



**Department of Business and Management**

**Teaching of Real Estate Finance**

**An innovative model for the socio-economic  
regeneration of the Italian villages:  
the Senior-Borgo project**

**Prof. Gaetano Casertano**

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**SUPERVISOR**

**Prof. Emilio Barone**

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**CO-SUPERVISOR**

**Alessandro Maria Bollettini Matr. 714011**

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**CANDIDATE**

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## INTRODUCTION

The paper that you are about to read is a presentation of an innovative proposal for the Real Estate world aimed at solving two of the main problems besetting the Italian economy and its potential for growth and development: the ageing of the population and the depopulation of the internal and peripheral areas.

Italy has one of the highest life expectancies in the world, a sign of widespread wellbeing, but this statistic, while being reassuring from one point of view, hides risks to which the younger age groups in the population are exposed, these being aggravated by a very sizeable public debt and a massive level of taxation, in addition to difficulties in entering the employment market.

Broadly speaking, the history of the Italian villages has followed a course almost parallel to the development of Italian demography; these villages which dot the peninsula and which, from being productive centres able to provide for their own subsistence and that of the towns, are gradually becoming ghost villages unable to play an important role in producing the GDP, despite the potential they have demonstrated in the preceding millennia.

The original nature of this paper lies in its consideration of these two problem areas as something unique, one being the solution of the other; we have tried to transform two Italian structural weaknesses into a resource, but it is better to proceed by steps.

In the first chapter we have first of all given a general overview of the two problems, using statistical data to promote food for thought regarding these topics. We then review a series of initiatives aimed at repopulating the Italian villages: some of these of a public kind, launched by individual Municipalities or Regions, others totally private in character, some well-tested going concerns, others still only theoretical and awaiting real implementation.

These initiatives, while being very valuable, have shown limits and defects difficult to resolve, as they are in general characterised by a non-organic strategy and a vision aimed more at attracting a few dozen short-term residents or tourists than at creating a context capable of drawing genuine residents continuously over the long term.

To do this it is necessary not only to create the conditions suitable for attracting an individual but also those for keeping him there and transforming him into a local villager. This process cannot ignore a fundamental aspect to which this thesis has given great importance: the construction not of buildings but of a community.

We believe that Italians and foreigners do not need new buildings to inhabit the mountain areas but rather a motive to do so.

If the villages are to a great extent uninhabited and therefore the dwellings dilapidated and uninhabitable, this is because of the vicious circle of depopulation which has itself progressively led to further inhabitants leaving these places. The absence of basic services, such as healthcare or education, or the reduced availability of infrastructures and public funds, has driven the workers to the coasts and the big cities and consequently the economic interests of the state which has concentrated all its efforts in these latter areas, so continuing to feed the vicious circle.

As things stand at present the villages, while enjoying enviable conditions of health and safety, cannot appear attractive for young workers, family units, let alone the elderly. This trend can be stopped only by breaking the vicious circle of depopulation and to do this there is a need for a kind of “population injection”.

This necessity gave rise to the idea of the Senior-Borgo, a senior-housing/social housing company project aimed at establishing a living active community in which the senior citizens can live in dwellings dispersed over a village, along the lines of the “albergo diffuso” model, having the benefit of services designed specifically for their physical, cultural and social needs.

In the second chapter, following the structure of the Business Model Canvas, we explore this theme in greater depth, giving a detailed explanation of each individual key element in the project, the target is the self-sufficient elderly person, who will be active from the cultural and social point of view, desirous of finding new stimuli and playing an active role in an intimate and hospitable community.

The project makes use of many of the trends emerging in the last few years, some of them particularly accentuated by the Covid-19 pandemic which has been raging for a year now: from telemedicine to the capillary organisation of the National Health service over the country, from organic agriculture to farm-to-table food, home deliveries and remote working, the University of the Third Age and wellness.

We believe that a project of this kind can attract a significant number of inhabitants, interested in the opportunity of living among the natural, historical and architectural beauties of the Italian villages, with access to a wide range of services in return for payment of a very reasonable fee from the financial point of view.

This “population injection”, also involving many employees of the structure and its young university interns, could generate a demand for further services at present not existing in these places, and this could create employment and enterprise opportunities for the unemployed of the coasts and major cities, thus promoting a virtuous circle of repopulation.

Having first presented the Business Model, we wished to verify its feasibility from the economic point of view, and carried out a quantitative analysis. The third chapter is therefore devoted to the Business Plan of the pilot project, which in our scenario would see the light of day in Fano Adriano, an Abruzzo village in the province of Teramo.

Thanks to the cooperation of the administration of this Apennine municipality, which has supplied data and full support for the initiative, we have been in a position to process completely realistic data, particularly regarding identification of the sum necessary for the initial investment; with regard to the projection of management costs we have used the benchmark of the Collegio Universitario Don Mazza, which runs three university residences at Padua and Rome, providing various services which feature also in our project and are available for a similar number of users.

To the Business Plan was therefore assigned the task of showing if this project was realisable and above all sustainable over time, independently of any public grants or subsidies of any kind. This aspect is fundamental because it establishes the feasibility of the project without any third-party intervention, which would only make things more complex and uncertain. In any case, since the scenarios are many and unpredictable we have proposed different prospectuses in order to give the reader a general overview of a kind to present in the most concrete way possible the applicability of this model to the real world.

# **FIRST TOPIC: The demography of Italy and villages: some repopulation methods**

## **1.1 Overview of Italian and European demographics**

In the last two centuries humanity has made unprecedented progress involving all scientific fields and leading to an improvement in living conditions all over the planet. Life expectancy has increased accordingly, especially in Western countries, and while this certainly constitutes an achievement for human kind and while it is desirable that it should continue, on the other hand it brings with it problem areas that are more and more frequently the subject of studies by analysts and researchers.

For example, one problem connected with the increase in life expectancy associated with a low birth rate is the ageing of the population, one of the most important and central subjects of public debate and a phenomenon even further amplified by the Covid-19 emergency. It is expected that the percentage of people aged over 65 years world-wide will increase from the 7.5% of 2005 to 16.1% in 2050, and from 15.5% to 26.2% in developed countries. <sup>1</sup>

Italy is well above the global average and also above that for the more developed countries: the percentage of people over the age of 65 is expected to increase from the 19.5% of 2005 to 32.7% in 2050, a percentage lower only than that for Japan<sup>2</sup>.

In Italy, as for all the developed countries, the ageing of the population can be explained by the theory of demographic transition<sup>3</sup>, which is a model of economic and cultural change aimed at explaining

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<sup>1</sup> United Nations, Department of Economic and Social Affairs, Population division. "World Population Ageing 2007". New York: United Nations, 2007

<sup>2</sup> Eurostat: "Population age structure by major age groups, 2005 and 2015 (% of the total population)". 4 agosto 2016. [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Population\\_age\\_structure\\_by\\_major\\_age\\_groups,\\_2005\\_and\\_2015\\_\(%25\\_of\\_the\\_total\\_population\)\\_YB16.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Population_age_structure_by_major_age_groups,_2005_and_2015_(%25_of_the_total_population)_YB16.png)

<sup>3</sup> Notestein, Frank. "Population: The long view", in T. Schultz (ed.), Food for the Worm. Chicago, 1945

the decrease in mortality rates and birth rates and the increase in life expectancy in Western countries during their industrialisation period. Demographic transition consists of several stages:

- Pre-industrial stage, with high mortality and birth rates;
- Transition stage: mortality rates decrease thanks to greater production of food and progress in medicine, while birth rates remain high, leading to an increase in the population;
- Industrial stage: birth rates decline because more women have jobs and children are less important in the process of creating the family income. Consequently, the population growth rate decreases;
- Post-industrial stage: birth rates and mortality rates remain low and society benefits from the flows of industrialisation without the threat of an inordinate increase in the population;
- Present stage: birth rates are very low and there is a natural negative population growth rate.

At present, therefore, the advanced countries are in the final stage while developing countries are in one or other of the preceding stages of demographic transition.

The ageing of the Italian population, like that of many other Western countries, has been caused principally by two factors:

- The increase in life expectancy
- The decline in fertility

In Italy life expectancy at birth was 35.4 years in 1880, subsequently rising to 42.8 in 1900, 54.9 in 1930 and 65.5 in 1959<sup>4</sup>. In 2015 it was 79.9 years for men and 84.6 for women and is predicted to reach 84.8 for men and 89 for women in 2050<sup>5</sup>. In 2015 Italy was the sixth country in the world for

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<sup>4</sup> Livi Bacci, Massimo. "Storia minima della popolazione del mondo". Bologna: Il Mulino, 1998

<sup>5</sup> Eurostat. "Projected demographic balances and indicators". 24-02-2017  
[http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=proj\\_15ndbims&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=proj_15ndbims&lang=en)



life expectancy at birth<sup>6</sup> according to the World Health Organization (WHO), while the data for 2019 place it fourth in the OECD area.

With regard to population fertility, this is usually measured on the basis of the *total fertility rate* indicator, which is calculated by adding the specific per-age fertility rates for women in a given year. In Italy this rate was 1.35 in 2015, well below the sub-replacement fertility threshold rate<sup>7</sup>, and this is a total fertility rate that, if maintained, means that every generation will be less populous than the preceding one in a given area. In developed countries the sub-replacement fertility rate is less than approximately 2.1 children born per woman, assuming the mortality rate remains constant<sup>8</sup>.

The total fertility rate and the mortality rate have a direct influence on the natural balance of the population, which is the difference between the number of live births and the number of deaths during the year. When the live births exceed the deaths there is a positive natural balance; conversely when they are less than the deaths, the natural balance is negative.

To carry out a comparative analysis between Italy and the other European countries, we can consider the biggest and most populous European countries, Germany, Spain, France, the United Kingdom, and a Scandinavian country, like Sweden.

In the 1960s and 1970s the industrial stage was discernible, in which there was a decline in the total fertility rate in European countries, leading to a decrease in the natural balance, which however remained positive in all countries with the exception of Germany; in the 1980s and 1990s the fertility rate decreased further and the balance registered values close to zero, so outlining a post-industrial stage; finally in the new millennium the fertility rate was maintained at very low levels and some countries, such as Germany and Italy, registered negative natural balances. These statistics mean that

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<sup>6</sup> World health organization. "Life expectancy at birth (years), 2000-2015  
[http://gamapsrver.who.int/gho/interactive\\_charts/mbd/life\\_expectancy/atlas.html](http://gamapsrver.who.int/gho/interactive_charts/mbd/life_expectancy/atlas.html)

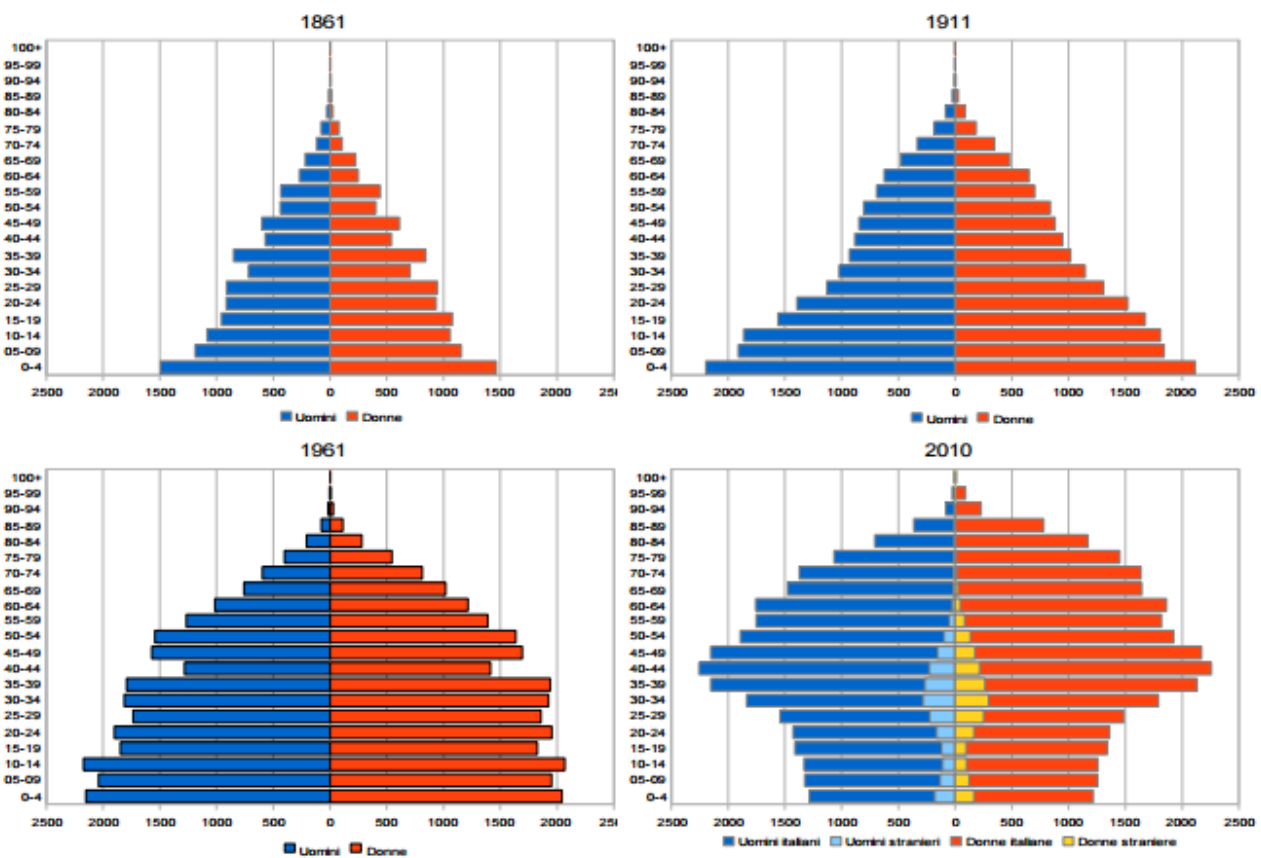
<sup>7</sup> Eurostat. "Fertility indicators". 31-05-2017  
[http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo\\_find&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo_find&lang=en)

<sup>8</sup> Espenshade, T.J., Guzman, J.C. & Westoff, "The surprising global variation in replacement fertility", C.F. Population Research and Policy Review, 2003

the Italian and German populations are in decline and the trend will continue in this 21st century. Eurostat does in fact predict a slight increase in the total fertility rates in the coming decades but it remains to be seen how the Covid-19 pandemic will affect these predictions. In addition the natural balances will continue to decrease and to be negative for Italy, Spain and Germany for another fifty years, seeing that the median life expectancy continues to rise.

Italy will be the country with the highest median age of all countries considered from this year, 2020, onwards. Already by 2030 the median age will be greater than 50 years, considerably higher than that for France, Sweden and the United Kingdom, which will be close to 40.

The most efficient graphic representation of the distribution of a population by age is the so-called *age pyramid*. This consists of two symmetrical histograms on either side of a vertical axis representing 5-year age groups. On the horizontal axis on the other hand, there is the size of the population for each age category (in thousands), reproduced on the left of the axis for one sex and on the right for the other.



**Figure 1:** Italian age pyramid, years 1861-2010, References: ISTAT

As we can see from the graph, the age structure of the population has been radically changed by the decrease in fertility and increase in life expectancy. The population, which at the time of the Unification of Italy was made up to a large extent of young people, today has greatly aged. From the form of the pyramid we can deduce the demographic history of the country and the demographic pattern it is following. A true pyramid form, like that of 1861 and of 1911, indicates a growing population, while a form tending towards the rectangular, like that of 1961, indicates zero growth; on the other hand a pyramid tending to the form of a trapeze indicates a decrease in the population<sup>9</sup>.

Foreign immigration is making a significant contribution to slowing demographic ageing thanks to the fact that the immigrants are above all children and young adults. This is why the increase in the number of immigrants is often considered one of the possible solutions for the problem of an ageing population.

To study the population ageing process the *old dependency ratio* is used. This indicator, expressed in percentage form, is simply the ratio between the number of people aged over 65, an age at which they are usually inactive from the economic point of view, and the number of people between 15 and 64 years, considered to be active.

From 1960 up until now, this value has increased considerably, but in the coming years an even greater increase is expected, at least up until the year 2050, beyond which the indicator should stabilise. It is important to point out that Italy has recorded the highest percentage increase among the countries examined, so much so that in 2015 it was the member state of the European Union with the highest percentage of old people with respect to the active population: 33.7%.

Another index regarding population structure is the “total dependency ratio”, defined as the ratio between the number both of young people and old people of an age at which they are considered economically inactive (i.e. less than 15 years and over 65 years), and the number of people of working age (i.e. 15-64 years).

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<sup>9</sup> Bengtsson, Tommy, Ohlsson, Rolf. “The Demographic Transition Revised”. Berlino: Springer, 1994

This ratio has remained between 45% and 60% in the last fifty years in all countries being considered. In any event, the situation forecast for the coming decades is very different, as there will be an increase in the size of the inactive population with respect to the active in all countries under consideration and Italy will have one of the greatest increases in the ratio, which will vary between 80% and 90% from 2040 onwards.

Children and old people spend long periods of economic dependence because they produce less than they consume, while adults of working age produce more than they consume, due to their work. We could say that the young and the old have an economic “lifecycle deficit” while adults of working age have a surplus. This lifecycle deficit is sustainable only because there are inter-generational transfers, which consist of economic flows from the surplus age groups to those in deficit. The lifecycle deficit is determined by the difference between total consumption and income from work; positive values indicate consumption levels greater than those of income from work, while negative values indicate an income from work which is greater than consumption and therefore a surplus that can be transferred to other population segments. The surplus, on average, starts at the age of 27 and ends at 58, so lasting about 30 years. However, it does not compensate for the deficit: for example in 2008 the lifecycle deficit amounted to 251 billion.

Another indicator used to represent one of the principal problems linked to the ageing of the population, is the “support ratio”, which is the ratio between the total income from work and total consumption calculated annually through estimates of the population for a specific fertility scenario, pro-capita profiles of income and consumption of work maintained throughout the year considered.

A ratio greater than 1 indicates a lifecycle surplus, while a ratio less than 1 indicates a lifecycle deficit and the trend for Italy is one of a decrease in the support ratio, which is already at a level much lower than 1. If the predictions should prove to be correct, approximately half of consumption would not be financed by income at the end of the present century.<sup>10</sup>

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<sup>10</sup> Zannella Marina, Caselli Graziella, “Economic Life Cycle Deficit and Intergenerational Transfers in Italy: An Analysis Using National Transfer Accounts Methodology”, Roma, 2012

The decrease in the ratio will be due only to an increase in the aggregate consumption of the older age groups, linked to the phenomenon of population ageing, given that the greater number of older people will lead to an increase in aggregate healthcare expenses.

These data should lead one to reflect on the sustainability of the demographic structure in Italy and more generally in Europe. The ageing of the population should be examined from a financial point of view: the increase in the median age of the population will lead to an increase in pension and healthcare costs. Given that in Italy and in the more developed countries these are borne by the State, the ageing of the population constitutes a serious danger for the existing social-welfare system.

If, on the one hand, this process is inevitable and could even be further accentuated by the progress of science, now in a historic phase of acceleration, on the other solutions can be sought to make public expenditure more sustainable by trying to work on other existing variables; for example trying to lower the median age at which people move from a lifecycle deficit to a lifecycle surplus, by adopting efficient measures to include the young in the world of work or devising methods to turn the ageing of the population into an opportunity for creating employment or enhancing hitherto unproductive areas, which is the primary purpose of this thesis.

In the next section we shall therefore analyse the situation of the villages and internal areas of Italy.

## 1.2 Overview of Italian villages and internal areas

Up to the 19th century the village constituted the form of human settlement basic to Italian and European demography. The greater part of the population of Europe, for as long as the feudal economic system survived, lived in villages, hamlets and small settlements. These small centres were self-sufficient small urban entities, capable not only of ensuring subsistence for their inhabitants but also of supplying more populous centres, so creating a system of synergy between the towns and the country.

Often established under the impulse of the nobles, these settlements also owed their widespread diffusion in Italy to the influence of the Church. Frequently in fact they became established not only near the fortifications of a lord but also around monasteries and churches, as in Roman times they usually became established around religious places or near patrician villas.

The mountains and inland areas were always the most hospitable places to live in. The natural conformation of the land made these settlements easier to defend and more difficult to reach; in addition they were healthier places, being far from often marshy lowland areas where there was a proliferation of epidemics. The coasts, furthermore, were an easy prey for pirates and Saracens, who often sacked and pillaged the settlements established on the Adriatic coast, in particular.

If for thousands of years therefore these small centres played an essential role, what has happened in the meantime to turn them into a “problem” today? The main cause of the present weakening of these settlements is depopulation, a phenomenon of a kind to set in motion dangerous vicious circles, which began in Italy in the 19<sup>th</sup> century because of the progress of the Industrial Revolution.

This industrialisation and the first attempts at globalisation, together with the Unification of Italy, which posed economic and monetary difficulties, exposed the weak rural economy of the inland areas and the South of Italy to an over-competitive market, faced with which it was easy to succumb. If the Plain of the Po set about mechanising agriculture and industrialising the primary sector, the inland areas and the South remained bound to an old and inefficient feudal system, efficient certainly in a closed economic system but fragile faced with an open-economy model.

The differences which quickly began to appear between the various economic areas of Italy were the cause of a historic phenomenon lasting almost a century: that of migration.

While the most notorious phenomenon is that of emigration to the countries of Northern Europe and more particularly to the Americas, of no less importance is the phenomenon of migration within the borders of Italy.

Internal migration developed mainly in two directions. One went from the South to the North of Italy, in particular to the Industrial Triangle (Milan-Turin-Genoa), the other, of a more generic kind, from the country to the towns.

This second type of internal migration was weaker and more gradual than the first, at least until after the Second World War, when it became much more pronounced and intensified the demographic pressure on the coasts, particularly the Adriatic coast, further weakening the small villages. Scarcely populated and peripheral as they were to the Italian economy, they were also poorly represented politically; these facts, together with the progressive and constant decrease in the population and the ageing of the remaining inhabitants, are bringing these small Italian villages to a point of no return, so that there are already numerous officially recognised “ghost towns”, and these are destined to increase. Let us therefore consider the causes of this trend in greater depth.

To understand the general triggers of the depopulation phenomenon, it is necessary to better explain the “vicious circle” concept, that refers to the constant regeneration of the main causes of a phenomenon. The European Commission Report on rural poverty<sup>11</sup> defines four different self-perpetuating cycles. The “vicious circle” of depopulation is stimulated by:

- demography (i.e. depopulation, the exodus of the residents and the ageing of the population);
- remoteness (i.e. deficiency of infrastructure and basic services);
- lack of education facilities (i.e. lack of pre-school structures, illiteracy, the *social immobility trap*);

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<sup>11</sup> European Commission (2008). *Poverty and Social Exclusion in Rural Areas. Final Study Report*. Paola Bertolini, Marco Montanari, Vito Peragine.

- labour market issues ( i.e. agriculture as the major employment source, seasonal-worker issues, criminal organizations in new forms such as “*caporalato*”)<sup>12</sup>

The “demographic circle” is fed by an unfavourable population equilibrium. In fact, one of the main impediments is the elderly character of composition of the rural communities and the general low population density, features which unfavourably affect the local market; this condition is aggravated by the low fertility rates and the outward migration of the young.

The second circle is “remoteness”, which results from the dilapidated and neglected state of the infrastructures. The scant attention and little policy-making regarding the physical and organizational structure of rural areas negatively influence their economic performance, favouring outward migration. The adverse demographic situation is an impediment for the improvement of the local infrastructure, because often the investment needed to serve a specific area would not help a population large enough to justify the operation. This cycle is the one most frequently observed as the trigger of the other cycles, even though these are interconnected and feed on each other.

The “education circle” is generated by the low educational standard of the rural population; illiteracy and the absence of middle and high schools are factors that lower the employment rate and increase the poverty rate, reducing in this way the opportunities for residents to receive a high quality education<sup>13</sup>, and in fact in these areas there is a high number of NEETs.

The “labour market circle” begins with the scarcity of labour-market chances for many rural area residents. Moreover, many qualified inhabitants are forced to move to urban centres. Consequently, their emigration lowers the value of the local labour force and a low-skilled labour market discourages the intervention of domestic or foreign investors in the area, further weakening the local labour market.

Furthermore local governance capacity for managing shrinking regions is often not satisfactory. In the case of Italy, particularly in the Southern Regions, the incapacity of local governance to act is due

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<sup>12</sup> European Commission (2008). *Poverty and Social Exclusion in Rural Areas. Final Study Report*. Paola Bertolini, Marco Montanari, Vito Peragine.



to the *familistic* environment that reflects the existing social inequalities in the governing elite and in the institutions<sup>14</sup>.

In addition, depopulation leads to reduced fiscal income and this fact determines a higher per-capita cost of social spending, even higher in areas that, as analyzed above, have large numbers of elderly people in need of healthcare. Unfortunately the necessary treatments often cannot be properly offered due to austerity measures and the lack of doctors and qualified service personnel<sup>15</sup>. These negative factors have been aggravated by the 2008 economic crisis<sup>110</sup> which has definitely hindered the capacity to provide social services and has increased the need for proactive cohesion policies for regions with shrinking populations.

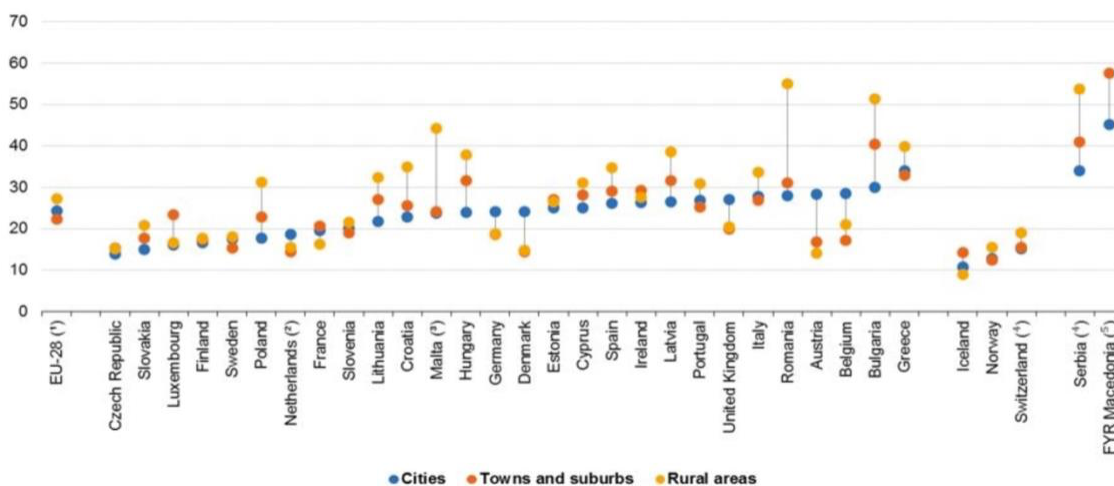
The EPRS report on the European demographic indicators indicates that geographical reasons strongly determine the risk of poverty. More specifically it points out that the percentage of people that risk social exclusion or poverty is higher in less populated areas, while it is lower in intermediate and highly populated areas<sup>16</sup>.

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<sup>14</sup> Felice, E. (2017). *The socio-institutional divide. Explaining Italy's regional inequality over the long run*. Pag. 18.

<sup>15</sup> Margaras, V. (2016). Sparsely populated and under-populated areas, briefing, EPRS. p. 13.

