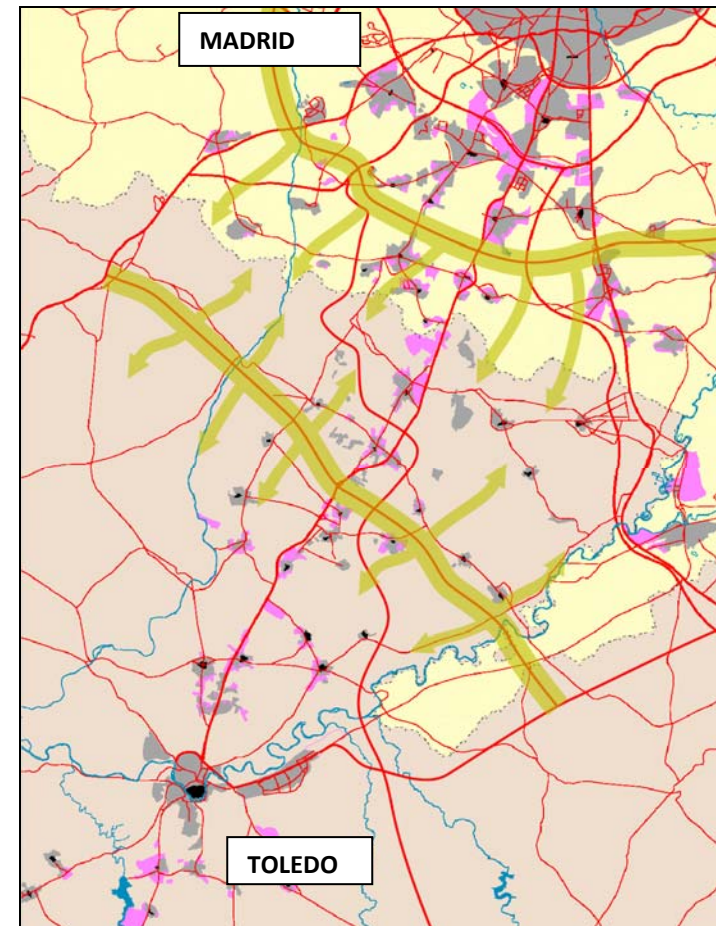
Studies conducted by the European Union include the centre of the peninsula in the Interior Regions category, corresponding to regions located between the Atlantic seaboard and the Mediterranean, with a low population density and a relatively significant importance in terms of agriculture. Of these regions, there are only two large dynamic interior agglomerations: Madrid and Toulouse. The pole of Madrid is the most important of the interior regions in terms of population and activity, with Toledo and Guadalajara tending to become engulfed by the urban space of Madrid.

The situation of Valmojado, its proximity as regards distance and time, allow this township to be clearly integrated into the area of Madrid, as has occurred during the last decade with the other townships of la Sagra.

This aspect is partly due to the forecasts of the 1993-2007 Infrastructures Management Plan, in which the region is crossed by the axis of the eastern seaboard and Andalusia and by the axis leading to Extremadura and Portugal, which mainly affect the provinces of Toledo and Ciudad Real. This aspect is consolidated by the creation of the new dual carriageways included in the 2000-2007 Infrastructures Management Plan and the dual carriageways foreseen by the Board of Communities of Castilla- La Mancha and the Region of Madrid, which improve the territorial network and accessibility from the northern part of the province of Toledo, promoting the development and expansion of la Sagra and the Henares Corridor.

The following figure, taken from a study conducted by Mr. José María Ezquiaga on the Central Settlements System, has been incorporated as a preliminary study into the Municipal Ordinance Plan of Toledo and is a study of this area of the central region of Spain, which shows the settlements of la Sagra and their relationship with Madrid and Toledo. It shows the two dual carriageways foreseen by both regions, running through la Sagra, and the toll roads and other roads that currently exist.

Figure 4 The Sagra Corridor between Toledo and Madrid and its relationship with both cities



In 2007 work was started on the construction of the La Sagra dual carriageway, used to connect the northern part of the province of Toledo. It establishes transversal connection with the other radial dual carriageways that currently exist. In addition to this dual carriageway, we should mention the dual carriageway foreseen in the northern part of the area of la Sagra included in Madrid, to the south of the province of Madrid, which will mean practically duplicating the former road, and achieving an unlimited capacity for vehicle traffic in this zone.

This situation was already described in previous decades, in which this northern part of the province of Toledo was already defined (at the end of the 1960s) as a settlement for the de-centralisation of industrial activities in Madrid. In the Central Region Management Programme study, this zone is related to the growth of the metropolitan district of Madrid towards the south-west.

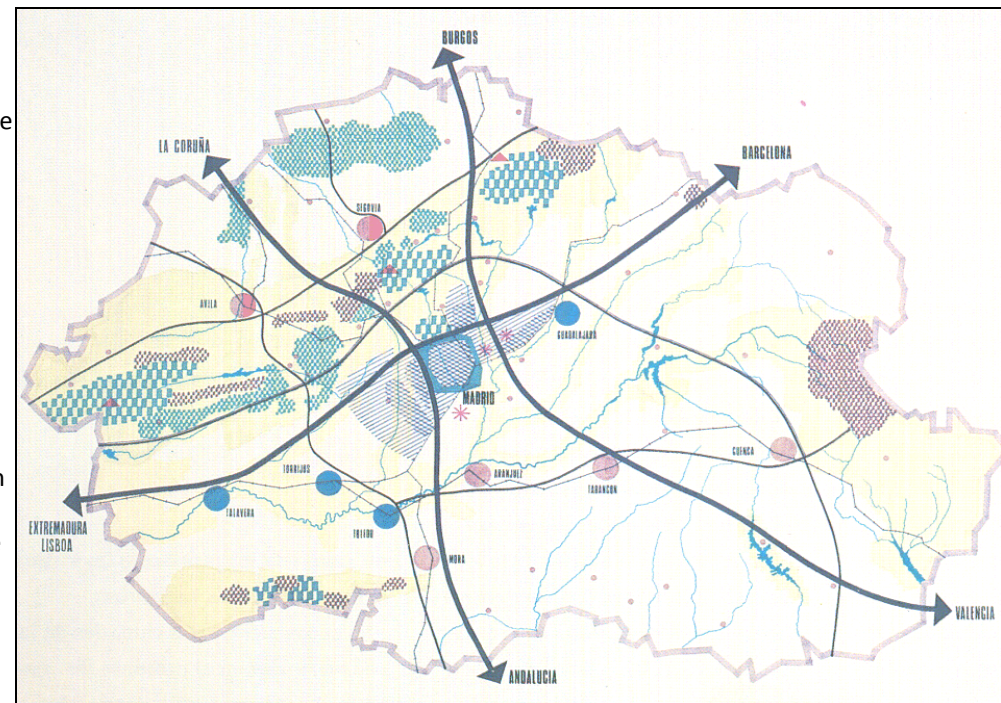
At that time, this situation led to the creation of the industrial estates for relieving congestion in Madrid, affecting settlements such as the cities of Toledo and Guadalajara, and the townships of Alcazar de San Juan, Valdepeñas and Manzanares.

The decongestion policies were unable to prevent the growth of Madrid from reaching higher levels, firstly, in the areas closest to the capital, and later, in subsequent decades, extending to the settlements of la Sagra in the province of Toledo and the Henares area, in the province of Guadalajara, supported basically by the radial roads originating from Madrid, based on the following:

- The growth was concentric and towards the south and west. Urban development took place in successive waves around Madrid.
- During past decades, it was impossible to approve a territorial ordinance plan for the whole, which might have solved the problems in the area and agglutinated the synergies therein.

- The proposed nodes for concentrating activities gave way to the dispersion of different activities and residence throughout the territory, with the whole district being occupied.

Figure 5 Preliminary Management Programme for the Central Region-Madrid for the year 2000



The above figure shows the territorial ordinance forecasts for the last few decades made for the central region of the Iberian Peninsula and the influence of Madrid on the settlements adjacent to the capital. If we compare this situation with the above images of the settlements and their growth, the importance of the communications in the region is obvious and the strong

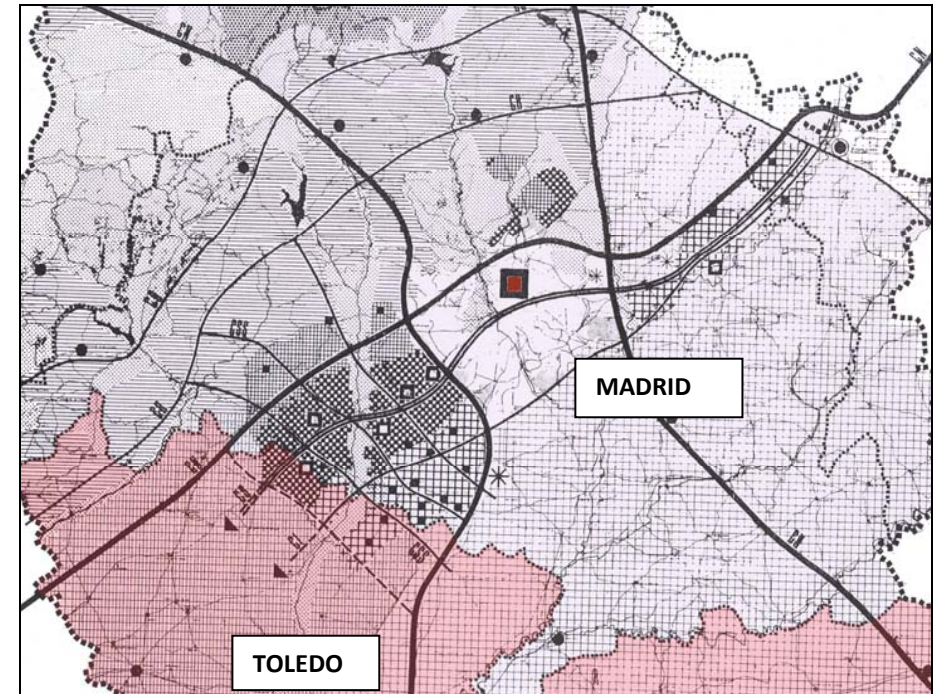
radial nature of these communications, to which the growth and synergies of the region are adapted, and that this situation has been passed down and assumed for the past fifty years.

At this time, Madrid (corresponding to the red square in the following image) is shown as the centre of development of the central region of Spain quoted above. The growth in the province of Toledo (shown in the following image, shaded in red) affects the northern part of the province, between the A-42 and A-5 roads, forming a clear arc that is also organised around the transversal roads.

In the Preliminary Management Programme for the Central Region-Madrid for the year 2000, it was forecast that the planning district of Madrid would increase to three and a half million inhabitants. The settlements of Torrijos, Navalcarnero, Alcalá and Guadalajara were outside Madrid, but included as important centres of the different population settlements

This preliminary programme showed most of the district of La Sagra as being assigned to the planning district of Torrijos, in which a population of 197,000 inhabitants was established for 2000. This figure was not reached.

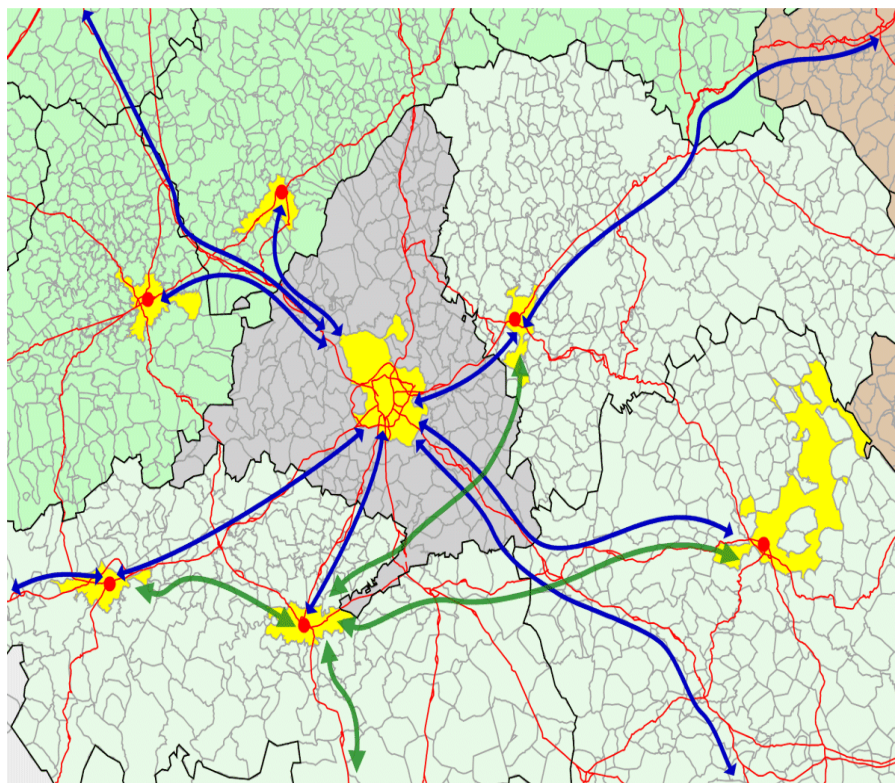
Figure 6 Preliminary Management Programme for the Central Region-Madrid for the year 2000



The expectations set forth in this preliminary programme, dating from fifty years ago, were confirmed by the real situation observed throughout the district of La Sagra.

The attached drawing clearly shows the synergies that will take place in the northern part of the region, which affect both the corridors mentioned above as a result of the new communications in the area.

Figure 7 Synergies between Madrid and adjacent areas, based on the 2000 Central Region-Madrid management programme



This situation will mainly affect the northern part of the province of Toledo (district of la Sagra) and the western part of the province of Guadalajara (Henares Corridor) and to a lesser extent, the areas near Ciudad Real and Cuenca. It is clear that in the case of Albacete the synergies of Madrid are much fewer, although due to the capacity of the city based on its economy

and population, it is not as important as the other settlements of Castilla-La Mancha, which are located within the radius of action of Madrid.

The improvement in communications and in the infrastructures in these areas is an opportunity for the future, which requires certain municipal or territorial measures, such as the following:

1. Creation of an attractive area in which to live, where development is sustainable in economic and environmental terms.
 - a. Affordable housing prices.
 - b. Adaptation of supply to the different sectors of demand.
2. Creation of an attractive setting in which to invest, with land that has the necessary services and good communications.
 - a. Concentration of economic, industrial or service activities, separated from residential areas at points of maximum accessibility.
 - b. Use of local potential.
3. Organisation of tertiary and industrial uses and activities, and above all, logistic uses and activities.
 - a. Adaptation of the infrastructure system to a voluntaristic territorial model.
 - b. Use of transversal communications in the northern part of the region (M-60 of the Region of Madrid, Dual Carriageway of la Sagra and Madrid Radial Roads).
 - c. Use of radial communications from Madrid in the rest of the region (Andalusia and the eastern seaboard)

The urban system of Castilla-La Mancha is linked mainly to that of Madrid, with no frontier effects with this province, since its relationship is direct and

systematic. For this reason, in these areas, territorial ordinance does not include frontiers, which only exist as administrative borders.

It should be said that it will be necessary to have an external analysis of the region, since there is an important population which lives in Castilla-La Mancha but works in and uses the services of the Region of Madrid, with the opposite occurring, but to a lesser extent.

Thus, these transregional links are not a frontier effect, but a systematic issue and in some cases, it has been possible to specify different cooperative efforts between both regions in providing water and transport services, although there is no established mechanism for providing urban services and public services in common.

2.4 Sustainability and urban regeneration activities

Within the framework of urban activities carried out in the different settlements to improve sustainability and promote urban regeneration, different activities have been executed thanks to different finance mechanisms made available to local and regional authorities by European institutions.

These include the URBAN European programmes and activities included in urban renovation programmes sponsored and financed by the European Investment Bank.

2.5 The Urban Programme

Between 1988 and 1999 the Commission subsidised 59 urban pilot projects and 118 programmes, pursuant to the URBAN I Community Initiative. Considering their success and thanks to the strong support by the European Parliament, the Commission decided to launch a new Community Initiative called URBAN II for the period 2000-2006, which was submitted to the member states through a notification dated 28 April 2000. During the periods

for programming the 1994-1999 and 2000-2006 Community Funds, the European Commission supported 41 Spanish cities through the URBAN programme. During those periods, Spain received 388.65 million euros for projects, for a total investment figure of 566.29 million euros.

2.6 Urban Toledo

The URBAN Programmes included the one obtained by the city of Toledo for the Polígono de Santa María district in Benquerencia. This district, created as a new district during the 1970s, as an area for relieving congestion from Madrid, is at a distance of more than seven km from Toledo, which has led to the uprooting of this district, which has, however, been solved by improvements in connections to the main urban area of the city.

This was originally a run-down district, but thanks to the many activities carried out, including the Urban programme of the 1990s, it has now been integrated into the rest of the city. What was initially created as a new settlement outside Toledo has now been converted into a fully integrated part of the city, despite being physically separated from it.

The URBAN Programme developed three basic lines based on creating stable employment in the district. For this purpose, three main lines of action were set up:

- Activities for supporting and assisting residents and the creation of a multi-purpose Social Centre
- Creation of a municipal nursery with activities for improving the environment.
- Creation of a Hotel Management School

The URBAN programme activities were based on these three areas, in an effort to execute a series of actions related to social, environmental, cultural aspects and new Technologies and the construction of the buildings required to carry out those activities.

In the case of Toledo, the social aspects were fundamental and allowed the district to receive all the necessary services for residents, some of whom were extremely vulnerable and suffered from integration problems. Through this social aspect of the URBAN programme, the population was able to understand the meaning of a social centre as a living building in which many different activities were welcomed: cultural performances of all kinds; nurseries; workshops for women, children and adults and assistance to residents in the widest sense.

The creation of a hotel management school made it possible to set up a centre of reference in the region, in which students can obtain qualifications that will enable them to find stable jobs, especially in a tourist city such as Toledo. The exemplary building also provided the necessary facilities for imparting courses in this respect within the broad spectrum of hotel management. This centre led to the creation of different companies as a result of this initiative, and today, after more than a decade of operation, it has a clear, stable activity.

Lastly, a programme of environmental regeneration was set up in the district, through improving most of the unoccupied space and existing public space in it. For this purpose, it was necessary to build a nursery-school to give courses to and train future gardeners, while also serving as a stable site for establishing plantations in the district itself. The activity included the whole process, from the initial planting to its subsequent transfer to public space. This initiative gave rise to different jobs which have gradually increased in number.

The activities carried out in Toledo represented a cost of approximately 14 million euros, at that time.

During the new period 2007-2013, the Spanish Government considered it appropriate to continue developing this type of intervention, through an "Urban Initiative" as part of the "Local and urban development" Line of the 2007-2013 Regional Operative Programmes with joint finance from the ERDF.

102 townships in Spain submitted proposals to the tender organised by the Ministry of the Economy and Treasury, with 43 being selected, including three settlements from the region:

- Albacete
- Cuenca.
- Talavera de la Reina

The projects were characterised by their integral approach, based on developing a multidisciplinary set of activities (related to the environmental, social, urban planning, economic, tourist, cultural, heritage, new technologies and information society fields...) to tackle the problems of urban zones within those townships. The activities carried out in all the chosen cities amounted to a total of 334.66 million euros in regeneration and sustainable urban development projects, which, as mentioned, were put up by the European Union ERDF. The programme considers the special relevance of cities, which are the principal motors of development in countries and contain the main factors responsible for innovation, creation of employment and the obtaining of investment capital.

It is clear that the three cities comply with the limitation imposed by the Ministry that the townships should have a population of more than 50,000 lawful inhabitants or be a provincial capital.

The activities led to improvements in districts which, as a whole, affected a population of 14,000 inhabitants, representing an investment of 33 million euros, of which 23 were funds put by the ERDF with the rest being provided by the Region of Castilla-La Mancha.

The activities carried out in Albacete amounted to ten million euros, of which seven was put up by the ERDF. The activities carried out in Cuenca amounted to ten million euros, with seven million being put up by the ERDF and those in Talavera amounted to twelve million, with almost eight million of these funds being provided by the ERDF.

2.6.1 Urban Cuenca

The activities in Cuenca included actions in the district of San Antón and on the right bank of the river Júcar, involving a population of 1,200 inhabitants.

The city of Cuenca has been declared a World Heritage Site due to its architecture and urban design, which has had to adapt to the difficult mountainous terrain generated by the confluence of the rivers Júcar and Huécar. The district of San Antón is included as part of the monumental area of the city, and has historically been excluded, with only basic services and is located at the edge of the city.

The district of San Antón is an interesting example of exclusion (during most of the 20th century the district was on the verge of disappearing), but the city eventually decided to maintain it. Despite the fact that the settlement was transferred to a new area at the beginning of the 1960s, it was repopulated by people from the less favoured segments of society.

