



Is Regeneration Dead or Alive? CIH Scotland 2012 survey on prospects housing-based regeneration in the current climate

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At a glance – main findings

The main aim was to gain a sense of how councils and RSLs saw the future prospects for housing's contribution to regeneration in the current economic climate.

Thirty responses were received, mainly from local authorities and RSLs. Two thirds said regeneration work was likely to feature locally in the new housing provision agreed under the current three year Affordable Housing Supply Programme.

Most respondents said that there were areas where concerted regeneration activity was needed but for which there were currently no plans.

Overall the main barriers were a combination of housing-related issues – most notably shortage of funding and lowering of grant rates – and the general economic downturn, with the general message being that even where housing improvements might be possible, regeneration could only ever be partial until the economy improved and wider provision such as schools and community facilities made.

In summary, the main barriers to future physical regeneration were:

- The slow down in the private house sales market, affecting all sales including shared equity, with the knock-on impact on developer contributions
- Lower grant rates, particularly affecting RSLs' ability to develop
- A sense that the area in question was not seen as a priority for regeneration
- Lack of a vision or strategy for the area.

The observation from one council that it was seeking to develop a site which an RSL was now unable to afford to progress was perhaps a significant example of a changing emphasis, whereby a greater proportion of physical regeneration seems likely to be undertaken by councils than in the recent past, when RSLs have carried out the majority of the affordable house building programme.

Looking ahead, there was some sense – particularly from local authorities – that a degree of regeneration work would be possible once the general economic climate (and the housing market) improved, but overall the prospects for regeneration were more uncertain than for affordable housing development more generally.

Background to survey

The survey was carried out in late summer and early autumn 2012. Around 30 fully completed responses were received, with 15 from local authorities, 10 from housing associations and five from unnamed respondents.

The main aim was to gain a sense of how councils and RSLs saw the future prospects for housing's contribution to regeneration in the current difficult economic climate. The emphasis of this particular survey was on regeneration in which new or refurbished housing was involved: this was in no way meant to suggest that CIH Scotland was unaware of the many other aspects of regeneration activity.

Current and planned activity

Most respondents said that some regeneration work was still ongoing, with the majority of activity reported being from local authorities, either reflecting the higher proportion of responses from that sector and/or the greater proportion of the programme now in the hands of local authorities..

Looking ahead, around two thirds of respondents said further regeneration work was likely to feature in the current three year Affordable Housing Supply Programme. In many cases this was limited to one location but in one local authority area work was expected in six locations. The survey did not specifically ask about post-2015 prospects, but one local authority said that developing longer term regeneration projects was impossible due to uncertainty of funding beyond 31 March 2015.

Most respondents said that there were areas where concerted regeneration activity was needed but for which there were currently no plans. In some cases one or two specific areas were named. In one case, the council said ten regeneration areas had been identified.

Reasons for reduced activity/main barriers

Overall the main barriers were a combination of housing-related issues – most notably shortage of funding – and the general economic downturn, with the general message being that even where housing improvements might be possible, regeneration could only ever be partial until the economy improved and wider provision such as schools and community facilities could be tackled.

A quarter of respondents cited current grant rates/benchmarks as a barrier to regeneration work. Councils too – not just RSLs – cited RSLs reporting increasing difficulty in raising a higher proportion of private finance against an asset base where the proportion of debt-free stock was diminishing.

But funding issues went beyond the grant rates issue: one local authority cited the range of costs associated with regeneration schemes, including demolition, rehousing and security, difficult topography, abnormal brownfield remediation costs, as well as buying out owners and the need for Compulsory Purchase Orders – all these substantially improved the upfront costs even before any new provision was

made. Other barriers were the costs associated with utility disconnections, delays in service connections, and other infrastructure costs.

As well as uncertainty over future funding for affordable housing, it was uncertainty over the provision of previously planned private housing which was a significant barrier in many areas, given that in previous regeneration programmes, councils, developers and RSLs had normally worked together to deliver a mixed tenure solution. The prevailing market conditions meant that the areas in question presented higher risks to lenders and therefore to developers and were not attractive options for investment. The developer downturn had also led to a restriction in developer contributions and therefore the provision of schools and retail facilities.