<sup>16</sup> EPRS (2015). *EU demographic indicators. Briefing*. Delivoria and Giulio Sabbati



**Figure 2:** Percentage of people at risk of poverty or social exclusion by degree of urbanization, by country, 2014.<sup>17</sup>

The graph in the figure above shows that in most of the EU Member States with a high level of rural areas there is a high percentage of people at risk of poverty when compared with urban centres (lower GDP per capita). Moreover, we can see that the values for people at risk of poverty are higher in Eastern countries than in Western ones, due to the familiar difficulty of upgrading and developing the agricultural sector. Western countries, on the other hand, show a poverty and social marginalization risk for remote rural areas or in areas with accessibility issues.

According to academic literature, as regards the specialization of the market, the sparsely populated regions are mainly devoted to activities belonging to the primary sector, the manufacturing sector, energy production and tourism and their economic ecosystem usually relies on one high-performing industry<sup>18</sup>; their source of income is accordingly extremely susceptible to external variables such as the global economic major trends: inflation, wars, financial crises or pandemics, as the Covid-19 has recently shown. The simplest example is that of tourism, an economic sector that heavily depends on the world economic conjuncture and above all on the geopolitical conditions of the moment. This condition exposes the peripheral communities to a risk that can be lowered only by diversifying their economic system. Their remoteness from the urban centers and the high transport costs do not allow

<sup>17</sup> Data source: Eurostat, 2014.

<sup>18</sup> Dubois, A., Roto, J. (2012). *Making the best of Europe's Sparsely Populated Areas*, Nordregio working paper.

the marginal areas to enjoy the city spill-over effect as semi-peripheral areas usually do<sup>19</sup>. With this set of conditions, the result is that small farmers often cannot be competitive in the global market.

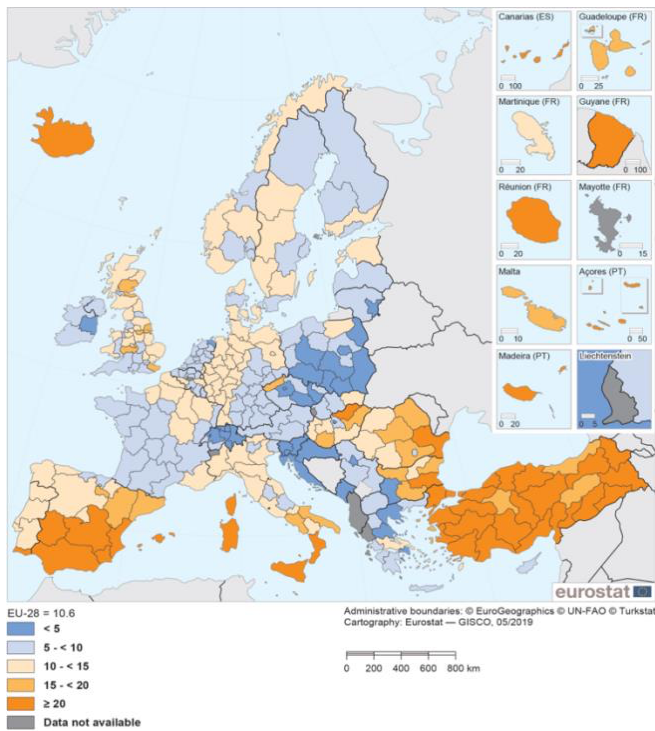
The small size of underpopulated economies forces the human capital of these regions to search occupational opportunities in urban centers. Despite this trend, there are various predominantly rural areas, mostly located in Germany, France, Portugal and Poland, that show a high employment rate.

These areas have been able to exploit the advantages given by the progress in Information and Communication Technology (ICT). Deficiencies in these fields are an adverse factor for the potential of the local economy and for the improvement of the labour market. It is fundamental to diminish the technological gap between rural and urban areas, by stimulating and adapting the skills of the local labour force to the new global market needs. Education is also an essential factor for the development of the labour market in rural areas. The rate of early school-leavers in peripheral areas is in fact extraordinarily high<sup>20</sup>. School attendance is crucial for solving social inequalities and in fact there is an higher inter-generational transmission of poverty and exclusion in rural regions.

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<sup>19</sup> Margaras, V. (2016). Sparsely populated and under-populated areas, briefing, EPRS.

<sup>20</sup> Margaras, V. (2016). Sparsely populated and under-populated areas, briefing, EPRS.



Note: includes data of low reliability for some regions (too many to document). Austria, Makroregion Południowo-Zachodni (PL5), Makroregion Centralny (PL7), Makroregion Wschodni (PL8), London (UKI), South West (England) (UKK), NUTS level 1, Dresden (DED2), Voreio Aigaiio (EL41), Noto Aigaiio (EL42), Peloponnisos (EL55), Małopolskie (PL21), North Yorkshire (UKK2), North Eastern Scotland (UKK45) and Ticino (CH07); 2017, Trier (DEB2), Thessalia (EL61) and Região Autónoma da Madeira (PT30); 2016, Prov. Luxembourg (BE34), Dytki Makedonia (EL53), Warszawski stołeczny (PL91) and Highlands and Islands (UKM6); 2015.

**Figure 3:** Early leavers from education and training, 2018. (% of people between 18-24 years, by NUTS 3 region)

### **1.3 Some methods of repopulating villages**

Given that the depopulation trend in inland areas continues to accelerate, especially in some areas of Italy such as the Central Apennines, hard hit by earthquakes, and in the South, in economic recession, various initiatives have been undertaken in the last few years to create conditions favouring the repopulation of these villages. While some are still at the experimental stage and we will have to wait several years to see how effective they are, others have already shown their limitations with respect to the objective to be achieved. We will review the most significant experiments in this area.

#### **1.3.1 “Houses for one euro” method**

The most popular instrument recently has been that of the so-called “houses for one euro”. This initiative has been undertaken by various villages all over the peninsula and consists of an incentive offered by the municipal authority of a given place for the acquisition of abandoned or dilapidated dwellings on condition that they are reconstructed within a given period of time. Usually these were privately owned buildings subsequently donated to the village authorities to avoid the payment of various taxes and the civil and penal liability incurred because of the failure to maintain these assets and the possible damage caused by this neglect.

The village authorities then put these buildings up for sale at a nominal price of one euro, so as to encourage acquisition and pursue the objective of repopulating the village and restoring the dwellings. In return for the deeds of ownership, obtained virtually free of charge, the new proprietor must undertake to submit a plan for the renovation and refurbishment of the building, to pay the solicitor’s fees for registering the purchase and to take out a insurance policy of five thousand euro for a period of three years, which is then returned in the event of compliance.<sup>21</sup>

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<sup>21</sup> Mosca, G. “I comuni italiani che vendono case a 1 euro”, Business Insider Italia, Roma, 2019.  
<https://it.businessinsider.com/case-a-1-euro-mussomeli-nulvi-cantiano-dove-e-come-comprarle/>

The “houses for one euro” mechanism was devised by the mayor of Salemi, a small village in the province of Trapani, Vittorio Sgarbi. This well known politician and art critic initially had difficulty implementing the model. Twelve years later however, the authorities of this Sicilian village, after a revision of the regulations governing the transfer of the properties, have relaunched the initiative.

In this new Salemi variant, the dwellings are expropriated by the village and then put up for auction, at a reserve price of one euro. In addition, in order to attract small enterprises and workers, calls for applications for grants of ten thousand euro have been organised. The successful applicants, in addition to the funding, will also have access to tax relief, such as exemption from the tax on the occupation of public areas<sup>22</sup>.

Many villages have subsequently adopted this strategy in Italy, but some have been more in the limelight. For example the village of Sambuca, in Sicily, was the subject of a CNN programme, so appearing on the front pages of the international press and receiving in a very short space of time thousands of requests from all over the world: about one hundred thousand for just sixteen properties put up for auction. The interest in the village, where all the dwellings in the programme were sold, subsequently stimulated a series of sales of buildings in the village centre, which the mayor estimated at approximately fifty. This boom in the property market is also giving an impetus to the organisation of new hospitality facilities, since a significant flow of tourists is now expected. As said, the interest in this kind of initiative is global, to the point that the first official offer came from Virginia (USA) and all other expressions of interest, excepting that of a Brescia entrepreneur, have been from abroad<sup>23</sup>

Still in Sicily the municipality of Troina, in the province di Enna, has also been in the news recently, its initiative being the subject of analysis in November 2020 in a special programme broadcast by TG1 dedicated to Italian villages and inland areas. In this, the first Norman capital of Sicily, a chronological order will be followed for the assigning of buildings, which has already led to numerous official requests. In Troina too, which was included in 2019 in the list of “the most beautiful villages of Italy”, expressions of interest have arrived from all over the world and

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<sup>22</sup> Lanari C., “A Salemi è ripartito il progetto Case a 1 euro”, Investireoggi.it, Roma, 2020.

<sup>23</sup> Marchetti S., “Italian town of Sambuca in Sicily sells home for a dollar”, CNN.com, Atlanta, 2019.  
<https://edition.cnn.com/travel/article/one-dollar-home-sambuca-sicily-italy/index.html>

various potential investors have already carried out on-the-spot inspections, with positive effects on tourism.<sup>24</sup>

While Sicily is the region where the project has most taken root, it has also been tried in quite a few other Italian regions, not always without difficulty. For example in Abruzzo, the village of Lecce nei Marsi, in the province of L'Aquila, decided to take part, but it took it several months to publish the final call for applications. The local mayor was afraid of the disparity between the land registry value of the properties offered for sale and their real value. Investors interested in dwellings often in a ruinous state might find themselves having to pay very high taxes, seeing that the land registry values of the buildings had never been updated over time and so no longer corresponded to reality. The conspicuous difference between the land-registry value of the properties and the purchase price also automatically triggered inspections by Inland Revenue in various Italian localities. For this reason, before publishing the call for applications, the municipal authorities of this Abruzzo village engaged with the Treasury to work out how to avoid generating this particular complication, coming to the conclusion that potential investors should take legal advice before purchasing so as to be fully aware of the operation they were undertaking and its possible effects.<sup>25</sup>

In Sardinia, on the other hand, other implementation difficulties arose. For example, in the village of Nulvi, province of Sassari, it proved difficult to trace the owners of the buildings, who in many cases did not even know they had rights of ownership over these properties. Even after they had understood that it was in their interest to transfer these rights and had joined the project, the market response was not satisfactory. Despite the fact that approximately a thousand five hundred requests came from all over the world, in March 2019 the number of completed transactions was only three, this because the property market in this area was at a historic low despite the proximity to the sea and to the capital of the province<sup>26</sup>.

In Piedmont the case of Carrega Ligure was also a flop, where, notwithstanding the thousands of restoration projects submitted, in March 2019 not even one transfer of ownership had taken place. Here the determination of the land-registry situation of the properties proved extremely complicated and in some cases impossible, given that the place had witnessed large-scale

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<sup>24</sup> Gaeta, A., "Speciale TG1 tra spopolamento e riscoperta dei piccoli centri", Roma, 2020.  
<https://www.rai.it/ufficiostampa/assets/template/us-articolo.html?ssiPath=/articoli/2020/11/Speciale-Tg1-tra-spopolamento-e-riscoperta-dei-piccoli-centri-61f7ceca-2ae7-4d12-8c04-b6aa80142284-ssi.html>

<sup>25</sup> Gianforte M., "Lo stratagemma delle case a 1 euro", Il Centro, Pescara, 2016  
<https://www.ilcentro.it/l-aquila/lo-stratagemma-delle-case-a-1-euro-1.155804>

<sup>26</sup> Mosca, G., "I comuni italiani che vendono case a 1 euro", Business Insider Italia, Roma, 2019

emigration as early as the end of 19th century and that dozens of the owners of the buildings were scattered all over the world. Even when the complete land-registry situation of the properties has been identified it is still difficult to find an agreement between all the proprietors, who often do not know each other. To complete these operations the unanimous agreement of the proprietors is necessary, but this cannot be taken for granted and in any case will not take place very quickly.<sup>27</sup>

### 1.3.2 Regional incentives

The “houses for one euro” project is not however the only model that has emerged to respond to the necessity of village repopulation. While this project gives priority to the restoration of dwellings in order to improve and revitalise the village centre, others aim principally at attracting new residents, especially family units. A valid example is that of the Molise region in which one hundred municipalities out of one hundred and thirty-six have less than two thousand inhabitants and the issue is therefore a particularly central one. The idea adopted here is the “active residence income”, a bonus of seven hundred euro per month for three years intended for families who have decided to move to a small Molise village and set up an economic activity or at least one linked to services for the community. To fund the subsidy, which guarantees approximately twenty-four thousand euro per family over the three years, the Region has allocated one million euro, immediately arousing the interest of the media. On publication of the call for applications, which took place in September 2019, approximately nine hundred projects were submitted with requests for starting enterprises, 80% of which from abroad.<sup>28</sup>

After the success of Molise, the Umbria Region also took steps to pass a bill promoting the same model, a model which brings benefits not only from the property market perspective but also directly or indirectly generates a genuine functioning economy in places at present in a fragile condition and in constant decline. A specific commission will assess the individual projects from among the various proposals submitted in Molise and draw up a classification list. The compatibility of the proposed enterprise with the village in which it is to be installed is the principal factor assessed but also the degree of future sustainability, i.e. the ability to maintain the

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<sup>27</sup> Montrella S., “Qualcuno compra le case a 1 euro?”, AGI.it, 2019  
[https://www.agi.it/cronaca/vendita\\_case\\_euro-5139241/news/2019-03-14/](https://www.agi.it/cronaca/vendita_case_euro-5139241/news/2019-03-14/)

<sup>28</sup> [www.regione.molise.it](http://www.regione.molise.it), 2019



project undertaken over time. Of some importance too is operational status, i.e. the time required before the proposed initiative is actually implemented and consequently produces benefits for the local economy.

It is also possible that other regions studded with villages, such as Umbria, will decide to follow this path. The “green heart of Italy”, for example, wishes to fight against the depopulation of the areas hit by the recent earthquakes, which have also caused great damage to other regions of Central Italy. Sometime soon also Marche, Abruzzo and Lazio may decide to have recourse to similar bonuses, as they are in much the same situation. In particular Abruzzo, which has had to cope not only with the earthquakes occurring between 2016 and 2017, but also with that of 2009, from which many villages never recovered, especially in the province of L’Aquila.

If speaking about villages and Apennines, our mind automatically goes to the areas of Central Italy and the aforementioned regions, this issue actually also concerns Emilia-Romagna. The north-central region, known above all for the large industrial cities that arise along the Via Emilia and near the Adriatic coast, actually has a large mountainous area on which the regional administration has decided to invest.

Between 15th September and 30th October 2020, a regional call was issued which made grants available up to a maximum of thirty thousand euros. The minimum amount of the incentive is ten thousand euros and covers 50% of the costs incurred for the purchase of a first home, limited to existing properties, to avoid further land consumption. The applicant can also access the tender to renovate a house already owned but in a state of decay, as long as it is then used as his first home.<sup>29</sup>

This announcement is aimed at young couples and families, even composed of one person, the important thing is that at least one member was born after January 1<sup>st</sup> 1980, is resident in Emilia-Romagna, or at least carries out his working activity. The effort of the regional administration, which was immediately rewarded by two thousand expressions of interest, amounted to ten million euros of investment and the council led by Stefano Bonaccini had declared that if the initiative was actually successful, it would be proposed again. The tender

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[https://parma.repubblica.it/cronaca/2020/05/06/news/mettere\\_su\\_casa\\_in\\_appenno\\_dalla\\_regione\\_contributi\\_a\\_fondo\\_perduto-255843841/](https://parma.repubblica.it/cronaca/2020/05/06/news/mettere_su_casa_in_appenno_dalla_regione_contributi_a_fondo_perduto-255843841/)

was actually successful and three hundred and forty-one young couples or families benefited from it, receiving an average amount of € 28,500. <sup>30</sup>

80% of the households have children and the average age of the participants in the repopulation program is 32.5 years. The settlement of these new inhabitants will bring a significant injection of resources to the benefit of the economy of the mountain areas, which will see several construction sites built in 93% of cases by local companies. It is estimated that this wave of investments can mobilize an additional ten million euros, creating wealth in the area. These immense results have therefore convinced the Region to continue on the road of the "Bando Montagna", inserting an additional ten million in the forecast budget for 2021.<sup>31</sup>

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<sup>30</sup> <https://territorio.regione.emilia-romagna.it/montagna/bando-montagna-1>

<sup>31</sup> *lbi*

### 1.3.3 Vaccarizzo and MIT

Unusual and fascinating is the isolated case of Vaccarizzo di Montalto Uffugo, a village in danger of depopulation in the province of Cosenza, Calabria. This is not even a municipality but only an outlying hamlet, with no services and a population of about five hundred people. Quite unexpectedly, the local residents, who mostly saw their future far from their roots, were surprised by the Massachusetts Institute of Technology (MIT) of Boston (USA), which decided to make this place into a prototype for social regeneration.

Vaccarizzo will host the first “Societal transformation Lab” of the Presencing Institute, a research platform for the profound transformation of social, economic and cultural systems. Some seventy countries world-wide are participating in the project, which aims at the repopulation of marginal areas.

The idea came from “Brit”, a start-up involved in the regeneration of villages and historic residences at risk of abandonment. Among ten Italian villages contending for the project, Vaccarizzo came first, account taken of different indicators such as the historic value of the area, the available attractions and the participation of the local community. And so the MIT experimental stage got going, following all the phases of the “Theory-U” of Otto Scharmer, director of the Presencing Institute, an expert in change management and Professor at the said MIT. This stage consisted of four meetings connected with the prestigious American university, the objective of which was to analyse the condition of the village and decide on the conditions for repopulating it.<sup>32</sup>

The participation recorded for these meetings was very significant, not only in terms of numbers but also of the content dealt with, so much so that the local population were whole-hearted in requesting that the ideas discussed be put into practice, quickly creating a community cooperative consisting of sixty members, with a Chairperson elected by online voting. Immediately afterwards a crowdfunding operation was launched for the opening of a neighbourhood grocery store.

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<sup>32</sup> Marrazzo M., “I live in Vaccarizzo”, il Mit di Boston adotta ricetta per ripopolare il borgo, Il Sole 24 Ore, Roma, 2019

Another interesting initiative is that of including uncultivated parcels of land in a “land-bank”, to create new employment and production in plots of land which are completely usable but at present abandoned. Some residents have furthermore signed release documents to allow the community cooperative to manage some twenty buildings with a view to sale, letting or use as tourist-hospitality facilities. This choice may create other positive effects on the local economy, benefiting the small building firms present in the area, which could use local materials and a bio-building strategy.

The banking support of the Banca Mediocreati is also a fundamental element in this process. It has activated a specific package called “I live in Vaccarizzo” to make access to credit easier for those who want to start a business in the village or restore existing buildings. The importance of what is happening has also been understood by Poste Italiane; it has in fact reopened the village post office which had been closed for some time.<sup>33</sup>

This initiative, more complex and articulated than the projects described before, has also obtained a very successful response in Italy but particularly abroad; requests for information have been received not only from the Cosenza area but also from the Americas.

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<sup>33</sup> Marrazzo M., “I live in Vaccarizzo”, il Mit di Boston adotta ricetta per ripopolare il borgo, Il Sole 24 Ore, Roma, 2019

### 1.3.4 Municipal incentives

A less complex initiative has been introduced in Bormida, in the province of Savona. Here the Mayor has made accommodation units belonging to the municipality available, renting them out at fifty euro per month. This is not the only measure adopted: the rates on second homes, of which there are many in the area, have been raised to try to persuade the owners to live in them or make them available for letting. On the other hand tax incentives have been offered for shopkeepers and businesses operating in the locality to try to keep them there.<sup>34</sup>

The project has had a great effect, resulting in the receipt by the municipal authorities of about twenty-five thousand requests for information in a very short space of time. This notoriety was also helped by the unfounded report that, in addition to the especially low rent, the Municipality had offered a subsidy of two thousand euro to whoever decided take up residence there. Such a proposal was in fact intended by the mayor but could only have been funded with the support of the Liguria Region, which never agreed to the operation.

The measures put into practice were sufficient in any case to achieve the objective of the local authorities, which was that of reaching an overall resident population of four hundred inhabitants. The new residents are for the most part foreign nationals but two Italian doctors were also attracted who even opened a pharmacy, a service which before this was completely non-existent.

The mechanism therefore worked, even with the difficulty of managing the enormous number of official requests, e-mails and telephone calls, quite disproportionate to the staff available to handle them. The Municipality was certainly facilitated in the success of its initiative by the fact of already possessing premises suitable for letting, a condition obviously that does not obtain in all other Italian villages at risk of depopulation, where often such premises do not exist or have become dilapidated and in need of costly restoration works. The model could however be easily replicated in places which do already enjoy the same advantage.

Remaining in the field of public initiatives, two other variants of repopulation of the villages should be mentioned: the cases of Candela and Locana.

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<sup>34</sup> Barabino P., "Bormida, il Sindaco offre alloggi a 50 euro", *Il Fatto Quotidiano*, Roma, 2019

Candela is an Apulian municipality in the province of Foggia that has recently re-proposed the incentives already used in 2016. These are bonuses to climb, from eight hundred euros for single-family households, to two thousand euros for families of four or more people, that five years ago attracted thirty-eight people to the village. However, the demographic balance of the country is still negative and the Mayor has decided to resort to incentives again.

To access the bonus there is obviously a need for minimum requirements, it is in fact necessary to demonstrate that you have maintained your residence from January 1st to the last day of the year in question, that you have signed a regular lease agreement and that you have an income higher than 7,500 euros. It is also required that the accessor does not come from other villages with a population of less than two thousand inhabitants, so as not to weaken the other small centers already in the throes of depopulation.

To make the proposal even more attractive, the administration is also thinking of further incentives, such as reliefs on electricity bills, tax concessions on waste, discounts on children's enrollment in kindergarten and school canteen fees. This series of benefits could reverse Candela's demographic trend, which for now is not precipitating only thanks to the strong flows of migrants, increasingly numerous.

The municipality of Locana is located in Piedmont and is part of the Metropolitan City of Turin. Here the Mayor of the village decided to implement an attractive strategy that was not only based on the mechanism of houses at one euro, but also on a bonus strongly focused on families. This is three thousand euros per year to be assigned for three years to each family that decides to settle in the village of 1,500 inhabitants and to enroll at least one child in school.

The incentive is called "Everyone at school in Locana" and can be accessed with an ISEE income equal to or greater than seven thousand euros. Furthermore, family members must demonstrate that they have been resident in Italy for at least five years. The small town, which up to less than a century ago had more than six thousand inhabitants, today risks losing the immense socio-cultural heritage constituted by the presence of schools in the area, given the low number of births, and it is for this reason that it mainly targeted young families.

These methods are quite inexpensive for administrations and can certainly buffer the demographic crises in the short term, but they present problems in the long term, as the case of Candela has shown. Locana's incentive is perhaps more efficient as it aims at maintaining a service capable of retaining the inhabitants in the area. The disappearance of educational

institutions would in fact be a definitive boost to depopulation and the average ageing of the population.

If up until now we have discussed initiatives on the part of individual local authorities, whether of villages, provinces or regions, and whether independently or with the support of third parties, as in the case of the partnership between Vaccarizzo and the MIT, there are also cases in which a private party has invested in a small populated place, establishing in it an industrial facility or logistic centre and so creating spin-off virtuous circles capable of promoting repopulation.

### 1.3.5 Private investments

One of the most famous recent cases is that of Arquata del Tronto, a village in the Marche, in the province of Ascoli Piceno. It was seriously damaged by the earthquake of 24 August 2016 and then almost razed to the ground by that of 30 October of the same year. The local population and that of the surrounding areas largely took refuge on the coasts, abandoning the hinterland, which already lacked services and employment opportunities. Here the intervention of a private party was decisive, the Tod's Group, which, represented by the well known Della Valle family, planned and implemented a footwear factory in record time.

The manufacturing centre, opened on 20th December 2017 by the then Prime Minister, Paolo Gentiloni, is a building of about two thousand square metres accommodating more than one hundred employees, and these Marche entrepreneurs are already planning an increase in staff numbers. Isolated initiatives like this, in small and marginalised areas like Arquata del Tronto, can be redemptive and if more entrepreneurs decided to follow suit and establish their businesses in the same area or in neighbouring villages, the objective of repopulation and the creation of an economic ecosystem would be easily achieved.<sup>35</sup>

For this reason the Chairman of the Tod's Group has several times declared in the press his wish to create a network of entrepreneurs and businesses that would invest in the area, also to create the advantages characteristic of the classic model, typical of the Marche, of the industrial district. His efforts to create this network has so far not had results but the Arquata factory remains a model that can be replicated, if not to create a self-sufficient economic ecosystem, at least to act as a buffer against the most urgent instances of depopulation and the resulting ghost towns.

The slow process of post-earthquake reconstruction, which in many villages entails disposal of the rubble, would have reduced Arquata to a ghost village. The effects of the presence of the footwear factory are tangible at present but may be more obvious once the process of reconstruction has been completed and the pre-existing socio-economic fabric has been reformed.

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[https://www.ilmessaggero.it/umbria/della\\_valle\\_arquata\\_del\\_tronto\\_stabilimento\\_dopo\\_terremoto\\_inaugurazione\\_gentiloni-3439957.html](https://www.ilmessaggero.it/umbria/della_valle_arquata_del_tronto_stabilimento_dopo_terremoto_inaugurazione_gentiloni-3439957.html)



Once this has happened, we will be able to see if Arquata can succeed in partially replicating the model of Solomeo, a hamlet in the municipality of Corciano, in the province of Perugia, Umbria.

This hamlet has for years been in the spotlight of the press and of international researchers thanks to the enlightened entrepreneur Brunello Cucinelli, the proprietor of the eponymous fashion label, known in particular for the production of precious cashmere knitwear.

The Cucinelli family began to be active in the renovation of Solomeo in tandem with the progress of the firm, the headquarters of which were moved to the village in 1985. A strong supporter of the Humanist model, this Umbrian focused on the formation, not only of the local economic fabric, but also of the socio-cultural fabric. An example of this endeavour is the “Teatro Cucinelli”, of a clear classical-renaissance inspiration, which during the year hosts a rich and variegated programme of prose, dance and musical performances. We may also cite the “Giardino dei Filosofi” [“Philosophers’ Garden”], an intimate and panoramic space conducive to reflection and contemplation, or the Amphitheatre, which in the summer season is host to a music festival and a cinema programme.<sup>36</sup>

More generally all these works come together in the “Foro delle Arti” [“Arts Forum”], a true humanist citadel, an open space surrounded by various structures essential to the cultural identity of the place. To complete the mosaic of cultural attractions there is the “Accademia di Arti e Mestieri” [“Arts and Crafts Academy”], a school of advanced training where the techniques and ideas of pattern making, cutting and tailoring are taught, but also horticulture, gardening and masonry work.

Solomeo is not only a place where one goes to work but is also a pleasant and interesting place to live in, and it is for this reason that its former, apparently inexorable, demographic decline has been replaced by constant repopulation and not just by commuters, all of this due to the initiative of a private party resulting not only in the opening of an industrial establishment but also the organisation of various activities and philanthropic practices. The approach was therefore not that of “privateer enterprise”, but that of “rooted enterprise”, strongly attached to the idea of “Corporate Social Responsibility” as well as to CSR (Customer Social Responsibility), basic elements in the wider concept of “Humanist Capitalism”.

