Move or improve?

David Cameron recently told the BBC demolishing estates "where people can feel trapped in poverty" could result in "better houses and more houses" being built. He proposed that £140m be made available to community groups, councils and housing associations for the scheme, saying that 100 housing estates would be improved with the plan.
We speak with Alan Davison, a Senior Manager at Pellings, a London based design, property and construction solutions consultancy, who leads a team that undertakes estate regeneration and renewal for social housing clients throughout the UK, Kevin Williams, Executive Director for Growth and Enterprise, Wulvern Housing, and Maggie McCann, a Development Director at Orbit Homes, who heads up the development teams in Norwich and Maidstone, for their reaction to this announcement.

Do you think this form of investment is limiting, and that housing associations with regeneration requirements should be encouraged to undertake this by assistance with finance and planning, not a one-off project?

Alan: All funding should be welcomed, but obviously £140m spread across 100 estates will mean that the funding for each project will likely be somewhat limited. How the money is spent should be left to the discretion of the body that applies for it, and I assume they will have to make a business case when they apply. Obviously it could be used to fund early stage viability/feasibility studies or community engagement, however smaller scale "quick win" projects that deliver benefits for the community shouldn't be discounted. Examples could include community buildings, public spaces or external wall insulation projects.

Kevin: Firstly, it has to be said that any investment in housing projects is welcomed. I must admit though that when I heard the Prime Minister announce the fund, I thought I had misheard him! If you divide the investment by the number of estates, at an average of £1.4m per estate; I do question just how transformational this fund will be? The funding is apparently for planning and early construction works. This brings a few points to mind.

- Please don't let this be another Housing Market Renewal type failure where millions of pounds are spent on endless master-planning rather than on the delivery of homes.
- Where is the money for the replacement properties coming from? No small obstacle to overcome. Is £1.4m a sufficient financial incentive to kick-start a multimillion pound regeneration project which could run into tens of millions of pounds? For those already looking at a project of this scale, the extra cash will no doubt be a bonus, but where is the added value? For those who are not considering these projects at present, I don't feel it is a sufficient incentive to begin drawing up major plans.
- I suspect that it is unlikely that the redevelopment of new social housing will be encouraged under the fund. Especially now there is no more grant funding for affordable rented homes until at least 2021. Where then will residents be moved to while the work takes place and what about their right of return?

Maggie: The principles of the £140m to pump prime regeneration by covering early costs such as planning, re-housing and demolition, is a welcome initiative. Certainly compared to earlier announcements of loan finance this is a step forward, as loan finance assistance is not a viable alternative to grant/gap funding. Often the ability to raise the funding is not the prohibiting factor in regeneration.
Wholescale regeneration generally requires significant gap funding or grant. Inevitably regeneration is concentrated in low value areas, where the costs of development, including the abnormals of demolition, decontamination etc. associated with regeneration out-strip the values. On large scale/long-term developments there will hopefully be the regeneration uplift, so that in later phases values have increased above the prevailing market for the region. However it is a brave development director that would assume this at the start in order to create a viable scheme.
The scale of the Government's proposed investment is very limited, and likely to restrict improvements to small estates or to cosmetic improvements to estates.

In the case of extensive, intrusive renovations, or even demolition, how easy would it be to find alternative accommodation for the affected residents?

Kevin: This all depends upon the geographical area and the type of homes affected. If we were to look at one of our estates made up of predominantly one and two bedroom apartments built by the Local Authority in the 1970s, we would really struggle to find suitable properties for the residents affected within a reasonable time-frame. As fast as we are building new homes which would be suitable for them, we are working to downsize customers affected by the spare room subsidy. In this example, our 'available' properties would be unsuitable for affected residents as they would typically be three bedroom homes.

Maggie: The problems of re-housing existing residents (either permanently or temporarily) cannot be underestimated. When we embarked on the decanting of residents for our redevelopment of Erith Park, in Bexley, we recognised that this could not be done without the full co-operation and positive assistance from Bexley council. With this we were able to gain vacant possession of over 600 homes in phases over a four year period. However, this level of assistance from councils cannot be relied on in future as the pressure is on them to meet their statutory obligations to homeless households. Without the assistance from the council the phasing of Erith Park would have been much more protracted to enable a rolling decant programme; instead of two phases which will be built out in five years this could have been five or six phases stretching across 10+ years.