The proposal of URBANA for Cuenca includes an objective that is opposed to demolition, since it aims to maintain the urban structure but also achieve the social and economic integration of the district into the city of Cuenca. The mechanism used is the setting up of innovative strategies for urban regeneration, using an integral approach that considers the social, economic and environmental aspects, favouring sustainable urban development that is in keeping with the principles and strategic guidelines of community policies.

The project term is from 2008 to 2015. During this period, different activities will be carried out, aimed at revitalising the district. They include a special programme for creating new businesses, and the modernisation of existing ones, motivating creation and the location of businesses in the district, with the ensuing increase in jobs and bringing stability to population.

The Project, which has a budget of 10 million euros, is jointly financed 70% by the ERDF and 30% by the Borough Council of Cuenca.

2.6.2 Urban Talavera de la Reina

In the case of Talavera de la Reina the URBAN initiative was approved for the Western District of Talavera de la Reina. This area includes the districts located to the west of the city and the areas lying between them, and affects a population of 9,500 inhabitants. These districts are:

- Puerta Cuartos
- La Piedad
- Patrocinio

The selected area has its own dynamics and problems, since both the territorial features and the trends of the demographic and economic variables are far removed from the rest of the city of Talavera de la Reina. For this reason, the strategy proposed has the following objectives:

- Social regeneration and the elimination of exclusion factors. Solving the problems of less favoured population segments: women, immigrants, elderly persons and children-adolescents.
- Social and economic consolidation: qualified human capital, overcoming of employment barriers, promotion of employment, entrepreneurship...
- Renovation of the urban landscape, allowing the integration of the districts into areas with better urban quality and better parameters in respect of living standards.
- Development of quality service elements, to enable real convergence between the Urban Zone and the rest of the City.

To achieve these objectives, the following lines will be pursued:

- Information society and diffusion, giving rise to spaces for new technologies and culture, designed especially for young people.
- Vocational training, to support the creation of micro companies by entrepreneurs with ideas, offering advice and professional recycling.
- Facilitate access to basic services, focused on women
- Urban environmental activities, improvement of public spaces

The first line is considered as an alternative based on development, employment promotion and guaranteeing of professional qualifications, and is focused on a future Social Centre in the Puerto de Cuartos district. This activity involves the conditioning of the building, its services and the hiring of staff to carry out the foreseen activities. The following activities will be carried out in the building:

- Creation of an Area for Young People, offering advice, training and culture
- Creation of a Technological Area
- Cultural and Leisure Centre

Lines two and three include technical support, through an URBAN Zone Economic Dynamisation Plan comprised of the following Programmes:

- Relations between District-Businesses. Employment Observatory.
- Promotion of Social Integration and Equal Opportunities.

To provide support to the Plan, a Vocational Training Centre will be built in the Patrocinio District, for young people encountering difficulties in finding

their first job, women with employment problems, immigrants and unemployed persons in vulnerable situations as regards employment.

Line three is in relation to the urban environment and consists of improving the URBAN zone environmental quality through the following measures:

- Mobility plan for the elderly and disabled.
- Solving the serious shortcomings with respect to green areas and recreation areas.
- Bicycle mobility plan.

The URBAN Plan budget amount is 12 million euros, of which the local council provides 30%.

2.6.3 Urban Albacete

Proposal of activities in the districts of La Estrella and La Milagrosa (population of 2,300 inhabitants), for the purpose of integrating the latter into the city. For this purpose, Parque Lineal (Linear Park) will be extended and the architectural barriers responsible for isolating these districts will be eliminated, through the demolition of different buildings.

The project is based on extending Parque Lineal along calle San Pedro to sectors 10 and 24 (access to the Valencia-Alicante road), which will entail the demolition of four buildings and the reform of the other houses that remain, and the creation of a new central park with gardens. This will allow the bicycle lane and pedestrian zones to be maintained, and a special games area to be created.

The proposal admits the construction of new public and private buildings, the reform of several existing buildings and the creation of roads, to allow traffic to move along both sides of Parque Lineal.

The activities also include different social actions, such as creating an information point and developing activities to diversify the population, integrate the existing population into the rest of the city and promote the creation of housing for different social categories.

At the same time, the creation of new businesses will be promoted. It is hoped that these activities will eliminate the problems caused by the isolation of the La Milagrosa district.

2.7 Other activities carried out in Settlements in Castilla-La Mancha : EIB interventions

The activities executed in the historic centre of the city of Toledo are of special importance. The centre is considered one of the finest monumental sites in Europe and was declared a World Heritage site fifteen years ago.

The city is of great importance in Spain and in Europe, from the cultural standpoint, and still conserves the splendour of its past. At present, the historic centre of Toledo, which has a surface area of 1.50 sq km between the walls to the north and the river Tagus to the south, has a total of 859 buildings classified with differing degrees of protection. These include 105 Cultural Interest Sites, which receive the highest degree of protection.

The city has a Special Plan in place for conservation and rehabilitation, which regulates the respective urban planning activities. The plan dates from 1997 and is currently still in force.

As a result of this Special Plan, a series of integrated actions has been carried out in this part of Toledo, which constitutes the essence of the city, and is populated by more than 13,000 inhabitants. During recent years, this population has risen, as opposed to the reduction in population that took place during the 1980s.

The activities have been carried out through different housing rehabilitation activities, the restoration of monuments, improvements in infrastructures, improvements in mobility, increases in accessibility for pedestrians, increase in parking for residents and an increase in park and ride areas.

This has enabled the historic centre of Toledo to undergo significant development to a greater extent than other parts of the city. Since the approval of the Special Plan, there has been an increase in urban planning activity in the city centre, which has doubled from 15% to 30% with respect to the whole city. This is clearly the result of the increase in public investment in the historic centre.

Part of this development has been possible through aid set up for the rehabilitation of homes and commercial premises, which have been carried out in parallel to the Strategic Plan sponsored by the European Investment Bank with EFTA funds, through which the infrastructures of this historic city centre have been improved. The collaborative agreement between Toledo city council and the European Investment Bank made it possible to set up an investment of 36.06 million Euros in improving the general infrastructures in the historic centre of Toledo. This has allowed improvements to be made regarding accessibility, pedestrian areas and the inclusion of cultural facilities in the historic centre.

All these activities have been exemplary from the architectural standpoint and have allowed modern architecture to be integrated into the historic city, repeating what has always been a constant in Toledo during its entire existence. These activities include work in improving accessibility to the centre, through the creation of three stairways (two mechanical and one pedestrian) which allow pedestrians to overcome the difference in levels between the centre and the rest of the city (which is 60m) as part of the proposed traffic improvements. These include the mechanical stairway of Paseo de Recaredo. This has made it possible to create an attractive space on the northern façade of the historic centre which successfully solves the problems of accessibility, in coordination with a park and ride area with five

hundred parking spaces in the lower part. This car park completes the one existing in Paseo de Recaredo which has a similar capacity and is also intended to serve for park and ride purposes.

At present, the Congress Hall and Auditorium is being built on the site of the car park of the Miradero, which is currently in operation and has been financed in part by the EIB. This activity is completed with a second stairway to solve the problem of accessing the historic centre, in coordination with the museum zone in this part of the city, and the incorporation of the Centre mentioned above.

This will allow the traffic problems to be solved and the organisation of pedestrian and roads to the city centre, in addition to closing the new gate of Toledo.

Mention should also be made of the rehabilitation work carried out on the church of San Marcos for the Municipal Cultural Centre and Archive, which is a difficult solution in architectural terms, but has allowed a modern element to co-exist alongside a monumental site.

In parallel, different activities have been carried out in the historic centre, consisting of creating new squares and open spaces. In addition, three car parks have been created for residents in the historic centre. The first is near the Synagogue of El Tránsito and the house of El Greco, the second in the southern part of the historic centre and the third next to the church of San Justo.

The city council has also recently succeeded in the whole historic centre declared an Integral Rehabilitation Site (as recorded in the Official Gazette of the Region of Castilla-La Mancha on 15 July 2010). This has allowed it to obtain the aid and grants that come with this type of declaration. In this regard, joint actions will be taken to rehabilitate homes and public roads.

Lastly, we should make mention of the work carried out to restore the city walls. That work has led to the consolidation and recovery of practically all the city walls. The process was lengthy, and started with the drafting of a management programme and the coordinated subdivision of work by sectors and gates. The work was carried out based on a series of preliminary studies which considered the different viewpoints. Upon completion of the work, the monument has a Workshop and School to permit its maintenance and conservation, in such a way that the monument itself was responsible for generating employment for its conservation and diffusion.

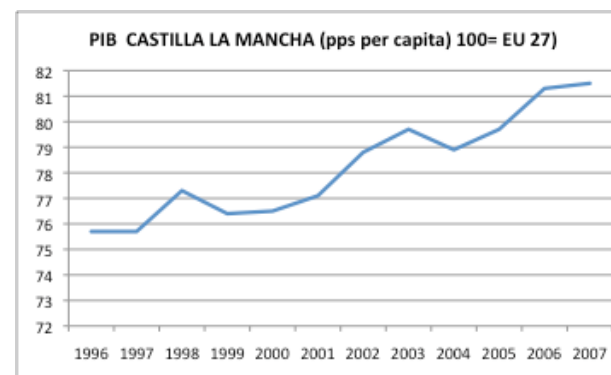
3 ERDF 2007-2013 OPERATIVE PROGRAMME FOR CASTILLA-LA MANCHA

Article 2 of the General Structural Funds Regulation EC 1083/2006 for the period 2007-2013 defines the Operative Programme as a: "document submitted by a member state and supported by the European Commission, which includes the development strategy containing a coherent set of priorities, and which, in order to be executed, requires assistance through the allocation of part of the Funds".

The region of Castilla-La Mancha is one of the four Spanish regions which, based on the EC Decision of 4/08/2006, can benefit from finance for territories included in the convergence objective. The region is located in the centre of the Iberian Peninsula, on an extensive stretch of land with a geographic surface area of 79,461 sq km, occupying 15.7 % of Spanish territory. It contains five provinces: Albacete, Ciudad Real, Cuenca, Guadalajara and Toledo, and 919 townships accounting for 11.3% of all Spanish townships. Its lawful population, at 1/1/2010, is 2,095,855 inhabitants, representing 4.5% of the total Spanish population. During the past decade, the population has grown by 303,060 inhabitants, as the result of the increasing presence of foreign residents which now represents more than 10% of the total.

Figure 8 Evolution of the per capita income of Castilla-La Mancha

[Figure: CASTILLA LA MANCHA GDP (pps per capita) 100=EU 27]



Source: EUROSTAT

The evolution of the per capital income in the region of Castilla-La Mancha during the period 1995-2004 reveals the existence of a certain process of convergence with respect to the European average (see attached figure), since it has changed from representing 75.7% of the EU-27 average in 1995 to 81.5% in 2007.

Its productive structure is characterised by the predominance of agriculture, with the services sector being less important in relation to the average for Spain. With respect to the industrial sector, it has some highly relevant sector-based conglomerates, including the agro-food sector.

Within this context, and in order to tackle the challenges facing the economy of the region, the regional authorities prepared a Strategic Reference Plan (SRP) which, as a continuation of the master lines of the Development and Competitiveness Pact (2005-2010) of Castilla-La Mancha, led to the establishing of three major Final Objectives and 13 Intermediate Objectives

- OF.1 Increase the GDP to levels that will allow the region to converge with the EU-25 average.
- OF.2 Increase the productivity of workers through improving the productive network.
- OF.3 Increase the activity and employment rate of the Castilla-La Mancha population, especially those of women, in order to achieve greater participation of women in the labour market.

The objectives fully coincided with those of the Strategic Community Directives for the period 2007-2013. To accomplish these objectives and based on the terms of art. 37 of Regulation 1083/2006, the regional government of Castilla La Mancha prepared the ERDF OP which was eventually approved by the EC **Decision (2007) of 7 December 2007**. This ERDF OP is set within the framework of the Convergence Objective and contributes to financing the activities included therein, through community aid of 1,439.3 million euros.

The strategy for achieving these objectives is, in accordance with the directives of the National Strategic Framework of Reference for Spain, founded on the Priority Lines shown in the table below:

Community financial aid by lines (2007-2013)

LINES	ERDF Aid (euros)	Total Finance ¹
1. Development of the Knowledge Economy (R+D and Information Society)	143,939,389	179,924,248
2. Business development and innovation	247,020,925	352,887,037
3. Environment, nature, water resources and risk prevention	304,725,821	435,322,605
4. Transport and Energy	533,278,994	820,429,223
5. Sustainable Local and Urban Development	127,391,636	181,988,048
6. Social Infrastructures	76,528,439	95,660,550
7. Technical Assistance	6,508,690	8,135,866
TOTAL OP	1,439,393,894	2,074,347,577

Source. ERDF OP Castilla-La Mancha

3.1 Operative Programme Lines

3.1.1 Line 1 Development of the Knowledge Economy

Within the chapter dedicated to the development of the Knowledge Economy and the sub-area of Research, Development and Innovation (R+D+i), the aim is to increase R+D expenditure with respect to the regional GDP, in order to progress towards developing knowledge-intensive activities. For this purpose, special attention will be paid to increasing the participation of the private sector in that expenditure.

¹ With public/private finance

Likewise and as part of the same Line, but with respect to the Information Society, the use of the Internet will be encouraged, particularly in rural environments and areas with low population densities. Within the business area, special attention will be paid to the number of companies with Internet connection, especially small businesses.

3.1.2 Line 2 Business Development and Innovation

Line 2 aims to promote innovation among businesses in Castilla-La Mancha, increasing their presence in international markets and fostering the creation of new businesses. This line will also include the construction of industrial and technological parks.

3.1.3 Line 3 Environment, nature, water resources and risk prevention

The objectives of Line 3 are based on maintaining the effort of going even further with respect to sustainable development. For this purpose, the actions to be carried out will be based on consolidating supply, drainage and wastewater treatment infrastructures. Selective waste collection and the consolidation of protected natural spaces within the Region are also considered as strategic aspects.

3.1.4 Line 4 Transport and Energy

Within the specific area of Transport, the activities to be carried out pursue the objective of increasing the density of the Motorway and Dual Carriages networks, in order to continue making progress with respect to improving the intra-regional communications network on high-capacity roads and accessibility in the region. In addition, railway lines must also be increased. As part of this Line, but as regards Energy, the activities promoted will be concentrated on increasing the relevance of renewable energies with respect to total installed power.

3.1.5 Line 5 Sustainable local and urban development

The Region of Castilla-La Mancha suffers from different problems in respect of local and urban development, many of which are due to people moving from the country to the cities, with the ensuing and progressive aging of the rural population and a concentration of migration flows in the largest cities and provincial capitals, leading to absorption problems.

In small rural cities, the priority will be to foster an enterprising spirit among the population, to diversify its productive base, take advantage of local competition, reduce the population moving from the country to the city and increase their capacity to adapt to the challenges of a global economy.

As for urban development in cities, the main objective will be to respond to the needs of social and economic regeneration in cities and the most degraded city districts which are exposed to the risk of social exclusion.

3.1.6 Line 6 Social infrastructures

As regards Line, Social Infrastructures, the investment sets as strategic goals those of raising the number of hospital beds and the number of nursery school places.

3.1.7 Line 7 Technical assistance

Line 7 Technical assistance No strategic indicators are included for Technical Assistance activities.

Therefore, the ERDF OP for 2007-2013 develops all the lines proposed in the NSFR (National Strategic Framework of Reference) for the purpose of responding to the specific economic, social and environmental problems of the region.

3.2 The JESSICA Initiative in the ERDF OP for Castilla-La Mancha.

Article 33 of Council Regulation EC 1083/2006 of 11 July 2006 establishes that on the initiative of a member state, the Operative Programmes "may be re-examined and if necessary, reviewed, in accordance with regulatory circumstances". Within this context, and as indicated in the chapter entitled Background (Chapter 0), in 2009 the RGCLM proposed the reallocation of funds from Line 4 to Line 5, and ratified this proposal in 2010.

Aside from the interest of the Management Authority in implementing the JESSICA Initiative, there are two circumstances that arise in the review proposed by the Monitoring Committee of the ERDF Operative Programme for Castilla-La Mancha that endorse its grounds.

- Firstly, the new scenario established by the profound economic crisis that affects European economies, which was not considered in the original formulation of the ERDF OP. An important "social and economic change" that makes it advisable to change the priorities established at that time. Specifically, the need to put into practice the forecasts set out in Line 5 "Local and Urban Development" and the desire for these to be financed through instruments developed based on the JESSICA Initiative.
- Secondly, given that the current financial plan approved for Line 5 does not have sufficient funds to achieve the proposed objectives, a reallocation of the ERDF aid approved is essential. The changes envisaged by the Region of Castilla-La Mancha, approved by the Monitoring Committee, mean a **reduction in ERDF aid** assigned to Line 4 "Transport and Energy" of 33,198,761.00 euros, which will be absorbed by Line 5 "Sustainable local and urban development".

Lastly, to facilitate the correct execution of the Programme, the original list of intermediate organisations has also be modified, eliminating those which were outside the OP and including the city councils of Albacete, Cuenca and

Talavera de la Reina (which will now benefit from URBAN projects) and the DG of Territorial Cooperation of the Territorial Policy Department.

3.3 New Financial Charge of the CLM ERDF OP

To finance these activities, once the transfer of funds has been approved, the CLM Region will have community aid provided by the ERDF for the same amount of 1,439.3 million euros, but distributed by lines in the manner shown in the table below, in the case of the competent services of the European Commission approving the changes submitted by the Monitoring Committee.

Table 5 Modified financial chart of the ERDF OP for Castilla-La Mancha 2007-13

LINES	ERDF Aid (euros)
1. Development of the Knowledge Economy (R+D and Information Society)	143,939,389
2. Business development and innovation	247,020,925
3. Environment, nature, water resources and risk prevention	304,725,821
4. Transport and Energy	500,080,233
5. Sustainable Local and Urban Development	160,590,397
6. Social Infrastructures	76,528,439
7. Technical Assistance	6,508,690
TOTAL OP	1,439,393,894

Source: CLM ERDF OP

This distribution foresees an important increase in line 5 in order to cover the financial needs of the JESSICA initiative

3.4 *Activities foreseen in line 5. Sustainable local and urban development*

Achieving sustainable local and urban development is defined as a transversal priority in the 2007-2013 cohesion policy. The European Territorial Strategy considers that the local sphere is the one where the physical effects of the jointly-financed activities are fully appreciated, giving a certain transversal nature to these activities.

The 2007-2013 strategic community guidelines in promoting the application of an integral approach for the cohesion policy are in favour of activities and projects which favour not only growth and employment, but also pursue social and environmental objectives.

As a result, Line 5 assumes the vertebral nature of the CLM ERDF OP. Proof of this is the strong commitment made by the regional government of Castilla La Mancha to endowing this line with the necessary financial resources to promote this sustainable local and urban development in its territory.

These approaches will be consolidated in the description of the projects, and their eligibility endorsed.

3.4.1 **Approach and activities**

The Line includes two essential aspects: firstly, the sector projects represented by culture and tourism and secondly, urban regeneration projects.

The CLM ERDF OP identifies a series of process with enormous repercussions on local and urban development:

- The wide dispersion of the population settlements in the region, alongside a certain tendency to be concentrated in specific corridors of development. The co-existence of both phenomena give rise to

the need to implement mechanisms of connection and conciliation in both realities, to correct the imbalances that this dynamic could cause.

- On the other hand, Castilla-La Mancha is a region with many possibilities of development for tourist activity that have not been well exploited and consolidated. In this respect, activities linked to tourism, held as a transversal activity and in multiple forms (tourism, sports, culture, nature or gastronomic tourism) have great opportunities for expansion and development.

3.4.2 **Strategic objectives and goals.**

Given the different types of urban problems, the objectives to be achieved through the activities in this line are those of "increasing competitiveness and achieving a more balanced development between cities which are more balanced in economic terms and other cities, through actions that combine economic development, the promotion of employment in equal conditions for men and women, social inclusion and environmental recovery and conservation, such as:

- a) Fostering business initiative, local employment and community development.
- b) Rehabilitating the environment, redeveloping old industrial lots and conserving and developing historic and cultural heritage.
- c) Consolidating social cohesion, promoting social, cultural and economic integration."

For this purpose, the activities planned for this line are organised around three main areas in the ERDF OP:

- Single-topic projects in the tourist sector

- Single-topic projects in the cultural sector
- Integral projects for urban and rural regeneration

Table 6 Budget allocation of Line 5 “Local and urban development”

LINES	CODE	NAME	AID
LINE 5	57	Other aid for improving tourist services	29,858,376
	58	Protection and conservation of cultural heritage	7,746,882
	61	Integral projects for urban and rural regeneration	122,985,139

Without underestimating the potential importance of the themed projects on culture and tourism, the preferred scope for applying the JESSICA initiative, pursuant to the terms of article 44 of Regulation 1083/2006, is that included in priority topic 61.