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<sup>36</sup> <https://www.brunellocucinelli.com/it/hamlet-of-the-spirit.html>

The humanist enterprise puts people at the centre; profit is seen as a means of strengthening the enterprise and allowing the workers a more dignified life. Putting people at the centre means paying attention to how profit is obtained and then reinvested in company welfare practices and in the wider surrounding community, so as to create value and wellbeing for the whole area; not only for the shareholders but particularly for the stakeholders.<sup>37</sup>

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<sup>37</sup> Santamaria P., "Il capitalismo umanistico di Brunello Cucinelli", Starting Finance, Roma, 2019

### 1.3.6 The “Albergo Diffuso” model

Among the various privately-inspired initiatives aimed at restoring Italian villages, we must also consider that of the so-called “albergo diffuso” (“dispersed hotel”). This is not in the strict sense a method of repopulation since, as it is an accommodation facility for temporary stays, its objective is not to attract stable residents capable of creating continuing added value in the area. The presence of dispersed hotels, however, leads to a restoration of abandoned or derelict buildings which are redeveloped, often leading to the redevelopment of entire areas in the host villages. The hospitality activities furthermore create employment not only for the workers in the dispersed facility but also in the whole area, which benefits from the flow of tourists produced by its presence.

The dispersed hotel differs from the idea of a traditional hotel, which develops vertically and accommodates all its functions in a single centralised structure. Its component parts are spread out over different buildings, but these are located in the same village centre, often at short distances from each other. This type of accommodation is usually aimed at a clientele interested in staying in a quality village setting where it is possible to come into contact with the local residents rather than with other tourists, continuing however to benefit from the services typical of a hotel, such as breakfast served in one’s bedroom or the restaurant service.<sup>38</sup>

The model has shown itself to be very successful especially in the historic centres of villages of particular architectural and artistic interest, which prove to be more attractive; Italy is studded with villages of this kind and it is easy to understand why it is the country where this model has flourished the most. In Italy there is an association, the ADI (Alberghi Diffusi), which has recognised three different hospitality models:

- the “Village-Hotel” involves a whole village or historic centre through a network of hospitality offers. These are not only bedrooms for over-night stays but also, for example, bars, restaurants and common areas reserved for the clients. It is a genuine hospitality network which centralises only certain services, including the accommodation booking system. A decision of the Regional Council of Sardinia (no. 28/26 of 26 July 2007) in Article 30 defines

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<sup>38</sup> <https://www.alberghidiffusi.it>

this model as: “a network of hospitality operators, constituted on the basis of cooperation agreements between different parties, whether entrepreneurs or not, for the exercise of hospitality activities in a coordinated way, without unitary management, for the purpose of providing accommodation and other services in various accommodation facilities, which involve a significant part of the village centre, satisfying the requirements fixed by a decision of the Regional Council”.

- the “Dispersed Residence” is, on the other hand, defined as an “extra-hotel accommodation facility providing accommodation in several residential units, together with hospitality and assistance services situated in a single municipal area united by the centralised reception office”. It is therefore an extra-hotel accommodation facility with a centralised booking system and a supply of minimum hospitality and assistance services.
- the “rural Dispersed Hotel” has been regulated recently by the Molise Region on the recommendation of the association and is also a dispersed hotel but developed, not in a village but in a rural setting, with the restoration of old cottages, farmhouses and homesteads, targeting the needs of clients looking for a bucolic experience and close contact with nature.<sup>39</sup>

The idea of the dispersed hotel is spreading across the world and after the first Italian examples other similar projects are emerging in other countries, like Spain, Switzerland and Croatia, but also southern Germany and Japan. In all parts of the world this particular type of hotel will be called by its name in Italian “*albergo diffuso*”, followed by the name in the local language. It is therefore a genuine brand, a “Made in Italy” model exported abroad, so much so that Giancarlo Dall’Ara, president of the Italian association, has been elected honorary president of the Japanese Association of the *Alberghi Diffusi*.

Up to 2008 “structures” of this kind were only twenty in number, but now there are more than a hundred; to be recognised there must be compliance with very simple standard criteria: they must be open all year round, must be equipped with a hall and reception area as well as restaurant and cleaning services; the accommodation quarters must be dispersed over the surrounding area but at only a few hundred metres from each other.<sup>40</sup>

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<sup>39</sup> <https://www.alberghidiffusi.it>

<sup>40</sup> *lbi*

The most famous example and the one which has enjoyed most media coverage is certainly Santo Stefano di Sessanio, an Abruzzo village situated in the province of L'Aquila. Here the entrepreneur Daniele Kihlgren opened "Sextantio", a dispersed hotel of a particular design, which led to the creation of spin-off activities to such an extent as to bring about a growth in the population from the initial sixty-two inhabitants to the present approximately one hundred and twenty, and increase hospitality activities from a single unit to the present twenty-one. Commerce in the village has been influenced favourably, with the arrival of seven new restaurants in addition to the one already existing; the increased demand has also given an impulse to the opening of other production businesses, such as small artisan cheesemakers or producers of honey and jam. This impact changes the socio-economic fabric of the host villages, which must be lively places, even if in decline, since the guests of these facilities want to have an experience of life in a different social context from that from which they come. The customer experience consists of living in a place not so much because of its geographical position or demographic statistics but because this place offers its culture, traditions and cuisine and these could not exist in any place in the absence of an established community. It is therefore the community that makes the place special and attractive, the physical structures serve only to host the tourist within the community.

As the saying goes however, "all that glitters is not gold". The Santo Stefano di Sessanio model has encountered problems at the management level, to such an extent that recently all the employees of the facility were let go and a seasonal management strategy was adopted, causing it to lose the title of *albergo diffuso*, as one of the founding criteria of the idea was no longer complied with. The municipality in fact was affected by the earthquakes of 2009, suffering the recession of the entire area and a drastic fall in bookings, due to a sense of insecurity on the part of the tourists and particularly a less pleasant village setting also scenically, given that for so many years the village has been a sort of large-scale building site because of the reconstruction process, which for that matter is not yet complete.<sup>41</sup>

The Kihlgren project remains valid because of the spin-off activities it created in the area, but with the reduction in prices which had to be introduced, it became unsustainable financially, at least with regard to the winter months. The same entrepreneur has replicated the original model successfully in Matera, obviously in different conditions, for Matera is not a village but the capital of a province and a town which is attracting a great influx of tourists because of the exceptional visibility due to its nomination as European Capital of Culture in 2019. It was possible for these reasons to apply much

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<sup>41</sup> Romanelli E., "Santo Stefano di Sessanio, un'esperienza di albergo diffuso", Ansa, Roma, 2013

higher prices and position it in the “luxury” niche market, something much more difficult to achieve in an Apennine village involved in an earthquake.

What emerges from all of this is that the dispersed-hotel model is very sensitive to external factors, as it requires a very substantial initial investment (purchase of buildings, renovation, furnishings, provision of common spaces and services) and has high management fixed costs, while not having any guarantee of proceeds and with a market which, even if growing, is occupied by an ever increasing number of competitors. An external factor like an earthquake is certainly an extraordinary event but not such a rare one in the Apennine areas, which also stand in the greatest need of the repopulation of their historic centres. Those most interested in these initiatives are above all foreigners, who stay for brief periods, and it is easy to understand how in this Covid-19 pandemic period the numbers of such tourists arriving has been reduced practically to zero, with a corresponding reduction in revenue.

The model remains interesting and is one of the most important innovations from the hospitality point of view in the last few years, but perhaps the better elements in it should be replicated to create alternative models that do not, in the best-case scenario, lead only to influxes of tourists, and that perhaps only in the peak season, but rather to actual residents that come to work in particular niche sectors; and this is in fact the objective of this thesis.

### 1.3.7 The “Happy Village” of Fluminimaggiore

For example the Sardinian municipality of Fluminimaggiore declared in 2019 that it had designed a project called the “Happy Village” targeting the over-65 age group. Fundamental to this project too is the restoring of unoccupied or abandoned dwellings, to be renovated and made available for new residents who would be attracted by a series of incentives. In various interviews the local mayor, Mattia Corrias, declared that he wished to arrange for tax incentives similar to those offered by Portugal (even if the feasibility of this proposal remains to be seen) and also various services.

The project is not yet definite or official, remaining for the moment a kind of “declaration of intent”, but it immediately aroused a great deal of interest, even attracting a RAI 3 correspondent. The development of the idea has very probably been slowed down by events linked to the pandemic and so is not very detailed or specific, and it is still difficult to know whether its feasibility from the financial point of view has been established.

The package devised by the local mayor would in any case include 24-hour healthcare assistance in order to guarantee safety and tranquillity for the residents from the medical point of view. It remains to be seen how this service might be provided and at the expense of what body: through a facility of the National Health System? The investment of a private party in a clinic to be set up locally? The new telemedicine services? The social cooperative mentioned in the various interviews could certainly provide “home assistance” but it is hard to see how it could take the place of real medical support, something which is much more expensive and more complex to organise. There is mention, however, of a not very well defined “medical station” linked by a system of alarms to the bedrooms of the dwellings involved in the project.<sup>42</sup>

There would be provision for a personalised house-by-house organisation and a common system of transport, such as a fleet of minibuses, always available, to move around the village, go to the sea or nearby Cagliari, which according to Google Maps takes an hour and twenty minutes by car. It is clear that this kind of development involves very substantial initial investments and management costs,

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<sup>42</sup> Madeddu D., “In vacanza per sempre: i benefit per chi si trasferisce a vivere in piccoli paesi sardi”, Il Sole 24 Ore, Roma, 2020

which could only be justified by a very high number of clients. The greater the number of clients, however, the greater the initial capital expenditure, given that more dwellings would have to be bought and renovated in order to accommodate them.

The proposal also includes a certain attention to cultural matters and excursions, given the bucolic setting of this ex-mining town. With regard to coal mining, the municipality has an important industrial-archaeology heritage that the authorities could use to convert into hospitality facilities of a high level and of an order to accommodate the relations and friends of the neo-residents in addition to independent influxes of tourists.

The proposal could be an appealing one especially for foreigners coming from Northern Europe, who could be attracted by the particularly favourable climatic conditions of the place and its proximity to the Sardinian sea, one of the most sought-after in Europe. Another service offered could be cuisine, an area in which Italy excels world-wide and which could constitute a further attractive element for elderly foreigners.

The least clear element in this proposal is the question of who is going to implement it: whether the Municipality wishes to prepare the municipal area and community for investment by a private party or group or whether it will implement the project itself with public funds, the latter not a very realistic option given the scale and complexity of the operation. In the coming years, once the pandemic emergency has been overcome, the Municipality may certainly elaborate this question further, with the benefit also of greater clarity regarding the Next Generation EU fund and the specific allocation of the hundreds of billions to which Italy will be entitled.

In the meantime, as the present writer has had an idea which has much in common with the foregoing, and the occasion in this thesis to develop it in detail, we can now pass to the following chapters in which it is set out clearly, through a Business Model with regard to the descriptive part and a Business Plan for the quantitative analysis. The general system is applied to a specific case, that of the village of Fano Adriano, but one day it might be transposable to all municipalities willing to try it, Fluminimaggiore included.



## SECOND TOPIC: Senior-Borgo Business Model

### 2.1 Overview of the idea: Senior-Borgo

The Senior-Borgo project proposes to reorganise an existing Italian village, already satisfying various requirements, so as to make the built environment respond to the needs of elderly residents. The system would therefore correspond to a dispersed senior housing system, in a symbiotic relationship with the pre-existing socio-economic fabric, in which the construction of new buildings and the concreting over of areas of the land of Italy, so much of which is already densely populated, is replaced by the rehabilitation of villages at present suffering from poverty, depopulation and unemployment.

As we have seen in the previous chapter, the lengthening of average life expectancy and consequent ageing of the Italian, and more generally, European populations, will result in the country having more than one third of its inhabitants out on pension from 2050 onwards.<sup>43</sup> These will be however, as is partly the case already, senior citizens accustomed to the use of technology and with fairly significant IT needs. Modern pensioners are also more inclined to physical activity, are less sedentary, more active and more willing to try out new contexts and new life styles which, because of work and family commitments, they had not been able to enjoy in the preceding decades.

It is commonly believed that the pensioners of today and more so those of tomorrow will generally be reluctant to spend their old age in a standard retirement home, which can no longer satisfy their requirements, while at the same time preferring to avoid a densely populated and not easily managed urban context such as that of a large city or densely populated and chaotic coastal town.

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<sup>43</sup> Eurostat: "Population age structure by major age groups, 2005 and 2015 (% of the total population)". 4 agosto 2016. [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Population\\_age\\_structure\\_by\\_major\\_age\\_groups,\\_2005\\_and\\_2015\\_\(%25\\_of\\_the\\_total\\_population\)\\_YB16.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Population_age_structure_by_major_age_groups,_2005_and_2015_(%25_of_the_total_population)_YB16.png)

### **2.1.1 The structures and services of the village system**

The idea revolves around the construction of two fundamental reference points in the organisation of the village, easily reached from any point in it wherever the independent dwellings of the users of the Senior-Borgo may happen to be. The first, which we will call for simplicity as "touristic structure" (or nodal structure), must be slightly outside the urban agglomeration, and perform various functions. As can be guessed from the name, it would contain purely tourist-accommodation services, aimed both at users of the Senior-Borgo and at external tourist flows. In addition to a limited number of rooms and beds, it should therefore host a gym for indoor physical activity, especially useful in the winter months, a wellness area with swimming pool, SPA and other amenities. The investor's administrative offices should reside here and some spaces should be set up to be used for the formation of an outpatient clinic, to be organized in collaboration with the NHS (National Health Service). In addition to daily hosting the Medical Guard of the village concerned, the nurses of the structure would have the operational headquarters here and the medical figures made available by the NHS would be here received on a weekly or monthly basis. It will be needed a partnership that should obviously be established through the Municipality and the other institutional bodies in charge. The professional figures that could populate the structure at alternating stages would be those necessary for a purely elderly population, for example: geriatricians, psychiatrists, physiatrists, orthopedists, cardiologists, psychologists, physiotherapists, nutritionists.

Near this structure there would have to be an helicopter landing pad to connect the village centre with the nearest hospitals for the more serious emergencies and it is always from here that all the logistics of the village would unfold; in fact, it could also host a fleet of electric bikes for hire and electric golf-cars that the staff will use for delivering services and for moving around the village.

This structure will also include a gym equipped for the physical activity of the users and a relax-area, with a swimming pool, spa and panoramic health trails.

The second structure would be more centrally located in the village and would serve as the vital cultural centre of the system. Here the University of the Third Age would be established, offering different courses, as diversified as possible, so as to satisfy the variegated tastes of the clients.

In this structure there would have to be a large closed common space where it would be possible to come together to see films, prepare/exhibit shows, have debates, meetings.

A place in which to practise and personally organise various activities indoors and free of charge. The clientele would have the right to meet in specific committees, assign roles and responsibilities for the management of money entrusted to them by the Management of the system for the organisation of activities that would benefit the community of the Senior-Borgo, for example: committees for cinema, events, journeys, culture, sport, client representatives etc.

On the other hand, the users would live here and there in the village like normal citizens, but with the privilege of having specific services available to them subject to payment of a fixed monthly fee.

These services, in addition to the 24-hour medical service guaranteed by the telemedicine, would include the delivery of groceries and medicines directly to their homes, cleaning of apartments and weekly changing of sheets, travel around the village guaranteed on request on individual routes, access to the canteen, gym, sports centre and relaxation area, in addition to discounts on all local activities from providers accredited with the structure. They would live, subject to payment of a monthly rent, in dwellings bought and renovated by the investor in accordance with all anti-seismic criteria and equipped with fundamental facilities, such as Internet connection, an efficient heating system and sound-proofed and insulated walls and windows, in harmony with the built and natural environment of which they are part.

They will essentially be apartments of a reduced scale, such as two-room or three-room apartments, distributed over the village in flat or gently sloping areas, near to the centre of the village to ensure access to all the resources that this offers.

At present Italian villages, largely uninhabited or suffering from depopulation are obviously lacking in the greater part of the basic services that a town offers and to which the clients are used. This fact is due to the lack of inhabitants and therefore lack of demand for services.<sup>44</sup> If, however, one brought hundreds of elderly people to live in a village, this would create a sudden demand for services not on offer there but which the unemployed of the towns or coastal areas could supply by providing the manpower.

In an overall view of the project, one could consider the possibility of renovating the buildings bought by the investor so as to reserve the ground floor or part of it to commercial activities, thus generating further monthly rent payments. One might even finance the small enterprises becoming established

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<sup>44</sup> Felice, E. (2017). *The socio-institutional divide. Explaining Italy's regional inequality over the long run.*

in the system so as to facilitate and speed up their insertion and so also collect the interest amounts on the loan accorded.

The village would then be equipped with all main services and could also be inhabited by the proprietors of the businesses, as well as by their employees, by the staff of the Senior-Borgo and by its clients.

The village might then need newly built dwellings and new reception facilities, another investment opportunity that the investor could then take advantage of to increase proceeds. Family holidays in the village would be less disagreeable than at present, would be bearable for longer periods and certainly more pleasurable, because of the new boost given to the village by the inclusion in it of the Senior-Borgo system. The relatives of the users could use it to visit their family members and spend a weekend enjoying the delights of nature and good food, or longer periods at festival times or in the holiday season.

Given that what is fundamental in the development of this project is the change in the role of the client from one of passive guest in a rest home or marginalised inhabitant of a densely inhabited town to one of an active player in a small and intimate community. Small and simple productive activities could also be developed, managed directly by the clients with the help of the staff, such as beekeeping, forestry, river fishing, collecting of mushrooms and truffles or small plantations of crops (potatoes, tomatoes, lettuces, fruit trees), organic farmyards for the production of eggs, or small and simple animal husbandry tasks.

### **2.1.2 Minimum requirements for villages**

The villages to be developed must be 30 minutes at most from a highway exit and from the capital of the province, they must not contain excessively steep gradients or be at an altitude higher than 1,000 metres, to avoid the problems of cold, ice and snow, but must on the other hand have the benefit of a healthy mountain air. They should have a resident population of between 100 and 500 inhabitants, so as to be able to insert the users in a living but intimate context, in which distances are easily covered on foot or by bicycle, and allow also for the possibility of investing in the establishment of small productive activities not present at the moment but which would exist, at least partially, if the inhabitants were greater in number.

Villages with few entrance streets are preferable, so as to be able to monitor arrivals and departures easily, in the context of the surveillance and control of the village, in association with the State Police or Carabinieri Forestali.

The Church could also be a social reference point in the village and the presence of a spacious place of worship able to accommodate at least the majority of the guests would be ideal.

### **2.1.3 The archetype village: Fano Adriano**

We have found the ideal location for giving concrete shape to the idea in the Italian village of Fano Adriano, situated in the Province of Teramo, Abruzzo, but the model is obviously applicable to any village satisfying the minimum requirements described above.

The village, one of 270 inhabitants, is situated in an extremely panoramic position on the slopes of the Gran Sasso d'Italia, and is part of the Gran Sasso and Monti della Laga National Park.<sup>45</sup>

At 750 metres above sea-level, it is 30 minutes from Teramo, 20 minutes from the Colledara "A-24 Roma-Teramo" highway exit and a maximum of one hour from important centres such as L'Aquila, Ascoli Piceno, San Benedetto del Tronto, Pescara and all the highly populated municipalities along the Adriatic coast at that latitude. In addition it is at a maximum of two hours from Terni, Rieti and Rome. It is from Rome in fact that the majority of the holiday-makers come, owners of second homes or young relatives of the present residents who are mostly old.

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<sup>45</sup> <https://www.comune.fanoadriano.te.it>

Situated at 20 minutes from the well-known mountain tourist resort of Prati di Tivo, it has its own ski resort, Prato Selva, a station with excellent potential which for some years has been falling into a state of neglect because of funding cuts to the Provinces; it is in fact controlled directly by the Province of Teramo.



*Image 1: The village of Fano Adriano.*

Still at a maximum of 20 minutes, in addition to the principal peaks of the Apennine chain and the beauty of the National Park, is the Lago di Campotosto, a well-known tourist attraction for both the Adriatic and Tyrrhenian sides. There are also various villages nearby which can be reached even on foot, as can the official tracks of the Park, the rivers and other landmarks.

Fano Adriano is characterised by an extensive flat or gently sloping area and by the presence of other strong points for the project:

- The touristic structure: an abandoned ex-hotel at one minute from the centre of the village and in an extremely panoramic position, with an extensive floor area (about 1,500 square metres plus garden area), for which the Municipality is searching for an investor who would be willing to acquire and reconstruct it. It is situated on a street that is fundamental for the logistics of the village and so would be perfect to accommodate the outpatient part, logistics area and relaxation/fitness area (for which in fact a specific third structure might be a good idea).
- the central structure: exists already. It belongs to the Municipality and can be leased for use for an annual fee of 10,000.00 euro.<sup>46</sup> It has a sports centre (five-a-side football pitch /tennis court, volleyball court, plus park), and two common floors of about three hundred square metres, of which one equipped for a conference hall / multimedia room and the other with a restaurant area and hygiene facilities. In the structure there are also eleven apartments served by a lift, for a total of twenty-one beds. On the ground floor there is also the surgery of the Emergency Medical Service.
- Some basic services already exist: Municipal offices, a Post Office, a Pharmacy, an Emergency Medical Service, a National Park Museum, a Carabinieri Forestali station, two bars, two restaurants, an agritourism enterprise, two B&Bs and a mini-market. There is a lack, however, of all those services that a wider range of users might want and in which an investor might be interested, such as: newsagent, tobacconist, home sanitation, bank outlet, petrol station, bakery, butcher, fruiterer, hardware shop, household goods, hairdresser, beautician, clothes shops and medical rooms of a not strictly necessary kind such as dentist or vet. Not to overlook the possibility of opening other bars, restaurants, B&Bs, hotel or a supermarket.
- There is already an helicopter landing pad, near the potential touristic or nodal structure.

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<sup>46</sup> <https://www.comune.fanoadriano.te.it/dati/atti/32.PDF>

- The village is already served by an efficient internet connection, via optical fiber.
- In the village centre there is a spacious, recently restored church of great artistic-architectural value, capable of accommodating all potential clients of the structure, and various squares in which the Committees of the Senior-Borgo or the active local Pro-Loce [local promotion office] could organise events and activities. There is also a small library, appropriate for those who want silent spaces conducive to reflection.
- Within the territory of the village there are many tracks and walks in the woods or on the road, varying in altitude from the 750 metres of the village itself to the 900 metres of the Eremo dell'Annunziata, the 1450 metres of Prato Selva or the 1600 of the Chiesetta dell'Alpino and 1550 of the Rifugio del Monte, situated on the slopes of Monte Corvo. Also at three minutes from the village and still within the municipal confines there is a famous climbing wall, the "Vene Rosse".
- Various very spacious dwellings have become derelict over the years or require the owners, who do not have the necessary financial resources, to carry out restoration works following earthquakes. Property prices are therefore very low and there are various opportunities for buying at a low price and then renovating, dividing up and letting to possible clients of the Senior-Borgo. Many of these dwellings are also very close to the touristic or central structures and have gardens.
- There are various derelict storehouses and dilapidated structures, like old farmhouses and mills which could be restored and used as little manufacturing or storage workshops, in connection with the primary sector activities described above.
- The running water of the area is drinkable and has diuretic qualities, scientifically proven over the years. Particularly diuretic is the "Fonte della Cannalecchia", not far from the nodal structure.
- The village can be reached only along a single municipal access road, which branches off from the national road SS80 Teramo-L'Aquila ("Passo delle Capannelle"), considered by



various specialised magazines as one of the most panoramic and scenic in Europe. It would therefore be extremely easy to monitor entries into the village, from a security point of view.

## 2.2 Value Proposition

Having outlined the general idea underlying the topic of this thesis, I may begin to describe the model in detail, starting from its Value Proposition, a key element in any Business Model, as it is usually the innovative element which differentiates it on the market.

The Value Proposition differentiates a business from the existing market players, or even creates a new market, in the event of opting for a Blue Ocean Strategy.

In the case in point, we believe that this idea can create a new market, within the Real Estate macro-sector and more specifically in that of Senior Housing. There are various factors of diversification from possible competitors, which we can analyse through the four functions of the BOS (Blue Ocean Strategy) framework<sup>47</sup>:

- a.) “Reduce”: the project would reduce the environmental impact and the concreting over of coastal and urban areas, so characteristic of modern Senior Housing strategies. It would tackle the social isolation problem of the oldest age bracket of the population, reducing their marginalisation from the socio-economic fabric in which they live. It would reduce the depopulation of the mountain areas in Italy, at least in those in which it could be undertaken. It would tackle unemployment in the most densely populated areas of the country, giving new prospects to those who have no work;
- b.) “Create”: it would create real independence for the users, who would be part of an effective and affective context, free to build their social life spontaneously, which would be strongly incentivised. They would furthermore have the advantages of the most modern Digital-Health tools, so that they could be monitored remotely in a non-invasive and acceptably unobtrusive way.
- c.) “Eliminate”: the now outdated concept of rest home would be eliminated, as would the danger of the “death” of the villages concerned and of the neighbouring areas, the idea that the old and, by analogy, Italian villages, can only be a burden for society instead of being an important resource.
- d.) “Raise”: it would increase the digitalisation of the sector, given the new IT/digital skills the elderly possess today and will possess more and more with the passing of the years and

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<sup>47</sup> Denning S., “Moving to Blue Ocean strategy: a five step process to make the shift”, Forbes, Jersey City, 2017

generations. It would increase the attention paid to the concepts of sustainability, green economy and circular economy. It would lead, if spread on a vast scale, to a greater contribution by the elderly and by the mountain areas to the GDP.

The effect of these four functions is to create a “new value curve”, which, as said above, constitutes an innovation in the real estate world within the Senior Housing industry.

This idea would be, if implemented, a radical innovation in the sector, as it would target a new population bracket, consisting of elderly people who are self-sufficient and so relatively young and healthy who also have the benefit of being pensioners; we are talking here of the age group from 65 to 80 years. If, on the one hand, the market is new, on the other the technology available is also new; a technology based essentially on the remote monitoring of health and in general on a diffuse structure, absent at first sight but in realty omnipresent in all daily activities.

The sector, in its present conditions, has shown it needs innovation of this kind, also with regard to the inevitability of the issue of gatherings and intermingling which has afflicted it and has led to the well-known problems in nursing homes and rest homes. These, despite being healthcare and inpatient treatment facilities, were where the principal outbreaks of the Covid-19 pandemic occurred in Italy in 2020, even in areas less affected by the virus. While the managers of individual facilities certainly had shortcomings and were inefficient in their management of the emergency, it is also true that the root of the problem lay in the very nature of the facilities; a problem that in a dispersed care structure could never have occurred with such virulence. In a Senior-Borgo it would in fact be much easier to avoid the devastating effects of pandemics, epidemics or even simple viruses which also can cause problems in a largely elderly community. As the dwellings are already dispersed and essential deliveries guaranteed, as we will see below, an emergency plan would be easy to implement and also quite sustainable from a financial point of view.

Moreover, recent scientific studies have shown that there could be a correlation between pollution and the ease of transmission of viruses and that the effects of the infection are more severe; this is one of the reasons why areas on the plain of the Po suffered more than other areas in Italy.<sup>48</sup>

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<sup>48</sup> Di Todaro F., “Inquinamento e Covid-19, cosa sappiamo”, FondazioneVeronesi.it, 2020  
<https://www.fondazioneveronesi.it/magazine/articoli/cardiologia/inquinamento-e-covid-19-che-cosa-sappiamo>

By locating the idea of the Senior-Borgo – as the name of the project suggests – in Italian villages and in mountain and country areas of the state, the danger of transmission would be decidedly reduced, regardless of the type of senior citizen residential facility analysed.