Other reasons given as barriers to future activity included:

- In some areas there were views from RSLs that the location in question was not a priority for the local authority, or from the local authority that the area had never been a priority for the Scottish Government or its predecessors Communities Scotland and Scottish Homes.
- Some respondents – from both councils and RSLs – cited the lack of a vision/strategy for the area. One RSL said that the lack of a definite strategy for regeneration meant, amongst other things, that a number of listed town centre buildings were at risk.
- One local authority said that the ‘no’ vote in the stock transfer ballot some years ago, along with reduced levels of new house building money, had led to very slow progress with redevelopment of areas where significant demolitions had taken place prior to the ballot.
- One RSL said that the original Scottish Homes stock transfer model was based on maintaining the transferred stock, not improving it, and that transferred stock had not been a priority for HAG nor for the local authority which had its own ‘problem’ stock.
- One RSL in Glasgow said lack of activity was due not only to the reduction in grant levels but also to the prioritisation of building around the Commonwealth Games areas.
- One LA said that meeting SHQS was a greater imperative than considering wider regeneration issues which would involve weighing up whether demolition was the answer in some cases.
- One local authority said that one of the most significant problems was the difficulty of coming to any agreement with owners in mixed tenure estates.

Some respondents were keen to focus on non-physical regeneration activity. One local authority said that in a number of former mining communities whilst the housing was ‘more or less fine’, there was not the required support around jobs, training and access to employment that was needed. Another said that work was now focused on community engagement – related to age, health and community cohesion – rather

than on the need for extensive physical investment. Indeed one local authority response suggested that poverty and low income were the real issue, and that it seemed that 'no-one wants to talk about some of the obvious solutions such as a significant rise in the minimum wage'.

Had work stalled or never commenced, and what were the consequences?

The aim of this part of the survey was to try to identify the impact of failures to commence or continue regeneration work. In the majority of cases where there was a problem, respondents said work had never started, though in a third of cases it had started but then stalled completely or fallen well behind the originally planned schedule.

- One local authority described the main consequences of not progressing the masterplan was continued blight from unfinished work and, with it, the investment, training and job opportunities which could help transform areas.
- One local authority said there was an element of mistrust within communities due to a lack of activity to progress masterplans. Another said that a strong community group was on the verge of withdrawing support due to a perceived lack of progress and not following through on agreed actions from estate walkabouts.
- Some landlords gave examples of perceptions of broken promises, generally following what might now seem to have been optimistic undertakings of completed work in the early 2000's. For one large stock transfer landlord this had particular implications, with the RSL suggesting that key pledges made in the pre-transfer ballot process had not been fulfilled.
- One local authority said that the slowing up of development had resulted in the area looking and feeling worse than previously, due to demolitions having taken place without the new build replacements. It was also the case that tenants were sitting in temporary accommodation for much longer than originally planned, and that there was something of a perception of broken promises.
- One local authority said that its two largest regeneration projects had stalled for more than a year following the main contractor going into administration, but that work had now resumed.
- In one large regeneration area the local authority said that some people who would have hoped to return to the area had not had the chance to do so and that it was not clear whether or when this chance might come.
- One smaller RSL said that in an area which had endured a prolonged period of uncertainty over whether homes would be demolished or refurbished, the area was beginning to decline due to the number of empty properties.
- One RSL said that tenants had moved to other homes but the planned new build had not happened, meaning that there was a large gap site. Another

RSL envisaged having to live with a gap site due to a delay in proceeding with new build.

Cross subsidy and sales issues

Whilst the role of private house sales was fundamental to many regeneration projects, the great majority of respondents said that scope for cross subsidy was extremely limited, primarily because of the depressed sales market. But some respondents said that even in a healthier market, the scope for sales to make up for lower grant rates was highly marginal. In a number of cases, sales were expected to be shared equity and would therefore need subsidy to be available. For RSLs working in deprived areas with little or no market for other tenures, there were no opportunities at all arising from cross subsidy.

One local authority suggested that a more targeted sales approach would lead to more sales: rather than seek to attract people to buy in a 'problem' area they have never lived in, one approach could be to seek to keep a database of people who have moved out of the area and may want to return, particularly if they have increased their income in the meantime.

Conclusion

Looking ahead, there was some sense – particularly from local authorities – that a degree of regeneration work would be possible once the general economic climate (and the housing market) improved. But overall the prospects for regeneration were several degrees more uncertain than for affordable housing development more generally, due to the generally higher costs of regeneration work and the particular reliance on the need for delivery of a mixed tenure approach.

Prospects could be particularly bleak if housing providers - even those in a position to undertake housing investment in the area – delay this work until there is a wider improvement in the economic situation. The survey begs the question as to what the impact on the affected communities will be if work to regenerate the area cannot proceed for some considerable time. CIH Scotland will be keen to play its part in monitoring the position in the coming months and years, and believe the Scottish Government must also do likewise, with its housing investment and regeneration functions working in tandem to assess the situation.