4 THE CONTEXT OF CASTILLA-LA MANCHA. OPERATORS PRESENT

4.1 *Experience in public-private finance in Castilla La Mancha*

The development of new urban infrastructures has been one of the common elements during the whole expansive cycle in the actions carried out by most EU governments, at supranational, national, regional and local level. For the execution thereof, different management models and alternative finance mechanisms to traditional channels have been set up, in order to share risks and costs, especially financial costs.

In Spain, Castilla-La Mancha is one of the regions in which the regional government has been most active in promoting cooperation projects between the public and private sectors. Through different companies or entities which report to the regional government, the latter has attracted the interest of operators during the last decade, and set up a stock of infrastructures which has enabled it to exploit its geographic position between the Mediterranean and the Atlantic, and in the corridor that provides access to Africa from Europe. During this period, and using different forms of cooperation with the private sector, many industrial estates and logistics parks have been set up, and the network of dual carriageways and roads has been extended. An airport has also been built to facilitate the intermodal transport of goods, although the results have not been as positive as expected.

Such experience has not been limited to economic infrastructures, some of which are very much involved in the development of certain urban settlements, but also includes social investments such as hospitals (the most emblematic of these being Toledo Hospital), teaching and school infrastructures and water treatment plants. The regional government of Castilla-La Mancha has played an important role in organising these

investments, through public corporations such as the Castilla-La Mancha Finance Institute, GICAMAN, ESINSA, Castilla-La Mancha Roads Corporation, General Hospital Services or the Regional Land and Housing Corporation, which have been responsible for channelling and agglutinating the interest of financiers (banks and savings banks) and operators (cessionaires and operators).

Therefore, the region has a large group of projects which serve as a precedent. Concession-based formulas, operating leases, surface rights or mixed corporations have been set up under diverse contracts, which, to a large extent cover the most usual types of urban regeneration projects. By way of example, and although these are not activities eligible for European funds during the current programming period, the region approved a Public-Private Housing Plan to reduce the non-satisfied demands for housing by families and favour a reduction in the stock of unoccupied constructed homes.

At local level, the experience of public-private partners (PPP) is more reduced, due to the lack of critical population mass in most townships. Scarcely ten settlements are able to provide significant demand for contributing greater guarantees to the feasibility of the projects, but not all the infrastructures must be structured around the risk of demand. Indeed, several local corporations (Provincial councils such as those of Toledo or Cuenca) have been pioneers in Spain in assigning construction and conservation contracts for part of their roads networks, basically transferring not only the risk of the companies awarded the contract, but also the risk of availability and quality in the provision of maintenance services.

In short, unlike other regions, Castilla-La Mancha has accumulated valuable experience in collaborating with the private sector, both for the construction and operation of its infrastructures and for their finance. There are many examples in which national and international financial institutions and companies have taken part. However, it is true that in the present circumstances, the budgetary limitations of public administrations (state,

regional and local) and the tougher credit conditions have halted the execution of some relevant works in the region which could slow down the promotion of new projects in the immediate future, and the possibility of having recourse to this type of formulas which entails a higher risk premium for credit institutions than public works. Precisely for that reason, the application of JESSICA could be even more worthwhile in this context, since it could act as a lever and vitalise private finance, allowing local corporations to get around the legal obstacles regarding indebtedness and make new investments.

4.2 The Operative Programme funds manager

The Board of Communities of Castilla – La Mancha has been channelled since the start of the JESSICA initiative through line 5 of the Operative Programme (Local and Urban Development). As a consequence, the manager responsible for these project lines in the region was the Territorial and Housing Ordinance Department.

Unlike other Spanish regions, which have considered a wide range of eligible projects (energy, tourism, land, urban renovation, university services, etc,...) with the possibility of being manager by different managers, in the case of Castilla – La Mancha, since 2009, the Department was the manager chosen to set up a JESSICA finance strategy through its regional land and housing corporation (RLHC).

At present, the reduction in the Departments of the RGCLM has increased the authority of the Territorial and Housing Ordinance Department, which is not responsible for energy policy, public works, transport, territorial ordinance and city planning, land development, housing and economic activities.

While this study was being drafted, the Management Authority was recommended to incorporate other lines eligible for JESSICA finance, such as the energy policy, for which the Territorial and Housing Ordinance Department is responsible. At the time of drafting this report, the decision to

add new eligible areas has not been taken, and so the pilot project studies are confined to those initially proposed, regarding urban regeneration, the promotion of commercial activities, the tertiary sector, etc.

4.3 Map of potential financial partners and/or participants in the JESSICA initiative in Castilla-La Mancha

The management of JESSICA through UDF requires the support of potential partners from each of the following economic sectors, in order to function:

1. Regional, national and international banks and savings banks.
2. Financial and commercial institutions such as investment funds and real estate promoters.
3. Public administrations
4. Public agencies and institutions: the role of offices, companies or agencies in urban development will be studied.
5. Non-profit organisations
6. Relevant companies from the industrial area of Castilla-La Mancha or national ones which might be interested

However, due to the nature of these funds, the study must be focused above all on the first area, that of the banks which normally operate in the region, and which, as a result of the current situation, are immersed in a process of transformation.

As occurs with the rest of the Spanish financial system (hereinafter, SFS), in Castilla-La Mancha, the sector is also undergoing a reorganisation process

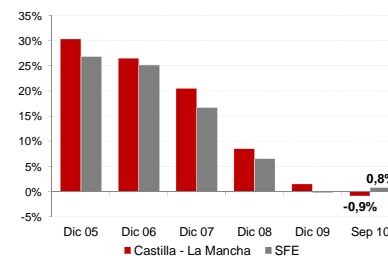
aimed at correcting the excess installed capacity accumulated during the economic boom, in order to face a situation of virtually zero economic growth and a tightening of credit conditions, which was the main variable that previously encouraged financial institutions to the expand and open more branch offices. For this reason, an integration process is under way, through mergers or based on the Institutional Protection Formula (IPF) which is giving rise to the most important regional entities being distributed into more solvent financial groups, while maintaining an active presence in the territory.

The savings-banks sector is the one most affected by the reorganisation (the number of participating entities involved in integration processes represents approximately 94% of all assets), resulting from the enormous expansion of this sector. For instance, during the period 2003-07 the number of branch offices of savings banks increased by 17.8%, that of cooperative societies increased by 11.1% and banks increased their branches by 10.4%.

This acceleration in the branch-opening process was justified by the strong credit rate, with double-digit year-to-year variation rates, which in particular, in the case of Castilla-La Mancha, exceeded the SFS rates. Despite the year-to-year growth in deposits, credit was at no time dynamic, and the use of external finance also enabled credit demands to be met among entities which have traditionally participated in the Castilla-La Mancha economy.

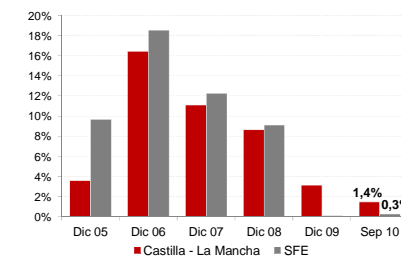
Year-to-year variation in credit

[Figure: Dec]



Year-to-year variation in deposits

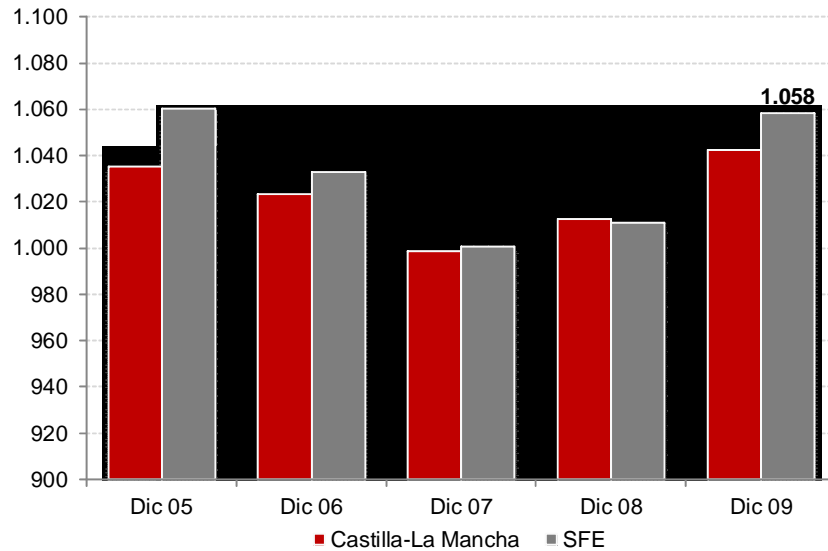
[Figure: Dec]



It should be considered that the region has a high degree of banking saturation, measured in terms of the number of inhabitants per branch. For this reason, as a regional economy with a considerable number of banks, it appears reasonable to rely on the banking sector for initiatives such as JESSICA. In particular, this indicator of the SFS capillarity is around 1,000 inhabitants per branch, double the EU average (around 2,200 inhabitants per branch based on data at the close of 2009).

Capillarity of the SFS vs. Castilla-La Mancha
(number of inhabitants per branch)

[Figure: Dec]

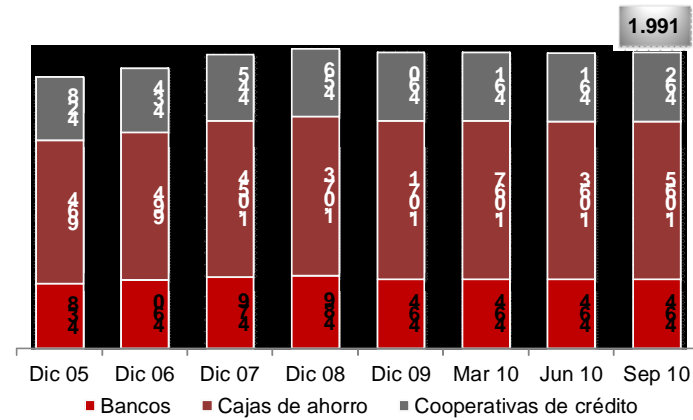


Although the capillarity is very similar to the Spanish mean, the region has certain elements that characterise its financial system. In particular, it is observed that in the branch distribution, there are more cooperative loan societies in this region (rural savings banks). So much so that in September 2010 the total cooperative loan societies in Castilla-La Mancha represented 23.2%, compared to 11.6% of the SFS.

Distribution of the branches network in Castilla-La Mancha

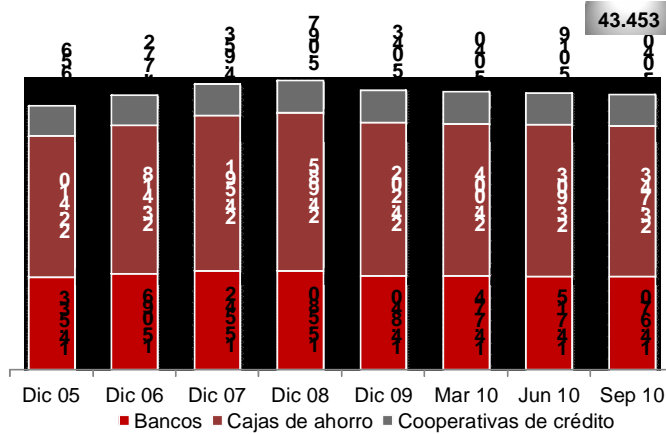
(by type of institution)

[Figure: Dec - Banks - Savings Banks - Cooperative Loan Societies]



Distribution of the branches network in the SFS
(by type of institution)

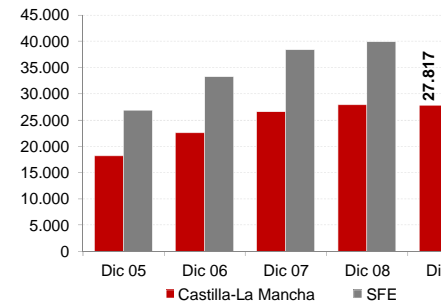
[Figures: Dec - Banks - Savings Banks - Cooperative Loan Societies]



However, the banking business indicators show less banking activity in the region, compared to the Spanish average, both in terms of loans and deposits per inhabitant and in relation to the business volume per branch (business volume being held as the sum of loans and deposits).

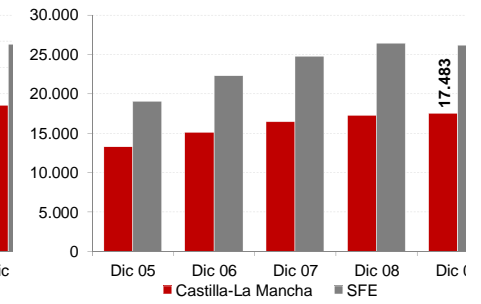
Credit per inhabitant
(euros per inhabitant)

[Figure: Dec]



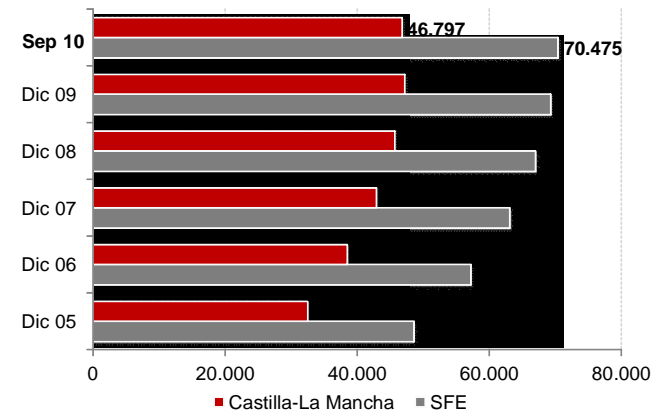
Deposits per inhabitant
(euros per inhabitant)

[Figure: Dec]



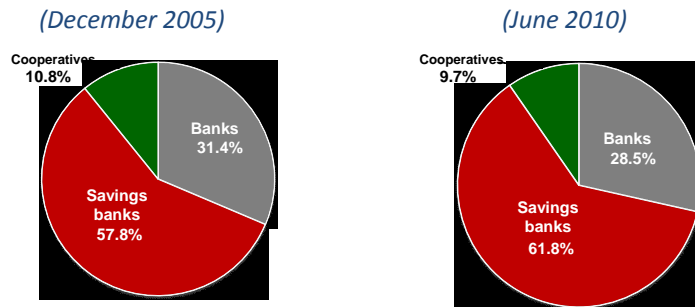
Business volume per branch
(thousands of euros per branch)

[Figure: Dec]



As regards the loan market share, regarding over a wide timeframe, it can be seen that savings banks have won market share (+400 points) to the detriment of banks and cooperative societies, considering the time of maximum credit expansion as the date for the comparison.

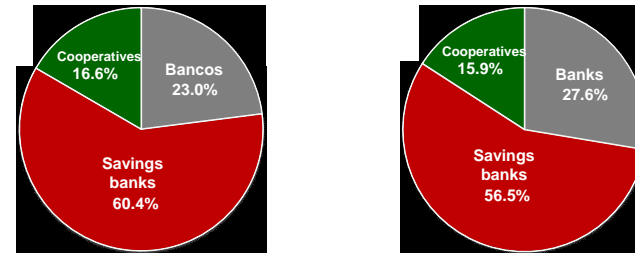
ORS loan market share² in Castilla-La Mancha



However, this situation has been reversed with the crisis, with greater importance being given to banks and mainly to cooperative societies. As can be seen, banks show greater growth in terms of deposits, with the “war” for obtaining retail liabilities started in March 2010 contributing to this. As the cooperative societies have reduced their deposits share, the savings bank, more concerned with their reorganisation processes, have been hardest hit by the aggressive commercial policy of the banks.

² ORS loans refers to other resident sector (resident families and non-financial companies).

ORS deposits market share in Castilla-La Mancha
(December 2005) (June 2010)



Within this context, it should be said that there are 56 deposit institutions operating in Castilla-La Mancha: 19 banks, 29 savings banks and 8 cooperative societies. I.e., more than one-quarter of all Spanish financial institutions operate in the region. However, the market share is concentrated in a few institutions, both when we consider the national perspective (43.4% of the financial assets market in Spain is shared by 5 Spanish institutions), and when we limit the analysis to Castilla-La Mancha. In short, this circumstance indicates that all the main Spanish financial institutions are present in the region.

In turn, 9 of those 56 deposit institutions are from the region. As already mentioned, the transformation process is becoming clear in the census of institutions.

In this way, during the course of 2010 both the Caja de Castilla-La Mancha (CCM) and Caja Guadalajara were absorbed or integrated with other financial institutions, giving rise to new, stronger financial institutions which continue to have a relevant presence in the region, through the former networks of those regional savings banks;

- As regards the first, the Bank of Spain agreed on the substitution of the directors of Caja Castilla-La Mancha (CCM) in March 2009. Halfway through 2010, following a bid in which BBK also took part, the CCM banking business was integrated with that of the Cajastur group through its subsidiary Banco Libertas, with 25% of the bank's shares remaining in the hands of Fundación Caja Castilla La Mancha. CCM received aid from the Deposits Guarantee Fund through preferential equity participations, and an asset-protection scheme, as well as a bridge loan.
- In turn, Caja Guadalajara reached an agreement to become integrated with Cajasol, an Andalusian entity with scant presence in Castilla-La Mancha, and therefore, practically no branch network, which in turn, is currently involved in the process of creating an Integral Protection System (IPS) together with the recently-created Banca Cívica (Caja Navarra, Caja General de Canarias and Caja Burgos).

The other financial operators from the region are also immersed in their own transformation processes. In particular, Caja Rural de Ciudad Real, Caja Rural de Albacete (which recently absorbed Caja Rural de la Roda) and Caja Rural de Cuenca are immersed in a merger process, which will give rise to the second largest rural savings bank in the Rural Savings Bank ranking of the Association of Rural Savings Banks, in terms of EBT and the fifth in terms of assets, meaning a quantitative and qualitative leap forward, due to all the synergies generated, which is particularly important, and will allow the region to recover an entity of reference with a significant dimension.

The following tables show the main financial figures of the regional entities. As shown below, these entities are heterogeneous in size, with cooperative societies being characterised, in particular, for a highly balanced banking penetration in terms of loans and deposits, resulting from their strong ties with the territory and their franchise value.

In addition, as observed for the whole sector, the loan growth rates recorded by these entities show the grade of paralysis that exists, due to issues such as lack of solvent demand and restrictions in supply. In all cases, as is to be expected, the two savings banks are the ones recording negative growth to date, while the rural savings banks show positive loan growth. This is compatible with a financial structure that is less dependent on wholesale finance, basically supported by client deposits, and thus not subject to the market fluctuations which are affecting the sector in a particularly intensive way. Similarly, their degree of proximity to traditional clients makes them particularly aware of the capacity of clients to be potentially solvent receivers of loans. The same conclusions apply, not only to entities from Castilla-La Mancha but all Spanish savings banks and rural savings banks as a whole.

Main financial figures for entities from Castilla La Mancha (the indicators refer to national levels)

	Total Activo		Crédito		Depósitos	
	Importe (mill.€)	(%)	Importe (mill.€)	(%)	Importe (mill.€)	(%)
Savings banks	1.280.731		905.000		628.909	
CCM	25,545	1.99%	18,212	2.01%	11,170	1.73%
Guadalajara	1,751	0.14%	1,280	0.14%	1,067	0.17%
Cooperative loan societies	119.429		95.589		80.473	
CR Toledo	3,127	2.62%	2,197	2.30%	2,375	2.95%
CR Ciudad Real	1,603	1.34%	1,163	1.22%	1,131	1.41%
CR Albacete	1,490	1.25%	1,114	1.17%	1,232	1.53%
CR Cuenca	919	0.77%	591	0.62%	740	0.92%
CR Mota del Cuervo	84	0.07%	62	0.07%	72	0.09%
CR Villamalea	47	0.04%	30	0.03%	38	0.05%
CR Casas Ibañez	37	0.03%	23	0.02%	30	0.04%

Individual data as of December 2009. Millions of euros
Source: CECA, UNACC, AIAF y CNMV.

The market share for the branches of each entity in the Castilla-La Mancha region can be used as an approximation and indicator of the degree of bank penetration for each entity in the region.

Branches of entities from Castilla la Mancha in the region of Castilla-La Mancha

	Castilla-La Mancha	
	Number of branches	Market
Savings banks	1.995	
CCM	416	20.85%
Guadalajara	58	2.91%
Cooperativas de crédito		
CR Toledo	179	8.97%
CR Ciudad Real	108	5.41%
CR Albacete*	71	3.56%
CR Cuenca	84	4.21%
CR Mota del Cuervo	1	0.05%
CR Villamalea	1	0.05%
CR Casas Ibañez	1	0.05%

Information as of December 2009

Source: CECA y UNACC

*Includes two branches of CR Roda

Banesto), and also, in the case of Castilla-La Mancha, this initiative could be of special interest to rural savings banks, not only because they would gain importance and representation if the integration processes come to term, but also due to the fact that some rural savings banks maintain extremely valuable relations with business sectors, for instance, Caja Rural de Ciudad Real.