The idea of the Senior-Borgo therefore offers a new service and new technologies for a new target, but offers its users above all a new life style, consisting of health, well-being, get-togethers, culture and sport, in the framework of a kind of return to one's roots, a re-discovery of the context in which the greater part of our forebears lived and built the future in which the present generations are living. The proposal is therefore one of immersing oneself in a mix of different contexts, cultures and times, re-discovering a varied and multicoloured life, a change from the monotony of retirement in the city, without however losing the essential advantages of the last century which made the city preferable to small inland settlements.

## 2.3 Key Resources

Through this presentation of Key Resources we will now begin to review those constituting the infrastructure of the Business Model, i.e. the foundations on which the feasibility of the project is based, which later will be considered in more depth in the last chapter, that regarding the Business Plan.

First of all we mention an ex-post resource, the financial solidity of the client and therefore of his spending power. The project target is an elderly population with an income from pensions, which implies an inflation-adjusted purchasing power remaining constant over time, regardless of the global economic situation or specific crises in the Italian or European market. The pensioners are statistically one of the safest economic actors and that generates the least credit loss ever, as it is comparable to a state employee.

Assuming therefore that the structure, through functions belonging to the sphere of Marketing, succeeds in attracting a considerable number of clients, we can conclude that it would enjoy constant and punctual payments by its clients, who receive a safe and constant income from the state, through the INPS [National Social Welfare Institute], indefinitely. We repeat in any case that the detailed quantitative analysis and precise development of these financial assessments are to be found in the last chapter, but this circumstance certainly constitute a key infrastructural element of the Business Model I am describing.

It is clear, however, that while there is the certainty of having proceeds from the clients attracted by the structure, it must first be understood how the construction, in material terms or otherwise, can be financed. What initial Key Resources are available to support the project?

The Senior-Borgo is a project aimed at the revitalisation of the inland areas of the country, particularly those in mountain areas; it therefore needs a dependable investor with an interest in social issues, in the weaker sections of the population, that is not obsessed with the highest IRR (Interest Rate of Return), but first of all a result in the real economy of the country and in the economic geography of Italy. While the greater part of the investment would depend on investment funds, asset management companies and similar financial agents, other resources could be found by applying for publicly announced sources of funding in different contexts, all pertaining to the investment under analysis. These numerous funding opportunities vary according to the allocation conditions, but they are mostly in the nature of a subsidy, i.e. without the obligation to repay any of the amount granted or

only a certain percentage of it. Others are at a zero percent interest rate and are repayable over very generous periods of time. These incentives may often be of a tax kind also, using the instrument of tax credits for a limited period of time but always advantageously for the financially assisted party. I list below some of the available funds which could be useful in implementing the project.

- For the construction of nursing homes, rest homes and private clinics<sup>49</sup>
- For post-earthquake reconstruction, "Sisma-Bonus"<sup>50</sup>;
- For the rehabilitation and enhancement of buildings of historic value<sup>51</sup>;
- For the establishment of productive businesses in areas of centre-south of Italy and particularly in mountain areas; special consideration being given to areas within National Parks<sup>52</sup>;
- For the removal of architectural mobility barriers<sup>53</sup>;
- For the improvement of energy efficiency in dwellings and the use of renewable forms of energy, Eco-Bonus<sup>54</sup>;
- For green mobility, for the creation of parking areas for electric cars or bicycles or golf-buggies;
- For the establishment of any kind of business by entrepreneurs under the age of 40 or 35<sup>55</sup>

Despite a substantial part of the initial investment could therefore be financed through the joint use of these tools, we have decided to present a project that is sustainable on its own, which therefore does not depend on state, regional and provincial contributions but solely on business management. Once the structure has started, it should be able to support itself, thanks to the incoming cash flows from rents and user fees and from other revenues deriving from the operations of the project (production activities, hospitality, premium services, etc.), and to generate profits. We will demonstrate this thesis in the Business Plan of the last chapter. Since we are analyzing the infrastructure of the model and that fundamental "resources" of the latter are naturally its partners,

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<sup>49</sup> Gobbi B., "Rsa, l'anno zero dopo il Covid: ecco come spendere i fondi UE", Il Sole 24 Ore, Roma, 2020

<sup>50</sup>

[https://www.agenziaentrate.gov.it/portale/documents/20143/233439/Sisma+bonus+le+detrazioni+per+gli+interventi+antisismici\\_Guida\\_Sisma\\_Bonus.pdf/ee5ec719-05ae-0584-897e-f60d34060498](https://www.agenziaentrate.gov.it/portale/documents/20143/233439/Sisma+bonus+le+detrazioni+per+gli+interventi+antisismici_Guida_Sisma_Bonus.pdf/ee5ec719-05ae-0584-897e-f60d34060498)

<sup>51</sup> [https://www.beniculturali.it/mibac/multimedia/MiBAC/documents/1240240310779\\_codice2008.pdf](https://www.beniculturali.it/mibac/multimedia/MiBAC/documents/1240240310779_codice2008.pdf)

<sup>52</sup> <https://www.invitalia.it/cosa-facciamo/creiamo-nuove-aziende/resto-al-sud>

<sup>53</sup> It is possible to consult the official websites of the single Italian Regions

<sup>54</sup> <https://ecobonus.mise.gov.it>

<sup>55</sup> <https://www.invitalia.it/cosa-facciamo/creiamo-nuove-aziende/nuove-imprese-a-tasso-zero>

both in terms of the initial workload and in terms of the "going concern" nature of the project, I will now review the "Key Partners".

## 2.4 Key Partners

The purpose of this Thesis is not speculative but decidedly pragmatic, as its objective is not only to place a new innovative idea at the centre of public, economic and social debate, but also to show its economic sustainability. This being said, the Thesis is still a project of in-depth analysis of an academic kind, and so the partners that are about to be considered are hypothetical and those that I put forward are possible candidates. This section therefore must not be taken to be a presentation of an already formed and fully functioning team, but only as a group of supporters of the idea that, at a future date and once its feasibility has been demonstrated, might consider collaborating in its implementation.

The cooperation of the local bodies concerned would be necessary for the implementation of the project, the Municipality hosting project most importantly. With regard to this, the complete willingness of the Administration of Fano Adriano to collaborate, provide data and information for the drafting of this Thesis and cooperate in at a future date in the implementation of the project has already been obtained.

The new Mayor, Luigi Servi, elected in 2019, has brought with him a wave of freshness and new ideas in his first year in office, and these have led to clear results in this short time. Helped by other significant players, he has set himself the objective of repopulating the village and making it a place of year-round residence, working towards seasonal balance and the exploitation of the latent potential of the village. There are many ongoing projects and many prominent people have visited the village over the last year: from the President of the Region, Marco Marsilio, to the Extraordinary Commissioner for Reconstruction, Giovanni Legnini; there is also constant dialogue with the Mayors of the other villages, with the mayor of the provincial capital, Teramo, and with the President of the Province, Diego Di Bonaventura.

Fano Adriano has rapidly regained the role of leading village in the upper Teramo area, a role it played up to the last century, representing the Mountain Community of the Gran Sasso and having its mayor also on the Board of the National Park of the Gran Sasso and Monti della Laga, where only



four mayors represent forty-four municipalities in all, distributed over three different regions and five different provinces.<sup>56</sup>

The cooperation of the Municipality could be useful not only at the data-collection stage but also in the search for the buildings to be used, by mediating between the investors and the present owners of the dwellings. In the implementation stage one could envisage tax incentives, both for the investor and for the clients taking up residence in the village, to make the place more attractive because of the financial advantage.

With a project of this scale it is probable that there would also have to be contact with the Province of Teramo for certain measures, as well as with the Park Authority, with which there would in any case be a direct contact through the Mayor of the village. Engagement would also be necessary with the Abruzzo Region, which is directly concerned with regard to healthcare matters. In this case also, the Municipality will play a role of primary importance in mediating with the Region, which may have an interest in supporting the construction of a polyclinic health facility in a mountain area almost completely devoid of essential health services.

Another interesting and stimulating partnership could be that with the universities of Abruzzo and the neighbouring areas, which know and study the area from all points of view and could function as a conduit for the idea at the academic level, creating favourable conditions for its proliferation and subsequent “cross-pollination”.

The academic world is an ideal terrain in which to sow this seed and subsequently collect fresh ideas to be brought to the project to improve it and make it more effective and efficient.

The university network could be of great importance with regard to finding a workforce for the village system, which would need young workers for all kinds of task, from administration to the reception service, from nursing to psychological support, as well as support for the Committees and sporting activities. Graduates and final-year undergraduates in various areas could be useful, and fortunately the Universities of Teramo, Pescara and L’Aquila cover almost all relevant areas of knowledge and training in their curricula.

The Senior-Borgo could therefore provide possible career opportunities for these students, or simply training opportunities, because of the partnership entered into.

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<sup>56</sup> <http://www.gransassolagapark.it>

In the drafting phase of the Thesis, the university centres may assist in the research process through the arrangements which will be discussed in the section dedicated to “Channels”, the results of which will be used as an initial database to assess the sustainability of the project.

The Senior-Borgo does not set out to be an alternative to the village centre in which it is established, to its administration or Pro-Loce bodies, but rather an additional resource. Work done on the organisation of the activities and committees would therefore be coordinated with the associations already present on the ground so as not to create duplications or “conflicts”, but to make the use of these available to as many people as possible and to extend the range of the social, cultural and sporting possibilities on offer.

The Senior-Borgo would bring with it a canteen and at least one accommodation facility, but also in this case it would not seek to compete with businesses already present on the ground, but rather in order to widen the range of possibilities available to the clientele, could come to partnership agreements with them so as to guarantee little discounts for the users and their closest family members. The local businesses would live in symbiosis with the village system and would have the benefit of the demand induced by the presence of the Senior-Borgo, so increasing their own business volumes and consequently the tax revenue.

At least in the launching phase, partnerships would be necessary with the nearest Universities of the Third Age, to construct an initial basis for courses and launch the project. Little by little the University of the Third Age to be established in the Senior-Borgo should become independent, while maintaining direct and constant relationships with the other centres. Initially volunteer teachers and know-how would be necessary, to give a direction to the study centre, an initial impetus to the process of development, adding with the passing of time characteristic qualities to the cultural centre of the village system.

The same type of initial support could be given by various associations and non-profit foundations which operate in the area, whether in the cultural context or in that of healthcare or psychological support. With their help, these services could be launched efficiently and later operate independently, but always in a climate of cooperation with and proximity to these bodies.

For the dissemination of the idea and its presentation at the various events discussed in the section regarding “Channels”, partners could be sought for the project, or better, sponsors. Through agreements with local or national businesses, the clients of the structure could share in the initiatives

proposed by these businesses, so offering the users further opportunities and giving possibilities of visibility and brand awareness to the sponsoring businesses, which could target not only the residents of the Senior-Borgo but also their friends and relations, and above all associate their own brand with that of a social initiative of great value. These agreements could also lead to additional revenue, increasing profit-margin possibilities for the investor.

The firms winning the call for tenders for the canteen and cleaning services would be fundamental pillars of the structure. It will be important to find efficient and well organised partners, characterised by a high level of flexibility and reliability, so as to make the clients' customer experience as pleasant as possible. These two services are perhaps the most important items for the degree of satisfaction of the client and therefore must be supplied in an excellent and impeccable way, and also frequently changed if they should prove to be unacceptable for the residents.

## 2.5 Key Activities

Having thus analysed the key resources and fundamental partners for the project, the time has come for a more detailed description of the key activities of the model. I will start by describing the services which the structure would provide for its users, on payment of a fixed monthly fee.

As the clientele are essentially elderly and as one of the cardinal objectives of the idea is care for the health of the users, a 24-hour medical service is necessary.

As explained in the Overview section, the client would live in the village without having the impression of being in a rest home but with the knowledge of being able to have the advantage of the same tutelages. At the geographic and visual level, the touristic structure, with its clinical-outpatient characteristics, should therefore not be invasive in everyday life. It must however be easily and rapidly accessible from all the dispersed dwellings and must be efficiently linked to all users.

The connection consists not only of transport from the dwellings to the structure but also a constant connection ensured by specific alarm switches installed in the dwellings and continual information transmitted automatically by wearable devices. Transport from the dwellings to the emergency structure would be guaranteed by operators paid by the organization, that would use the golf-cars as regards travels of a less urgent nature, or by ambulances. The tourist facility would welcome the Medical Guard and weekly rotation of medical figures made available by the NHS (National Health Service) who would evaluate what to do in every specific situation.

There would be medical professionals in the structure who as cases arose would assess what was to be done in accordance with the level of seriousness of the problem, the necessity for an intervention and the instruments required for resolving it. The patient might be treated on the spot or transported to the nearest accredited hospitals; in this case too, according to the levels of seriousness and urgency, the medical professionals of the structure will decide whether to opt for road transport by ambulance or to use the helicopter. For these reasons vicinity to provincial capitals, normally equipped with hospital centres, and to motorway entrances and connecting roads is fundamental for the proper functioning of the mechanism. The archetypal village of Fano Adriano is in fact situated at a maximum of thirty minutes from its provincial capital Teramo, is served by the SS80, a national road with a surface in excellent condition and free-flowing and sometimes almost non-existent traffic.

At about twenty minutes there is the nearest highway entrance connecting the province and mountain area to the “A24 Rome-Teramo” highway, useful in the event of the need for specialist treatment to found only in the Regional capital of L’Aquila, for example.

The helicopter emergency service , already quite frequently used nowadays, guarantees fast and safe transport for the most serious emergencies. The helicopters take four minutes to complete the Teramo-Fano Adriano trip, for a total of eight minutes for the round journey. The L’Aquila-Fano Adriano route requires more time, as the Regional capital is more distant, and a total of twenty minutes is needed for a round journey.

For a more efficient use of the helicopter emergency service a landing pad would have to be constructed near the nodal structure, to which patients would be transported by the local ambulances. It so happens that in Fano Adriano there already is a landing pad and this is located in front of the ex-hotel that we have already identified as a possible nodal structure for the Senior-Borgo. The only obstacle to the use of this infrastructure might be the fact that it is privately owned. However, an agreement has already been reached with the owner by the Municipality which, in order to have access to the track, is paying a sum based on the number of times it is actually used during the year.

In the event therefore of a serious and urgent case, the Senior-Borgo would be in a position to guarantee transport for its client to the nearest first-class hospital in about fourteen minutes: four for the round journey nodal structure-client’s dwelling, eight for the helicopter round journey and two to allow the healthcare operators to put the patient on board the two emergency means of transport. These times are efficient and competitive if compared with the time necessary to reach the nearest hospital centre in some of the major Italian cities, therefore showing that the users of the Senior-Borgo would be well served from the healthcare point of view in confront of private citizens living in a normal densely populated urban area.

Another fundamental service of the Senior-Borgo would be a delivery service. To ensure maximum wellbeing and relaxation for the users, they would have the possibility of home-delivery of purchases, both for groceries and medicines.

While for groceries, timetables suitable for organisation and transport to the dwellings could be established, subject to being ordered the day before, with regard to medicines a 24-hour service could be considered, given the more urgent nature of the need for a specific medicinal product compared with any item of grocery. The service could be guaranteed by the same operators that do the grocery home deliveries, who would however prioritise the delivery of medicines. All residents would in any

case have the possibility of carrying out the various errands themselves, maintaining their independence and enjoying their self-sufficiency; the delivery service would simply be an extra opportunity offered to them to take the best advantage of their new retirement life.

Another service available to users would be the canteen for lunch and dinner, subject to booking the previous day, in order to allow the specialised firm appointed to manage it the time to organise the kitchen and any necessary supplies and so offer a high-quality service to the users.

The users would furthermore have the benefit of a home-cleaning service once a week, ensured by the firm that won the call for tenders, together with a change of sheets every two weeks. The employees of this firm would not have master keys or copies of the keys for the various dwellings, to guarantee maximum respect for the privacy of the users who will feel in full possession of their homes, a fundamental characteristic of the project which distinguishes it from the traditional Senior Housing models, where the approach is more invasive and hotel-like.

The reception will be available on a 24-hour basis to support the users in the various daily activities. It will be contactable to give information regarding activities, events, courses and enrolments. It will act as an emergency support service in the case of breakdowns or improvements to be carried out in the dwellings by finding the accredited professional most suited to satisfy the client's needs. It will engage on the client's behalf with the cleaning agency to organise shifts and timetables, will receive the orders for groceries and medicines and accept canteen bookings for the following day. It will take and immediately transmit requests for transport and continually check the recordings of the security cameras spread over the village, in order to ensure the clients' safety, already guaranteed by the presence, in the archetypal village of Fano Adriano, of a Carabinieri barracks and a Municipal Police service. The reception will therefore be the fundamental motor of the structure, the fulcrum connecting the various parties in the life of the village that give it vitality and dynamism, making a bonding agent between the users and the services dedicated to them.

## 2.6 Customers

The target population for the project is indicatively that between the ages of sixty-five and eighty, even if, more than a specific age, the reference point is specific physical-psyche conditions.

The typical client must in fact be self-sufficient, ready to travel and change his living environment, be sociable, curious and willing to try a new life style marked by health, culture and continuous learning. The client can be identified therefore as a young pensioner wanting to get away from the frenetic rhythms of life in densely populated urban areas which make life difficult at a period when there should be time to fully enjoy it.

In big cities one can lose time and money simply by trying to get to where the desired activity is to take place; it is difficult to get around on foot or on a bicycle because the distances are too great without the use of a private car or public transport. Also the driving behaviour in these cities is of no help to the average pensioner who, often, intimidated, gives up the use of the car or two-wheeled vehicle and ends up in all-consuming and depressing isolation, harmful for the psyche and also, indirectly, the physical health of the subject.

The typical user, who will be active and alert, should be in a position not only to benefit from, but also to contribute to the structure. It would be very satisfying and more effective if the users were the ones to organise activities and offer to teach certain courses or tasks, so creating in the population of the Senior-Borgo a network of skills and culture capable of feeding itself over time.

Giving in this way to one's own co-villagers, and receiving in return other skills or other types of service, will create in the subject a sense of playing a role, of having a responsibility, a feeling of gratification and self-fulfilment that an elderly person consigned to live in his own dwelling and "condemned" always to frequent the same company and do the same things would find it difficult to achieve.

The Senior-Borgo offers the opportunity not simply to change from the routine of days as a worker to that of days as a pensioner but rather to choose a lifestyle in which every day is new, rich with new stimulations, new activities, discoveries and emotions, all in the framework of health and the protection of health.

While being essentially aimed at those in this particular age bracket, the project could also be perfectly suitable for those who, over the years and because of the vicissitudes of life, have found themselves “alone”. The globalised world of today often creates the situation in which sons and daughters do not live or work in the same city, area or even country as their parents. Furthermore, while in the past the average number of family members was very high, today it is significantly lower (2.4 members per unit)<sup>57</sup>, increasing the probability of solitude in the older generations who, with the passing of time, find themselves more and more in need of support and less self-sufficient with regard to the efforts necessary for city life. The Senior-Borgo offers such persons the opportunity of becoming part of a new extended family where the members help each other in turn, with the vigilant and maternal attention of the structure.

So far we have spoken of users without specifying their nationality; now we can begin to discuss this. Foreigners have always seen in our country a lifestyle and culture quite different from those in their own countries and this aspect, together with the interest in the artistic and historic heritage and the landscape of Italy has made it into the most attractive country in the world for tourists<sup>58</sup>. The Mediterranean climate of Italy is also seen as a panacea for the more elderly population, who, however, especially if coming from colder countries, might suffer from the excessive heat of the cities or coastal regions and prefer a milder mountain climate.

The Apennine climate is perfect for necessities of this kind; excessively high altitudes are to be avoided so as not to encounter problems of ice or snow in the winter months, and for this reason a village such as Fano Adriano would be perfect with its 750 meters above sea level.

The Municipality of Fano Adriano has been the subject of a demographic research study carried out by the University of Teramo, which found that this small Abruzzo municipality, together with other neighbouring population centres, can be classed as a “Blue Zone”<sup>59</sup>. This means that it is one of the areas with the highest life expectancy in the world; many centenarians are celebrated every year in

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<sup>57</sup> <https://www.istat.it/it/files//2020/12/C03.pdf>

<sup>58</sup> Eremita M., “Google, l’Italia è la meta turistica più cercata nel mondo”, iNews24, Roma, 2020

<sup>59</sup> Procopio V., “Abruzzesi tra i più longevi al mondo. L’Università cerca l’elisir di lunga vita”, Il Messaggero, Roma, 2019



the Alto Vomano, of which Fano Adriano is the best known and most populous municipality, excluding outlying administrative districts.

The area is therefore attractive even internationally for this type of social-healthcare project, and it could attract users even from abroad, as has happened for other, more or less similar, Italian initiatives in other regions.

It is important however to create a correct balance between the native population and foreigners, so that the coexistence will be a benefit to all and a burden to none. The settling of foreign users could constitute an enormous added value for the community, especially if they had at least a basic knowledge of Italian, for which reason a selection regime might be necessary. Cultural exchange could then take concrete form in the exchange of linguistic skills, generally among those most appreciated and sought after. On the other hand an excessively small number of foreign clients might lead to their isolation, going in the opposite direction to that required for this model.

## **2.7 Customer Relationships**

A key role for the continuity of the Business Model is that played by Customer Relationships, which make it possible to satisfy clients and convince them to continue being part of the structure. Good Customer Satisfaction may also lead to a word-of-mouth process, capable of creating in other potential clients the emergence of a latent need through an increased Brand Awareness.

As the Senior-Borgo is a pilot project, it is fundamental that it be immediately successful, so that the satisfaction of the first clients, the pioneers, can be used as a means of convincing Early Adopters to go for the project in other areas of Italy and, one day, of Europe.

As already said, since what is principally involved here is the creation of a community, made up of shared habits, usages and rules, customer relations are fundamental and are perhaps the most important aspect with regard to the success of the project in its initial implementation and also in subsequent ones. Priority must therefore always be given to the client, whose requests and needs will function as a prime mover of the structure.

In reality the client will also to some extent be an active driving force in the project, pursuing the perspective in which the elderly are active parties in the community, to which they contribute an added value and from which they do not passively accept what it offers them but collaborate in creating the offer or in making it more accessible.

For this very reason the project includes the establishing of various Committees, made up of the users themselves, where the residents come together to organise, under the supervision of the administration, activities, courses, events and competitions, open to all users of the structure.

The Committees would have funds available to them to be of use in the independent management of the various activities, here again assisted by the structure. The management of these small funds would entail the assignment of responsibilities, roles, tasks, the necessity to meet, debate, decide.

This system offers users the possibility of immersion in a social network, instead of alienation from society and progressive removal from it.

The Cinema Committee could organise viewings of films, film clubs, whether internal or with outside guests and speakers, and could allot funds for the production of videos shot in the Senior-Borgo, with the residents themselves as protagonists. It could hold small film competitions, organise photography and video-making competitions, manage bookings for the screening room.

The Culture Committee could manage the library, organise presentations of books, hold literary competitions, organise various weekly courses of a cultural kind, given by the users themselves or teachers and experts found outside. It could train guides who could show tourists around and organise their schedules.

The Events Committee could help all the other committees in achieving their objectives and devote itself to the management of festivals, concerts, open-air theatrical spectacles, competitions and games for children and in general for the younger age groups, with the help of the local Pro-Loco.

The Sports Committee could organise activities in the gym and in the sports centre, propose trips and walks in the mountain tracks, purchase shared sports material, such as billiard tables, table football, table tennis, footballs, nets etc.

The Services Committee could endeavour to control the quality of the work carried out by the contracting companies for the canteen service and the cleaning service and collect feedback from the users regarding the various services provided. The members of this group would engage directly with the administration to report on the various problem areas or propose improvements.

The Statute Committee would work to create a common set of regulations, a statute in fact, which would regulate the relationships between the residents, the functioning of the other committees and the election of the Chairpersons of the individual Committees and the Representative of the residents of the Senior-Borgo, an important role in establishing an official relationship with the Administration and also with the Municipality hosting the project, to request information, permits, patronage of events etc.

The objective followed in instituting these numerous levels of representation and organisation is to make as many of the users as possible participate in the community and lay the basis of a pleasant and stimulating period of residence for them. If something should disturb them, they themselves would in fact be able to solve the problem or at least report it in good time to find a solution. Customer

satisfaction would in this way be self-sustaining and so promote prolonged residence and create positive points of reference for the replication of the project.

In addition to the various recreational/educational or sporting activities, the clients would have the possibility of taking part in the work of small productive enterprises which would have as a common denominator the presence of sector specialists and require minimal and symbolic physical effort, aimed at involving the residents in the activities and not at exploiting their free time. Inclusion in these activities, principally primary sector ones, would act as a means of introducing the residents, coming from highly populated built environments, to the rural world, to bucolic charm and manual skills, typical characteristics of the old villages up to the last century which over the years almost disappeared and in the recovery and enhancement of which there is nowadays quite some interest. These tasks could concern for example cooperating in a beekeeping project or work in the forests (mushrooms, truffles, wild fruit), or agriculture (fruit trees, tomatoes, potatoes, lettuce etc.). These would obviously be minor and above all not exhausting tasks, a source of wellbeing, not of stress. They could lead to the production of honey, jam or non-processed products ready to be sold to retailers in the area, following organic farming methods and in line with the “farm-to-table” trend.

Some of the proceeds of these activities, in accordance with the actual degree of participation of the users, would be allocated to the annual budgets of the Committees, so redistributing them among the clients, who could reinvest them at their discretion, as they preferred. This mechanism should function as an incentive to cooperate more, to commit more hours of the day, obtain tangible and gratifying results and so in the following years have more funds and therefore more services. The degree of participation and the number of hours in which the user is available for work should obviously be clarified from the beginning, so that the administration can organise the activities in the best way possible.

The Committee scheme has many strong points but also a weakness: the client, while being protected and encouraged to provide feedback, would have to go out on a limb and the results might not always match expectations. For this reason the residents could be supplied monthly with questionnaires to be completed anonymously, so that critical issues could be identified and tackled in time, before the client is harmed and adversely affected with regard to continuing his residence.

For those old people who have not been left completely alone but still have family members in the city, it is important that their relatives can come to see them under favourable conditions. For this reason work would be done to reach an agreement with the local service providers to give discounts

to the family members of Senior-Borgo residents as well as to the residents themselves. To regenerate the community and increase revenue deriving from the hospitality sector, if it should be decided to construct accommodation facilities, it is important to favour a small but constant flow of tourists with a view to reaching a seasonal balance in the Italian villages, where the arrival of tourists is usually concentrated on the month of August and the Christmas holidays.

## 2.8 Channels

So far we have discussed customer relations only in an ex-post way, i.e. once they have become established in the structure; however, the phase of searching for the first clients is crucial for the success of the project. In the Business Plan we will analyse in detail the number of clients necessary to make the project sustainable.

As it is a pilot project, reproducible on a grand scale but applied, if financed, only in the village of Fano Adriano, a large-scale marketing campaign will not be possible.

A niche market should rather be targeted, a small circle of people with the potential of being interested in the project, with a view to finding the “pioneers”. With the help of our Key Partners the underlying needs of public employees, close to pension age or recently retired, could be tapped; similarly perhaps secondary school teachers, but also the Professors in the Universities involved, who also could encourage their students to participate as intermediaries to reach the older generations of their families. With regard to the upper and lower secondary schools, a school project could be launched to present the idea to the students and their teachers and to raise their awareness of the problems relating to the social isolation of the older generations, the over-population of the cities and depopulation of the mountain villages.