Alan: As design, property and construction consultants, Pellings regularly works with landlords to explore the demolish and rebuild versus renovate and remodel options, and the cost of decanting and re-housing residents is a significant factor for our clients, who admittedly are largely in London and the Southeast, and therefore have the highest accommodation costs. Point Blocks (i.e. vertical tower blocks) are often the most difficult to make the numbers add up, as


Alan Davison


Kevin Williams


Maggie McCann

demolition releases relatively little land for redevelopment, and they regularly house 100+ households.
However a huge amount can be done with residents in occupation, including recladding, wintergardens, sustainability improvements, common areas, lifts and internal improvements as well as finding additional homes within the existing envelope in undercrofts and underused spaces. We have also used several very successful decanting strategies that allow residents to move permanently into refurbished properties within the block.

In the case of demolition, how would those who have bought their home, say within a development of flats, be treated – would their current home be 'swopped' for its new (and assumedly more valuable) replacement?

Maggie: Leaseholders need to be bought out from blocks planned for redevelopment. It is always preferable to do this by negotiation but the option of Compulsory Purchase must be available. Working with the local council to get the CPO put in place from a very early point in the plans is critical. Owners will be offered a fair valuation (independently assessed) and the statutory homeloss payments. However, if this is insufficient for owner occupiers then we have worked with individuals to find a solution to meet their needs, this has included:

- In cases of significant hardship, conversion to an assured HA tenancy once we purchased their home
- A shared-ownership property on the new development
- Selling them voids in other rented stock which may be lower value than the open market
- In limited circumstances, assistance to buy a fixed equity in a home on the open market

Landlords are not offered any additional assistance.

Alan: Some high profile estate renewals which are funded through development agreements clearly are very politically sensitive, and for developers using viability studies which are not open to public scrutiny to argue for a reduction of the affordable element of a development is far from ideal. But our experience is that both leaseholders (i.e. owners) and tenants are offered good deals by landlords and developers.

Kevin: I would expect the process to be a CPO served on individual owners with the valuation of the property agreed mutually or via the District Valuer. The owner would then receive Home Loss and Disturbance compensation on top of this. Usually, a right of return would then be offered on a new property. If there was a difference in the receipt versus the new open market value, a Shared Equity product or something similar could be used. Encouraging someone who owns 100% of their home to now own a share of it would be controversial. Likewise 'gifting' someone a property well in excess of the value of their previous one, would also be contentious.

"A panel to be chaired by Lord Heseltine will report on how investment from bodies like pension funds might be unlocked and draw up a list of sites that could benefit from regeneration." How attractive do you think these bodies will find this as an investment?

Alan: Over the last five years, we have seen social estates in areas such as East London that may previously have struggled to receive private funding become financially viable, and attract interest from developers. However, fundamentally these developers are looking for land to build apartments for sale in exchange for building new affordable homes for the social landlord. It must also be noted that councils and Housing Associations have their own funding routes, and for example many Housing Associations have issued bonds, and don't need developer funding.

"I must admit though that when I heard the Prime Minister announce the fund, I thought I had misheard him! If you divide the investment by the number of estates, at an average of £1.4m per estate; I do question just how transformational this fund will be? "

There is a risk of any private funder only being interested in inner city opportunities, where land values are high, where the risk and return is acceptable - and ignoring the areas of real need on the margins or outside of the large cities. If pension funds are looking for long term investments in lower value areas and are willing to make bigger commitments to improve values in those areas, by for example funding transport infrastructure improvements, then I am sure it will be welcomed. But in truth Pension Funds have a duty to maximise their returns for their investors, and will likely simply be bidding alongside developers for high value sites.

Kevin: Is the demolition of social housing 'sink estates' to enable new social housing or for market-led schemes? If it is for the latter, I think there would be enormous interest from investors and developers looking for land in prime inner city locations for luxury developments, but I doubt the appetite would be the same if the investment was for new social housing.

Maggie: Investment bodies will require a guaranteed return, and regeneration requires a degree of faith in the future transformation and uplifts in rental and sale values. These two objectives are incompatible. Investment funds are unlikely to consider committing to the long-term funding at early stages of regeneration.