In all cases, the possibility exists of the participation of the IPF led by Cajastur and Caja de Ahorros del Mediterráneo –into which the former network of the CCM has been integrated- or Banca Cívica (into which Cajasol-Caja de Guadalajara could be integrated) or Ahorro Corporación Financiera, which has expressed interest in managing JESSICA in other Spanish regions.

All the above indicates that the competitive pressure of the financial and macroeconomic setting for the forthcoming years will prolong the banking sector concentration process and we will most likely see more integration processes in the short term. In all cases, based on the movements taking place in the region and the incipient conditions of some of these operations, the map of entities with greater potential for implementing the JESSICA initiative in the region has also changed.

Naturally it will be necessary rely on the banking sector, which maintains an active presence through the most important banks (BBVA, Santander,

5 TYPES OF ELIGIBLE PROJECTS

The approach considered by the OP Management Authority for implementing a pilot JESSICA finance Project is based on the activities of urban regeneration and sustainability in the settlements of the region. The main interlocutor was the RLHC (Regional Land and Housing Corporation), deferring other alternative contacts with the OP funds managers, such as the Transport Authorities or the Energy Agency.

As a consequence, the work team focused on determining the types of projects being executed by the RLHC and analysing their eligibility.

5.1 Eligibility criteria

It is important to stress the need for complying with the eligibility criteria as a basis for selecting the projects. The wish of the RGCLM to target JESSICA at operations linked to the activity of the RLHC has given rise to proposals for projects which are hardly eligible, such as investments in newly-created industrial land promotions (greenfield operations) or those related to housing, which are specifically indicated as not being eligible.

The general JESSICA eligibility criteria can be summarised as follows:

1. They must be projects that comply with the ERDF OP eligibility criteria
2. The project must be included in an Integral Urban Development Plan (IUDP)
3. The investment must be made before 2015.

4. The investment must generate earnings, to ensure that the JESSICA funds are returned
5. The investment must be financed partly by the private sector or by financial institutions
6. The investment must generate profits for private investors participating in the project and for society as a whole

5.2 RLHC projects

During several meetings held with the RLHC, the main lines of investment and public sector finance were explained. The projects listed below correspond to the types financed by the RLHC which may be included in LINE 5 of the OP for 2007-2013. A preliminary JESSICA eligibility analysis has been made of these types, to delimit the eligible projects in greater detail.

5.2.1 Finance of urban development work on industrial land:

The RLHC does not own the land and acts as a corporation that provides finance for developing industrial land through local councils or the municipal corporations reporting to the councils. Finance term: 8 years + 2-year grace period. The interest of the debt is paid by the RGCLM. To be fully eligible, a study must be made to ascertain whether the development of industrial land falls within the urban context, an extension of an industrial estate or conceived as a transfer of economic activity from the city centre to these new sites. In this case, an urban development plan must exist associated to the surface area that will be freed up in the centre.

Some examples of these initiatives are the industrial estates of San José (Phase II) in San Clemente (Cuenca) and the “Extension of the Alto Daimiel – Guadiana –Cidag II Industrial Sector” in Daimiel (Ciudad Real).

Estate	GROSS surface area m ²	NET surface area m ²	Finance put up by the RGCLM	RLHC
San José (II)	117,908.00	60,362.23	1,490,901.27 €	4,259,717.91 €
Cidag (II)	686,567.00	519,529.00	2,642,500.00 €	7,550,000.00 €

During a preliminary analysis, this line of projects for developing industrial land is not eligible. To be financed with JESSICA funds, the creation of new industrial land must be included in an IUDP. The Plan must demonstrate the need which, in principle, should stem from an operation for regenerating degraded industrial or mixed zones and give priority to the occupation of existing land.

5.2.2 Urban Action Programmes (UAP) on industrial land

- In this case, the RLHC does not previously own the land, but following the approval of a UAP and the subsequent execution of urban development work, the owners of the resulting land can either pay the RLHC for its services in cash or with land (normally the second option is used). If the land is paid for in cash, the RLHC sells the resulting plots. This way, two projects are currently under study which could be financed with JESSICA funds:
 - Extension of Toledo Sector 11.1 Industrial Estate** (Future Site of Coca-Cola). Adjacent to the Project of Special Interest (PSI) in the Avanzado District of Toledo and the Urban Renovation Area of the 48 homes in the district of Santa María de Benquerencia in Toledo (a degraded area). The three activities could be linked to a Global IUDP for the whole City of Toledo. Possible return of investment by

building new water treatment plants in the area and company training courses.

- PSI in the Aeronautical and Logistics Estate of Albacete.** It has been completed but the connections to the estate have not yet been terminated, since one of the access roads for air traffic must be adapted. The companies setting up there (Eurocopter and auxiliary industries) will set up training centres in that site. The project could be integrated into a global IUDP for the city of Albacete.

As in the previous case, these projects cannot be considered eligible based on the concept that they would in all cases be incorporated into an IUDP, as is the case of some public transport activities, for instance. Therefore, they would only be eligible after the approval of an IUDP to justify them in full.

5.2.3 Management Agreements

- These are activities for direct development agreed by the RGCLM. Most of them are not eligible, since there is no return on investment and in some cases they are not eligible as ERDF projects. The RLHC has providing information about:
 - The Districts Plan (Albacete):** Plan for Remodelling Infrastructures in Albacete Trade Fair Complex and surrounding areas. This project has a budget of €11,558,439.46 and is part of the Residents' Quality Plan for Actions in Districts and Hamlets. Finance: 80% RGCLM and 20% Albacete City Council. The only possibilities of obtaining earnings based on the activities entrusted to the RLHC and hence, the promotion of JESSICA would be to use the surface rights (car park created in the Districts 1 Project) or the potential release of land for profitable use (this is not the case so far).
 - State-subsidised University Residence Developments.** (Cuenca -53 apartments and Albacete – 50 apartments-). In this case, the project

is eligible, since the return on investment is made through the income generated by the apartments, although they are highly subsidised and represent only a tiny percentage of the investment.

The current management of this type of operation is complex, and carried out by the RLHC, the RGCLM, a university fund and the eventual concessionaire of the Service. The University supplies the land and executes the Project, the RGCLM puts up 85% of the investment in buildings and urban planning and the RLHC acts as the promoter. The remaining 15% is subsidised by the Ministry of Housing. In addition, an Energy Qualification grant is foreseen. €7,687,792.52 (€4,446,066.00 for Albacete and €3,241,663.52 for Cuenca).

In short, these are operations that pose many difficulties for finance through JESSICA. Although the university residences can be considered eligible for ERDF finance (they are not considered as homes but as a complement to the education process), a PPP mechanism must be found to allow the beneficiary of the funds (in principle, the RLHC) to recover them. If the commercial part is passed on to the university fund, a mechanism must be set up to assign the recovered funds.

5.2.4 Residential activities

Generally speaking, housing cannot be financed by JESSICA funds in Spain (EC Regulation 1080/2006 Art. 7 parag.2). However, investments in infrastructures and auxiliary services for improving or creating homes in an IUDP may be eligible. The main problem is that these complementary investments have their own income that allows at least part of the investment to be recovered. However, if the UDF are constituted with joint finance (public or private) that is not put up by the ERDF (bank finance, for instance), the part of the budget not put up by the ERDF can be used to

finance the non-eligible parts (homes) for residential developments included in an IUDP.

- The RHLC has identified the following projects:
 - **Urban Renovation Area for 48 homes in the District of Santa María de Benquerencia.** Creation of green areas and re-development of the area, as well as the construction of new homes (258) subject to a public subsidised protection scheme, which is yet to be defined. Demolition of the former building, a focus of social exclusion. Potential return on investment through tertiary uses implanted in the area. Potential inclusion in a global IUDP for Toledo. Total Cost €40,386,419.66 . Adjacent to Sector 11.1 and the Avanzado District of Toledo.
 - **PSI of Barrio Avanzado in Toledo,** located in Santa María de Benquerencia residential complex. Implementation of Activity 18 of Toledo Municipal Ordinance Plan. Potential inclusion in an IUDP for the whole of the city of Toledo. Potential return on investment through collective service uses (large-capacity sports pavilion, congress hall) and tertiary uses (hotels and offices). 2,000 state subsidised homes. Total Investment: 22,713,251.42 €.
 - **Residential Sector A-01 “Camino de los Alarcos” in Miguel Turra..** The residential development cannot be included as a project eligible to receive JESSICA funds but the installation of the estate collective services might be eligible. In particular, a previously-existing collective services area (sports area and educational centre).
 - Implementation of urban development activities in the site known as **Silo SENPA in Albacete** and Project for building 213 state-subsidised homes (forming part of the Albacete General Urban Ordinance Plan). The investment to be made amounts to €35,005,685.19. Some of the homes will be rented, with a purchase option after 10 years, after

paying 50% of the monthly rent. The premises on the ground floor of the buildings will be for tertiary use. There is the possibility of applying JESSICA funds to the non-residential components. The creation of an entity owning the ground-floor commercial premises for rent for example, could facilitate this application.

- Project for building 86 state-subsidised homes on **plot R/ in Ecobarrio, Toledo**. Homes in which some are for rent and some state-subsidised, and commercial premises for tertiary use. The Total Amount of the Investment is €11,467,685.87. This operation is similar to the previous one, but its small size may make it difficult to apply the UDF.

5.3 *Other activities to be studied.*

- Other activities have been studied, which could be included in an IUDP and hence, be eligible for JESSICA. These are activities undertaken by other RGCLM agencies which also intervene in promoting land and services. Likewise, in describing the case of Toledo in detail, projects will be analysed that are promoted by the city council, as part of its integral rehabilitation programmes (ARI).
- **Complementary service area of Toledo Hospital**. A large project which encompasses a tertiary services programme (hotels and stores) which has not been developed due to lack of finance. The managing entity is **Castilla La Mancha Health Service (SESCAM)**.
- Activities undertaken by **Ente de Gestión de Infraestructuras de Castilla – La Mancha. S.A. GICAMAN**, many of them similar to those of the RLHC, such as the development of industrial estates in the lines mentioned above, cultural services with associated car parks, etc.,...

6 BASIS OF THE JESSICA PROPOSAL: INTEGRAL URBAN DEVELOPMENT PLAN (IUDP). THE CASE OF TOLEDO

The wish of the ERDF funds Management Authority to implement the JESSICA initiative was directed at its application to urban projects, mainly involving new land, or the development of land for economic activities, services or urban facilities. The exclusive application of JESSICA to projects promoted by the RLHC limits this tool, for instance, to the promotion of land for commercial or tertiary activities in residential promotion activities of a wider scope. This would be the case of the Avanzada District (new land) for the rehabilitation of Benquerencia (urban regeneration).

In this regard, and as a theoretical exercise, the idea was to develop the content of an Integral Development Plan (IUDP) for the case of a city such as Toledo. In this plan the range of projects is extended to initiatives of other regional agencies (and not just the RLHC) and to municipal programmes.

6.1 *How to understand an IUDP in the cities of Castilla La Mancha*

The first step is to integrate the many urban activities into an Integral Urban Development Plan. Experience in urban planning in the main cities of the region makes it necessary to consider different types of activities in a hypothetical IUDP:

- Urban renovation activities in historic centres. In particular, and with the support of special plans for those centres, urban redevelopment projects and the reuse of historic buildings for services and facilities, and the renovation of homes.
- Activities for renovating homes and services outside historic centres, such as the case of Benquerencia in Toledo.

- Land development for economic activities linked to operations for transferring urban activities or activities related to urban renovation activities.
- Facilities linked to university services, services for elderly persons, etc,... promoted by the public or private sector.
- Lastly, new tertiary services set around service centres, such as the new hospital in Toledo.

Based on the above, and as a theoretic exercise, an Integral Urban Development Plan (IUDP) proposal has been presented for the city of Toledo. This proposal was made by the team responsible for drafting it and has not been examined by the Management Authority.

6.2 *Synthesis of activities in a potential IUDP for Toledo*

6.2.1 **Barrio Avanzado.**

- This area is located in the east of the city, in the district of Santa María de Benquerencia.
- The activity consists of 2,000 apartments with one to four bedrooms, a sports complex and diverse services.
- 45,345 sq m are for commercial use, offices (on two plots), a hotel and a district market (on one plot).
- Its execution is the responsibility of the RLHC, but the urban-planning formalities have been carried out by the General Directorate of Territorial Planning. The owner of the whole is the RGCLM.

- Planning has been officially approved and is pending the commencement of the urban-development work. The urban-development work has been entrusted to the RLHC.
- The plots for residential use have the basic project in and place and are in the process of being sold.
- The tertiary plots have no project in place and it is not known whether they will be sold in the near future.

The JESSICA finance would be used for tertiary and commercial activities, and for services. The operation could be tackled as a whole with the JESSICA funds covering the non-residential finance, enabling a return on investment.

6.2.2 Industrial estate Sector PP.11.

- Located to the east of the existing industrial estate of Santa María de Benquerencia.
- It has a gross surface area of 1,307,000 sq m for industrial use, with 645,000 sq m of net land and 116,037 sq m of net land for tertiary use.
- Its execution is the responsibility of the RLHC, but the urban-planning formalities have made carried out by the General Directorate of Territorial Planning. The land is owned by private owners, but the RLHC, as the urban planning agent, can purchase approximately 48% of that land.
- The planning has been approved and the urban-development and reparcelling project is pending approval. The urban-development work has been entrusted to the RLHC.

- A commitment exists to locate a Coca-Cola plot in the area of 100,000 sq m. The RLHC and City Council have also contacted other companies who might be interested in setting up on the estate.

The main problems of this activity as regards eligibility is that it is a “greenfield” project, or a project of new land for development. The IUDP can define the boundaries of those plots for tertiary uses and services which can be de-centralised from the city of Toledo. As in the case of Barrio Avanzado, JESSICA would only finance of the eligible project.

6.2.3 Urban regeneration on the Estate.

- Located to the east of the residential estate of Santa María de Benquerencia, this is an urban regeneration activity, given that it once contained run-down buildings which have been demolished.
- It has a gross surface area of 45,843 sq m for residential use (developed area of 49,213 sq m for 474 homes), tertiary and commercial use (developed area of 700 sq m) and collective services.
- An agreement is in place to re-house the former owners.
- Its execution is the responsibility of the RLHC, but the urban-planning formalities have made carried out by the General Directorate of Territorial Planning. The owner of the land is the RGCLM, the city council of Toledo and diverse owners of the former homes.
- The planning has been approved and the urban-development and reparcelling project is pending approval. The urban-development work has been entrusted to the RLHC.

The JESSICA finance would cover the collective services and commercial uses for supporting urban renovation.

6.2.4 Special Plan for calle Alberche

- Located on the street of the same name in the existing residential estate of Santa María de Benquerencia.
- It has a gross surface area of 30,000 sq m for residential and tertiary use, with 17,740 sq m developed for approximately 213 homes.
- The urban planning formalities have been processed by the General Directorate of Municipal Planning. The land is owned by the RGCLM, and it is not known who will execute it
- The planning has been approved and the urban-development and reparcelling project is pending approval.
- A commitment is in place to locate a Municipal Day Care Centre run by the city council.

As in the above case, JESSICA would finance part of the services and urban facilities.

6.2.5 Special Plan for San Lázaro

- Located in the street of the same name (San Lázaro), next to Tavera Hospital Tavera, in the “ensanche” district of Toledo.
- It has a gross surface area of 30,000 sq m for collective services (5,766 developed sq m for a cultural centre), a car park with 400 spaces, tertiary land for offices (developed surface area of 14,838 sq m in two plots).
- The planning has been officially approved and the zone is completely developed. A municipal licence exists for building a car park and Cultural Centre.

- It is owned by GICAMAN, from the Finance Institute and Toledo City Council.
- The cultural centre is being executed by Fundación Quijote, which reports to the Board through GICAMAN.
- The car park is being built by GICAMAN.
- The office plots belong to GICAMAN, from the Finance Institute.

JESSICA could finance a large part of the project, mainly the offices area and car park.

6.2.6 Miradero Congress Hall.

- Located in the historic centre of Toledo.
- Building of a Congress and Exhibition Hall based on the project by Rafael Moneo. It has an hall for 1,000 personas, convention rooms and restaurants.
- The centre is built on a car park with 600 spaces which has been finished with gardens and an avenue (already built).
- It is owned by Toledo city council and the operation and future management of the centre is to be awarded through a concession agreement.
- The whole project is being executed by Toledo city council, and is financed by the EIB.

6.2.7 Council housing.

- There are several council housing developments in the different areas of the city (historic centre of Toledo, Palomarejos and the Estate) which can be analysed from the perspective of being partly financed by JESSICA for special uses, such as renting by specific social groups.

6.2.8 Rehabilitation of housing in the historic centre of Toledo.

- The historic centre of Toledo contains an integral rehabilitation area in which any home can be rehabilitated as part of the regeneration plan started years ago, channelled through the Special Historic Centre Plan.
- The average number of houses renovated each year is between 50 and 150, with diverse costs.
- The Consortium of the city of Toledo is responsible for the execution. This entity reports to the Toledo city council, but the homes are privately-owned.
- A specific municipal regulation exists in this respect.

It would be difficult for JESSICA funds to be used for this type of residential activity, but they could be used to co-finance the rehabilitation of special buildings for tertiary or services use, and for investments in optimising energy.

6.2.9 Rehabilitation of commercial premises in the historic centre of Toledo.

- The historic centre of Toledo contains an integral rehabilitation area in which any commercial premises can be rehabilitated as part of the regeneration plan which was started years ago.
- The average number of premises renovated each year is between 10 and 20, with diverse costs.
- The Consortium of the city of Toledo is responsible for the execution. This entity reports to the Toledo city council, but the premises are privately-owned.
- A specific municipal regulation exists in this respect.

These activities could initially be eligible for JESSICA

6.2.10 Municipal Tertiary Unit.

- This corresponds to UA.24 in the Municipal Ordinance Plan. It is located to the west of the industrial estate of Santa María de Benquerencia and corresponds to urban regeneration activities, in order to transform land for collective services into tertiary land.
- There are currently two municipal buildings to be transferred through this operation, for the new uses.
- It has a gross surface area of 67,218 sq m for tertiary use on a developed plot of 93,342 sq m.
- It mainly belongs to Toledo city council, which is the owner of most of it. The rest of the property belongs to SEPES.

- Planning has not yet started.

The project would initially be eligible for JESSICA funds.

Annexe B gives a detailed description of some of the projects included in the IUDP of Toledo, which could be financed by JESSICA.

7 PROPOSAL FOR A JESSICA STRATEGY IN CASTILLA-LA MANCHA

7.1 *Criteria to be adopted in a theoretical JESSICA structure for Castilla- La Mancha*

Following several meetings with the RLHC and the General Directorate of Budgets and Community Funds, the absence of a directive by the Management Authority for implementing a JESSICA proposal made it necessary to propose a theoretical structuring exercise through a Holding Fund and an Urban Development Fund. In addition, relevant projects have been selected which could be eligible in full or in part for JESSICA. Lastly, and also as a theoretical exercise, it has been assumed that these projects are included in an Integral Urban Development Plan (IUDP) for the city of Toledo.

The theoretical strategy proposed is as follows:

1. Consider FDU supported by the IUDP of Toledo for projects promoted by the RLHC and other projects promoted by public and private initiative (for instance, those included in the historic centre rehabilitation area)
2. Consider as projects that are eligible not only projects which respond to the JESSICA criteria in full, but others of a larger size, which could be partly financed by JESSICA in the areas in which there are revenues and a return on investment. This would be the case of service areas or tertiary uses in some promotions developed by the RLHC in Toledo.
3. The Urban Development Fund (or Funds in the case of being more than one) would follow a conventional formation process; i.e.,

it/they would be set up with the participation of a public or private financial institution, for a total finance amount of 50 million euros. The selection of the participants in the UDF would be done through a tender process, in accordance with the selection procedures of the European Regulations.

4. With respect to the participation of the RLHC, there are three alternatives:
 - a. The RLHC could submit a bid as the sole fund manager and if selected, incorporate the JESSICA Finance which is currently available for financial institutions.
 - b. The RLHC would participate with a private entity in the tender selection process.
 - c. The RLHC would not participate in the selection process but would maintain joint finance functions parallel to the JESSICA UDF and act as technical adviser in evaluating the quality and eligibility of the projects.