With regard to the Universities, the network could be used by giving a purpose to the courses most related to the matter, proposing, through the Professors, a work project to the students, so as to identify ideas useful for the Senior-Borgo and collect by means of questionnaires ideas from their older family members. This system could help to spread the idea and create an initial brand awareness in the target age group.

Meetings could be organised in the Universities of the Third Age to present the project in its entirety, and receive opinions and questions. The persons enrolled in these institutions are in fact the closest to the prototype of user for whom the Senior-Borgo is intended. Despite retirement they are searching for new stimuli, new skills, new knowledge; the majority of potential clients could be found in these settings.

Agreements could be made with the nursing homes and rest homes in the neighbouring provinces to find the more self-sufficient clients, for whom the constant and continuing support typical of these facilities is not necessary but who could be interested in a project like that of the Senior-Borgo. Vice-versa, applicants with a too high level of dependency could be reported to the partner nursing homes and care homes. Various clients could be found through these agreements, since quite frequently the elderly are established prematurely in facilities of this kind, even when this is not at all necessary. The Senior-Borgo would provide for a grey zone in the sector service supply, which at the moment does not propose alternatives or middle ways between absolute independence and the absolute dependency of these accommodation facilities.

The collaboration of the local newspapers and radio stations could also be a deciding factor, here too with the support of the Universities in the area and of the popular economics journals, which could reach the target older people interested in the dynamics of innovation and entrepreneurship and possibly desirous of experiencing them personally.

In addition to journals, a presence on popular websites specialised not only in economics but also in health, psychology and sociology would be important, so as to attract the interest of experts or simple enthusiasts in various sectors and promote the “grapevine” process.

Not less importantly, use could be made of the tourist information sector. It is ever more frequently the case, especially with regard to exotic destinations and fiscally advantageous countries, such as Portugal, that pensioners and workers close to pension age visit a place for holiday purposes and finish by choosing it as a place in which to spend the final years of their lives. Offering overnight stays in the prototypical village of Fano Adriano could increase proceeds from tourism and above all act as a vector to introduce new potential clients and indirectly their family members and relations to the reality of the Senior-Borgo.

Becoming immersed in this reality and understanding its mechanisms, living for a while in the community, might convince the person concerned to adhere to the project and become a member of the new-born society.

Of use too could be meetings, congresses, seminars on subjects concerned in the project, given that the audience present on such occasions is filtered at source and of necessity composed only of people interested in such themes. It might therefore be easy to find among them persons interested in the project, since this is offered as a real and pragmatic solution to problems that concern them intimately.

The task would clearly be no easy one, but in favour of its success are the demographic numbers analysed in the first chapter: assuming an opening in 2025, can finding 120 clients, out of millions of old people, be considered impossible? The probabilities seem to be in favour of the success of the project, even without excessive marketing costs.



## 2.9 Cost Stream

In discussing the more quantitative part of the Business Model it should be specified that this has been developed in greater depth in the Business Plan, hence a brief summary will follow of the cost and revenue items in this section and the next .

The chief cost to be borne by the investor is that of purchasing the buildings and then renovating them. Certainly, if the project should in fact take off in the village of Fano Adriano, funds should be reserved for the purchase of the former hotel, and its reconstruction and conversion into a tourist facility with outpatient services. It would also include the purchase of healthcare materials, furnishings and everything that characterizes structures of this kind. The wearable devices of the partner company, Evotion, should then be purchased.

While these substantial expenses regard the nodal structure, the central structure would entail only the management cost of €10,000, and one could consider, where necessary, architectural adaptations to make the structure more functional for its new use.

The greatest cost would then be that for the purchase and renovation of the buildings spread over the Municipality, which are numerous and in need of seismic, energetic and thermal adaptations.

The dwellings must be safe from the engineering point of view, economic from the energy point of view and at the cutting edge with regard to heating, with new windows and doors and partitions insulated to the highest degree possible, also to reduce the costs of ordinary management.

Urban planning works might be necessary to make the village more accessible, by eliminating the most significant mobility barriers, but these expenses should be borne by the municipality hosting the project, further improving the quality of life in the village.

If it should be decided to invest also in a quality accommodation facility, building land would have to be bought or rent and there would obviously be further costs for the construction of the building, although one might decide to do this in line with the nodal structure, so reducing the costs by having a single structure.

There would be lesser costs for the purchase of old dilapidated, often derelict buildings, which could easily be converted into workshops or warehouses for the establishment of economic activities in the area. These are old mills, sheds, barns, farmhouses, neglected and in search of purchasers.

It should be noted that property prices in these Italian villages are naturally very low and that the earthquakes of 2016/2017 have made them even lower.<sup>60</sup> The increased taxes on second houses and

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<sup>60</sup> Perfetto V., "L'Aquila, crolla il prezzo delle case: in centro calo del 50%", Il Centro, Pescara, 2018

the passing of the generations with all the related inheritance complications, and the progressive abandoning of increasingly fragile family roots, ever less important with the passing of time, have led the present owners generally to want to dispose of their property, and this situation may make prices still lower and more advantageous.

A share of the cost may be represented by the fees to be paid to the professionals who will realise the projects, to engineers, architects and accountants for consultancy work in strategic, tax and accounting areas and for the legal expenses entailed by the purchases and renovations subject to historic-landscape constraints and the drawing up of contracts. Given the magnitude of the project, all kinds of legal problems could arise, so clearly there could be need for a costly professional support and for a Board of Statutory Auditors.

Once the structure had been launched, one of the principal costs would be represented by the taxes on the buildings part of the project and on the proceeds, taxes that however could be in part reversed by the host municipality. Another important share of cost is represented by the wages for the employees of the structure, in addition to management and ordinary maintenance costs.

As can be seen from this account, investment in the Senior-Borgo project would be substantial, and for this reason the Business Plan plays a fundamental role in understanding if this idea is sustainable or not from a financial point of view.

In the next section we will review the revenue items, which must be of a kind to sustain the management costs and repay the initial investment.

## 2.10 Revenue Stream

The two principal sources of revenue would be the fee for the services and the rents for the buildings. The fee for the services would be paid by the residents of the dispersed structure but also by those who already had a dwelling in the municipal area and who wished to live there permanently, availing themselves of the opportunities provided by the Senior-Borgo. Payment of this fee would therefore give access to the services listed in the section dedicated to the Key Activities, such as transport, delivery services, reception, Committees, medical assistance etc., but not the right to occupy the Senior-Borgo dwellings.

This right would be acquired by the payment of the monthly rents, which would vary according to the type of dwelling and the advantages it offered. Differences will be based on the floor area of the accommodation, location, existence of balconies, exposure to the sun.

The prices would, however, be comprised in a fairly standardised range and the variations due to these minor differences would not be too significant.

A further net margin could be produced by the premium services the residents might request during their stay, not included among those listed in the Key Activities, as for example being able to book a place in the canteen and the delivery service for purchases on the same day as the need arose and not the day before, being able to use the dog-sitting service or the daily collection of rubbish, to spare the clients the chore of lifting heavy weights or making excessive efforts. Other services might be provided, such as the home delivery of meals from the canteen or more frequent cleaning and sheet-changing rounds than the minimum guaranteed.

Revenue might be possible from the proceeds of any accommodation facilities realised, which could accommodate not only ordinary tourists but also elderly people trying out the Senior-Borgo or the visiting relatives or friends of the residents. The village, transformed by the new planning system, would certainly be more attractive from a tourist point of view and could generate income continuously, regardless of the seasons.

Less certain but potentially substantial proceeds could be generated by the economic activities linked principally to the primary sector. These could be managed directly by the residents, managed by them under the supervision of a Senior-Borgo professional or managed by third parties with the cooperation

of the Senior-Borgo and a work force of residents, subject to written agreements in this case with the said third parties.

In addition the events organised by the residents themselves though the Committees could produce revenue, by means of, for example, nominal amounts for participation in competitions, tournaments, seminars and events of any kind, to be paid only by those who do not pay the fee, i.e. persons external to the Senior-Borgo. Some of these proceeds could be allotted to the start-of-year budget of the Committees, to encourage them to produce ever more initiatives for the year-on-year improvement of life in the structure and increase the number of events and consequently the proceeds, so creating a virtuous circle.

Given that the basic objective is to bring vibrancy, activity and therefore people to the Italian villages, there may be businesses interested in partnerships/sponsorships which would pay an annual contribution to give visibility to their brand or products and services at the various gatherings and assemblies created by the Senior-Borgo or act as sponsors of individual events as the occasion arose. The partnerships, in addition to creating further proceeds, could create other opportunities for the clients, who so might enjoy advantages and privileges conceded by these businesses on the basis of the aforesaid agreements; they would furthermore create extra visibility for the Senior-Borgo project, arousing further interest in the initiative, which would be useful from the point of view of replication of the model in other settings.

Projects of this kind are often supported by philanthropists, business angels or associations and foundations that care for projects with social objectives and the revival of economically disadvantaged areas. It cannot be excluded therefore that the Senior-Borgo could receive significant funds every year donated by benefactors of all kinds to support the project and also spread it to other settings than that of its launching.

Donations, through instruments such as the “five per mille” tax contribution for social purposes, could be accorded by the clients themselves to support the structure, following their pioneering spirit, or by their relatives and friends; small donations might also be made by visitors to the place who were enthusiastic about the project and wished to show their support in this symbolic way.

Obviously these latter items cannot be taken into consideration in the calculation of the Business Plan, which must be as precise as possible in setting out the provisional framework of a project in the

launching stage, but they could take concrete form once the project had started and I think they must at least have their place on the list of “Revenues”.

A more concrete possibility is the disposal of certain buildings after the launching of the project. If the investor needed to recover part of the initially invested capital more quickly, it could consider selling some of the assets to do so, and in doing this would also make a considerable capital gain on each dwelling sold. If before the project started, these were dilapidated, uninhabited and sometimes abandoned and derelict buildings, after the arrival of the Senior-Borgo they would be new safe dwellings, efficient from all points of view, forming part of a project that would ensure the new proprietor a low-risk and potentially permanent income. The dwelling would also be in a totally different setting: from one of depopulation and progressive dereliction to one of vigorous economic, social and cultural development. The buildings would acquire a value greatly in excess of their purchase price, guaranteeing the investor a more rapid return and a more flexible business structure.

The sale of the buildings might not only be a longer-term strategic possibility but could be adopted from the outset so as to recover the massive initial investment immediately and create a profit margin just through the management of services and of the structure in general, by relying on the individual factors described in this section.

From this point of view it would be important from the outset to look for a pool of investors in the Real Estate world who might be interested in diversifying their portfolios with low-risk, long-term property investments.

It cannot be excluded that some of the clients themselves might be interested in purchasing the buildings, paying back a mortgage rather than paying a monthly rent and continuing to pay the fees for all the other services.

### **THIRD TOPIC: Senior-Borgo Business Plan**

In this chapter we shall deal with the quantitative analysis of the project, thanks to which we have been able to study in detail the individual items of costs and revenue which were listed in a summary way in the sections dedicated to Cost Streams and Revenue Streams in the description of the Business Model.

The objective of the Business Plan is to verify the feasibility of the project from the point of view of actual implementation and financial sustainability.

For this reason we have decided to use a simple and effective model, the cash flow model, which is a reconstruction of the monetary flow, the difference between the inward and outward movements of money in a company or project over the period under analysis.

The analysis period chosen is one of twelve years. The scenario is one of an immediate outward flow of Capital Expenditures and a period of two years, from the investment date, devoted to the construction sites. Twenty-four months seemed to us to be a suitable time for setting up and completing the works, which would principally concern five dispersed dwellings to be renovated and subdivided into various accommodation units, the tourist structure and minimal adaptation of the central structure.

To assess the potential amount of the expenditure involved, we have obtained the constructive cooperation of the Municipality constituting the business case of the project: Fano Adriano. Five derelict dilapidated dwellings have been picked out in the historic centre of the municipality. They are all near to each other and above all near to the essential services offered by the village and to those that will be offered by the Senior-Borgo system once it has been established. They are at a maximum of two minutes from the central structure, the Town Hall, the Pharmacy, the Church, the library and the main village squares. The distance from the dwellings to the tourist structure is about three minutes on foot, and the existing bar, grocery shop and post office are even nearer.

These dwellings have had much the same history, having all been involved in the earthquakes of 2009 and the more recent ones of 2016 and 2017. There are often multiple owners involved and it is difficult to predict when the post-earthquake reconstruction funds will actually be released. Some of these dwellings are already up for sale and the owners would be really interested in the project if it should

be launched; others are included in the project only as possibilities to be explored in future if the project got under way. These dwellings would be perfect for the purposes of the project, not only for geographical reasons but particularly because they can be divided into various accommodation units, entailing costs for just a single construction site rather than many. Other possibilities explored would have required the purchase of various dwellings in order to reach the same sleeping accommodation and consequently would have increased the initial capital investment quite significantly.

The dwellings under consideration, when added together, have a total floor area of 2,420 square metres; from the studies carried out, it should be possible to use these buildings to obtain a total of 39 separate units, each equipped with a living-room with kitchen area, bedroom and bathroom. Given that each accommodation unit can accommodate two beds and that the central structure to be managed at an annual rent of €10,000 has room for 21 beds, the total sleeping accommodation managed directly by the Senior-Borgo would be 99 beds.

However, the total number of potential clients is still higher, seeing that people already resident in the village or who decided to rent another dwelling place, could have access to the services of the organisation by paying just the fee for the services.

For this reason the total fee we have proposed, €1,000, should be subdivided into two smaller items: €850 per person for the services and €150 per person as rent for the apartments. Each apartment would then be rented for a total of €300, a competitive price with respect to the local market, where the apartments are rented for similar figures. The Senior-Borgo apartments, however, would be completely new, anti-seismic and in the highest modern energy class, and therefore more attractive.

The construction of these apartments, by renovating the dwellings in question, would cost a total of approximately €2,700,000. The average renovation cost per square metre ranges from €913 for the less expensive dwellings to €1,200 for the more expensive, with a mean price of €1,115 per square metre.

While we have discussed the cost of renovation, we have not yet considered the cost of purchasing these buildings. We have worked on the hypothesis that no money would be paid for the purchase of the buildings but to carry out an exchange with the old owners. The latter have not managed to look after their properties which, now derelict and damaged by earthquakes, produce only costs and no revenue. Even if renovated, they would now be out of date, too costly to live in and maintain. For this reason they might be satisfied to receive in exchange a small, new and efficient apartment, greatly enhanced by the presence of the Senior-Borgo and the economic development this could generate in the village. Once they had obtained the apartment they could decide to live in it or, alternatively, to

entrust it to be managed by the Senior-Borgo which, in exchange for one month's rent per year, would take charge of leasing it.

As regards the tourist structure we have worked with the possibility of using the derelict former hotel situated just outside the village centre, for which the municipality has started expropriation procedures, with the objective of finding an investor to give new life to the structure and the adjoining area. This would not be a case of renovation but of a new construction given that the old structure was largely demolished some years ago. Construction costs are lower than those of renovation, usually by 10%, and so the construction of this building, of 1,500 square metres over three floors, could cost about €1,500,000.

Other investments would also be needed, given that an indoor swimming pool would have to be installed, a gym, a spa with dressing-rooms, while on the other floors there would be the Senior-Borgo administration offices and the outpatient rooms for the professionals guaranteed by the National Health Service and voluntary and medical assistance associations, in addition to hotel-style bedrooms.

Another important item to be included among the investments is that of the furnishings. From inspections of the catalogues of Mondo Convenienza and Ikea, we can conclude that a fairly minimal standard set, including all strict necessities, can cost about €5,000 per accommodation unit. This figure could be lower given that bulk purchase generally gives rise to substantial discount. This does not hold true for the furnishings of the well-being area, the gym or the outpatient clinic, which are much more specific niche products and therefore more expensive.

Other investments would then have to be made for the purchase of the wearable devices for monitoring the biometric parameters, which would have GPS functionalities. We have engaged directly with the Evotion firm, founded by a LUISS student, to have reliable figures and so make the plan as realistic as possible. The estimate provided to us indicates a price of €170 per device, bringing the initial investment in telemedicine therefore to about €20,000, to which management expenses would obviously have to be added.

Another important investment item is that regarding the canteen, which would have to be supplied with a professional, avant-garde kitchen. To have the most reliable data possible, we contacted a network of university colleges that accommodate approximately the same number of residents as the Senior-Borgo. This organisation, the Collegio Universitario Don Mazza, manages three different



residences which constitute a very useful benchmark with regard also to the management expenses item, which we will deal with afterwards. The cost of equipping such a kitchen varies according to the geographical area in which it is installed and ranges between €70,000 and €90,000. We have therefore decided to fix on the sum of €80,000 as possible outgoings for this operation.

The final substantial investment items concern the golf-buggy park, per which, through market searches, we have estimated a cost of approximately €25,000 for three units, and the preparation for small productive activities. We have envisaged common vegetable gardens of tomatoes, potatoes and lettuce, a hectare of apple trees, a small mushroom farm and a biological farmyard, for a total of approximately €50,000, due not only to the installations but also to the preparation of irrigation systems and fencing to protect the early produce from theft and wild animals.

€50,000 for Marketing has also been taken into account for the initial investment. The figure may seem low, but the cases discussed in the first chapter have shown that, given the strong appeal of Italian villages from which it would seem obvious a complex and organic project like this could benefit, expensive advertising campaigns would not be necessary but if anything a timely and well thought-out presence in newspapers, specialist magazines and if possible television, in addition to the all the other channels studied in the specific section of the second chapter.

The total investment required, as can be checked in detail in the Excel spreadsheet “Investments” amounts to €4,835,000. This sum could be supplied totally by equity capital or, only partially, by recourse to a loan. For this reason we have decided to provide two spreadsheets in which the two solutions are analysed, to understand which of the two has the higher return.

In our scenario, in the case of a loan €2,000,000 would be borrowed, while the rest would be invested through equity, bringing the debt/equity ratio to 41.3%.

The CapEx of this project is realistic because it is based on official sources, suitable benchmarks and in-depth market research, but obviously in the event of implementation deviations could emerge, whether positive or negative. For this reason we have created two further Excel sheets which analyse the best-case and worst-case scenarios. In the best-case scenario the CapEx is lower by €480,000, thanks to the contribution of the “superbonus”. The bonus, regarding the seismic retrofitting of dwellings, was made official in 2020 and has recently been extended to 2022; there is also the possibility of it becoming a structural law, with the objective of supporting the building sector, which

alone accounts for 8% of the national GDP, and promoting the safety of the Italian areas most open to seismic risk.

In the village of Fano Adriano, also located in the crater area of the L'Aquila earthquake of 2009, a 50%-increased bonus with respect to the 110% already guaranteed by the "superbonus" can be added, so reaching a total of 165%. This facility, however, is only valid for those who were already the proprietors of the buildings before the earthquake and therefore excludes new investors. With regard to the "superbonus" itself, it is still not clear who is entitled to it and who not. From much research and many electronic contacts with the technical staff of the various Abruzzo municipalities involved and with the professionals of the sector, different points of view and contrasting opinions have emerged. It is not clear in fact whether investment firms, the kind of organisation that the Senior-Borgo must have recourse to, can have access to the bonus. For this reason we have decided not to include the "superbonus" in the basic scenario, but only in the best-case scenario, in order to make the basic picture as realistic and in a certain sense as pessimistic as possible.

The best-case scenario includes not only a lower CapEx thanks to state incentives, but also greater fees, so guaranteeing higher revenues and profits. The rest homes nearest to Fano Adriano, used as a benchmark, charge fees ranging from €1,200 to €1,500 per month, much greater than the €980 required by the Senior-Borgo. We must bear in mind that these amounts are charged despite the fact that these care facilities receive contributions from the Region, a fixed daily sum which in Abruzzo amounts to €31 per client accommodated. The Senior-Borgo could therefore charge higher fees, for example €1,100 per month, remaining nonetheless highly competitive on the market.

In the worst-case scenario, not only is the superbonus unavailable but the CapEx is greater. This could be because of possible underestimations of the costs of renovating various dwellings analysed on the basis of municipal data. Put more simply, the owners of these buildings might decide not to enter into a sale or exchange agreement for their properties and it would then become necessary to turn to smaller and therefore more numerous buildings to reach the same number of bed spaces. In addition to a greater CapEx, one could envisage a lower rate of occupancy, inevitably leading to lower revenue and therefore lower profits and a lower return.

With regard to occupancy, in the basic scenario we have decided to envisage a percentage increasing with the passing of time, starting from a base of del 50% in Period 1, rising to 75% in Period 2 and reaching 100% in Period 6, which would then be maintained up to the end of the time frame under

consideration. Occupancy is a determining factor for various fundamental items in the calculation of cash flows, among which the most important single item in the overview of revenues is that of fees and rent amounting to €1,000.

As against this lower income, however, there are also lower costs, and consequently no excessive impact on the free cash flow of the early periods. The most substantial management cost is in fact that of the canteen service, which is however a variable one. We have envisaged entrusting this service to an external company, preferring outsourcing to direct management. With catering companies it is possible to conclude agreements basing remuneration on the actual level of consumption. Thanks to the cooperation of our benchmark, the Collegio Universitario Don Mazza, we have been able to come to a reasonable estimate of €5 for each meal supplied. We can consider that the rate of use of the service in the university setting is 85%, but that the residents of the benchmark facilities spend the night in rooms of the hotel kind and not in apartments equipped with a kitchen, and do not have home delivery service available to them; in addition older people in general have a lower energy consumption than that of the young and frequently have only one meal per day instead of two. For these reasons it seems reasonable to envisage an average rate of use of the service of 65%.

Another cost item strongly affected by occupancy is the cleaning service. For this an outsourcing mechanism has also been envisaged and the same benchmark used for the estimates, resulting in a cost of €90,000 in the event of full occupancy. This figure would cover the cost of cleaning the apartments once a week and the common areas once a day, in addition to a change of sheets once every two weeks. In addition to the canteen and cleaning service we must include among the items most subject to variations that of utility costs, which obviously depend directly on the number of dwellings actually occupied. All the other items increase gradually with the passing of time but are less dependent on the number of clients accommodated, their basis being more fixed than variable.

While we have discussed the occupancy of the dwellings purchased and renovated, we must not forget, as already said at the beginning of the chapter, that the Senior-Borgo is also open to those who already have dwellings in the village and wish to use the services subject to paying the fee. We have envisaged their number at 18 clients for the first year, rising to a maximum of 28 for the last period, plausible data given the high number of owners of second homes coming mainly from Rome, in addition to the 270 villagers already resident.

All the clients would pay the same fixed monthly fee for the services, but would be free to add various items linked to the premium services to which they wished to have access, such as those mentioned

in the section devoted to the Key Activities in the second chapter. We have envisaged a per capita sum of approximately €210 to be spent annually on premium services, corresponding to about €18 monthly per head. This seems to us to be a reasonable figure for elderly users who, generally not having other expenses to bear, might decide to allow themselves some extra comforts, particularly in the winter months or in oppressively hot periods. It seems reasonable to us, furthermore, to expect an increase in this revenue item, not only because of the increase in the number of users but also and particularly because as they grew older they would be more inclined to want premium services.

Another important revenue item is that of the proceeds from the management of the tourist structure, which does not depend directly on the occupancy of the dispersed dwellings. This would generate proceeds independently of the number of residents accommodated by the Senior-Borgo thanks to the gym, swimming pool and spa and obviously the renting of the rooms. We have envisaged the construction of 12 bedrooms, 8 for tourists and those wishing to test the functioning of the organisation and the quality of life in the village before adhering to the project, and 4 for interns of the partner Universities, who in addition to a small expense allowance would be compensated with board and lodging and being able to use all the services of the facility. This aspect has received particular attention because the interns would be a very important engine for the functioning of the Senior-Borgo and therefore it should be attractive not only as a training experience but also as a life experience and as being financially rewarding, aspects that other curricular internships would find it difficult to offer.

The proceeds from the structure, also in this case expected to increase over time, have been calculated on the envisaged basis of a price per night of €80 inclusive of all the services of the facility, a price which is below the average for newly built structures equipped with the same services. In addition full occupancy has been envisaged only for the month of August, the only month in which all accommodation facilities of this area are full at present. For the rest, partial occupancies of the structure have been taken into account for the period June to September, August excluded, and for the Christmas period, while for the rest of the year a low rate of occupancy has been taken into account, and only for the weekends. The structure could therefore produce greater returns, especially if it became a reference point for the wellbeing of the entire mountain area and also for the nearby provincial capital, Teramo.

The same reasoning was used to calculate the potential proceeds from the organisation of events, competitions and tournaments. We have envisaged a symbolic amount of €2 per external person for

participation in each organised event, which in reality could be moderately higher, such events being organised only at the weekend and more frequently in the summer months and Christmas period. For the number of external persons present at the events we have used as a reference the numbers produced by the village today, even if in the future these could rise thanks to the effects of the Senior-Borgo, which it is hoped should lead to the repopulation of the village.

The events would be able to produce revenue not only thanks to the participation contributions of the external persons but also because of the sponsorship agreements that could be concluded with private firms, interested in associating their brand with a project having a high socio-economic impact. They could also increase their visibility and extend their clientele by concluding agreements with the Senior-Borgo. In addition to producing revenue this method would also make it possible to offer another service to the clients, who would have privileged access to the offerings of the partner companies.

While a strong impetus for the organisation of activities and events should come from the residents of the Senior-Borgo, the administrative offices would coordinate all activities and the general functioning of the model. We have envisaged the recruitment of an asset manager who would be responsible for overall management and a key figure in the office activities, dealing with the hospitality activities of the tourist structure, the recruitment of interns, relationships with the host Municipality, but also with the residents and the partner companies, especially with regard to the canteen and cleaning services. He/she would also have the role of institutional representative vis-à-vis the cultural and voluntary-sector associations, as well as sponsors or any charitable foundations or associations.

It is clear that the asset manager could not deal alone with all of this work load and for this reason, in addition to the employment of interns, we have envisaged an administrative employee.

To continue with the theme of human resources, a considerable amount of the cost would be represented by the employment of three nurses who, in shifts, would cover the 24 hours of the day, so as to be available at all times for any emergencies and to help with the activities of the Emergency Medical Service and the professionals made available weekly by the National Health Service for the outpatient clinic. In days with a less heavy work load they could even give courses, if qualified, in the University of the Third Age regarding, for example, first aid or the use of the defibrillator.

Given the fundamental nature of the delivery service, we have envisaged the recruitment of two delivery people or drivers who would deliver the groceries or medicines to the dispersed dwellings

using electric golf buggies. For these, as already said, an investment included in the CapEx has been estimated at €25,000, which should be enough for the purchase of three units. Two would be used by the delivery people for deliveries and on-request transport within the village, the other would always be available for the various employees located in the tourist structure to reach the village centre quickly and conveniently and the central structure in case of necessity.

With regard to tax, we have applied a rate of 27.9% to the EBIT. This percentage is made up of IRES and IRAP, accounting for 24% and 3.9% respectively. With regard to municipal taxes, from discussions with the Municipality it has emerged that it would be disposed to reverse the IMU, Tari and Tasi taxes if the dispersed structure should really attract the expected clientele. If the village were repopulated this would in fact increase consumption and consequently also the spin-off tax revenue, so compensating for the loss of revenue of taxes on the buildings of the Senior-Borgo.

A fundamental assumption for the functioning of the model is that regarding the sale of the dispersed buildings progressively with the passing of time. We have envisaged beginning this process in the third year, with the disposal of two units; in the same way two units would be sold in the fourth year. From the fifth period onwards we have envisaged the disposal of three units per year. This method makes it possible to recover the initial capital invested more quickly, also because, given that the apartments were acquired following an exchange, a clear added value would be realised on each of them.