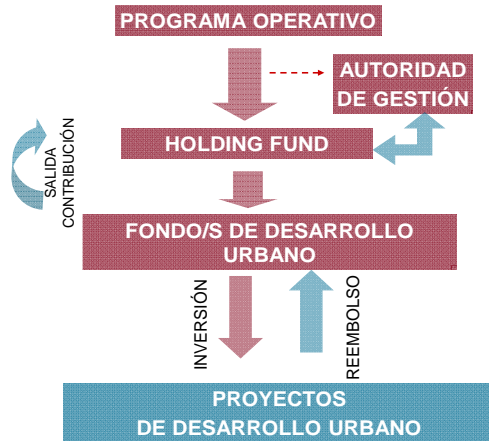
The third option is considered the most viable, since it guarantees the RLHC a relevant role as technical adviser for the projects, and as the party putting up joint finance for those in which JESSICA participates only in part.

7.2 *Theoretical JESSICA structure for Castilla La Mancha*

7.2.1 **Basic architecture**

JESSICA's operations are based on creating one or several Urban Development Funds (UDF) that invest in sustainable urban development projects and fulfil the criteria required for the JESSICA investments.

[Figure: OPERATIVE PROGRAMMES - MANAGEMENT AUTHORITY - EXIT OF PAID-IN CAPITAL - URBAN/S DEVELOPMENT FUNDS - INVESTMENT - REIMBURSEMENT - URBAN DEVELOPMENT PROJECTS]



These Urban Development Funds could be managed by a Holding Fund (HF) to which the Management Authority entrusts its implementation. This is an optional tool, the use of which will depend on the JESSICA initiative organisation in each country or region, based on its experience in similar projects. In this regard, the EIB, which is already implementing the Initiative in many European regions (e.g., Andalusia, which is the only case in Spain at present), could contribute its experience as an entity specialising in the structuring and finance of infrastructures.

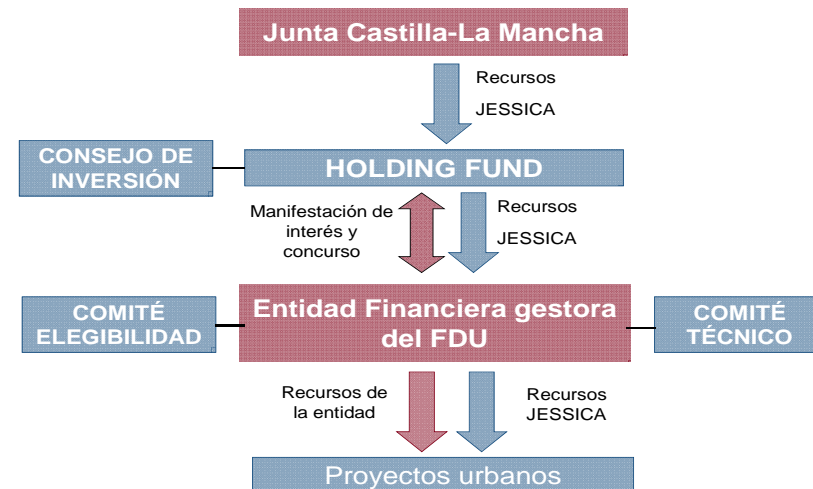
The tasks to be performed by the HF are, among others, that of establishing the selection criteria for UDF investments, the evaluation of UDF in order to

establish which are most suited for the purpose of investment, negotiation of contracts and supervision of the functioning of the UDF.

Once the urban projects are generating sufficient revenue in order to repay the funds loaned, they will be reimbursed via the UDF (and, as applicable, the HF) to the Managing Authority, which will decide whether once again to implement the JESSICA initiative or to use the recovered funds conventionally.

7.2.2 JESSICA structure for Castilla La Mancha

[Figure: The regional government of Castilla-La Mancha - JESSICA funds - INVESTMENT BOARD - Expression of interest and tender - JESSICA funds - ELIGIBILITY COMMITTEE - financial entity managing the UDF - TECHNICAL COMMITTEE - Entity resources - JESSICA funds - Urban projects]



In the case of Castilla-La Mancha, and in order to endow the regional government with decision powers, an extended model is considered in which the management of finance for the projects finally selected will be conditioned by the opinion of the two additional Committees set up for that purpose.

The steps to be taken, if this model is used, would be the following:

- 1) As the Management Authority, the regional government of Castilla-La Mancha would set forth the intention to create a holding Fund in the Finance Agreement. This document would include in detail the functions to be performed by it and its management model, which, as established in the regulations, could be: proprietary, participating in a tender or granted (as in the case of Andalusia) to the European Investment Bank (EIB)
- 2) The Holding Fund manager would take charge of supporting the regional government in defining and implanting the UDF created.
- 3) An Investment Committee, formed mainly by staff from the regional government of Castilla-La Mancha, would be entrusted with evaluating and approving the respective actions carried out by the Holding Fund.
- 4) Once the UDF have been defined, the Holding Fund would launch a declaration of interest in order to select the financial institutions or similar entities considered suitable for participating in the JESSICA initiative, through the tender process.
- 5) The financial institution/s or similar entity/ies finally selected would manage and administer the funds assigned by the Holding Fund together with the additional funds put up by them or others for the Initiative. The institution/s selected must have experience in the

region, a knowledge of the local environment and the scope of the cities in the Castilla-La Mancha region.

6) The regional government of Castilla-La Mancha would set up two committees which would analyse the projects from complementary perspectives:

6.1.) An Eligibility Committee, to guarantee that the projects are in keeping with the objectives of the European Funds. This Committee would be formed by the staff allocated for that purpose by the RGCLM General Directorate of European Funds.

6.2.) A Technical Committee, which would analyse the technical coherence of the projects. The Technical Committee could be formed by the RLHC and/or any entity considered competent for that purpose by the RGCLM.

In this way, to approve the finance for any activity, the approval of both Committees would be necessary, and the financial entity managing the UDF manager would submit the projects received to these Committees, after analysing their economic feasibility.

The participation of the RLHC as the manager of a UDF is not considered, since this function would invalidate the financing of projects promoted by it, as the final beneficiary. As indicated in point 6.2), we understand the function of the RLHC as more of technical supervision rather than management of the UDF.

8 PROJECTS SELECTED FOR MODELLING

Continuing with the theoretical exercise, this chapter gives a series of examples of eligible projects that could be financed through a JESSICA UDF. Likewise, the following chapter includes their financial modelling and conclusions regarding their profitability. These are examples and have been selected in three different fields:

- a) Promotion of commercial and tertiary land in a large “greenfield” activity within the city.
- b) Promotion of commercial land in an urban regeneration activity.
- c) Rehabilitation of premises in buildings in the historic centre.

Obviously, these examples do not necessarily coincide with the projects which are hypothetically considered as worth financing through the UDF, selected by the investment board.

8.1 Proposed projects

See Annexe B)

8.1.1 Execution of services in Barrio Avanzado

The JESSICA finance in the important operation of Barrio Avanzado, is targeted at financing the development of commercial and tertiary land for offices. The total surface areas involved are the following:

Table 7 Barrio Avanzado. Distribution by uses

Use	Sq m
Developed surface area for residential use	231,051.06 m2.
Developed tertiary surface area for commerce	37,680.00 m2.
Developed tertiary surface area for offices	17,600.00 m2

The urban planning work represents 25.24 million euros and the building represents 368.0 million euros.

The JESSICA finance would be focused on building all or part of the commercial plots and office plots foreseen in the Plan. The cost is as follows:

Table 8 Barrio Avanzado. Building of offices on tertiary and commercial plots

	USES	Surface area (m2)	TIME	COST
PLOT T1.c	TERTIARY OFFICES	29,000	18 MONTHS	30.80
PLOT T8.b	TERTIARY OFFICES	6,380	18 MONTHS	7.36
PLOT 9.B	TERTIARY COMMERCIAL	3,700 MARKET	18 MONTHS	5.00
PLOT 12.a	TERTIARY COMMERCIAL	5,000	18 MONTHS	5.76

The revenues come from the sale of commercial premises, surfaces and offices at current market prices in the city of Toledo.

8.1.2 Execution of services and tertiary elements in rehabilitating homes in Benquerencia

This activity is based on rehabilitating a degraded area by building 474 new homes, 700 sq m of commercial surfaces, 5,100 sq m of green areas and 3,245 sq m of collective service areas.

The JESSICA finance would be targeted at completing the operation through financing the foreseen commercial space. The working hypotheses are the following:

- Total investment of 50.8 million euros
- Execution term: 3 years (2011 to 2013)
- Foreseen revenues from sale of commercial premises: 6.36 million euros

8.1.3 Rehabilitation of buildings and premises, based on the Integral Rehabilitation Plan for the historic centre

In January 2010 Toledo City Council implemented an Integral Rehabilitation Area in the historic centre. Initially, the contributions to the programme were:

- Subsidies (Min. Development and RGCLM): 4.4 million euros
- Private Finance: 7.3 million euros
- Toledo City Council – Historic Centre Consortium: 6.8 million euros

Likewise, the rehabilitation of homes, premises and buildings in general is envisaged, with the following distribution:

- Homes rehabilitation sub-programme: 10.0 million euros

- Buildings rehabilitation sub-programme: 3.98 million euros (including some urban planning)
- Urban planning sub-programme: 3.7 million euros

This programme is already under way, and is not eligible for JESSICA finance. However, as a third example, a finance programme has been assumed for similar projects, i.e., the rehabilitation of buildings and premises in the historic centre.

For the theoretic implementation of the programme, it is assumed that JESSICA will finance amounts which in the initial programme, are covered in part by subsidies (Min. Development and the RGCLM).

From the standpoint of the size of the programme, and knowing that as it is not defined, it is not possible to identify in detail rehabilitation activities that are aimed at establishing economic activities (premises, collective services, or tertiary uses). The following hypotheses are assumed:

- Total Investment: 3.98 million euros
 - Subsidies from M. Development and the RGCLM: 659,129 euros
 - Contribution from the Council/Consortium: 1,000,000 euros
 - Private Stakeholders 500,000 euros
 - Private Finance: 1,821,600 euros
- Execution: 3 years (2011 to 2013)
- Return on investment, through payments, for a maximum period of 15 years.

9 FINANCIAL MODELLING

9.1 Prior considerations

- We will now give a description of each project mentioned that could be eligible for benefiting from the Jessica funds, evaluating the financial feasibility of those projects. The flow structure (entry and exit of cash) has been calculated for each project, to identify whether it meets the financial criteria required by the Jessica Initiative. The generation of attractive project return rates or which at least permit the reimbursement of the investment and the involvement of private partners will be some of the criteria checked for each of the cases in question.
- Although some of the operating hypotheses considered respond to specific cases, many of the assumptions established consider options based on similar cases and experiences. Variables such as the project capital structure, finance interest rate, operating margin, construction margin, etc. have been assumed for the purpose of analysing the theoretical feasibility of each project.
- Once compliance with the Jessica finance requirements has been checked for each project, the results are calculated with different channels of project finance with Jessica funds, through granting loans, capital participation or both, in all cases maintaining the capital structure constant with respect to the initial case.

9.2 Implementation of activities for executing services in Barrio Avanzado

9.2.1 Project Description

- This Project of Special Interest for the “Barrio Avanzado in Toledo”, located on UA-18 in Toledo Ordinance Plan, has the main objective of the material execution of 2,000 State-Subsidised Homes with high architectural quality in an avant-garde urban environment, the definition of the buildings and facilities to be incorporated into the collective service areas and public services in a proportion that is higher than minimum urban quality standards, and the material execution of these and the creation of new land for tertiary use, for creating services and employment, designing and executing high quality office buildings.
- The global project considers the execution of 2,000 homes with between one and four bedrooms, a sports complex, diverse collective services facilities and activities on plots of land for tertiary commercial use and for building offices, hotels and the district market.
- The total cost of the urban planning work is 25.24 million euros and the total surface areas involved are the following:

Use	Sq m	%
Developed surface for resid. use	231,051	80.7%
Developed surface for tert. comm. use	37,680	13.2%
Developed surface for tert. office use	17,600	6.1%
TOTAL	286,331	100.0%

- The activity of this unit is based on public initiative, through the Regional Land and Housing Corporation (RLHC), noting that ownership of the land is mostly public but due to the rehabilitation of the zone, private ownership rights exist. It is implemented through a Special Internal Reform Plan based on public initiative, which is currently approved.
- The RGCLM entity, through Empresa Regional de Suelo y Vivienda de Castilla-La Mancha, S.A., will manage it directly, assuming the operating risk. By virtue thereof, during the urban planning phase on the land, finance will be obtained through the banking market, with a return on investment through the sale of the plots.
- To facilitate the execution of the building by private enterprise, it will be assumed that income from the sale of the plots will be collected once the private companies have sold the constructed properties.
- The JESSICA funds will only be used for urban planning of tertiary and commercial activities and for implementing the collective services.
- The hypotheses assumed are the following:
 - Investment and total costs: 25.24 million euros
 - Execution term: 2011-2013, in the following percentages:
 - 17.2% of the investment in 2011
 - 77.3% of the investment in 2012
 - and the remaining 5.5% in 2013

Total funds required	
Project: Execution of services in Barrio Avanzado	
TOTAL	24,500,000

- Detail of revenues:
 - The revenues from the sale of the plots are conditioned by the real sale of the homes, commercial surfaces and offices by private enterprise, thereby facilitating project finance for their construction (deferred payment of constructors without costs up to 10 years, estimate sales term)
 - Of the total sales amount, 5% corresponds to the land and urban planning in the case of homes and garages, and 20% in the case of buildings for tertiary use.
 - No revenues are foreseen from the sale of the plots for collective services, since these are buildings which will house public services.
 - The estimates of property and facilities available for sale are as follows:
 1. 1,183 garage spaces measuring on average 12 sq m

2. 2,000 homes of 97 sq m on average³
 3. 49,830 sq m for tertiary use
- The selling price of each facility is as follows:

1. Given that the socio-economic profile of the future home buyers is not known, from the most conservative standpoint, it is assumed that they are state-subsidised homes subject to a special regime and limited to a Territorial Maximum Price of over C (AMTPS C), with the maximum selling price per sq m of these being 1,370.55 euros (Basic State Module price of 758 increased by 1.5 for housing under the general regime and by an additional 15% for AMTPS C).
2. A maximum selling price is assumed for the garages of 50% of the module price with respect to the maximum of 60% established by the State Housing and Rehabilitation Plan for 2009-2012 (RD 2066/2008)
3. The average selling price for commercial surfaces and offices is estimated at 2,951 sq m, calculated based on applying a margin of 20% to the urban

³ Of the 231,051.06 sq m of developed surface for residential use, assuming that 10% of it corresponds to common areas and that this surface incorporates the garage spaces, each of 12 sqm, it is estimated that the average surface area for each of the 2,000 homes is 97 sqm.

planning costs and the construction of the land for tertiary use and for collective services.

4. The sales programme estimated for all of them is linear at constant prices over 10 years from 2015.

Table 9 Total sales estimates

[Figure: Property - Units - m²/units - Price m² - Total - % for Urban Development - Total Revenues Urban Development - Homes - Garages - Commercial surfaces and offices- Total]

Inmueble	Unidades	m ² /unidad	Precio m ²	Total	% para Urbanización	Total Ingresos Urbanización
Viviendas	2.000	97	1.307,55	253.337.752	5,0%	12.666.888
Garajes	1.183	12	653,78	9.280.990	5,0%	464.049
superficies comerciales y despachos de oficina		49.830	2.950,95	147.045.781	20,0%	29.409.156
			Total	409.664.523	Total	42.540.093

9.2.2 Project feasibility analysis

- Description of the agents participating in the project: Four agents will intervene in this project:
 - Castilla-La Mancha Regional Housing and Land Corporation: It will act through direct management, assuming the risk of the
 - The private enterprise will be entrusted with the urban planning of the surface area

[Figure: Project funds flow - Project: Execution of services in Barrio Avanzado - CLM Regional Land & Housing Corp. - Private enterprise - Obligation - Revenue - Expense - Project management - UDP implementation - Contribute land for building the properties - Sale of plots - Subsequent maintenance of the developed zone and finance - Urban development of the plots - Construction of green areas - Revenues from sale of plots - Revenues for Industrial Profit - Urban development of the zone]

Flujo de fondos del proyecto		
Proyecto: Ejecución de equipamiento en el Barrio Avanzado		
	Empresa Regional de suelo y vivienda de CLM	Empresa privada
Obligaciones	Dirección del proyecto	Urbanización de las parcelas
	Desarrollar el PDU	Construcción de las zonas verdes
	Aportar los terrenos para la construcción de los inmuebles	
Ingresos	Venta de las parcelas	Ingresos por la venta de las parcelas
		Ingresos por el Beneficio Industrial
Gastos	Mantenimiento de posterior de la zona urbanizada y financiación de parte de la inversión	Urbanización de la zona

- Project financial structure:
 - **Housing corporation:** Initial contribution of 1,500,000 euros
 - Private Stakeholders: Stake in the share capital, urban planning and subsequent sale.
 - **Financial institution**

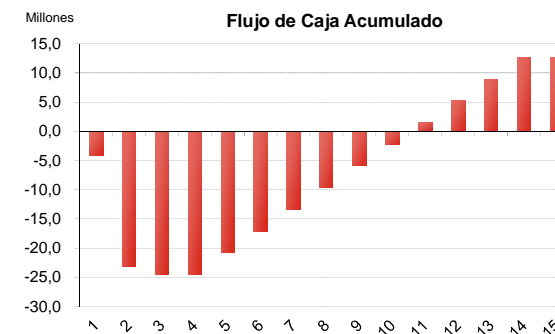
Investors per project		
Project: Execution of services in Barrio Avanzado		
	€	%
Public stakeholder	1,500,000	6.1%
Private stakeholder	3,000,000	12.2%
Financial institution	20,000,000	81.6%
TOTAL	24,500,000	100.0%

- Basic case hypothesis:
 - The project investment period is 3 years and sales are estimated from year 4, on a linear basis over 10 years, at constant prices.
 - The estimated investment is 24.5 million euros, of which only 20% would be eligible (urban planning of tertiary and collective services plots).
 - Finance structure: For this project, a minimum capital structure is defined of 20%-80% (20% own resources vs 80% external resources)
 - Share capital:
 1. Public Stakeholder: 30% of the share capital
 2. Private Stakeholder: 70%. Of whom 100% are builders and facility operators, obtaining an additional profit for capital stakeholders of 1,225 million euros, arising from the construction margin of the investments to be made (5% of the total cost of the work).

- Bank loans at an interest rate of 7%
- Revenues and costs defined above
- Tax rate of 30%.
- The dividends policy is subject to payment of the debt and availability of cash.
- Payment to financiers is made in proportion to each (over the same term).
- At the end of the period analysed, the accumulated cash is distributed among the stakeholders.
- The main risks for private stakeholders and financiers are the deviation in construction costs and the lack of demand in the property sales.
- Basic case results:
 - The project generates a positive return rate, which makes it a potential receiver of Jessica funds. However, the attraction for the entry of private stakeholders is reduced if no additional profits are generated from construction, given the high capital contribution required (need for incorporation of JESSICA funds)

SUMMARY OF INPUTS & INDICATORS	
Investment	24,500,000
Operating flows	42,540,093
Bank debt	19,500,000
Jessica Debt	0
% RRPP	20.4%
% Debt	79.6%
Project IRR after tax	5.79%
Pay Back	11
Projected period	15

[Figure: Cumulative cash flow]



- Basic case results + JESSICA funds:
 - The incorporation of Jessica funds into the project increases the attraction for stakeholders and improves the prospects for financial institutions.
 - The contribution of these funds is contemplated through loans at a subsidised interest rate of 2.5% or through a share in the capital.

- To make it easier to understand, the analysis will be made assuming that the capital structure is constant, reducing the contribution of the private stakeholder in the case of considering the application of funds through Share Capital.

Investors by project		
Project: Execution of services in Barrio Avanzado		
WITH JESSICA THROUGH EXTENDING OF LOANS		
	€	%
Public stakeholder	1,500,000	6.1%
Private stakeholder	3,500,000	14.3%
Financial institution	15,000,000	61.2%
Jessica funds	4,500,000	18.4%
TOTAL	24,500,000	100.0%

Investors by project		
Project: Execution of services in Barrio Avanzado		
WITH JESSICA THROUGH CAPITAL CONTRIBUTIONS		
	€	%
Public stakeholder	0	0.0%
Private stakeholder	500,000	2.0%
Financial institution	19,500,000	79.6%
Jessica funds	4,500,000	18.4%
TOTAL	24,500,000	100.0%

- Changes with respect to the basic case:

- Participation with JESSICA funds estimated at 6 million euros.
- Structures considered:
 1. Participation through bank loans at a subsidised interest rate of 2.5%

- Loan A): Return of the finance is subject to the prior repayment of the bank debt (flows structure equivalent to the participative loan with a fixed interest rate of 2.5%, and repayment of the principal at maturity).
- Loan B): Repaid in proportion to the JESSICA debt and commercial debt.

2. Participation in the Share Capital, maintaining the capital structure constant (eliminating the contribution of the public stakeholder and part of the private stakeholder).
3. 50% of the contribution in a loan and 50% through participation in the Share Capital (eliminating the contribution of the public stakeholder and part of the private stakeholder).

- It is assumed that the capital structure always remains constant.
- The project profitability is irrespective of how it is financed

Table 10 Capital structure in each of the finance alternatives analysed

Funds structure	Jessica				
	Basic case	Loan A)	Loan B)	Capital	Capital+ Loan
Share capital	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Debt	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000
% RRPP	20.41%	20.41%	20.41%	20.41%	20.41%
Public stakehold.	30.00%	30.00%	30.00%	0.00%	0.00%
Private stakehold	70.00%	70.00%	70.00%	10.00%	55.00%
Jessica	0.00%	0.00%	0.00%	90.00%	45.00%
% Debt	79.59%	79.59%	79.59%	79.59%	79.59%
Jessica	0.00%	23.08%	23.08%	23.08%	11.54%
Financial institutions	100.00%	76.92%	76.92%	76.92%	88.46%

Project results

Project IRR after tax	5.79%
Pay Back	11
Projected period	15

Table 11 Project profitability and financiers' profit

		Jessica				
		Basic case	Loan A)	Loan B)	Capital	Capital+ Loan
Project	<i>TIR</i>	5.79%	5.79%	5.79%	5.79%	5.79%
	<i>Pay Back</i>	11	11	11	11	11
	<i>Investment</i>	24,500,000	24,500,000	24,500,000	24,500,000	24,500,000
Stakeholders (only dividends)	<i>TIR</i>	7.15%	8.72%	8.36%	7,22%	8.15%
	<i>Pay Back</i>	4	12	13	13	13
	<i>Funds</i>	3,500,000	3,500,000	3,500,000	500,000	2,750,000
Stakeholders (dividends + developments)	<i>TIR</i>	11.15%	12.86%	12.47%	>200%	14.14%
	<i>Pay Back</i>	12	12	12	1	12
	<i>Funds</i>	3,500,000	3,500,000	3,500,000	500,000	2,750,000
Jessica	<i>TIR</i>	n.a.	2.50%	2.50%	7,22%	5.87%
	<i>Pay Back</i>	n.a.	11	11	13	12
	<i>Funds</i>	0	4,500,000	4,500,000	4,500,000	4,500,000
Financial institutions	<i>TIR</i>	7.00%	7.00%	7.00%	7,00%	7.00%
	<i>Pay Back</i>	12	10	11	12	11
	<i>Funds</i>	19,500,000	15,000,000	15,000,000	19,500,000	17,250,000

- **Basic case:** Although the project is profitable, the likelihood of banks financing it is small, in view of the risk thereof. Only the private stakeholders obtaining additional profits to that of the project (awarding of construction), will be willing to take part in it.
- **Jessica with loans:** The participation of Jessica through a loan reduces the risk for banks and increases profits for stakeholders to reasonable levels. That alternative is the best one.
- **Jessica with Share Capital:** Greater profits are generated for the promoters, but the problems of finance and negative profits for stakeholders are not solved.
- **Jessica with Share Capital and loans:** This intervention would allow mainly the promoters to benefit, with the volume of finance to be obtained from banks still being high and the profits for stakeholders not involved in construction reaching acceptable levels being very low. However, the difficulties in finding banks to enter would not be solved, due to the extremely high amount. This alternative would only be attractive if only considering the contribution of funds by the public stakeholder.

9.3 *Implementation of activities for urban renovation in Benquerencia*

9.3.1 **Project Description**

- Located to the east of the residential estate of Santa María de Benquerencia, this is an urban regeneration activity, given that it once contained run-down buildings which have been demolished.
- An important urban renovation operation will be carried out, to permit the rehabilitation of the area, since it has become degraded for social reasons and requires public intervention to allow the residents to return to the area.
- Execution of services and tertiary elements in rehabilitating homes in Benquerencia
- Creation of green areas and new urban planning of the zone
- In addition, the construction of state-subsidised new homes is included.
- Potential inclusion in a global IUP for Toledo.
- This activity is based on rehabilitating a degraded area by building 474 new homes, 700 sq m of commercial surfaces, 5,100 sq m of green areas and 3,245 sq m of collective service areas.
- The activities of this unit are based on public initiative, through the RLHC and it is noted that the ownership of the land is mostly public, but due to rehabilitation work in the zone, private ownership rights

exist. The activities are carried out through a Special Internal Reform Plan based on public initiative, which is currently approved.

- The JESSICA finance would be targeted at completing the operation through financing the foreseen commercial space and the collective services and green areas.
- The following hypotheses are assumed:
 - Total investment without VAT and financial costs: 40,386 million euros
 - Execution term: 3 years (2011 to 2013)

Total funds required (excluding the value of the land)	
Project: Urban renovation activities in Benquerencia	
TOTAL	40,386,418

- Costs detail:

Table 12 Total estimated costs

[Figure: *Concept - Cost of building homes under development - District services and rehabilitation - Commercial development - Other costs to be financed - TOTAL*]

Concepto	Total
Costes construcción viviendas en promoción	31.622.380
Equipamiento y rehabilitación del Barrio	4.071.038
Promoción comercial	3.973.000
Otros costes a financiar	720.000
TOTAL	40.386.418

Calculating a participation of Jessica funds equivalent to the part not corresponding to direct costs in building the homes, the Jessica finance would amount to about 4.07 million euros, if the cost of the homes handed over free of charge is incorporated (demolished homes) and 3.9 million euros if the price of the premises for commercial and economic development of the zone is considered. Thus, the amount of Jessica funds to be considered would be between 4 and 8 million euros.

- Revenues detail:

Calculating that the homes, garages and lumber rooms are sold at the maximum module price, the revenues would be those shown below

Table 13 Total estimated revenues (100% of maximum module price)

Concept	Total
Revenues from sale of homes (195+90)	30,335,160
Revenues from lumber rooms	1,907,947
Revenues from garages	8,943,642
Local revenues	6,363,640
Free delivery of demolished homes	-876,721
TOTAL	46,673,668

However, it is assumed that the finance of part of the project with Jessica funds would allow for a reduction in the selling price of the home to 95% of the maximum module price, and a reduction of 5% in the selling price of the commercial premises.

Table 14 Total estimated revenues (95% of the maximum price of the module and reduction of 5% in the price of the premises)

Concept	Total
Revenues from sale of homes (195+90)	28,818,402
Revenues from lumber rooms	1,812,550
Revenues from garages	8,496,460
Local revenues	6,045,458
Free delivery of demolished homes	-832,885
TOTAL	44,339,985

9.3.2 **Project feasibility analysis**

- Description of the agents participating in the project: Four agents will intervene in this project:
 - Toledo city council, which will assign 21.26% of the affected surface, together with the RLHC of Castilla-La Mancha which will be entrusted with coordinating and supervising construction and rehabilitating the area. The Consortium, through a commission, will request the execution of the work.
 - The private enterprise will be entrusted with building the properties.

[Figure: *Project funds flow - Project: Urban renovation activities in Benquerencia - Consortium formed by the Council and CLM Regional Land and Housing Corporation - Private enterprise - Obligations - Revenues - Expenses - Project management - Implement the UDP - Contribute the land for building the properties - Rehabilitation of the zone - Subsequent maintenance of the developed zone - Building of the properties - Creation of green areas - Creation of collective service zones - Revenues from the sale of homes, garages and lumber rooms - Revenues from the sale of commercial premises - Project construction - Assume the cost of the new homes demolished*]

Flujo de fondos del proyecto		
Proyecto: Actuaciones de renovación urbana en Benquerencia		
	Consortio Ayuntamiento y Empresa Regional de suelo y vivienda de CLM	Empresa privada
Obligaciones	Dirección del proyecto	Construcción de los inmuebles
	Desarrollar el PDU	Construcción de las zonas verdes
	Aportar los terrenos para la construcción de los inmuebles	Construcción de las zonas dotacionales
Ingresos	Rehabilitación de la zona	Ingresos por la venta de las viviendas, garajes y tarsteros
		Ingresos por la venta de locales comerciales
Gastos	Mantenimiento de posterior de la zona urbanizada	Construcción de los proyectos
		Asumir el coste de las nuevas viviendas demolidas

- Project financial structure:
 - **Toledo City Council and Housing Corporation Consortium:** Assigning of the terrain of the affected plots plus 50,000 euros. For guidance purposes, it is estimated that the total value of all the terrain in the zone is 600,000 euros.
 - **Private Stakeholder:** Stake in the share capital, construction of the investments and subsequent sale.
 - **Financial institution**

[Figure: Investors by project (including the value of the land) - Project: Urban renovation activities in Benqueros - Consortium - Private Stakeholder - Financial institution - TOTAL]

Inversores por proyecto (incluyendo valor de los terrenos)			
Proyecto: Actuaciones de renovación urbana en Benquerencia			
	€		%
Consortio	650.000		1,6%
Socio Privado	10.000.000		24,4%
Entidad Financiera	30.336.418		74,0%
TOTAL	40.986.418		100,0%

- **Basic case hypothesis:**
 - The project investment period is 3 years and maximum sales are estimated in year 4.
 - The estimated investment is 40,986 million euros, of which the eligible percentage has yet to be identified.
 - Finance structure: For this project, a minimum capital structure is defined of 25%-75% (25% own resources vs 75% external resources)

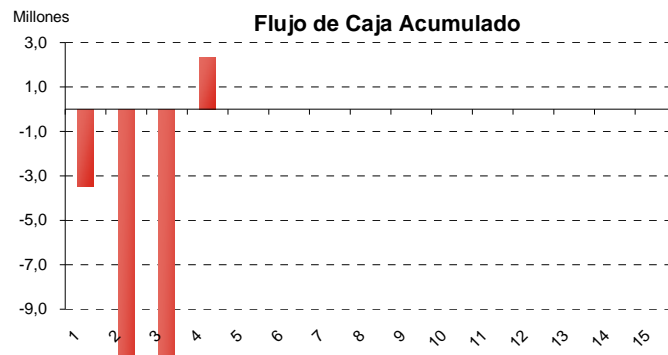
- Share capital:
 1. Consortium: 6% of the share capital
 2. Private Stakeholder: 94%. *Of whom 100% are builders and facility operators, obtaining an additional profit for capital stakeholders of 2,049 million euros, arising from the construction margin of the investments to be made (5% of the total cost of the work).*
- Bank loans at an interest rate of 7%
- Revenues and costs defined above
- Tax rate of 30%.
- The dividends policy is subject to payment of the debt and availability of cash.
- Payment to financiers is made in proportion to each (over the same term).
- At the end of the period analysed, the accumulated cash is distributed among the stakeholders.
- The main risks for private stakeholders and financiers are the deviation in construction costs and the lack of demand in the property sales.

- **Basic case results:**
 - The project generates a positive return rate, which makes it a potential receiver of Jessica funds. However, the attraction for the entry of private stakeholders is reduced if no additional profits are

generated from construction, given the high capital contribution required (need for incorporation of JESSICA funds)

RESUMEN DE INPUTS E INDICADORES	
Investment	40,986,418
Operating flows	44,339,985
Bank debt	30,336,418
Jessica debt	0
% RRPP	26.0%
% Debt	74.0%
Project IRR after taxes	4.05%
Pay Back	4
Projected period	4

[Figure: Cumulative cash flow]



• **Basic case results + JESSICA funds:**

- The incorporation of Jessica funds into the project increases the attraction for stakeholders and improves the prospects for financial institutions.

- The contribution of these funds is contemplated through loans at a subsidised interest rate of 2.5% or through a share in the capital.
- To make it easier to understand, the analysis will be made assuming that the capital structure is constant, reducing the contribution of the private stakeholder in the case of considering the application of funds through Share Capital.

[Figure: Investors by project (including the value of the land) - Project: Urban renovation activities in Benquerencia - WITH JESSICA THROUGH THE EXTENDING OF LOANS - City council - Private Stakeholder - Financial institution - Funds Jessica - TOTAL]

Inversores por proyecto (incluyendo valor de los terrenos)		
Proyecto: Actuaciones de renovación urbana en Benquerencia		
CON JESSICA MEDIANTE CONCESIÓN DE PRÉSTAMOS		
	€	%
Ayuntamiento	650.000	1,6%
Socio Privado	10.000.000	24,4%
Entidad Financiera	24.336.418	59,4%
Fondos Jessica	6.000.000	14,6%
TOTAL	40.986.418	100,0%

[Figure: Investors by project (including the value of the land) - Project: Urban renovation activities in Benquerencia - WITH JESSICA THROUGH CAPITAL CONTRIBUTIONS - City council - Private Stakeholder - Financial institution - Funds Jessica]

Inversores por proyecto (incluyendo valor de los terrenos)		
Proyecto: Actuaciones de renovación urbana en Benquerencia		
CON JESSICA MEDIANTE APORTACIONES DE CAPITAL		
	€	%
Ayuntamiento	650.000	1,6%
Socio Privado	4.000.000	9,8%
Entidad Financiera	30.336.418	74,0%
Fondos Jessica	6.000.000	14,6%
TOTAL	40.986.418	100,0%

- The project profitability is irrespective of how it is financed

- **Changes with respect to the basic case:**

- Participation with JESSICA funds estimated at 6 million euros.
- Structures considered:
 1. Participation through bank loans at a subsidised interest rate of 2.5%
 - Loan A): Return of the finance is subject to the prior repayment of the bank debt (flows structure equivalent to the participative loan with a fixed interest rate of 2.5%, and repayment of the principal at maturity).
 - Loan B): Repaid in proportion to the JESSICA debt and commercial debt.
 2. Participation in the share capital, with the capital structure remaining constant.
 - 50% of the contribution through a loan and 50% through participation in the share capital.
- It is assumed that the capital structure always remains constant.

Table 15 Capital structure in each of the finance alternatives analysed

Funds structure	Jessica				
	Basic case	Loan A)	Loan B)	Capital	Capital+ Loan
Share capital	10,650,000	10,650,000	10,650,000	10,650,000	10,650,000
Debt	30,336,418	30,336,418	30,336,418	30,336,418	30,336,418
% RRPP	25.98%	25.98%	25.98%	25.98%	25.98%
<i>Public stakehold.</i>	6.10%	6.10%	6.10%	6.10%	6.10%
<i>Privete stakehold.</i>	93.90%	93.90%	93.90%	37.56%	65.73%
<i>Jessica</i>	0.00%	0.00%	0.00%	56.34%	28.17%
% Debt	74.02%	74.02%	74.02%	74.02%	74.02%
<i>Jessica</i>	0.00%	19.78%	19.78%	0.00%	9.89%
<i>Financial institutions</i>	100.00%	80.22%	80.22%	100.00%	90.11%
Project results					
Project IRR after tax	4.05%				
Pay Back	4				
Projected period	4				

Table 16 Project profitability and profits for financiers

[Figure: Investment - Funds - Funds - Funds - Funds - Project - Stakeholders (only dividends) - Stakeholders (dividends + developments) - Jessica - Bank - Basic case - Loan A) - Loan B) - Capital - Capital + Loan]

		Jessica				
		Caso Base	Préstamo A)	Préstamo B)	Capital	Capital+ Préstamo
Proyecto	<i>TIR</i>	4,05%	4,05%	4,05%	4,05%	4,05%
	<i>Pay Back</i>	4	4	4	4	4
	<i>Inversión</i>	40.986.418	40.986.418	40.986.418	40.986.418	40.986.418
Socios (sólo dividendos)	<i>TIR</i>	-0,52%	2,14%	2,14%	0,13%	1,09%
	<i>Pay Back</i>	n.a.	4	4	4	4
	<i>Fondos</i>	10.000.000	10.000.000	10.000.000	4.000.000	7.000.000
Socios (dividendos + promoción)	<i>TIR</i>	28,30%	33,14%	33,14%	94,80%	46,77%
	<i>Pay Back</i>	3	3	3	3	3
	<i>Fondos</i>	10.000.000	10.000.000	10.000.000	4.000.000	7.000.000
Jessica	<i>TIR</i>	n.a.	2,50%	2,50%	0,13%	1,09%
	<i>Pay Back</i>	n.a.	4	4	4	4
	<i>Fondos</i>	0	6.000.000	6.000.000	6.000.000	6.000.000
EEFF	<i>TIR</i>	7,00%	7,00%	7,00%	7,00%	7,00%
	<i>Pay Back</i>	4	4	4	4	4
	<i>Fondos</i>	30.336.418	24.336.418	24.336.418	30.336.418	27.336.418

- **Basic case:** Although the project is profitable, the likelihood of banks financing it is small, in view of the risk thereof. Only the private stakeholders obtaining additional profits to that of the project (awarding of construction), will be willing to take part in it.
- **Jessica with loans:** The participation of Jessica through a loan reduces the risk for banks and increases profits for stakeholders. That alternative is the best one.
- **Jessica with Share Capital:** Greater profits are generated for the promoters, but the problems of finance and negative profits for stakeholders are not solved.
- **Jessica with Share Capital and loans:** This intervention would allow mainly the promoters to benefit, with the volume of finance to be obtained from banks still being high and the profits for stakeholders not involved in constructing and operating the infrastructures being practically zero. Difficulties in finding new potential stakeholders who are not promoters.

9.4 Integral rehabilitation of the Historic Centre of Toledo

9.4.1 Project Description

- The basic objective of achieving the integral rehabilitation of the buildings and homes in the Historic Centre of Toledo Integral Rehabilitation Area proposes the rehabilitation of at least 400 buildings within the framework of the V Regional Housing and Rehabilitation Plan of Castilla-La Mancha for 2009-2012, of a total of 4,800 homes eligible for being rehabilitated as part of the Historic Centre of Toledo Integral Rehabilitation Area, during an initial phase.
- The historic centre of Toledo contains an integral rehabilitation area in which any commercial premises can be rehabilitated as part of the regeneration plan which was started years ago. The average number of commercial premises renovated each year is between 10 and 20, with diverse costs.
- The Consortium of the city of Toledo is responsible for the execution. This entity reports to the Toledo city council, but the premises are privately-owned.
- A specific municipal regulation exists in this respect.
- Likewise, the rehabilitation of homes, premises and buildings in general is envisaged, with the following distribution:
 - Homes rehabilitation sub-programme: 10.0 million euros
 - **Buildings rehabilitation sub-programme: 3.98 million euros (including some urban planning)**
 - Urban planning sub-programme: 3.7 million euros

- As regards the JESSICA funds the finance of part of the building-rehabilitation activities is assumed.
- Coverage of the estimated needs is as follows:
 - Subsidies from M. Development and the RGCLM: 659,129 euros
 - Contribution from the Council/Consortium: 1,000,000 euros
 - Private Stakeholders 500,000 euros
 - Private Finance: 1,821,600 euros
- The project execution term is 3 years (2011-2013) and return on investment would be through payments during a maximum term of 15 years. Payment of these will be made with the energy savings for the owners of the premises generated on rehabilitating the buildings (energy savings)

- Council/Consortium: Capital contribution. It will act through direct management, assuming the risk
- Ministry of Development and the Regional Government of Castilla-La Mancha, through putting up subsidies
- Private promoters

Total funds required	
Project: Rehabilitation of part of the Historic Centre of Toledo	
TOTAL	3,980,729

Project funds flow			
Project: Rehabilitation of part of the Historic Centre of Toledo			
	Council/Consortium	Ministry of Development and Regional Gvt. Of Castilla-La Mancha	Private promoters
Obligations	Project Management	Contribution of subsidy	Urban planning
Revenues	Development of the UDP		Rehabilitation
Expenses	Regeneration of the zone		Cost savings
	Subsequent maintenance of developed zone and finance of part of the investment		Investment cost

9.4.2 **Project feasibility analysis**

- Description of the agents participating in the project: Four agents will intervene in this project:

• Project financial structure :

Project investors		
Project: Rehabilitation of part of the Historic Centre of Toledo		
	€	%
Public stakeholder (as subsidy)	500,000	12.6%
Private promoters	1,000,000	25.1%
Subsidies	659,129	16.6%
Financial Institution	1,821,600	45.8%
TOTAL	3,980,729	100.0%

• **Basic case hypothesis:**

- The project investment term is 3 years (50% year 1 and the remainder proportionally over the next 2 years). Revenues from sales are expected to be earned from year 4 linearly, over 15 years.
- Share capital:
 - Public Stakeholder: 33.3% of the share capital (no return, as a subsidy)
 - Private Stakeholder: 66.3%. Of whom 100% are owners of the buildings to be rehabilitated and

residents of the zone to be redeveloped, obtaining additional profits of 0.437 million euros from greater savings in energy costs with respect to execution by another company, over the next 15 years (1% of the total cost of the work).