The market price per square metre at present in Fano Adriano is around €850; we cannot know for sure what the price per square metre in the village will be once the Senior-Borgo has been established, but it is certainly bound to rise over the years. If now the village is suffering from depopulation and an economic crisis, in the future it could be revitalised from all points of view. We have therefore thought of a possible price of €1,400 per square metre. Given that the average size of the apartments would be 60 square metres, this would mean they would be worth €84.000 each.

To attract investors we have envisaged a sale price of €70.000 per apartment. The investor would then buy, at a discount, a new, anti-seismic energy-efficient property, ready to produce a low but constant return over time thanks to the existence of the Senior-Borgo. The sale should take place with a property-management obligation for the unit; the purchaser could then reside in the dwelling personally, adhering to the services of the firm, or allow the firm to rent it to third parties, receiving the monthly return. In this case the Senior-Borgo would retain one month's rent per year as a

commission. Given that the monthly rent for each apartment would amount on average to €300 and that the purchaser would receive 11 out of 12 of these, at the end of the year he would have got €3,300, i.e. a net return of 4.71%. At a time like the present when the rates of return on German government bonds are actually negative, this property investment could be appetising, and therefore the assumption may be considered realistic.

At the end of the time horizon considered, the company would still have 17 non-alienated apartments, as well as the tourist structure; we have not calculated the terminal value and the goodwill value of the company as a precaution, but these items could significantly raise the final IRR of the project.

With regard to the buildings, which we repeat include 39 accommodation units and the tourist facility, we have envisaged an amortisation plan at a constant rate of approximately 3.5%; we have opted for an higher amortisation rate for different reasons: the buildings would be intended to be rented to third parties, who, as statistics show, cause greater wear and tear to the assets; these, furthermore, are situated in a mountain area, exposing them to more probable wear and deterioration than if they were on the plain or in coastal areas. For furniture and equipment, on the other hand, we have used the 15%, making it possible to amortise the initial sum, estimated at €465,000, in about 7 years.

Another important note is that regarding the possibility of a loan, which we discussed at the beginning of the chapter, and for which a specific Excel spreadsheet has been drawn up. As said, an initial debt of €2,000,000 was envisaged, a sum which could be supplied by a single lender or by multiple lenders at a rate estimated at 1.2%. The choice of this rate was based on various benchmark social-housing projects, and account was also taken of the credit facilities usually allowed for projects having an impact on economically disadvantaged contexts and with important social implications. This is the case of the Senior-Borgo which would play a role in a critical context from the geo-economic point of view, with important social effects, not only because of the services offered by the firm but also, and particularly, the effect of repopulation it could lead to.

While so far we have discussed assumptions regarding items of investment and management costs and revenues, let us now consider the type of corporate organisation the Senior-Borgo could assume. For ambitious projects with high initial and management costs and a pronounced need to attract funding, the most suitable model is that of the joint-stock company. This form of corporate organisation, while being the most expensive and complex, has various advantages. It is in fact more suitable for obtaining funding, not only from banking institutions but also from private parties, given

that it can issue bonds to fund its own business. In addition the joint-stock company enjoys the advantage of complete corporate asset independence and therefore the liability for any debts of the company would be limited to the invested capital, avoiding the so-called “enterprise risk”.

The joint-stock company may also be attractive for smaller investors who can be ensured of the right of participation in the earnings of a business without participating directly in the management of the company: the shares are easily transferred and valued.

On the other hand, joint-stock companies are more complicated organisationally, having to form a Board of Directors and appoint a Board of Auditors made up of certified public accountants, for which we have made an accounting provisions of about €20,000 per year among the cost items.

Taking all these assumptions into account we then drafted the Business Plan, establishing the net cash flows occurring in each period and neglecting inflation for the sake of simplicity. We outlined four different hypotheses, so as to offer a possible investor a complete framework of feasible scenarios in the event of concrete implementation. The first case examined is the basic scenario, with the corporate capital made up only of equity and without access to funding. In this case we made use of all the assumptions listed in the chapter, the initial investment is borne entirely by the implementing party and there are no outflows to repay the debt, as this is €0. This first scenario would lead to an IRR of 4.26%, much higher than the minimum objective we had set ourselves, namely 3%. The equity multiple is, on the other hand, 1.35.

The second case examined is almost the same as the first, i.e. it uses all the basic assumptions made in the chapter but the final free cash flow is not unlevered, because use is made of a debt of €2,000,000, which, as we have already said, brings the debt/equity ratio to 41.3%. This scenario considerably reduces the amount necessary for the initial investment and also the net flows at the end of the period, given that each year the relevant principal amount and interest amount must be repaid (please note again that we have used an interest rate of 1.2%).

The return guaranteed by this scenario is higher than that of the preceding one and amounts to about 6.09%, with a multiple of 1.55.

As indicated before we then outlined the best-case and worst-case scenarios. To explain the best-case scenario we used the basic scenario of the use of a loan, seeing that it has a higher return. With regard



to the CapEx, as said before, this would be lower thanks to possible access to the superbonus of 110%, which would guarantee a figure of €96,000 for each renovated residential building, giving a total of €480,000 as there would be five residential buildings to be renovated. In addition, given that the rest homes and old people's homes in the surrounding areas charge much higher fees, we have envisaged a higher fee, of €1,100 per head per month, instead of the €1,000 of the basic case.

This difference of €100 per month per user would be allotted to the part of the fee intended for the services and not for the rents, increasing therefore the proceeds coming from local residents wishing to use the services but whose dwellings were not made available by the Senior-Borgo. In addition the dwellings offered by the firm remain competitive on the local property market and above all there are no variations in the items concerning the dwellings disposed of or those given in exchange at the beginning of the project. The total return in the best-case scenario will then be 12.48%, with an equity multiple of 2.28.

The worst-case scenario, based on the first scenario, which is less profitable, involves first of all a higher CapEx. As envisaged before, some proprietors might not accept the exchange agreement, so obliging the implementing party to look for other dwellings, which, being smaller, would mean more construction sites in order to reach the same target number of bed places. Furthermore, some cost estimates might be too low or the Municipality might request compensation for the tourist structure rather than giving it on a free loan for use, as we have envisaged. We therefore raised the initial investment by €500,000. We continued outlining this case with a lower fee than that of the base case, €950. The difference of €50 per month in this case also should be taken from the part of the fee intended for the services, so as not to affect the other items. Another important assumption is that of a lower rate of occupancy; we envisaged a much slower increase and particularly not reaching the goal of full occupancy, reaching at the most 95%. Considering that many costs, above all the most substantial ones, are variable, the net flows are reduced but not in an excessive way, guaranteeing the return of the invested capital and a very small profit; the IRR is 0,31%, while the equity multiple is 1.03.

The result of the provisional quantitative analysis of the Senior-Borgo is therefore positive as it shows appreciable returns from the property point of view and also Social Housing. Funding of a part of the initial capital would be preferable, while raising the fee should be avoided if possible so as to be highly competitive with respect to the benchmark structures and reach full occupancy quickly, furthermore avoiding a higher possibility of the occurrence of credit losses.

The use of the superbonus and the access to numerous European, governmental and regional funds would greatly facilitate the implementation of the project, as they would significantly lower the initial capital needed and would consequently raise profitability, making the investment all the more attractive. We decided however to make the project and its Business Plan as independent as possible of external resources and public funding, as we consider that company projects should be sustainable and not be based on the hypothetical intervention of the state, even where they play a fundamental role from a social point of view.

The reader can find in the following pages the complete Business Plan, with the four hypothesis and the Investment sheet, and the scans of the buildings identified to be acquired and renovated.

Equity (in T0)	4.835.000,00 €										
<b>INCOME STATEMENT - fiscal years</b>											
	T1	T2	T3	T4	T5	T6	T7	T8	T9	T10	T11
<b>REVENUES</b>											
<b>Revenues from individual services</b>											
Revenues from annual fee (€1.000 monthly fee) (it includes the rent of €150 monthly each)	600.000	900.000	1.020.000	1.140.000	1.190.000	1.190.000	1.190.000	1.190.000	1.190.000	1.190.000	1.190.000
Local inhabitants participating in the project (€850 monthly fee)	184.000	204.000	204.000	225.000	225.000	255.000	255.000	286.000	286.000	286.000	306.000
Revenues deriving from the tourist structure	120.000	130.000	130.000	140.000	140.000	140.000	145.000	145.000	150.000	150.000	150.000
Individual paid services	11.000	11.000	11.000	15.000	15.000	15.000	20.000	20.000	20.000	20.000	25.000
Individual paid premium services	10.000	12.000	15.000	18.000	18.000	20.000	20.000	20.000	20.000	20.000	20.000
Credit loss	-15.000	-20.000	-25.000	-25.000	-30.000	-30.000	-30.000	-30.000	-30.000	-30.000	-30.000
Revenues from real estate units sold but held under management	1.000	1.000	1.200	1.500	1.500	2.200	2.700	3.200	3.700	4.300	4.900
<b>total</b>	<b>911.000</b>	<b>911.000</b>	<b>1.238.000</b>	<b>1.356.200</b>	<b>1.514.500</b>	<b>1.560.200</b>	<b>1.597.700</b>	<b>1.603.200</b>	<b>1.639.700</b>	<b>1.640.300</b>	<b>1.665.900</b>
<b>Other revenues</b>											
Contribution of the municipality, tax refund (IMU, Tari, Tasi)	65.000	65.000	62.000	57.000	51.000	49.000	40.000	34.000	29.000	23.000	23.000
Primary sector activity	20.000	20.000	30.000	30.000	35.000	35.000	40.000	40.000	45.000	45.000	45.000
Partners and sponsors	10.000	15.000	15.000	20.000	20.000	20.000	25.000	25.000	25.000	25.000	25.000
Various	10.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000
<b>total</b>	<b>105.000</b>	<b>105.000</b>	<b>115.000</b>	<b>122.000</b>	<b>122.000</b>	<b>121.000</b>	<b>119.000</b>	<b>120.000</b>	<b>114.000</b>	<b>114.000</b>	<b>108.000</b>
<b>Sale of real estate units (capital gains= cash-flows)</b>											
Sale of real estate units				140.000	140.000	210.000	210.000	210.000	210.000	210.000	210.000
<b>total</b>				<b>140.000</b>	<b>140.000</b>	<b>140.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>
<b>Operating Revenues total</b>		<b>1.016.000</b>	<b>1.353.000</b>	<b>1.618.200</b>	<b>1.776.500</b>	<b>1.891.200</b>	<b>1.926.700</b>	<b>1.933.200</b>	<b>1.963.700</b>	<b>1.964.300</b>	<b>1.983.900</b>
<b>COSTS</b>											
<b>Services</b>											
Cleaning service (outsourcing)	45.000	67.000	76.000	85.000	90.000	90.000	90.000	90.000	90.000	90.000	90.000
Canteen (outsourcing)	185.000	250.000	280.000	300.000	310.000	320.000	330.000	330.000	335.000	335.000	335.000
Telemedicine	10.000	11.000	11.000	12.000	12.000	13.000	13.000	14.000	14.000	15.000	15.000
Utilities	50.000	75.000	85.000	95.000	95.000	95.000	95.000	100.000	100.000	100.000	100.000
Social services (contribution of trainees)	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000
Broadband connection	30.000	30.000	35.000	35.000	35.000	40.000	40.000	40.000	45.000	45.000	45.000
Common services (subscriptions-technologies-tv sat)	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000
Local taxes (IMU, Tari, Tasi), refund by the Municipality	65.000	65.000	62.000	57.000	51.000	49.000	40.000	34.000	29.000	23.000	23.000
Maintenance	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	15.000	15.000	15.000
Leasing of real estate units sold but kept under management	18.000	18.000	25.000	32.000	43.000	54.000	64.000	75.000	86.000	97.000	100.000
Lease of the central structure	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000
Insurance premium	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000
<b>total</b>	<b>473.000</b>	<b>473.000</b>	<b>586.000</b>	<b>644.000</b>	<b>686.000</b>	<b>706.000</b>	<b>731.000</b>	<b>742.000</b>	<b>758.000</b>	<b>774.000</b>	<b>780.000</b>
<b>Human Resources</b>											
Health services - 3 units	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000
Asset manager	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000
Delivery men/chauffeurs - 2 units	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000
Administration - 1 unit	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000
Internships	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000
<b>total</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>
<b>Board of statutory auditors and consulting</b>											
Various	50.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000
<b>total</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>
<b>Total Costs</b>		<b>693.000</b>	<b>806.000</b>	<b>864.000</b>	<b>906.000</b>	<b>926.000</b>	<b>951.000</b>	<b>962.000</b>	<b>978.000</b>	<b>994.000</b>	<b>1.000.000</b>
<b>EBITDA</b>		<b>323.000</b>	<b>547.000</b>	<b>754.200</b>	<b>870.500</b>	<b>965.200</b>	<b>975.700</b>	<b>971.200</b>	<b>985.700</b>	<b>970.300</b>	<b>983.900</b>
<b>Depreciations &amp; devaluations</b>											
Depreciation of properties	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000
Depreciation equipment and furniture	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000
Devaluations and losses			10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000
<b>total</b>	<b>217.000</b>	<b>217.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>
<b>EBIT</b>		<b>106.000</b>	<b>330.000</b>	<b>527.200</b>	<b>643.500</b>	<b>738.200</b>	<b>748.700</b>	<b>744.200</b>	<b>825.700</b>	<b>810.300</b>	<b>823.900</b>
<b>Financial charges</b>											
Interest expenses	0	0	0	0	0	0	0	0	0	0	0
<b>total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Taxes</b>											
Current taxes	0,279	29.574	92.070	147.089	179.537	205.958	208.887	207.632	230.370	226.074	229.868
<b>total</b>	<b>29.574</b>	<b>29.574</b>	<b>92.070</b>	<b>147.089</b>	<b>179.537</b>	<b>205.958</b>	<b>208.887</b>	<b>207.632</b>	<b>230.370</b>	<b>226.074</b>	<b>229.868</b>
<b>Total operating costs</b>		<b>939.574</b>	<b>1.115.070</b>	<b>1.238.089</b>	<b>1.312.537</b>	<b>1.358.958</b>	<b>1.386.887</b>	<b>1.396.632</b>	<b>1.368.370</b>	<b>1.380.074</b>	<b>1.389.868</b>
<b>Operating Profit</b>		<b>76.426</b>	<b>237.930</b>	<b>380.111</b>	<b>463.964</b>	<b>532.242</b>	<b>539.813</b>	<b>536.568</b>	<b>595.330</b>	<b>584.226</b>	<b>594.032</b>
<b>Cash-flows</b>		<b>293.426</b>	<b>454.930</b>	<b>597.111</b>	<b>680.964</b>	<b>749.242</b>	<b>756.813</b>	<b>753.568</b>	<b>745.330</b>	<b>734.226</b>	<b>744.032</b>
<b>Net cash-flows</b>	<b>-50000</b>	<b>293.426</b>	<b>454.930</b>	<b>597.111</b>	<b>680.964</b>	<b>749.242</b>	<b>756.813</b>	<b>753.568</b>	<b>745.330</b>	<b>734.226</b>	<b>744.032</b>
Financial installments	fin	0	0	0	0	0	0	0	0	0	0
Interest payments		0									
Principal payments		0									
<b>Free cash flow (post tax)</b>		<b>6.509.642</b>	<b>-4835000</b>	<b>-50000</b>	<b>293.426</b>	<b>454.930</b>	<b>597.111</b>	<b>680.964</b>	<b>749.242</b>	<b>756.813</b>	<b>753.568</b>
<b>Equity multiple</b>		<b>1,35</b>									
<b>Internal rate of return (IRR)</b>											
<b>IRR</b>		<b>4,26%</b>									

**Table 1: Business Plan without financing**

In TO													
Financing	€ 2000000												
equity	€ 2835000												
<b>INCOME STATEMENT - fiscal years</b>		T1	T2	T3	T4	T5	T6	T7	T8	T9	T10	T11	
<b>REVENUES</b>													
<b>Revenues from individual services</b>													
Revenues from annual fee (€1.000 monthly fee) (it includes the rent of €150 monthly each)		600.000	900.000	1.020.000	1.140.000	1.190.000	1.190.000	1.190.000	1.190.000	1.190.000	1.190.000	1.190.000	
Local inhabitants participating in the project (€850 monthly fee)		184.000	204.000	204.000	225.000	225.000	255.000	255.000	286.000	286.000	306.000		
Revenues deriving from the tourist structure		120.000	130.000	130.000	140.000	140.000	145.000	145.000	150.000	150.000	150.000		
Individual paid services		11.000	11.000	11.000	15.000	15.000	15.000	20.000	20.000	20.000	25.000		
Individual paid premium services		10.000	12.000	15.000	18.000	18.000	20.000	20.000	20.000	20.000	20.000		
credit loss		-15.000	-20.000	-25.000	-25.000	-30.000	-30.000	-30.000	-30.000	-30.000	-30.000		
revenues from real estate units sold but held under management		1.000	1.000	1.200	1.500	1.500	2.200	2.700	3.200	3.700	4.300		
<b>total</b>		<b>911.000</b>	<b>911.000</b>	<b>1.238.000</b>	<b>1.356.200</b>	<b>1.356.200</b>	<b>1.514.500</b>	<b>1.514.500</b>	<b>1.560.200</b>	<b>1.560.200</b>	<b>1.597.700</b>	<b>1.597.700</b>	
<b>Other revenues</b>													
Contribution of the Municipality, tax refund (IMU, Tari, Tasi)		65.000	65.000	62.000	57.000	51.000	49.000	40.000	34.000	29.000	23.000		
Primary sector activity		20.000	20.000	30.000	30.000	35.000	35.000	40.000	40.000	45.000	45.000		
Partners and sponsors		10.000	15.000	15.000	20.000	20.000	20.000	25.000	25.000	25.000	25.000		
Various		10.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000		
<b>total</b>		<b>105.000</b>	<b>105.000</b>	<b>115.000</b>	<b>122.000</b>	<b>122.000</b>	<b>121.000</b>	<b>119.000</b>	<b>120.000</b>	<b>114.000</b>	<b>114.000</b>	<b>108.000</b>	
<b>Sale of real estate units (capital gains= cash-flows)</b>													
Sale of real estate units				140.000	140.000	140.000	210.000	210.000	210.000	210.000	210.000	210.000	
<b>total</b>				<b>140.000</b>	<b>140.000</b>	<b>140.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	
<b>Operating revenues total</b>		<b>1.016.000</b>	<b>1.353.000</b>	<b>1.618.200</b>	<b>1.776.500</b>	<b>1.776.500</b>	<b>1.891.200</b>	<b>1.891.200</b>	<b>1.926.700</b>	<b>1.926.700</b>	<b>1.964.300</b>	<b>1.964.300</b>	
<b>COSTS</b>		T1	T2	T3	T4	T5	T6	T7	T8	T9	T10	T11	
<b>Services</b>													
Cleaning service (outsourcing)		45.000	67.000	76.000	85.000	90.000	90.000	90.000	90.000	90.000	90.000	90.000	
Canteen (outsourcing)		185.000	250.000	280.000	300.000	310.000	320.000	330.000	330.000	335.000	335.000	335.000	
Telemedicine		10.000	11.000	11.000	12.000	12.000	13.000	13.000	14.000	14.000	15.000	15.000	
Utilities		50.000	75.000	85.000	95.000	95.000	95.000	100.000	100.000	100.000	100.000	100.000	
Social services (contribution of trainees)		15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	
Broad band connection		30.000	30.000	35.000	35.000	35.000	40.000	40.000	40.000	45.000	45.000	45.000	
Common services (subscriptions-technologies-tv sat)		20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	
Local taxes (IMU, Tari, Tasi), refund by the Municipality		65.000	65.000	62.000	57.000	51.000	49.000	40.000	34.000	29.000	23.000		
Maintenance		10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	15.000	15.000	
Leasing of real estate units sold but kept under management		18.000	18.000	25.000	32.000	32.000	43.000	54.000	64.000	75.000	86.000	97.000	
Lease of the central structure		10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	
Insurance premium		15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	
<b>total</b>		<b>473.000</b>	<b>473.000</b>	<b>586.000</b>	<b>644.000</b>	<b>644.000</b>	<b>686.000</b>	<b>686.000</b>	<b>706.000</b>	<b>706.000</b>	<b>731.000</b>	<b>731.000</b>	
<b>Human Resources</b>													
Health services - 3 units		80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	
Asset manager		40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	
Delivery men/chauffeurs - 2 units		40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	
Administration - 1 unit		30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	
Internships		10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	
<b>total</b>		<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	
<b>Board of statutory auditors and consulting</b>													
Various		50000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	
<b>total</b>		<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	
<b>Total Costs</b>		<b>693.000</b>	<b>806.000</b>	<b>864.000</b>	<b>906.000</b>	<b>906.000</b>	<b>926.000</b>	<b>926.000</b>	<b>951.000</b>	<b>951.000</b>	<b>994.000</b>	<b>1.000.000</b>	
<b>EBITDA</b>		<b>323.000</b>	<b>547.000</b>	<b>754.200</b>	<b>870.500</b>	<b>870.500</b>	<b>965.200</b>	<b>965.200</b>	<b>975.700</b>	<b>975.700</b>	<b>990.700</b>	<b>983.900</b>	
<b>Depreciations and devaluations</b>													
Depreciation of properties		150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	
Depreciation equipment and furniture		67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	
Devaluations and losses				10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	
<b>total</b>		<b>217.000</b>	<b>217.000</b>	<b>217.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	
<b>EBIT</b>		<b>106.000</b>	<b>330.000</b>	<b>527.200</b>	<b>643.500</b>	<b>643.500</b>	<b>738.200</b>	<b>738.200</b>	<b>748.700</b>	<b>748.700</b>	<b>810.300</b>	<b>810.300</b>	
<b>Financial charges</b>													
Interest expenses		22.000	20.000	18.000	16.000	14.000	12.000	10.000	7.000	4.000	2.000	2.000	
<b>total</b>		<b>22.000</b>	<b>22.000</b>	<b>18.000</b>	<b>16.000</b>	<b>14.000</b>	<b>12.000</b>	<b>10.000</b>	<b>7.000</b>	<b>4.000</b>	<b>2.000</b>	<b>2.000</b>	
<b>Taxes</b>													
Current taxes		0,279	29.574	92.070	147.089	179.537	205.958	208.887	231.765	226.074	229.868	229.868	
<b>total</b>		<b>29.574</b>	<b>29.574</b>	<b>92.070</b>	<b>147.089</b>	<b>179.537</b>	<b>205.958</b>	<b>208.887</b>	<b>207.632</b>	<b>231.765</b>	<b>226.074</b>	<b>229.868</b>	
<b>Total operating costs</b>		<b>961.574</b>	<b>1.135.070</b>	<b>1.256.089</b>	<b>1.328.537</b>	<b>1.328.537</b>	<b>1.372.958</b>	<b>1.372.958</b>	<b>1.398.887</b>	<b>1.398.887</b>	<b>1.406.632</b>	<b>1.406.632</b>	
<b>Operating profit</b>		<b>54.426</b>	<b>217.930</b>	<b>362.111</b>	<b>447.964</b>	<b>447.964</b>	<b>518.242</b>	<b>518.242</b>	<b>526.568</b>	<b>526.568</b>	<b>591.935</b>	<b>591.935</b>	
<b>Cash-flows</b>													
		271.426	434.930	579.111	664.964	735.242	744.813	743.568	741.935	730.226	742.032	742.032	
		190.000	190.000	190.000	190.000	190.000	198.000	201.000	203.000	206.000	209.000	211.000	
<b>Net cash-flows</b>		<b>-50000</b>	<b>81.426</b>	<b>242.930</b>	<b>385.111</b>	<b>385.111</b>	<b>468.964</b>	<b>468.964</b>	<b>540.568</b>	<b>540.568</b>	<b>521.226</b>	<b>521.226</b>	
<b>Financial installments</b>													
fin		212.000	212.000	212.000	212.000	212.000	212.000	213.000	213.000	213.000	213.000	213.000	
Interest payments		125.000											
Principal payments		2.000.000											
<b>Cash flow before financial installments</b>		<b>6.388.247</b>											
<b>Free cash flow (post tax) - post financial installments</b>		<b>4.388.247</b>											
<b>Internal rate of return (IRR)</b>													
		0	1	2	3	4	5	6	7	8	9	10	11
		-2835000	-50000	81.426	242.930	385.111	468.964	537.242	543.813	540.568	535.935	521.226	531.032
<b>IRR</b>		<b>6,09%</b>											
<b>Equity multiple</b>		<b>1,55</b>											