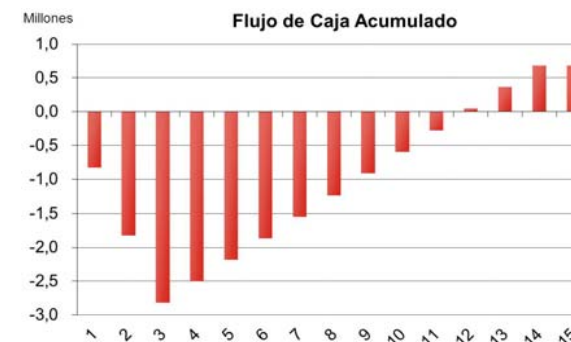
- Bank loans at an interest rate of 7%
- A monthly payment of 66.35 euros is estimated for each home benefiting from the rehabilitation and redevelopment activities (400 homes)
- Tax rate of 30%.
- The dividends policy is subject to payment of the debt and availability of cash.
- Payment to financiers is made in proportion to each (over the same term).
- At the end of the period analysed, the accumulated cash is distributed among the stakeholders.
- The main risks for private stakeholders and financiers are a deviation in construction costs and the estimated revenues.

- **Basic case results:**

- The project generates a positive return rate, which makes it a potential receiver of Jessica funds. However, the attraction for the entry of private stakeholders is reduced if no additional profits are generated from construction, given the high capital contribution required (need for incorporation of JESSICA funds)

SUMMARY OF INPUTS AND INDICATORS	
<i>Investment</i>	3,980,729
<i>Subsidies</i>	1,159,129
<i>Investment-Subsidy</i>	2,821,600
<i>Operating flows</i>	3,503,042
<i>Bank debt</i>	1,821,600
<i>Jessica debt</i>	0
<i>% RRPP</i>	54,2%
<i>% Debt</i>	45,8%
<i>Project IRR after taxes</i>	3,24%
<i>Pay Back</i>	12
<i>Projected period</i>	15

[Figure: Cumulative cash flow]



- **Basic case results + JESSICA funds:**

- The incorporation of Jessica funds into the project increases the attraction for stakeholders and improves the prospects for financial institutions.
- The contribution of these funds is contemplated through loans at a subsidised interest rate of 2.5% or through a share in the capital.
- To make it easier to understand, the analysis will be made assuming that the capital structure is constant, reducing the contribution of the private stakeholder in the case of considering the application of funds through Share Capital.

[Figure: Investors by project - Project: Rehabilitation of part of the Historic Centre of Toledo - WITH JESSICA THROUGH THE EXTENDING OF LOANS - Public Stakeholder - Private promoters - Subsidies - Financial institution - Jessica Funds - TOTAL]

Inversores por proyecto		
Proyecto: Rehabilitación parte del Casco Histórico de Toledo		
CON JESSICA MEDIANTE CONCESIÓN DE PRÉSTAMOS		
	€	%
Socio Público	500.000	12,6%
Promotores Privados	1.000.000	25,1%
Subvenciones	659.129	16,6%
Entidad Financiera	821.600	20,6%
Fondos Jessica	1.000.000	25,1%
TOTAL	3.980.729	100,0%

- **Changes with respect to the basic case:**

- Participation with JESSICA funds estimated at 1 million euros.
- Structures considered:
 1. Participation through bank loans at a subsidised interest rate of 2.5%
 - Loan A): Return of the finance is subject to the prior repayment of the bank debt (flows structure equivalent to the participative loan with a fixed interest rate of 2.5%, and repayment of the principal at maturity).
 - Loan B): Repaid in proportion to the JESSICA debt and commercial debt.
 2. Participation in the Share Capital, maintaining the capital structure constant (eliminating the contribution of the private stakeholder).
 3. 50% of the contribution in a loan and 50% through participation in the Share Capital (eliminating the contribution of the public stakeholder and part of the private stakeholder).

- It is assumed that the capital structure always remains constant.
- The project profitability is irrespective of how it is financed

Table 17 Capital structure in each of the finance alternatives analysed

Funds structure	Jessica				
	Basic case	Loan A)	Loan B)	Capital	Capital+ Loan
Share capital	2,159,129	2,159,129	2,159,129	2,159,129	2,159,129
Debt	1,821,600	1,821,600	1,821,600	1,821,600	1,821,600
% RRPP	54.24%	54.24%	54.24%	54.24%	54.24%
Public stakehold/ Subsidiess	53.69%	53.69%	53.69%	53.69%	53.69%
Privete stakehold.	46.31%	46.31%	46.31%	0.00%	23.16%
Jessica	0.00%	0.00%	0.00%	46.31%	23.16%
% Debt	45.76%	45.76%	45.76%	45.76%	45.76%
Jessica	0.00%	54.90%	54.90%	0.00%	27.45%
Financial institutions	100.00%	45.10%	45.10%	100.00%	72.55%

Project results

Project IRR after tax	3.24%
Pay Back	12
Projected period	15

Table 18 Project profitability and profits for financiers

[Figure: Investment - Funds - Funds - Funds - Funds - Project - Stakeholders (only dividends) - Stakeholders (dividends + developments) - Jessica - Bank - Basic case - Loan A) - Loan B) - Capital - Capital + Loan]

		Jessica				
		Caso Base	Préstamo A)	Préstamo B)	Capital	Capital+ Préstamo
Proyecto	<i>TIR</i>	3,24%	3,24%	3,24%	3,24%	3,24%
	<i>Pay Back</i>	12	12	12	12	12
	<i>Inversión</i>	3.980.729	3.980.729	3.980.729	3.980.729	3.980.729
Socios (sólo dividendos)	<i>TIR</i>	-0,75%	2,98%	2,39%	-0,75%	1,64%
	<i>Pay Back</i>	n.a.	13	14	n.a.	14
	<i>Fondos</i>	1.000.000	1.000.000	1.000.000	0	500.000
Socios (dividendos + promoción)	<i>TIR</i>	6,77%	9,36%	8,91%	>200%	13,76%
	<i>Pay Back</i>	13	11	12	5	10
	<i>Fondos</i>	1.000.000	1.000.000	1.000.000	0	500.000
Jessica	<i>TIR</i>	n.a.	2,50%	2,50%	-0,75%	2,17%
	<i>Pay Back</i>	n.a.	10	10	n.a.	12
	<i>Fondos</i>	0	1.000.000	1.000.000	1.000.000	1.000.000
EEFF	<i>TIR</i>	7,00%	7,00%	7,00%	7,00%	7,00%
	<i>Pay Back</i>	12	7	10	12	9
	<i>Fondos</i>	1.821.600	821.600	821.600	1.821.600	1.321.600

- **Basic case:** Although the project is profitable, the likelihood of banks financing it is small, in view of the risk thereof. Only the private stakeholders obtaining additional profits to that of the project (optimising of cost savings in the future), will be willing to take part in it.
- **Jessica with loans:** The participation of Jessica through a loan reduces the risk for banks and increases profits for stakeholders at reasonable levels. That alternative is the best one.
- **Jessica with Share Capital:** Greater profits are generated for the promoters, but the problems of finance and negative profits for stakeholders are not solved.
- **Jessica with Share Capital and loans:** This intervention would allow mainly the promoters to benefit, with the volume of finance to be obtained from banks still being high and the profits for stakeholders not involved in construction reaching acceptable levels. However, the difficulties in finding banks to enter would not be solved, due to the extremely high amount. This alternative would only be attractive if only considering the contribution of funds by the public stakeholder.

10 ANNEXE A) REPORT FOR THE OP MONITORING COMMITTEE (24 JUNE 2010)

10.1 Background

During the session of the Monitoring Committee held on 4 June 2009, a change to the text of the ERDF Operative Programme was requested and approved, in the sense of incorporating the JESSICA initiative into the OP activities. That change included an initial approximate endowment of 35,000.000 Euros, in terms of community aid, leaving the OP Monitoring Committee to decide about putting this initiative into practice.

Likewise, the projects initially covered are those of urban regeneration, which pursued the following objectives⁴:

“ ...

- *Articulation of instruments to allow the demand for state subsidised housing to be covered, through the regeneration of specific urban land, including extension and conditioning activities with special characteristics.*
- *Increase in business activity in degraded urban areas to permit the creation of employment and palliate the effects of the economic crisis.*

⁴ Literal text of the minutes modifying the 2009 Committee Text.

- *Regeneration of degraded urban areas, thereby contributing to rebuilding those areas and the reinsertion of the persons living there.*
- *Integration and implantation of sustainable transport methods to guarantee mobility and the interoperability of public transport in the urban areas in which the actions are taken.*

...”

To include the JESSICA initiative in Line 5 “Local and Urban Development”, it was seen that the approved financial plan of this Line had insufficient funds to allow these objectives to be achieved. As a result, a reallocation of ERDF aid was requested, based on the terms of art. 33.1 d) of EC Regulation 1083/2006.

This reallocation was requested to be transferred from Line 4 “Transport and Energy” to Line 5 “Local and Urban Development”, as set forth in the chart below:

Expense category	Reduction
4.16 Railway services	€6,124,686
4.23 Regional and local roads	€13,158,196
4.26 Intermodal transport	€1,938,165
4.28 Intelligent Transport Systems	€11,977,714
TOTAL	€33,198,761

Furthermore, 1,801,239 euros of ERDF aid would be added, corresponding to part of the financial allocation in Line 5 for the Region of Castilla-La Mancha.

The request for the reallocation was submitted to the EC on 17 September 2009, and it sent its comments in a letter dated 10 November 2009, in which it requested:

1. An explanation of the apparent reduction in the investment volume of the OP, arising from the change.
2. Additional information supplied with respect to the JESSICA financial instrument.

10.2 Reduction in the OP investment volume

The transfer of 33,198,761 euros from Line 4 “Transport and Energy” to Line 5 “Local and Urban Development” is made using different joint financing ratios. In fact, the joint finance rate established in the OP for Line 4 is 65% whereas in Line 5 it is 70%. The reallocation of funds dedicated to the JESSICA initiative represents a decrease in the total investment volume of 3,648,215.49 euros with respect to the amount set in the Initial Approval Decision of the Operative Programme, corresponding to 5% of the difference in the joint finance rate between both Lines.

This reduction in the total public cost of the Operative Programme does not entail a substantial change of the total, which amounts to 2,074 million euros, and in addition, does not mean a significant reduction in the amount of the national joint finance within the National Strategic Framework of Reference for Spain for the period 2007-2013

10.3 Information with respect to the JESSICA initiative for Castilla – La Mancha

The observations requested by the EC about the JESSICA initiative emphasize the need to draft a business plan, as referred to in art. 43.2 of EC Regulation 1083/2006. There is no doubt that the information provided to the Monitoring Committee cannot cover a whole business plan, as required by that article, since it would be necessary to have the full JESSICA Programme structure for Castilla-La Mancha, knowledge about the Urban Development Funds to be set up, the private stakeholders participating in those funds, the financial plans of the eligible projects, etc.

In all cases, the specific lines of the JESSICA initiative for Castilla-La Mancha upon which the Fund Management Authority and EIB have agreed to work must be defined at this time.

The region of Castilla-La Mancha was able to access the Urban Initiative with three cities (Albacete, Cuenca and Talavera de la Reina), as resolved in 2008 by the General Directorate of Community Funds of the Ministry of the Economy and Inland Revenue, with an ERDF line of finance from state funds (15,801,239 euros) and a regional fund line (5,198,761 euros).

As indicated in the document in which the change in the ERDF programme and reallocation of funds to Line 5 is proposed, *“the financial needs of this Line are high, and have not been covered by the Urban Initiative, and the allocation of the Ministry of Territorial Policy, for which reason it has been decided to increase the finance through an endowment from a JESSICA fund”*.

With the JESSICA initiative, the Management Authority aims to achieve the general objectives arising from this finance method, while achieving specific objectives for the region. The first of these include the following:

- Having a financial tool to allow for the return of the public funds used for the projects. The existence of a “revolving” line of ERDF funds assigned to JESSICA will facilitate the subsequent availability of finance for other urban regeneration projects.
- Facilitate operations based on public-private collaboration, both at UDF level and with respect to eligible projects.
- Act in urban sustainability projects with a clear impact on urban regeneration aspects, spatial and social reorganisation and the generation of activity and employment.
- Provide the fund managers with a new way of managing the ERDF programme, mainly in view of the certainty that the future OP will include a substantial part of funds for application through initiatives similar to JESSICA.

With respect to the specific objectives for Castilla-La Mancha, we should mention the proposals and approval of the Monitoring Committee in 2009, which have been explained previously.

10.3.1 Target projects

First of all, and as a starting point for the Appraisal Study being prepared by the European Investment Bank (EIB) for applying the JESSICA initiative in Castilla-La Mancha, the types of project that could be eligible for it are the following, among others:

- Regeneration of land for economic activities or new developments, including the relocation of existing facilities in urban settings.
- Development of urban transport and mobility activities linked to redevelopment projects (car parks), sustainable mobility or the implementing of new lines or improvement of urban transport liens.
- Urban regeneration, including improvements in infrastructures and the development of public spaces, or the construction of buildings that can be used for services and facilities and the integral rehabilitation of common areas in residential buildings.
- Educational, sports and cultural services included in integrated urban plans.
- Homes for the elderly, schools, student residences and other urban services forming part of integrated urban plans.
- Commercial, tertiary, health and hotel services included in integrated urban plans.

The importance that the eligibility conditions attach to the existence of a sustainable integrated urban development plan means that the project types mentioned above must be integrated into a common urban sustainability concept, which can be applied to the different cities of Castilla-La Mancha.

10.3.2 Operating budget

As indicated, the budget from ERDF funds for the JESSICA initiative would be 33,198,761 euros from Line 4, to which 1,801,239 euros from Line 5 would be added, making a total of 35,000,000 in ERDF aid, which, based on a joint finance rate of 70%, represents a total budget of 50,000,000 euros proposed in the Protocol of Intent signed by the regional government of Castilla-La Mancha and the EIB on 20 April 2009.

10.3.3 Structure

According to the Protocol of Intent signed by the regional government of Castilla-La Mancha and the EIB, the JESSICA initiative will be based on a “Holding Fund” manager by the EIB, which in turn, would allow one or several UDF to be implemented, affecting consolidated urban zones which are important in the region, usually through allocating a stake therein to private stakeholders.

10.3.4 Objectives of the work in progress

Based on the Protocol signed by the RGCLM and the EIB, which was signed in May 2010, an Appraisal Study is being drafted to allow a clear list of types of eligible projects to be drawn up and establish a strategy for creating one or several UDF. The objectives pursued by this study are the following:

1. To analyse the ERDF OP for the Region and identify components which are relevant in the urban policies to be supported by JESSICA.
2. To analyse the urban and employment planning policies, checking that they comply with the requirements for being financed by JESSICA.
3. To establish the advantages of using financial tools such as JESSICA within the urban scope of Castilla-La Mancha.
4. To identify potential Urban Development Funds in the region.
5. To analyse the conditioning factors and legal possibilities of implanting a UDF.

6. To identify the urban agents which could participate in the initiative, and current investments channels.
 7. To provide advice to regional authorities about the implanting of the JESSICA initiative.
 8. To propose UDF for the region, based on the analyses made.
 9. To identify pilot projects in each UDF.
 10. To propose an Action Plan for implementing JESSICA.
- December 2010: Launch of the calling for expressions of interest for the UDF.
- April 2011: decision for awarding the UDF.

10.4 Chronogram

The Appraisal Study has a term of 20 weeks, for the date foreseen for completing it and submitting the Final Report being 19 October 2010. From that date, an approximate chronogram for implementing the JESSICA initiative in Castilla-La Mancha during the period 2010-2011 would be as follows:

The schedule is approximate and must be ratified or modified by the Management Authority. The government has been asked to review it.

- September 2010: Finance Agreement between the Management Authority and the EIB for constituting a Holding Fund for implementing JESSICA. This agreement is separate from the Appraisal Study and can be brought forward for the purpose of being signed before the completion of the study.
- 19 October 2010. Completion of the Appraisal Study
- November 2010: Presentation of the JESSICA initiative JESSICA.
- November 2010. Crediting of funds to the “Holding” Fund. This operation would be carried out once approval was received from the EC to reallocate the funds from Line 4 to Line 5.

11 ANNEXE B) DETAILED DESCRIPTION OF SOME IUDP PROJECTS IN TOLEDO

11.1 Barrio Avanzado

The Project of Special Interest “Barrio Avanzado of Toledo”, located on UA-18 of the Municipal Ordinance Plan of Toledo, has as its principal objective the material execution of 2,000 State-Subsidised Homes with a high architectural quality in an avant-garde urban site, the definition of the buildings and services to be installed in the collective services areas and public services in a higher proportion to the minimum urban quality standards, and the material execution of these and the creation of new land for tertiary use to be used for creating services and employment, designing and executing high quality offices blocks.

The development of this PSI is based on the directives of the Master Plan drafted by Atelier Jean Nouvel (Pritzker 2008 Prizewinner) & Habiter Autrement. These directives are summarised generically as a rationale for the development and final technical characteristics of the PSI.

The main global use will be State-Subsidised Housing (P). At the time of obtaining the provisional qualification, and given the socio-economic profile of the future tenants, the General Directorate of Housing of the RGCLM will need the percentage of the different types of protection for each of the residential plots planned, from among the following:

- VPORE State-subsidised housing subject to the special regime.
- VPOPG. State-subsidised housing subject at general prices.

Profitable tertiary use is foreseen which is compatible with the residential majority and the respective collective service uses.

The unit land surfaces are as follows:

- Land surface for collective services 57,734.80 sq m.

- Road surface 136,092.71 sq m.
- Green area surface 74,540.35 sq m.
- Green area general system surface 24,207.41 m2.
- Infrastructures surface 1,180.00 sq m.
- Activity surface 391,783.34 sq m.
- Car parks with 1,458 spaces in public zones

The developed surfaces for the different uses are as follows:

- Developed surface area for residential use 231,051.06 m2.
- Developed surface area for commercial tertiary use 37,680.00 m2.
- Developed tertiary surface area for offices 17,600.00 m2.

The number of homes is 2,000, divided into the following types:

- Studios 101 units (5%)
- 1 bedroom, 226 units (11%)
- 2 bedroom, 518 units (26%)
- 3 bedroom, 962 units (48%)
- 4 bedroom, 90 units (5%)
- Large families, 41 units (2%)
- Disabled 62 units (3%)

The budget for the urban planning work (which is currently at the tender phase) amounts to 22,502,456 euros.

The budget for the building work on all the residential and tertiary plots is estimated at a total of 368,040,000 euros.

The collective services plots, which are comprised of buildings for public services, are not included in the economic estimate.

The projections foreseen for those investments (residential and tertiary) cover the following period, based on the profitable plots shown in the following table:

[Figure: *CONCEPT (in millions of €) - TOTAL INVESTMENT - Execution of Urban Development Work (including fees) - Interest on loans - TOTAL URBAN DEVELOPMENT COSTS - Execution of Construction Work (including fees) - Plot R1.a - Plot D1.b - Plot T1.c - Plot D2 - Plot D3 - Plot R4 - Plot R5 - Plot R6 - Plot R7 - Plot R8.a - Plot T8.b - Plot 9.a - Plot 9.b - Plot 10.a - Plot 10.b - Plot 11 - Plot 12.a - Plot 12.b*]

CONCEPTO (en millones de euros)	2010	2011	2012	2013	TOTAL INVERSIÓN
Obra Ejecución Urbanización (incluidos honorarios)	4,47	19,22	1,55	0,00	25,24
Intereses de préstamo (6,5%)	0,61	1,83	0,30	0,00	2,74
TOTAL COSTE URBANIZACIÓN	3,87	17,39	1,24	0,00	22,50
Obra Ejecución Edificación (incluidos honorarios)	0,00	189,50	165,24	13,30	368,04
Parcela R1.a	0,00	15,71	12,29	0,00	28,00
Parcela D1.b	0,00	0,00	5,16	4,05	9,21
Parcela T1.c	0,00	17,30	13,50	0,00	30,80
Parcela D2	0,00	9,67	7,60	0,00	17,27
Parcela D3	0,00	9,52	7,48	0,00	17,00
Parcela R4	0,00	23,38	18,29	0,00	41,67
Parcela R5	0,00	20,52	16,05	0,00	36,57
Parcela R6	0,00	10,69	8,37	0,00	19,06
Parcela R7	0,00	17,33	13,55	0,00	30,88
Parcela R8.a	0,00	22,83	17,86	0,00	40,69
Parcela T8.b	0,00	4,12	3,24	0,00	7,36
Parcela 9.a	0,00	16,71	13,08	0,00	29,79
Parcela 9.b	0,00	2,80	2,20	0,00	5,00
Parcela 10.a	0,00	15,70	12,28	0,00	27,98
Parcela 10.b	0,00	0,00	1,31	1,04	2,35
Parcela 11	0,00	0,00	9,67	7,60	17,27
Parcela 12.a	0,00	3,22	2,54	0,00	5,76
Parcela 12.b	0,00	0,00	0,77	0,61	1,38

With respect to the finance structure, the RGCLM, through Empresa Regional de Suelo y Vivienda de Castilla-La Mancha, S.A. will act through direct management, assuming the risk of the operation. By virtue thereof, during the urban planning phase on the terrain, finance will be sought in the banking market, with the investment being recovered through the sale of certain plots that result, taking 20% of the Sector Appropriation Value as the maximum selling price, calculated based on article 28, section 7 of Decree 3/2004 of 20 January 2004, on the Legal Regime of state-subsidised housing.

Later, during the building execution phase, the plots selected for direct development by the Corporation will be financed partly with what is obtained by selling the other plots in the PSI of Barrio Avanzado, and the rest with external or bank finance.

The revenues will originate firstly from the sale of the land of the plots included in the foregoing 20%. Secondly, the companies awarded these plots will build the homes and collective service facilities, and then sell them in accordance with the state-subsidised housing legislation.

Based on the chronogram attached to the Economic and Financial Study, the construction work will commence in March 2011, simultaneously with the urban planning work in cases in which this is compatible.

Considering the estimated construction terms, it is calculated that in 2011, 55.6% of the homes will be executed, whereas the remaining 44.4% will be executed by 2012.

The forecast for each plot is as follows:

Plot R1.a

This plot will be used as residential land for building state-subsidised homes. For this reason, in accordance with the technical and economic specifications, 197 homes will be built as well as tertiary facilities for generic use. In addition, apart from the respective garage spaces and lumber rooms associated with the homes, 72 extra garage spaces are planned (6 of them at least associated with the tertiary facilities).

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2011	2012
15,71	12,29

Plot D1.b

This plot will be used for collective services, in the form of an institutional administrative centre. To that end, a total of 8,000 sq m have been reserved, associated with 40 parking spaces. It is foreseen that the works will last for two years (2012 and 2013). The following annual investment amounts are specified, based on these data:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2012	2013
5,16	4,05

Plot T1.c

This plot will have a tertiary office use, of a generic nature and for direct use as offices. In the first case a total surface area of 18,900 sq m has been estimated, whereas 10,100 sq m have been reserved for offices. 145 parking spaces have been associated with the total surface. The construction term is 18 months, coinciding with the execution of the homes, starting in 2011 and ending in 2012. The following annual amounts are specified, based on these data:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2012	2013
17,30	13,50

Plot D2

Plot D2 has a surface area of 21,837.91 sq m and will be used for collective services. To that end, it is estimated that 15,000 sq m will be used for building a sports complex. Likewise, considering this use and the respective legislation, a minimum of 150 parking spaces have been foreseen associated with it, which have been taken into account for determining the investment. As in the above section, the projected expense has been made for a term of 18 months, considering that work will start in 2011 and end in 2012. The annual investment figures are shown below:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2011	2012
9,67	7,60

Plot D3

Similarly to the above case, Plot D3 is foreseen for a collective services use, for the construction of an Educational Centre, with a surface of 14,760 sq m and 148 associated parking spaces. The investment term is also 18 months, starting in 2012 and ending in 2013, and giving rise to the following annual amounts:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2012	2013
9,52	7,48

Plot R4

This plot will be used for residential purposes, for building state-subsidised homes. For this reason, in accordance with the technical and economic specifications, 325 homes will be built as well as tertiary facilities for generic use.

In addition, apart from the garage spaces and lumber rooms associated with the homes, 63 extra garage spaces are planned (10 of them at least associated with the tertiary facilities). The investments foreseen for each year of the construction phase are shown below:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2011	2012
23,38	18,29

Plot R5

Similarly to the above case, plot R5 will be used for residential purposes, for building state-subsidised housing. With this objective, and based on the technical specifications and current legislation, the construction of 295 homes is estimated, including garages and lumber rooms, with the construction of 45 additional garage spaces planned (8 of them for Tertiary use) and 1,850 sq m reserved for building generic tertiary facilities. The term for executing the work is 18 months, starting in 2011 and ending in 2012, and giving rise to the following annual investment amounts:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2011	2012
20,52	16,05

Plot R6

In accordance with the foreseen residential use, Plot R6 will be used for building 143 state-subsidised homes (with associated garages and lumber rooms). In addition, Tertiary facilities will be built on the same plot, for offices, occupying a surface area of 1,120 sq m and at least 6 parking spaces associated with these. Lastly, it is estimated that 22 additional free garage spaces can be included. The

term for executing the work is 18 months, starting in 2011 and ending in 2012, and giving rise to the following annual investment amounts:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2011	2012
10,69	8,37

Plot R7

Similar to the previous case, Plot R7 will be used for residential purposes for building 260 state-subsidised homes (with the respective garages and lumber rooms). Likewise, the construction of generic Tertiary facilities is planned, on a surface of 1,530 sq m, with at least 25 parking spaces. In addition, it is estimated that 16 free parking spaces will be built, not associated with the homes. The estimated annual investment amounts are shown below, considering that the construction of the homes is foreseen to take place within 8 months, starting in 2011 and ending in 2012.

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2011	2012
17,33	13,55

Plot R8.a

This plot will be used for residential purposes, for building state-subsidised homes. Pursuant to the current legislation, the construction of 320 homes is foreseen as well as generic tertiary facilities. In addition, apart from the garage spaces and lumber rooms associated with the homes, 59 extra garage spaces are planned (9 of them at least associated with the tertiary facilities). The foreseen investments for each year of the construction term are shown below (18 months, starting in 2011 and ending in 2012):

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2011	2012
22,83	17,86

Plot T8.b

The plot will be used for tertiary purposes, directly as offices, with a total surface area of 6,380 sq m and at least 32 associated parking spaces. The construction term is 18 months, coinciding with the execution of the homes, starting in 2011 and ending in 2012. This gives rise to the following investment figures:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2011	2012
4,12	3,24

Plot R9.a

This plot is intended for residential use, for building state-subsidised homes. With this objective, and based on the technical specifications and current legislation, the construction of 235 homes is estimated, including garages and lumber rooms, with the construction of 43 additional garage spaces planned (7 of them for Tertiary use) and 1,250 sq m reserved for building generic tertiary facilities. The term for executing the work is 18 months, starting in 2011 and ending in 2012, and giving rise to the following annual investment amounts:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2011	2012
16,71	13,08

Plot T9.b

This plot will be used for tertiary commercial purposes, for building a district market, with a total surface area of 3,700 sq m, and at least 40 associated parking spaces. The construction term is 18 months, coinciding with the execution of the homes, starting in 2011 and ending in 2012. This gives rise to the following investment figures:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2011	2012
2,80	2,20

Plot R10.a

In accordance with the foreseen residential use, Plot R6 will be used for building 225 state-subsidised homes (with associated garages and lumber rooms). In addition, 36 free parking spaces will also be built on the plot. The term for executing the work is 18 months, starting in 2011 and ending in 2012, and giving rise to the following annual investment amounts:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2011	2012
15,70	12,28

Plot D10.b

Plot 10.b, with a surface area of 1,425 sq m, is foreseen for collective services, and will be used to construct a medical and assistance centre. Likewise, considering this use and the respective legislation, a minimum of 14 parking spaces have been foreseen associated with it, which have been taken into account for determining the investment. The foreseen investment is over a

period of 18 months, considering that the work will start in 2012 and end in 2013. The annual investment figures are shown below:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2012	2013
1,31	1,04

Plot D11

Similarly to the previous one, this plot will be used for collective institutional and administrative services. It has a surface area of developed 15,000 sq m, reserved for that purpose pursuant to the current legislation, and at least 150 parking spaces. The foreseen investment is over a period of 18 months, considering that the work will start in 2012 and end in 2013, giving rise to the following investment estimate:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2012	2013
9,67	7,60

Plot T12.a

The plot will be used for tertiary commercial purposes, with a total surface area of 5,000 sq m and at least 25 associated parking spaces. The construction term is 18 months, coinciding with the execution of the homes, starting in 2011 and ending in 2012. This gives rise to the following investment figures:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2011	2012
3,22	2,54

Plot D12.b

This plot will be used for collective services, in the form of an institutional administrative centre. To that end, a total of 1,200 sq m have been reserved, associated with 12 parking spaces. It is foreseen that the works will last for two years (2012 and 2013). The following annual payments are specified, based on these data:

[Figure: Annual amounts (in millions of €)]

Anualidades (en millones de €)	
2012	2013
0,77	0,61

The revenues must be calculated based on the state-subsidised housing regime.

11.2 Industrial estate. Sector PP.11

For this project, different activities have been proposed:

- Extension of the industrial estate with a new sector of 1,500,000 sq m.
- Rehabilitation and redevelopment plan of current zones.
- Conditioning and extending of unoccupied spaces.
- Railway station (in the future).

The activity on the new estate, called PP.11, is based on a public initiative through the Regional Housing and Land Corporation (RHLC), but action is taken on private land, for which reason the capital gains are shared in this public-

private project. Simultaneously, the synergies produced will affect the existing estate, which will commence a reconversion process.



We should say that due to its excellent site, the sector will contain areas for tertiary use which have been demanded for many years by the users of this estate, and will allow the faults in the existing uses to be corrected.

At the same time, more than 150,000 sq m of surface area will be generated for use as green areas, supported by the areas near boundaries formed by roads and the railway line, and 75,000 sq m of land for public use, including the creation of businesses or specific collective service facilities.

11.3 Implementation of activities for urban renovation in Benquerencia

This zone is classified as consolidated urban land and contains six residential plots, one collective service plot and a green area of the Second Phase of the Santa María de Benquerencia Residential Estate. An important urban renovation operation will be carried out, to permit the rehabilitation of the area, since it has become degraded for social reasons and requires public intervention to allow the residents to return to the area.

The activity includes the building of 474 homes. It is recorded that a rehousing operation is in place, with the demolition of some of the existing blocks, which has given rise to the degradation of the zone. There is also a commercial surface area of 700 sq m. The unit includes 5,100 sq m for green areas, 3,245 sq m for social service facilities and 22,156 sq m for roads.

The activities of this unit are based on public initiative, through the RLHC and it is noted that the ownership of the land is mostly public, but due to rehabilitation work in the zone, private ownership rights exist. The activities are carried out through a Special Internal Reform Plan based on public initiative, which is currently approved.



11.4 Special Plan and Integral Rehabilitation Area in the Historic Centre.

The historic centre of Toledo is also the centre of the city and requires the greatest attention. It is the living image of a city in which integration is evident, even with the greatest limitations and restrictions imposed by its surroundings, topography and aesthetic and historical conditions.

The historic centre of Toledo was recently approved as an Integral Rehabilitation Area, and has a Special Plan, approved in February 1997. In turn, that document is part of Toledo Municipal Ordinance Plan, which was finally approved by the Order of 26 March 2007 by the Department of Housing and Urban Planning (published in the Official Regional Journal on 29.03.2007), and ratified by the Order of 6 November 2008 (Official Regional Journal of 11.11.2008).

This monumental centre was declared a World Heritage Site two decades ago, and so we should first recall the reasons leading to this declaration, which are based on the following four points:

a) The city of Toledo is, in itself, a compendium of Spain's history, and has been an exceptional witness to the different civilisations that have existed. From the times of the Romans to the present-day, the city has maintained cultural examples of the different civilisations which have inhabited Toledo, such as the Visigoths, the Arabs, the Jews and the Christians. They have all left their mark on the city, and can be seen in it.

As a consequence of maintaining the presence (even today) of those civilisations, Toledo has been designated as the city of tolerance and the city of the three cultures. During its history the three cultures (Christian, Arab and Jewish) co-existed in the city, and are ever-present therein.

b) Toledo has artistic expressions from all the cultures which have inhabited it, in terms of its buildings, its culture and its heritage. From Visigothic churches to Baroque and Neo-classic constructions, the city offers visitors a journey through the architecture, sculpture and paintings of all existing cultures and styles, in an uninterrupted chain of extraordinary executions.

The historic city centre contains more than one hundred civil and religious buildings which are considered Cultural Interest Sites. There are also more than six hundred buildings of interest which contain remarkable and valuable items.

c) The city has had an influence on western civilisation as a whole, during two fundamental periods; the Visigothic period and the Renaissance, and was the capital of Spain during both periods.

d) Toledo conserves a series of master works from the 15th to the 17th centuries, the era of the Spanish Golden Age, in all existing artistic expressions. Its churches and convents contain many paintings, sculptures, images and minor arts which reflect the artistic and historic importance of the city during that period.

11.4.1 The Special Plan

The Special Plan for the historic centre of Toledo (SPHCT), approved in 1997, successfully diagnosed the situation of the city at that time and established the appropriate determinations for solving the existing problems, allowing for considerable improvement of these and also creating guidelines and conducts to maintain the site, while also increasing residential use and services in the historic centre. After more than ten years of application, the SPHCT has managed to lay down the foundations for ensuring the maintenance of the historic centre as a living city.

Today, after years of managing this Plan, we can say that the Special Plan for the historic centre of Toledo is a planning document with great capacity that has allowed many existing problems to be solved as part of the assumable management by the city of Toledo. The document can therefore be clearly and openly applied in a city as complex as Toledo, which in itself, is a remarkable achievement.

During recent years, different studies have been made on the application of the Special Plan, to allow its validity to be ascertained, and its high degree of applicability in aspects that are conflictive and difficult to apply, such as large infrastructures and collective services.

The Special Plan has awakened many expectations, both in the city and in other historic centres, which has led to it winning different prizes, including the Gubbio Prize of the Association of Historic Cities of Italy and the Toledo Royal Foundation Prize. It should be said that for the city of Toledo, having a document with the quality and worth of the one mentioned above provides a legal and a technical guarantee, in order to determine the possibilities of each of the existing buildings.

It contains the arrangement of the zone declared a World Heritage Site by the UNESCO, including the historic centre inside the walls and the banks of the river Tagus.

The SPHCT is an extremely valuable document from different standpoints. It gives the historic centre the capacity to preserve the traditional values of the city, by promoting its recovery. The document describes each of the activities to be carried out in its respective scope, firstly in terms of preservation and secondly in terms of revitalisation, through an urban planning document that contains the necessary legal guarantee in this respect.

The SPHCT includes the classification of the monuments and buildings to which a special degree of protection is assigned that imposes a series of limitations, detailed specifically in each case. In addition a series of scopes has been defined with their own characteristics, leading to the creation of fifty monumental sectors (20 principal ones and 30 complementary ones) based on the special peculiarities of these and within which a series of common determinations must be complied with simultaneously to the specific ones, in order to homogenise them and maintain their characteristic elements.

The document recognises the existing services and includes a description of the foreseen collective and local services. Through these, the current functions of the historic centre will be revitalised, in such a way that their importance is maintained. These services respond to a model of homogeneous insertion into the residential fabric that they serve.

The study, analysis and promotion of free public and private spaces are a basic objective of the SPHCT. The plan proposes activities in public areas through rehabilitating gardens and unoccupied or recreation zones. Likewise, the

redevelopment of squares and urban roads is proposed. Specific actions must be taken with regard to controlling vehicle traffic and parking. The document contains an important traffic study which considers objectives to be met in different phases and on a selective basis.

Together with the traffic activities, improved accessibility is proposed, through important operations consisting of creating new mechanical stairways along with different park and ride areas. The search for a rational use of the historic centre means improving pedestrian traffic and the environmental quality of the monumental areas.

Basically, to put the document into practice, it is necessary to recover the residential capacity of the Monumental Site. The SPHCT proposed twenty-one integral rehabilitation sectors in as many zones in which there was an absence of or reduction in residential use, leading to the degradation of the existing buildings. Joint rehabilitation and replacement activities were proposed for these sectors, with the possibility of obtaining urban planning proposals for public or private spaces. These sectors constitute the precursor of the Historic Centre of Toledo Integral Rehabilitation Area, which is now proposed in the present document.

Within this area, any integral rehabilitation proposal can be executed, and improvements in the infrastructures thereof.

11.4.2 Integral Rehabilitation Area (IRA)

The basic objective of achieving the integral rehabilitation of the buildings and homes in the Historic Centre of Toledo Integral Rehabilitation Area proposes the rehabilitation of at least 400 buildings within the framework of the V Regional Housing and Rehabilitation Plan of Castilla-La Mancha for 2009-2012, of a total of 4,800 homes eligible for being rehabilitated as part of the Historic Centre of Toledo Integral Rehabilitation Area, during an initial phase.

It is estimated that the activities will vary from 3,000 to 100,000 euros, and although it is difficult to determine the total cost of them all, a global budget is calculated for the next four years:

- 2010 50 homes 1,250,000 euros
- 2011 125 homes 3,125,000
- 2012 125 homes 3,125,000
- 2013 100 homes 2,500,000
- Total rehabilitated homes 10,000,000 euros

The general summary of the activities is as follows:

PROGRAMMED ACTIVITY	BUDGET	
	REHABILITATION	REDEVELOPMENT
REHABILITATION OF HOMES		
Subtotal Homes Programme	10,000,000	0
REHABILITATION OF BUILDINGS		
Bajada del Barco	200,000	450,000
Bajada del Pozo Amargo	175,000	375,000
Calle Sierpe	500,000	302,022
Plaza del Solarejo	280,000	200,225
Plaza de Barrio Rey	175,000	225,000
Calle Santa Ursula y Taller del Moro	100,000	500,000
Calle Armas y Santa Fé	400,000	98,482
Subtotal Programa Edificios	1,830,000	2,150,729
REDEVELOPMENT		
Redevelopment work in Plaza de San Román	0	800,000
Plaza de San Vicente	0	740,837
Plaza de Barrionuevo and Reyes Católicos	0	370,673
Area near Arts School	0	508,481
Subida de la Granja	0	1,022,231
Plaza de Don Fernando	0	250,000
Subtotal Redevelopment Programme	0	3,692,222
TOTAL ACTIVITIES	11,830,000	5,842,951

REHABILITATION OFFICE	
Subtotal management and information team	900,000
Reaction IRA documentation	30,000
TOTAL ASSIGNMENTS	930,000
TOTAL IRA	18,602,951

The total cost of investment in the IRA is 18,602,851 euros.

In sum, the IRA proposes the following distribution of the investment and subventions:

Final Plan summary:

- Subsidies from M. Development and the regional government of Castilla-La Mancha: 4,394,118 euros
- Private contributions 7,360,000 euros
- Contribution from the Council/Consortium: 6,848,833 euros

PROGRAMMED ACTIVITY	BUDGET			
	Housing subsidy	Urban planning subsidy	Private initiative	COUNCIL-CONSORTIUM
REHABILITATION OF HOMES				
Subtotal Homes Programme	2,640,000	0	7,360,000	0
REHABILITATION OF BUILDINGS				
Bajada del Barco	30,000	81,000	0	539,000
Bajada del Pozo Amargo	25,000	67,500	0	457,500
Calle Sierpe	75,000	54,363	0	672,659
Plaza del Solarejo	42,000	36,040	0	402,185
Plaza de Barrio Rey	25,000	40,500	0	334,500

Calle Santa Ursula Taller Moro	15,000	90,000	0	495,000
Calle Armas y Santa Fé	60,000	17,726	0	420,756
Subtotal Buildings Programme	272,000	387,129	0	3,321,600
REDEVELOPMENT				
Redevelopment work in San Román	0	104,000	0	696,000
Plaza de San Vicente	0	96,309	0	644,528
Plaza Barrionuevo R. Católicos	0	48,188	0	322,485
Are anear Arts School	0	66,102	0	442,379
Subida de la Granja	0	132,890	0	889,341
Plaza de Don Fernando	0	32,500	0	217,500
Subtotal Redevelopment Progr.	0	479,989	0	3,212,233
TOTAL ACTIVITIES	2,912,000	867,118	7,360,000	6,533,833
REHABILITATION OFFICE		COUNCIL		CONSORTIUM
Subtotal management team	600,000	50,000		250,000
Reaction IRA documentation	15,000	15,000		
TOTAL	615,000	65,000		250,000
TOTAL IRA	18,602,951			

Control log:

DOCUMENT	DATE	DRAFTED	REVIEW	OBSERVATIONS
Draft 01	18/12/10	AEC-IAH-AGG-CC	PPP	Draft incomplete
Draft 02	28/12/10	AEC-IAH-AGG-CC	PPP	Final version for rev. EIB
Draft 03	18/02/11	AEC-IAH-AGG-CC	PPP	Final version after 1st rev. EIB
Final report	18/02/11	AEC-IAH-AGG-CC	PPP	Final Report

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