**Table 2: Business Plan with financing; D/E ratio: 41,3%**

Base case with financing		Best case		Financing € 2000000		equity € 2835000		super bonus 110%		480000	
in T0				2355000							
<b>INCOME STATEMENT - fiscal years</b>											
	T1	T2	T3	T4	T5	T6	T7	T8	T9	T10	T11
<b>REVENUES</b>											
<b>Revenues from individual services</b>											
Revenues from annual fee (€1.000 monthly fee) (It includes the rent of €150 monthly each)		660.000	990.000	1.122.000	1.254.000	1.307.000	1.307.000	1.307.000	1.307.000	1.307.000	1.307.000
Local inhabitants participating in the project (€850 monthly fee)		205.000	228.000	228.000	250.000	250.000	285.000	285.000	320.000	320.000	342.000
Revenues deriving from the tourist structure		120.000	130.000	130.000	140.000	140.000	145.000	145.000	150.000	150.000	150.000
Individual paid services		11.000	11.000	11.000	15.000	15.000	15.000	20.000	20.000	20.000	25.000
Individual paid premium services		10.000	12.000	15.000	18.000	18.000	20.000	20.000	20.000	20.000	20.000
credit/ loss		-15.000	-20.000	-25.000	-25.000	-30.000	-30.000	-30.000	-30.000	-30.000	-30.000
revenues from real estate units sold but held under management		1.000	1.000	1.200	1.500	2.200	2.700	3.200	3.700	4.300	4.900
<b>total</b>		<b>992.000</b>	<b>992.000</b>	<b>1.352.000</b>	<b>1.352.000</b>	<b>1.482.200</b>	<b>1.482.200</b>	<b>1.653.500</b>	<b>1.653.500</b>	<b>1.702.200</b>	<b>1.702.200</b>
<b>Other revenues</b>											
Contribution of the Municipality, tax refund (IMU, Tari, Tasi)		65.000	65.000	62.000	57.000	51.000	49.000	40.000	34.000	29.000	23.000
Primary sector activity		20.000	20.000	20.000	30.000	35.000	35.000	40.000	40.000	45.000	45.000
Partners and sponsors		10.000	15.000	15.000	20.000	20.000	20.000	25.000	25.000	25.000	25.000
Various		10.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000
<b>total</b>		<b>105.000</b>	<b>105.000</b>	<b>115.000</b>	<b>115.000</b>	<b>122.000</b>	<b>122.000</b>	<b>121.000</b>	<b>119.000</b>	<b>119.000</b>	<b>108.000</b>
<b>Sale of real estate units (capital gains/ cash-flows)</b>											
Sale of real estate units				140.000	140.000	140.000	210.000	210.000	210.000	210.000	210.000
<b>total</b>				<b>140.000</b>	<b>140.000</b>	<b>140.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>
Operating revenues total			1.097.000	1.467.000	1.744.200	1.915.500	2.033.200	2.073.700	2.080.200	2.114.700	2.115.300
<b>COSTS</b>											
<b>Services</b>											
Cleaning service (outsourcing)		45.000	67.000	76.000	85.000	90.000	90.000	90.000	90.000	90.000	90.000
Canteen (outsourcing)		185.000	250.000	280.000	300.000	310.000	320.000	330.000	330.000	335.000	335.000
Telemedicine		10.000	11.000	11.000	12.000	12.000	13.000	13.000	14.000	14.000	15.000
Utilities		50.000	75.000	85.000	95.000	95.000	95.000	95.000	100.000	100.000	100.000
Social services (contribution of trainees)		15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000
Broad band connection		30.000	30.000	35.000	35.000	35.000	40.000	40.000	40.000	45.000	45.000
Common services (subscriptions- technologies-tv sat)		20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000
Local taxes (IMU, Tari, Tasi), refund by the Municipality		65.000	65.000	62.000	57.000	51.000	49.000	40.000	34.000	29.000	23.000
Maintenance		10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	15.000
Leasing of real estate units sold but kept under management		18.000	18.000	25.000	32.000	43.000	54.000	64.000	75.000	86.000	97.000
Lease of the central structure		10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000
Insurance premium		15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000
<b>total</b>		<b>473.000</b>	<b>473.000</b>	<b>586.000</b>	<b>586.000</b>	<b>644.000</b>	<b>644.000</b>	<b>686.000</b>	<b>686.000</b>	<b>706.000</b>	<b>706.000</b>
<b>Human resources</b>											
Health services- 3 units		80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000
Asset manager		40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000
Delivery men/chauffeurs - 2 units		40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000
Administration - 1 unit		30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000
Internships		10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000
<b>total</b>		<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>
<b>Board of statutory auditors and consulting</b>											
Various	50000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000
<b>total</b>		<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>
<b>Total costs</b>		<b>693.000</b>	<b>806.000</b>	<b>864.000</b>	<b>906.000</b>	<b>926.000</b>	<b>951.000</b>	<b>962.000</b>	<b>973.000</b>	<b>994.000</b>	<b>1.000.000</b>
<b>EBITDA</b>		<b>404.000</b>	<b>661.000</b>	<b>880.200</b>	<b>1.009.500</b>	<b>1.107.200</b>	<b>1.122.700</b>	<b>1.118.200</b>	<b>1.141.700</b>	<b>1.121.300</b>	<b>1.136.900</b>
<b>Depreciations and devaluations</b>											
Depreciation of properties		150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000
Depreciation equipment and furniture		67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000
Devaluation and losses				10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000
<b>total</b>		<b>217.000</b>	<b>217.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>
<b>EBIT</b>		<b>187.000</b>	<b>444.000</b>	<b>653.200</b>	<b>782.500</b>	<b>880.200</b>	<b>895.700</b>	<b>891.200</b>	<b>914.700</b>	<b>894.300</b>	<b>909.900</b>
<b>Financial charges</b>											
Interest expenses		22.000	20.000	18.000	16.000	14.000	12.000	10.000	7.000	4.000	2.000
<b>total</b>		<b>22.000</b>	<b>20.000</b>	<b>18.000</b>	<b>16.000</b>	<b>14.000</b>	<b>12.000</b>	<b>10.000</b>	<b>7.000</b>	<b>4.000</b>	<b>2.000</b>
<b>Taxes</b>											
Current taxes	0,279	52.173	123.876	182.243	218.318	245.576	249.900	249.900	248.645	273.894	272.555
<b>total</b>		<b>52.173</b>	<b>123.876</b>	<b>182.243</b>	<b>218.318</b>	<b>245.576</b>	<b>249.900</b>	<b>248.645</b>	<b>273.894</b>	<b>273.894</b>	<b>272.555</b>
<b>Total operating costs</b>		<b>984.173</b>	<b>1.166.876</b>	<b>1.291.243</b>	<b>1.367.318</b>	<b>1.412.576</b>	<b>1.439.900</b>	<b>1.447.645</b>	<b>1.413.894</b>	<b>1.426.203</b>	<b>1.434.555</b>
<b>Operating Profit</b>		<b>112.827</b>	<b>300.124</b>	<b>452.957</b>	<b>548.183</b>	<b>620.624</b>	<b>633.800</b>	<b>632.555</b>	<b>700.806</b>	<b>689.097</b>	<b>702.345</b>
<b>Cash-flows</b>											
		329.827	517.124	669.957	765.183	837.624	850.800	849.555	850.806	839.097	852.345
		190.000	192.000	194.000	196.000	198.000	201.000	203.000	206.000	209.000	211.000
<b>Net cash-flows</b>	-50000	<b>139.827</b>	<b>325.124</b>	<b>475.957</b>	<b>569.183</b>	<b>639.624</b>	<b>649.800</b>	<b>646.555</b>	<b>644.806</b>	<b>630.097</b>	<b>641.345</b>
Financial installments	fin	212.000	212.000	212.000	212.000	212.000	213.000	213.000	213.000	213.000	212.000
Interest payments		125.000									
Principal payments		2.000.000									
<b>Cash flow before financial installments</b>		<b>7.362.318</b>									
<b>Free cash flow (post tax)- post financial installments</b>		<b>5.362.318</b>									
<b>Internal rate of return (IRR)</b>											
		0	1	2	3	4	5	6	7	8	9
											10
											11
		-2355000	139.827	325.124	475.957	569.183	639.624	649.800	646.555	644.806	630.097
			Case Base	Best Case							
		IRR	6,09%	12,48%							
<b>Equity multiple</b>		<b>1,55</b>	<b>2,28</b>								

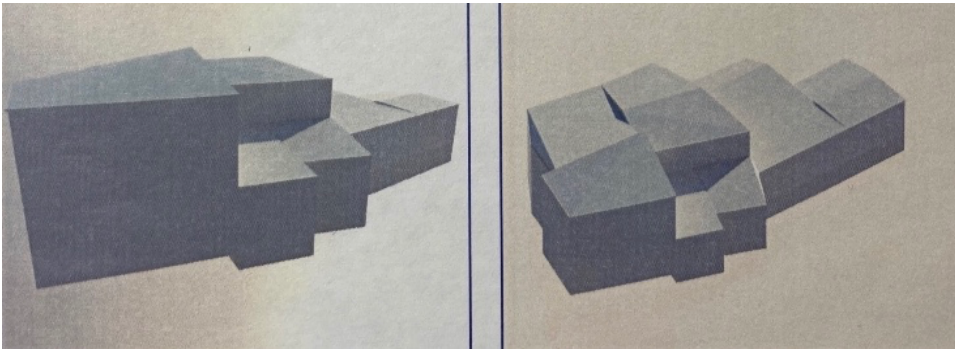
**Table 3: Best case, based on the Business Plan with financing; higher fee, higher occupancy, lower CapEx.**

Base case without financing		Worst Case										
Equity: 4835000		Equity: 5335000										
in T0												
INCOME STATEMENT - fiscal years												
	T1	T2	T3	T4	T5	T6	T7	T8	T9	T10	T11	
<b>REVENUES</b>												
<b>Revenues from individual services</b>												
Revenues from annual fee (€950 monthly fee)		570.000	741.000	798.000	855.000	912.000	969.000	1.026.000	1.083.000	1.083.000	1.083.000	
(it includes the rent of €150 monthly fee)												
Local inhabitants participating in the project (€800 monthly fee)		154.000	173.000	173.000	192.000	192.000	211.000	211.000	240.000	240.000	270.000	
Revenues deriving from the tourist structure		120.000	130.000	130.000	140.000	140.000	145.000	145.000	150.000	150.000	150.000	
Individual paid services		11.000	11.000	11.000	15.000	15.000	15.000	20.000	20.000	20.000	25.000	
Individual paid premium services		10.000	12.000	15.000	18.000	18.000	20.000	20.000	20.000	20.000	20.000	
credit loss		-15.000	-20.000	-25.000	-25.000	-30.000	-30.000	-30.000	-30.000	-30.000	-30.000	
revenues from real estate units sold but held under management		1.000	1.000	1.200	1.500	2.200	2.700	3.200	3.700	4.300	4.900	
<b>total</b>		<b>851.000</b>	<b>851.000</b>	<b>1.048.000</b>	<b>1.103.200</b>	<b>1.196.500</b>	<b>1.249.200</b>	<b>1.332.700</b>	<b>1.395.200</b>	<b>1.486.700</b>	<b>1.487.300</b>	<b>1.522.900</b>
<b>Other revenues</b>												
Contribution of the Municipality, tax refund (IMU, Tari, Tas)		65.000	65.000	62.000	57.000	51.000	49.000	40.000	34.000	29.000	23.000	
Primary sector activity		20.000	20.000	30.000	30.000	35.000	35.000	40.000	40.000	45.000	45.000	
Partners and sponsors		10.000	15.000	15.000	20.000	20.000	20.000	25.000	25.000	25.000	25.000	
Various		10.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	
<b>total</b>		<b>105.000</b>	<b>105.000</b>	<b>115.000</b>	<b>122.000</b>	<b>122.000</b>	<b>121.000</b>	<b>119.000</b>	<b>114.000</b>	<b>114.000</b>	<b>108.000</b>	<b>108.000</b>
<b>Sale of real estate units (capital gains-cash-flows)</b>												
Sale of real estate units				140.000	140.000	210.000	210.000	210.000	210.000	210.000	210.000	210.000
<b>total</b>				<b>140.000</b>	<b>140.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>
<b>Operating revenues total</b>		<b>956.000</b>	<b>1.163.000</b>	<b>1.365.200</b>	<b>1.458.500</b>	<b>1.580.200</b>	<b>1.661.700</b>	<b>1.725.200</b>	<b>1.810.700</b>	<b>1.811.300</b>	<b>1.840.900</b>	
<b>COSTS</b>												
<b>Services</b>												
Cleaning service (outsourcing)		45.000	58.000	63.000	68.000	72.000	76.000	81.000	86.000	86.000	86.000	
Canteen (outsourcing)		157.000	197.000	209.000	225.000	237.000	254.000	266.000	285.000	285.000	292.000	
Telemedicine		10.000	11.000	11.000	12.000	12.000	13.000	13.000	14.000	14.000	15.000	
Utilities		50.000	75.000	85.000	95.000	95.000	95.000	100.000	100.000	100.000	100.000	
Social services (contribution of trainees)		15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	
Broad band connection		30.000	30.000	35.000	35.000	35.000	40.000	40.000	40.000	45.000	45.000	
Common services (subscriptions -technologies-tv sat)		20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	
Local taxes (IMU, Tari, Tas), refund by the Municipality		65.000	65.000	62.000	57.000	51.000	49.000	40.000	34.000	29.000	23.000	
Maintenance		10.000	10.000	10.000	10.000	10.000	10.000	10.000	15.000	15.000	15.000	
Leasing of real estate units sold but kept under management		18.000	18.000	25.000	32.000	43.000	54.000	64.000	75.000	86.000	97.000	
Lease of the central structure		10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	
Insurance premium		15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	
<b>total</b>		<b>445.000</b>	<b>445.000</b>	<b>524.000</b>	<b>560.000</b>	<b>594.000</b>	<b>615.000</b>	<b>651.000</b>	<b>669.000</b>	<b>709.000</b>	<b>720.000</b>	<b>733.000</b>
<b>Human resources</b>												
Health services - 3 units		80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	
Asset manager		40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	
Delivery men (chauffeurs - 2 units)		40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	
Administration - 1 unit		30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	
Internships		10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	
<b>total</b>		<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>
<b>Board of statutory auditors and consulting</b>												
Various		50.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	
<b>total</b>		<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>
<b>Total costs</b>		<b>665.000</b>	<b>744.000</b>	<b>780.000</b>	<b>814.000</b>	<b>835.000</b>	<b>871.000</b>	<b>889.000</b>	<b>929.000</b>	<b>940.000</b>	<b>953.000</b>	
<b>EBITDA</b>		<b>291.000</b>	<b>419.000</b>	<b>585.200</b>	<b>644.500</b>	<b>745.200</b>	<b>790.700</b>	<b>836.200</b>	<b>881.700</b>	<b>871.300</b>	<b>887.900</b>	
<b>Depreciations and devaluations</b>												
Depreciation of properties		150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	
Depreciation equipment and furniture		67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	
Devaluation and losses				10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	
<b>total</b>		<b>217.000</b>	<b>217.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>160.000</b>	<b>160.000</b>	<b>160.000</b>
<b>EBIT</b>		<b>74.000</b>	<b>202.000</b>	<b>358.200</b>	<b>417.500</b>	<b>518.200</b>	<b>563.700</b>	<b>609.200</b>	<b>721.700</b>	<b>711.300</b>	<b>727.900</b>	
<b>Financial charges</b>												
Interest expenses		0	0	0	0	0	0	0	0	0	0	
<b>total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Taxes</b>												
Current taxes		0,279	20.646	99.938	116.483	144.578	157.272	169.967	201.354	198.453	203.084	
<b>total</b>		<b>20.646</b>	<b>20.646</b>	<b>56.358</b>	<b>99.938</b>	<b>116.483</b>	<b>144.578</b>	<b>157.272</b>	<b>169.967</b>	<b>201.354</b>	<b>198.453</b>	<b>203.084</b>
<b>Total operating costs</b>		<b>902.646</b>	<b>1.017.358</b>	<b>1.106.938</b>	<b>1.157.483</b>	<b>1.206.578</b>	<b>1.255.272</b>	<b>1.285.967</b>	<b>1.290.354</b>	<b>1.298.453</b>	<b>1.316.084</b>	
<b>Operating profit</b>		<b>53.354</b>	<b>145.642</b>	<b>258.262</b>	<b>301.018</b>	<b>373.622</b>	<b>406.428</b>	<b>439.233</b>	<b>520.346</b>	<b>512.847</b>	<b>524.816</b>	
<b>Cash-flows</b>												
Net cash-flows		-50000	270.354	362.642	475.262	518.018	590.622	623.428	656.233	670.346	662.847	674.816
Free cash flow post tax		5.504.568	-5335000	270.354	362.642	475.262	518.018	590.622	623.428	656.233	670.346	674.816
Internal rate of return		<b>IRR</b>	<b>0,31%</b>									
Equity multiple		<b>Multiple</b>	<b>1,03</b>									

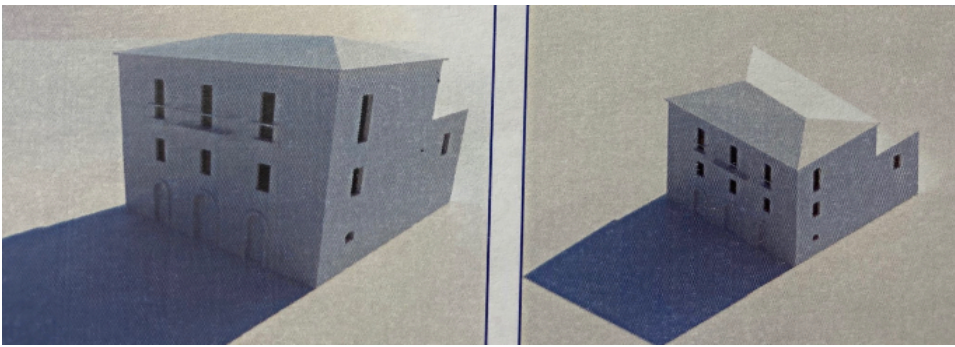
**Table 4: Worst case, based on the Business Plan without financing; higher CapEx, lower fee and occupancy.**

CAPEX PLAN			
Data			
Properties to be acquired	5		
Real estate units to be built	39		
Transfer in exchange, maintaining the management of the units	5		
Owned real estate units	34		
Beds	99		
Beds of the central structure	21		
<b>1.) Real estate units construction</b>			
Units	39		
total		2.700.000	<b>2.700.000</b>
<b>2.) Goods and services for the units</b>			
Home decor		5.000	
total		195.000	<b>195.000</b>
<b>3.) Tourist or Nodal Structure</b>			
Construction cost per square meter		1.000	
Square meters		1.500	
Construction		1.500.000	<b>1.500.000</b>
Swimming-pool		20.000	
Spa		10.000	
Locker rooms		10.000	
Offices		10.000	
total		50.000	<b>50.000</b>
<b>4.) Furniture for</b>			
Gym		20.000	
Library		5.000	
Outpatient clinic		15.000	
Common spaces		5.000	
Canteen		5.000	
Social services		5.000	
total		55.000	<b>55.000</b>
<b>5.) Equipment</b>			
Gym		20.000	
Library		5.000	
Outpatient clinic		35.000	
Canteen		80.000	
Golf cars- 3 units		25.000	
Common gardens		50.000	
total		215.000	<b>215.000</b>
<b>6.) Health services</b>			
Telemedicine (wearable devices)		20.000	
total		20.000	<b>20.000</b>
<b>7.) Communication&amp;marketing</b>			
Communication&marketing project		100.000	
total		100.000	<b>100.000</b>
<b>TOTAL Investments</b>			<b>4.835.000</b>

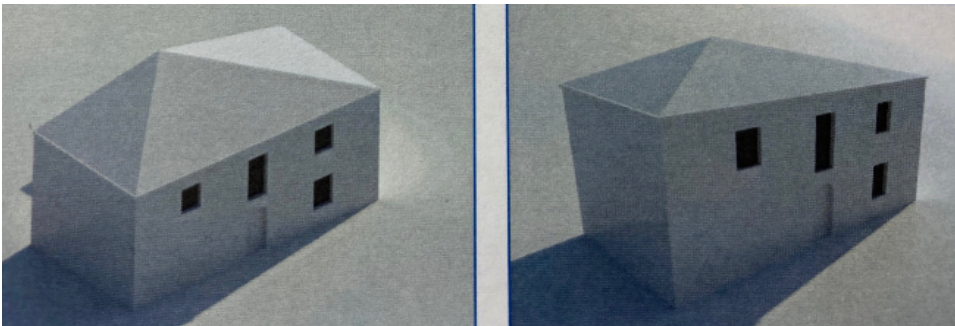
*Table 5: CapEx Plan; report of the investments*



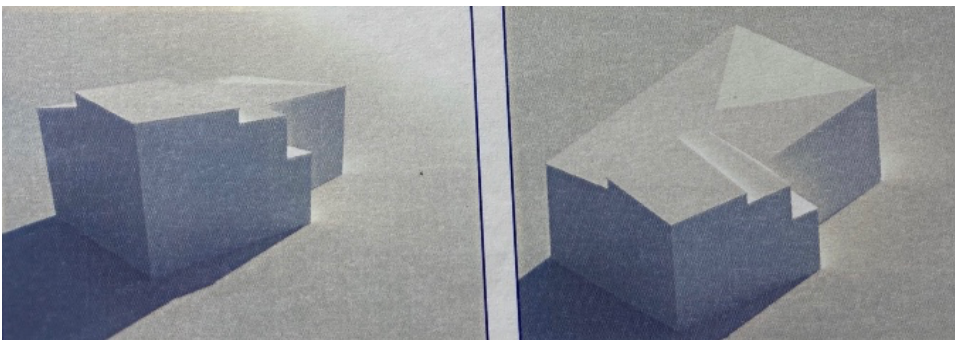
**Scan 1:** Volumetric scheme of the first building. Reference: Municipality of Fano Adriano, 2021



**Scan 2:** Volumetric scheme of the second building. Reference: Municipality of Fano Adriano, 2021



**Scan 3:** Volumetric scheme of the third building. Reference: Municipality of Fano Adriano, 2021



**Scan 4:** Volumetric scheme of the fourth building. Reference: Municipality of Fano Adriano, 2021



a	b	c	d	e	f	g
Superficie lorda coperta complessiva [mq] <sup>(1)</sup>	Costo di riparazione [€]	Costo di rinforzo locale [€]	Spese tecniche [€]	Eventuale compenso Amministr. [€]	Costo totale (b+c+d+e) [€]	Costo unitario totale (f/a) [€/mq]
1.042,31	452.045,04	362.737,55	119.417,86	17.834,82	952.035,27	913,39

*Scan 5: Reconstruction project of the fifth building. Reference: Municipality of Fano Adriano, 2021*

## CONCLUSIONS

We started the paper with an in-depth analysis of the Italian and European demographic trends, which showed how the ageing of the population is a not-inconsiderable risk for public finances, which in the future will come under great pressure from the disparity between consumption and production and which will have difficulty in maintaining the present levels of welfare.

We then moved to the analysis of another serious problem affecting Italy, the depopulation of the villages and inland areas. Also in this case the trend seems to be unstoppable, and this is confirmed by the dozens of villages that each year are transformed into ghost villages; the Covid-19 pandemic could, however, give an impetus to the repopulation of these villages due to the acceleration we have seen in digitalisation and remote working, but particularly because they have returned to the centre of public debate, thanks to the renewed appreciation of open spaces, low-density population and the search for healthy living.

Considering that the villages have been already for some years the centre of various types of initiative aimed at their restoration, we believe that these trends, together with other contemporary key ideas such as local sourcing, organic agriculture, made-in-Italy and European funding, could lead to a widespread interest at a high level which may one day generate significant proposals capable of revitalising them.

We therefore analysed the initiatives that have already been put forward, admirable in many respects, except for the most important one to our way of thinking, that of a repopulation of Italian villages which is effective and stable throughout the year. For example, while the mechanism “houses for 1 euro” is certainly effective with regard to the restoration of buildings and support for local building enterprises, it is also true that it is usually foreign investors who take advantage of it; they do not live permanently in the property but use it only for short holiday stays, resulting therefore in a reduced added value for the community in the medium and long term.

Projects of a public nature providing for bonuses for individuals or family units run the risk of attracting people who do not intend to live permanently in the village, but only to take advantage of the incentives and then leave as soon as the specified minimum residence period is over.

Projects which aim to attract activities and businesses and not just inhabitants are certainly more complex but also more practical, because they develop a link with the host community which binds them to the area and so creates value.

The “Albergo Diffuso” project is of a very particular kind but at the same time has the same defect discussed above with regard to the “Houses for 1 euro” mechanism: being a hotel it attracts tourists and not residents. It is certainly able to generate important spin-off activities due to tourist traffic, but it is also totally dependent on the latter and consequently is very exposed to external variables, such as economic downturns, natural catastrophes which intimidate tourists or pandemics, as we have seen recently.

It is from the difficulties caused by these defects that the Senior-Borgo project grew. It combines the restoring of derelict buildings with the attraction of stable residents and the creation of tourist flows, creating value for the area in the short term but also in the long term.

The new residents, members of the target population of self-sufficient pensioners of over 65, would be attracted not only by the offer of a completely restored, earthquake-proof, energy-efficient building, but also and above all by a series of different kinds of services: from meals and cleaning to the University of the Third Age and collective-recreational activities, from telemedicine to the presence of Medical Assistance and an outpatient clinic with the periodic presence of specialists for this age group, from sports facilities to wellness facilities; all this in an intimate and community framework, in a healthy environment with historical, architectural, scenic and gastronomic amenities, where all distances can be easily covered on foot or by bicycle.

To test the feasibility of this proposal we drew up a Business Plan, to which Topic 3 is devoted, using as a business-case that of the Municipality of Fano Adriano, a small Abruzzo village on the slopes of the Gran Sasso d’Italia. Once certain buildings and areas of interest had been identified, we obtained the full support of the local administration, which supplied us with the data necessary to calculate the amount required for the initial investment.

Using the Collegio Universitario Don Mazza of Roma and various social housing projects financed by the Fondazione CARISAP of Ascoli Piceno for benchmarking, we have made a projection of management costs and have been able to present a realistic picture of the net cash flows that the project might produce over a time scale of eleven years.

We have presented four possibilities:

- Business Plan without financing and 100% equity;
- Business Plan with Debt/Equity ratio at 41,3%;
- Best Case Scenario
- Worst Case Scenario

All four scenarios have positive outcomes, with the worst-case scenario guaranteeing the return of the capital, the best-case scenario offering an IRR of about 12% and the other two possibilities, the most realistic and probable ones, giving in order 4% and 6%.

Given that the minimum objective that we set ourselves initially was a return of 3%, the outcome of this research may be considered a good one, which is not presented as a set of purely theoretical considerations to be analysed but as a pragmatic and realisable project based on real data and concrete intentions.

As the case is set in Fano Adriano but could be replicated in any other village with similar characteristics, the Senior-Borgo is proposed as a solution to the Italian problem of the depopulation of the internal areas and as a catalyst for work and value creation by the young, through the offer of services to the old.

In our view of things, Italy, and perhaps also Europe, could in the future be studded with Senior-Borgo centres, distributed geographically so as to create a network capable of receiving users, workers and tourists from the cities and more densely populated areas.

The project is stand-alone and does not require public assistance or funds; it is clear, however, that the presence of these would facilitate the launching of the project and increase the expected returns and consequently the possibility of private investment, with all the benefits deriving from this for the community and the geographical areas involved.

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A final and due dedication to Fano Adriano. May it find a way to resist the overbearing advance of history and that if my idea doesn't come true, someone will find a better one.

As the typical motto of the place says: "Fanesi furono forti, fatevi forti figli fanesi!"



**Department of Business and Management**

**Teaching of Real Estate Finance**

**An innovative model for the socio-economic  
regeneration of the Italian villages:  
the Senior-Borgo project**

**Prof. Gaetano Casertano**

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**SUPERVISOR**

**Prof. Emilio Barone**

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**CO-SUPERVISOR**

**Alessandro Maria Bollettini Matr. 714011**

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**CANDIDATE**

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## **INTRODUCTION**

The paper that you are about to read is a presentation of an innovative proposal for the Real Estate world aimed at solving two of the main problems besetting the Italian economy and its potential for growth and development: the ageing of the population and the depopulation of the internal and peripheral areas.

### **FIRST TOPIC: The demography of Italy and villages: some repopulation methods**

#### **1.1 Overview of Italian and European demographics**

In the last two centuries humanity has made unprecedented progress involving all scientific fields and leading to an improvement in living conditions all over the planet. Life expectancy has increased accordingly and this fact brings with it problem areas that are more and more frequently the subject of studies by analysts and researchers. It is expected that the percentage of people aged over 65 years world-wide will increase from the 7.5% of 2005 to 16.1% in 2050, and from 15.5% to 26.2% in developed countries. Italy is well above the global average and also above that for the more developed countries: the percentage of people over the age of 65 is expected to increase from the 19.5% of 2005 to 32.7% in 2050. In Italy the ageing of the population can be explained by the theory of demographic transition: it consists in several stages: pre-industrial stage, transition stage, industrial stage, post-industrial stage, present stage. The ageing of the Italian population has been caused principally by two factors: the increase in life expectancy and the decline in fertility. Italy will be the country with the highest median age of all countries considered from this year, 2020, onwards. Already by 2030 the median age will be greater than 50 years, considerably higher than that for France, Sweden and the United Kingdom, which will be close to 40.

To study the population ageing we have used the “*age pyramid*” and two ratios. The first, the *old dependency ratio*, is the ratio between the number of people aged over 65, and the number of people between 15 and 64 years; the second, the “*total dependency ratio*”, is the ratio between the number both of young people and old people of an age at which they are considered economically inactive (i.e. less than 15 years and over 65 years), and the number of people of working age (i.e. 15-64 years).

We have so introduced the concept of “*lifecycle deficit*” and “*lifecycle surplus*”, linked to the *support ratio*, which is the ratio between the total income from work and total consumption. The analyzed data lead to reflect on the sustainability of the demographic structure in Italy, where the ageing of the population constitutes a serious danger for the existing social-welfare system.

## **1.2 Overview of Italian villages and internal areas**

Up to the 19th century the villages were self-sufficient small urban entities, playing an essential role; what has happened in the meantime to turn them into a “problem” today? The main cause of the present weakening of these settlements is depopulation, a phenomenon of a kind to set in motion dangerous vicious circles, which began in Italy in the 19<sup>th</sup> century because of the progress of the Industrial Revolution. The European Commission Report on rural poverty defines four different self-perpetuating cycles: demography, remoteness, lack of education facilities, labour market issues. The small size of underpopulated economies forces the human capital of these regions to search occupational opportunities in urban centers.

### **1.3 Some methods of repopulating villages**

#### **1.3.1 “Houses for one euro” method**

The most popular instrument recently has been that of the so-called “houses for one euro”. This initiative has been undertaken by various villages all over the peninsula and consists of an incentive offered by the municipal authority of a given place for the acquisition of abandoned or dilapidated dwellings on condition that they are reconstructed within a given period of time. The “houses for one euro” mechanism was devised by the mayor of Salemi in 2008 but many villages have subsequently adopted this strategy in Italy; for example the village of Sambuca, in Sicily, that was the subject of a CNN programme, so appearing on the front pages of the international press and receiving in a very short space of time thousands of requests from all over the world. Still in Sicily the municipality of Troina, in the province di Enna, was the subject in November 2020 of a special programme broadcast by TG1 dedicated to Italian villages and inland areas. Then we have analyzed the cases of Lecce nei Marsi, in Abruzzi, Nulvi, in Sardinia, Carrega Ligure, in Piedmont.

#### **1.3.2 Regional incentives**

The Molise Region adopted the idea of the “active residence income”, a bonus of seven hundred euro per month for three years intended for families who have decided to move to a small Molise village and set up an economic activity or at least one linked to services for the community. To fund the

subsidy, which guarantees approximately twenty-four thousand euro per family over the three years, the Region has allocated one million euro and the Umbria Region also took steps to pass a bill promoting the same model.

In October 2020, Emilia Romagna Region issued a call which made grants available up to a maximum of thirty thousand euros covering 50% of the costs incurred for the purchase of a first home, limited to existing properties, to avoid further land consumption. The effort of the regional administration, which was immediately rewarded by two thousand expressions of interest, amounted to ten million euros of investment and it has been proposed again for 2021.

### **1.3.3 Vaccarizzo and MIT**

Vaccarizzo di Montalto Uffugo will host the first “Societal transformation Lab” of the Presencing Institute, a research platform for the profound transformation of social, economic and cultural systems. Some seventy countries world-wide are participating in the project, which aims at the repopulation of marginal areas. The MIT began an experimental stage, following all the phases of the “Theory-U” of Otto Scharmer, director of the Presencing Institute, an expert in change management and Professor at the said MIT. The project included some meetings with the population and an initiative that includes uncultivated parcels of land in a “land-bank” to create new employment and production in plots of land which are completely usable but at present abandoned. The banking support of the Banca Mediocreati is also a fundamental element in this process; it has activated a specific package called “I live in Vaccarizzo”, that is the name of the initiative.

### **1.3.4 Municipal incentives**

We have reported the cases of Bormida, Candela e Locana. In Bormida the Mayor has made accommodation units belonging to the municipality available, renting them out at fifty euro per month; moreover he offered tax incentives for shopkeepers and businesses operating in the locality to try to keep them there.

Candela proposed a strategy already used in 2016, consisting in bonuses to climb, from eight hundred euros for single-family households, to two thousand euros for families of four or more people; to access the bonus there is obviously a need for minimum requirements and it is also required that the accessor does not come from other villages with a population of less than two thousand inhabitants, so as not to weaken the other small centers already in the throes of depopulation.

Locana implemented an attractive strategy that was not only based on the mechanism of houses at one euro, but also on a bonus strongly focused on families: three thousand euros per year to be assigned for three years to each family that decides to settle in the village and to enroll at least one child in school.

### **1.3.5 Private investments**

We described the two famous cases of Arquata del Tronto and Solomeo. The first was seriously damaged by the 2016-2017 earthquakes and the well-known Della Valle family planned and implemented a footwear factory in record time to keep inhabitants and workers in the village. Solomeo has for years been in the spotlight of the press and of international researchers thanks to the enlightened entrepreneur Brunello Cucinelli that began to be active in the renovation of Solomeo in tandem with the progress of the firm and that has transformed this place in a “humanist capitalism” laboratory.

### **1.3.6 The “Albergo Diffuso” model**

This is not in the strict sense a method of repopulation since, as it is an accommodation facility for temporary stays, its objective is not to attract stable residents capable of creating continuing added value in the area. The presence of dispersed hotels, however, leads to a restoration of abandoned or derelict buildings which are redeveloped, often leading to the redevelopment of entire areas in the host villages. The hospitality activities furthermore create employment not only for the workers in the dispersed facility but also in the whole area, which benefits from the flow of tourists produced by its presence. There are three types of “Alberghi Diffusi”: village hotel, dispersed residence, rural dispersed hotel. Up to 2008 “structures” of this kind were only twenty in number, but now there are more than a hundred and the brand “albergo diffuso” has been exported abroad. We have reported the famous case of Santo Stefano di Sessanio, where Daniele Kihlgren opened “Sextantio”.

### **1.3.7. The “Happy Village” of Fluminimaggiore**

The Sardinian municipality of Fluminimaggiore declared in 2019 that it had designed a project called the “Happy Village” targeting the over-65 age group. Fundamental to this project too is the restoring of unoccupied or abandoned dwellings, to be renovated and made available for new residents who would be attracted by a series of incentives and various services. The project is not yet definite or official but would include 24-hour healthcare assistance, home assistance,

transport, cultural matters and excursions. The proposal could be interesting especially for the foreigners from Northern Europe.

## **SECOND TOPIC: Senior-Borgo Business Model**

### **2.1 Overview of the idea: Senior-Borgo**

The Senior-Borgo project proposes to reorganise an existing Italian village, already satisfying various requirements, so as to make the built environment respond to the needs of elderly residents. The system would therefore correspond to a dispersed senior housing system, in a symbiotic relationship with the pre-existing socio-economic fabric, in which the construction of new buildings and the concreting over of areas of the land of Italy, so much of which is already densely populated, is replaced by the rehabilitation of villages at present suffering from poverty, depopulation and unemployment.

#### **2.1.1 The structures and services of the village system**

The idea revolves around the construction of two fundamental reference points in the organisation of the village, easily reached from any point in it wherever the independent dwellings of the users of the Senior-Borgo may happen to be: the touristic or nodal structure, with various functions (accommodation services, gym, wellness area, administrative offices, outpatient clinic, helicopter landing pad, means of transport like golf-cars; the central structure, centrally located in the village and vital and cultural centre of the system, with a University of the Third Age and common spaces for all the activities (cinema, debates, conferences, courses, games).

The clients would live instead in dwellings bought and renovated by the investor in accordance with all anti-seismic criteria, with Internet connection, an efficient heating system and sound-proofed and insulated walls and windows. They will be apartments of a reduced scale, such as two-room or three-room apartments, distributed over the village in flat or gently sloping areas, near to the centre of the village.



### **2.1.2 Minimum requirements for villages**

The villages should respect some minimum requirements to be suitable for hosting the project: proximity to an highway exit and to the capital of the province (30 minutes at most), not excessively steep gradients, an altitude of less than 1.000 metres, a preferable population of 100-500 inhabitants, few entrance streets for a better surveillance, presence of a large Church and spacious open spaces.

### **2.1.3 The archetype village: Fano Adriano**

We have found the ideal location for giving concrete shape to her idea in the Italian village of Fano Adriano, situated in the Province of Teramo, Abruzzo, but the model is obviously applicable to any village satisfying the minimum requirements described above. The village has 270 inhabitants, it is located at 750 metres above sea-level and it is 30 minutes from the capitol Teramo and 20 minutes to the A-24 highway. It is also near to some other important centres: L'Aquila, Ascoli Piceno, San Benedetto del Tronto, Pescara; and two hours from Rome, Terni and Rieti.

Locating the idea here has several advantages:

- the touristic or nodal structure could be an abandoned ex-hotel at one minute from the centre of the village, for which the Municipality is searching for an investor who would be willing to acquire and reconstruct it;
- the central structure already exists: it belongs to the Municipality and can be leased for use for an annual fee of 10,000.00 euro. It has a sports centre and two common floors of about three hundred square metres, of which one equipped for a conference hall / multimedia room and the other with a restaurant area and hygiene facilities. In the structure there are also eleven apartments served by a lift, for a total of twenty-one beds.
- There is already an helicopter landing pad, near the potential touristic or nodal structure.
- The village is already served by an efficient internet connection, via optical fiber.
- Some basic services already exist: Municipal offices, a Post Office, a Pharmacy, an Emergency Medical Service, a National Park Museum, a Carabinieri Forestali station, two bars, two restaurants, an agritourism enterprise, two B&Bs and a mini-market.
- In the village centre there is a spacious church of great artistic-architectural value, capable of accommodating all potential clients of the structure, and various large squares.

## **2.2 Value Proposition**

There are various factors of diversification from possible competitors, which we have analyzed through the four functions of the Blue Ocean Strategy framework: reduce, create, eliminate, raise. This idea would be a radical innovation in the sector. If, on the one hand, the market is new, on the other the technology available is also new; a technology based essentially on the remote monitoring of health and in general on a diffuse structure. Moreover, in a Senior-Borgo it would be much easier to avoid the devastating effects of pandemics, epidemics or even simple viruses which also can cause problems in a largely elderly community, as we have seen in the last years with Covid-19.

## **2.3 Key Resources**

First of all we mention an ex-post resource, the financial solidity of the client and therefore of his spending power, the pensioners are in fact one of the safest economic actors. To finance the project it would be needed an investor with an interest in social issues, that is not obsessed with the highest IRR but that searches first of all a result in the real economy of the country and in the economic geography of Italy. Other resources could be found by applying for publicly announced sources of funding in different contexts, such as European and regional funds, but we have decided to present a project that is sustainable on its own.

## **2.4 Key Partners**

We have obtained the complete willingness of the Administration of Fano Adriano to collaborate, provide data and information for the drafting of this Thesis and to cooperate in a future date in the implementation of the project. With a project of this scale it is probable that there would also have to be contact with the Province of Teramo for certain measures, as well as with the Park Authority (the Major is part of the Board). Engagement would also be necessary with the Abruzzo Region, which is directly concerned with regard to healthcare matters.

Another interesting partnership could be that with the universities of Abruzzo and the neighbouring areas; the academic world is an ideal terrain in which to sow this seed, the university network could be of great importance with regard to finding a workforce for the village system, which would need young workers for all kinds of task.

Important partners would be the firms that take care of the canteen and of the cleaning services, but also with the nearer Universities of the Third Age, with associations and non-profit foundations, and with the neighbouring RSAs and retirement houses.

## **2.5 Key Activities**

- Telemedicine with constant connection ensured by the wearable devices;
- Outpatient clinic with weekly rotation of medical figures made available by the National Health Service and the Medical Guard;
- Transport guaranteed by operators that would use the golf-cars.
- Delivery services for groceries and medicines.
- Canteen for lunch and dinner;
- Home-cleaning service once a week, together with a change of sheets every two weeks.
- Reception

## **2.6 Customers**

The target population for the project is indicatively that between the ages of 65-80, even if, more than a specific age, the reference point is specific physical-psycho conditions. The typical client must in fact be self-sufficient, ready to travel and change his living environment, be sociable, curious and willing to try a new life style marked by health, culture and continuous learning. The client can be identified therefore as a young pensioner wanting to get away from the frenetic rhythms of life in densely populated urban areas which make life difficult at a period when there should be time to fully enjoy it.

The typical user should be in a position not only to benefit from, but also to contribute to the structure. This will create in the subject a sense of playing a role, a feeling of gratification and self-fulfilment. The Senior-Borgo offers the opportunity not simply to change from the routine of days as a worker to that of days as a pensioner but rather to choose a lifestyle in which every day is new, rich with new activities, discoveries and emotions, all in the framework of the protection of health.

The area, that is a “Blue Zone”, is attractive even internationally for this type of social-healthcare project, and it could attract users even from abroad, as has happened for other, more or less similar, Italian initiatives in other regions.

## **2.7 Customer Relationships**

A key role for the continuity of the Business Model is that played by Customer Relationships, which make it possible to satisfy clients and convince them to continue being part of the structure. Priority must therefore always be given to the client, whose requests and needs will function as a prime mover of the structure. In reality the client will also to some extent be an active driving force in the project. For this reason the project includes the establishing of various Committees, made up of the users themselves, that would have funds available to organize activities, courses, events and competitions.

Some examples of Committees could be: cinema, culture, events, sports, services, statute. These offer users the possibility of immersion in a social network; the objective is to make as many of the users as possible participate in the community and lay the basis of a pleasant and stimulating period of residence for them. In addition to the various recreational/educational activities, the clients would have the possibility of taking part in small productive enterprises which would require a symbolic physical effort, aimed at involving the residents in the activities and not at exploiting their free time. The residents could be supplied monthly with questionnaires to be completed anonymously, so that critical issues could be identified and tackled in time, before the client is adversely affected with regard to continuing his residence. There will be then agreements with the local businesses to offer to the clients and to their relatives some discounts and promotions.

## **2.8 Channels**

A large-scale marketing campaign will not be possible, a niche market should rather be targeted, with a view to finding the “pioneers”. For example secondary school teachers, but also the Professors in the Universities involved, who also could encourage their students to participate to reach the older generations of their families. Meetings could be organised in the Universities of the Third Age to present the project; the persons enrolled in these institutions are in fact the closest to the prototype of user for whom the Senior-Borgo is intended. Agreements could be made with the nursing homes and rest homes in the neighbouring provinces to find the more self-sufficient clients.

The collaboration of the local newspapers and radio stations could also be a deciding factor, like a presence on popular websites specialised not only in economics but also in health, psychology

and sociology. Of use too could be meetings, congresses, seminars on subjects concerned in the project.

## **2.9 Cost Stream**

We refer to the third chapter.

## **2.10 Revenue Stream**

We refer to the third chapter.

## **THIRD TOPIC: Senior-Borgo Business Plan**

In this chapter we shall deal with the quantitative analysis of the project, thanks to which we have been able to study in detail the individual items of costs and revenue. For this reason we have decided to use a simple model, the cash flow model, which is a reconstruction of the monetary flow in a company or project over the period under analysis, that is of 12 years in this case: an immediate outward flow of Capital Expenditures, a period of 24 months devoted to the construction sites and then ten periods of management.

For a more in-depth analysis of the business plan, please refer to the excel sheet we have attached below. Here we will list the most important assumptions on which the Business Plan is based.

To assess the potential amount of the expenditure involved, we have obtained the cooperation of the Municipality of Fano Adriano. We have identified five dwellings of big dimensions in state of decay for a total floor area of 2,420 square metres; from the studies carried out we could obtain 39 separate three-room apartments with two beds each, that, added to the 21 beds of the central structure, bring to 99 total beds. However, the potential number of clients is higher, because one could have access to the services of Senior-Borgo without living in those apartments, but just paying the fee for services. The total fee supposed is of €1,000 per month but is divided in two different items: €850 per month for the services and €150 as rent for the apartments. We have worked on the hypothesis that no money would be paid for the purchase of the buildings but to carry out an exchange with the old owners.

Fundamental data are those that regard the costs of canteen and cleaning services, for which we used the “Collegio Universitario Don Mazza” to collect the most reliable data possible, while for

the other management expenses items we used several projects financed by the “Fondazione CARISAP” as benchmark.

Crucial for the sustainability of the project is the sale of the dispersed buildings progressively: we have envisaged beginning this process in the third and fourth year, with the disposal of two units; while from the fifth period onwards we have envisaged the disposal of three units per year. This method makes it possible to recover the initial capital invested more quickly, The supposed sale price is of 70,000, despite the esteem of 84,000 each, to attract investors interested in receiving a low but constant return over time thanks to the existence of the Senior-Borgo.

As regards the corporate organization, an asset manager would be necessary and would manage the workload with an administrative employee and the employment of interns; while three nurses and two drivers would cover the healthcare, delivering and transport services offered by the Senior-Borgo.

We have outlined four cases. The first is the base case and the CapEx of €4,835,000 is totally equity financed; the second case examined is almost the same, but the final free cash flow is not unlevered, because use is made of a debt of €2,000,000, which brings the debt/equity ratio to 41.3%. They give an IRR of, in order, 4,26% and 6,09%.

The third and fourth cases are best and worst scenarios. In the best scenario, based on the second case, the CapEx would be lower thanks to possible access to the superbonus of 110%, which would guarantee a total of €480,000. In addition, we have envisaged a higher fee of €1,100 per month; this hypothesis gives an IRR of 12,48%.

The worst case, based on the first scenario, involves an higher CapEx that we assumed to be of €500,000 more than the standard. Then we have supposed a lower total fee (€950) and occupancy of the apartments, reaching gradually at the most 95%. In this case the IRR forecasted is of 0,31% and so guarantees the return of the capital invested. The result of the provisional quantitative analysis of the Senior-Borgo is therefore positive.

The reader can find in the next page one of the four hypothesis took in consideration, to understand how we worked on the quantitative analysis.

In TD														
Financing	€ 200000													
equity	€ 2835000													
<b>INCOME STATEMENT - fiscal years</b>														
	T1	T2	T3	T4	T5	T6	T7	T8	T9	T10	T11			
<b>REVENUES</b>														
<b>Revenues from individual services</b>														
Revenues from annual fee (€1.000 monthly fee)		600.000	900.000	1.020.000	1.140.000	1.190.000	1.190.000	1.190.000	1.190.000	1.190.000	1.190.000	1.190.000		
(it includes the rent of €150 monthly each)														
Local inhabitants participating in the project (€850 monthly fee)		184.000	204.000	204.000	225.000	225.000	255.000	255.000	286.000	286.000	306.000			
Revenues deriving from the tourist structure		120.000	130.000	130.000	140.000	140.000	145.000	145.000	150.000	150.000	150.000			
Individual paid services		11.000	11.000	11.000	15.000	15.000	15.000	20.000	20.000	20.000	25.000			
Individual paid premium services		10.000	12.000	15.000	18.000	18.000	20.000	20.000	20.000	20.000	20.000			
credit loss		-15.000	-20.000	-25.000	-25.000	-30.000	-30.000	-30.000	-30.000	-30.000	-30.000			
revenues from real estate units sold but held under management		1.000	1.000	1.200	1.500	2.200	2.700	3.200	3.700	4.300	4.900			
<b>total</b>		<b>911.000</b>	<b>911.000</b>	<b>1.238.000</b>	<b>1.238.000</b>	<b>1.356.200</b>	<b>1.356.200</b>	<b>1.514.500</b>	<b>1.514.500</b>	<b>1.560.200</b>	<b>1.560.200</b>	<b>1.597.700</b>		
<b>Other revenues</b>														
Contribution of the Municipality, tax refund (IMU, Tari, Tasi)		65.000	65.000	62.000	57.000	51.000	49.000	40.000	34.000	29.000	23.000			
Primary sector activity		20.000	20.000	30.000	30.000	35.000	35.000	40.000	40.000	45.000	45.000			
Partners and sponsors		10.000	15.000	15.000	20.000	20.000	20.000	25.000	25.000	25.000	25.000			
Various		10.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000			
<b>total</b>		<b>105.000</b>	<b>105.000</b>	<b>115.000</b>	<b>115.000</b>	<b>122.000</b>	<b>122.000</b>	<b>121.000</b>	<b>119.000</b>	<b>119.000</b>	<b>120.000</b>	<b>119.000</b>		
<b>Sale of real estate units (capital gains= cash-flows)</b>														
Sale of real estate units				140.000	140.000	140.000	210.000	210.000	210.000	210.000	210.000	210.000		
<b>total</b>				<b>140.000</b>	<b>140.000</b>	<b>140.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>	<b>210.000</b>		
Operating revenues total		1.016.000	1.353.000	1.618.200	1.776.500	1.891.200	1.926.700	1.933.200	1.963.700	1.964.300	1.983.900			
<b>COSTS</b>														
<b>Services</b>														
Cleaning service (outsourcing)		45.000	67.000	76.000	85.000	90.000	90.000	90.000	90.000	90.000	90.000			
Canteen (outsourcing)		185.000	250.000	280.000	300.000	310.000	320.000	330.000	330.000	335.000	335.000			
Telemedicine		10.000	11.000	11.000	12.000	12.000	13.000	13.000	14.000	14.000	15.000			
Utilities		50.000	75.000	85.000	95.000	95.000	95.000	95.000	100.000	100.000	100.000			
Social services (contribution of trainees)		15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000			
Broad band connection		30.000	30.000	35.000	35.000	35.000	40.000	40.000	40.000	45.000	45.000			
Common services (subscriptions - technologies-tv sat)		20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000			
Local taxes (IMU, Tari, Tasi), refund by the Municipality		65.000	65.000	62.000	57.000	51.000	49.000	40.000	34.000	29.000	23.000			
Maintenance		10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000			
Leasing of real estate units sold but kept under management		18.000	18.000	25.000	32.000	43.000	54.000	64.000	75.000	86.000	97.000			
Lease of the central structure		10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000			
Insurance premium		15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000			
<b>total</b>		<b>473.000</b>	<b>473.000</b>	<b>586.000</b>	<b>644.000</b>	<b>686.000</b>	<b>706.000</b>	<b>731.000</b>	<b>731.000</b>	<b>742.000</b>	<b>753.000</b>	<b>774.000</b>		
<b>Human Resources</b>														
Health services - 3 units		80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000	80.000			
Asset manager		40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000			
Delivery men/chauffeurs - 2 units		40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000	40.000			
Administration - 1 unit		30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000			
Internships		10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000			
<b>total</b>		<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>	<b>200.000</b>		
<b>Board of statutory auditors and consulting</b>														
Various		50.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000		
<b>total</b>		<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>		
<b>Total Costs</b>		<b>693.000</b>	<b>806.000</b>	<b>864.000</b>	<b>906.000</b>	<b>926.000</b>	<b>951.000</b>	<b>962.000</b>	<b>973.000</b>	<b>994.000</b>	<b>1.000.000</b>			
<b>EBITDA</b>		<b>323.000</b>	<b>547.000</b>	<b>754.200</b>	<b>870.500</b>	<b>965.200</b>	<b>975.700</b>	<b>971.200</b>	<b>990.700</b>	<b>970.300</b>	<b>983.900</b>			
<b>Depreciations and devaluations</b>														
Depreciation of properties		150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000	150.000			
Depreciation equipment and furniture		67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000	67.000			
Devaluations and losses				10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000			
<b>total</b>		<b>217.000</b>	<b>217.000</b>	<b>217.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>227.000</b>	<b>160.000</b>		
<b>EBIT</b>		<b>106.000</b>	<b>330.000</b>	<b>527.200</b>	<b>643.500</b>	<b>738.200</b>	<b>748.700</b>	<b>744.200</b>	<b>830.700</b>	<b>810.300</b>	<b>823.900</b>			
<b>Financial charges</b>														
Interest expenses		22.000	20.000	18.000	16.000	14.000	12.000	10.000	7.000	4.000	2.000			
<b>total</b>		<b>22.000</b>	<b>22.000</b>	<b>20.000</b>	<b>18.000</b>	<b>16.000</b>	<b>14.000</b>	<b>12.000</b>	<b>10.000</b>	<b>7.000</b>	<b>4.000</b>	<b>2.000</b>		
<b>Taxes</b>														
Current taxes		0,279	29.574	92.070	147.089	179.537	205.958	208.887	207.632	231.765	226.074	229.868		
<b>total</b>		<b>29.574</b>	<b>29.574</b>	<b>92.070</b>	<b>147.089</b>	<b>179.537</b>	<b>205.958</b>	<b>208.887</b>	<b>207.632</b>	<b>231.765</b>	<b>231.765</b>	<b>226.074</b>		
<b>Total operating costs</b>		<b>961.574</b>	<b>1.135.070</b>	<b>1.256.089</b>	<b>1.328.537</b>	<b>1.372.958</b>	<b>1.398.887</b>	<b>1.406.632</b>	<b>1.371.765</b>	<b>1.384.074</b>	<b>1.391.868</b>			
<b>Operating profit</b>		<b>54.426</b>	<b>217.930</b>	<b>362.111</b>	<b>447.964</b>	<b>518.242</b>	<b>527.813</b>	<b>526.568</b>	<b>591.935</b>	<b>580.226</b>	<b>592.032</b>			
<b>Cash-flows</b>														
		271.426	434.930	579.111	664.964	735.242	744.813	743.568	741.935	730.226	742.032			
		190.000	192.000	194.000	196.000	198.000	201.000	203.000	206.000	209.000	211.000			
<b>Net cash-flows</b>		<b>-50000</b>	<b>81.426</b>	<b>242.930</b>	<b>385.111</b>	<b>468.964</b>	<b>537.242</b>	<b>543.813</b>	<b>540.568</b>	<b>535.935</b>	<b>521.226</b>	<b>531.032</b>		
Financial installments	fin	212.000	212.000	212.000	212.000	212.000	213.000	213.000	213.000	213.000	213.000	2.125.000		
Interest payments		125.000												
Principal payments		2.000.000												
Cash flow before financial installments												6.388.247		
Free cash flow (post tax) - post financial installments												4.388.247		
<b>Internal rate or return (IRR)</b>														
			0	1	2	3	4	5	6	7	8	9	10	11
			-2835000	-50000	81.426	242.930	385.111	468.964	537.242	543.813	540.568	535.935	521.226	531.032
<b>IRR</b>														<b>6,09%</b>
<b>Equity multiple</b>														<b>1,55</b>

**Table 1: Business Plan with financing; base case with D/E: 41,3%**

## CONCLUSIONS

We started the paper with an in-depth analysis of the Italian and European demographic trends, We then moved to the analysis of the depopulation of the villages and inland areas. We analysed the initiatives that have already been put forward to solve this problem, but these lack in the most important aspect, that is a repopulation of Italian villages which is effective and stable throughout the year.

For this reason the Senior-Borgo project grew: it combines the restoring of buildings with the attraction of stable residents, creating value for the area in the short term and in the long term.

The new residents would be attracted not only by the offer of a completely restored, earthquake-proof, energy-efficient building, but also by a series of different services: from meals and cleaning to the University of the Third Age and collective-recreational activities, from telemedicine to the presence of Medical Assistance, from sports facilities to wellness; all this in an intimate and community framework, in a healthy environment with historical, architectural, scenic and gastronomic amenities, where all distances can be easily covered on foot or by bicycle.

To test the feasibility of this proposal we drew up a Business Plan with the help of the Municipality of Fano Adriano, the Collegio Universitario Don Mazza and the Fondazione CARISAP, that provided data and benchmarks.

We have presented four possibilities:

- Business Plan without financing and 100% equity;
- Business Plan with Debt/Equity ratio at 41,3%;
- Best Case Scenario
- Worst Case Scenario

All four scenarios have positive outcomes, with the worst-case scenario guaranteeing the return of the capital, the best-case scenario offering an IRR of about 12% and the other two possibilities, the most realistic and probable ones, giving in order 4% and 6%. Given that the minimum objective that we set ourselves initially was a return of 3%, the outcome of this research may be considered a good one and so the Senior-Borgo is proposed as a solution to the Italian problem of the depopulation of the internal areas and as a catalyst for work and value creation by the young, through the offer of services to the old. The project is stand-alone and does not require public assistance or funds; it is clear, however, that the presence of these would facilitate the launching of the project and increase the expected returns and consequently the possibility of private investment, with all the benefits deriving from this for the community and the geographical areas involved.



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