

**DEMOLITION, RELOCATION AND AFFORDABLE REHOUSING**  
**Lessons from the Housing Market Renewal Pathfinders**



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Please contact:

Communications Department,  
Joseph Rowntree Foundation,

The Homestead,

40 Water End,

York YO30 6WP.

Tel: 01904 615905.

Email: [info@jrf.org.uk](mailto:info@jrf.org.uk)



# DEMOLITION, RELOCATION AND AFFORDABLE REHOUSING

## Lessons from the Housing Market Renewal Pathfinders



Published for the Joseph Rowntree Foundation  
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**Ian Cole and John Flint**



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Chartered Institute of Housing  
Octavia House, Westwood Way  
Coventry CV4 8JP  
Telephone: 024 7685 1700  
[www.cih.org](http://www.cih.org)

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Joseph Rowntree Foundation  
The Homestead  
40 Water End  
York YO30 6WP  
Telephone: 01904 629241  
[www.jrf.org.uk](http://www.jrf.org.uk)

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Renewal Pathfinders*

Ian Cole and John Flint

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# Executive Summary

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## Chapter One: The policy context for the study

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- The Housing Market Renewal (HMR) Pathfinder programme involves wide ranging strategies to restructure housing markets through refurbishment, redevelopment and neighbourhood transformation. Much attention has been directed recently to the Pathfinder plans for demolition which form part of these programmes. There is a growing recognition that clearance, demolition and relocation are emotive and politically sensitive processes, that raise considerable and complex challenges for the Pathfinders. It is increasingly acknowledged that communities affected by restructuring require appropriate support mechanisms to help them during this period of change.
- Pathfinder officers have begun to raise concerns about an ‘affordability gap’ between the compensation paid to relocated owner-occupier households on their existing properties and the cost of purchasing the property they move into. Yet, little has been written about these issues so far. This report explores some of the key challenges arising from clearance and demolition programmes at this relatively early stage in the HMR programme, evaluates the support mechanisms and financial assistance packages being provided and offers guidance for the future, including some good practice examples.
- The research was designed to explore some of the issues about support for residents in HMR Pathfinders during the clearance and relocation process. It was a relatively modest exercise, involving analysis of policy documents, evaluation reports and publicity materials, interviews with HMR Pathfinder and local authority officers in seven of the nine HMR Pathfinders (undertaken in January to March 2006), case studies of two neighbourhoods affected by clearance activity and interviews with a small sample of 13 residents who have experienced the relocation process.

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## Chapter Two: Key issues in clearance and relocation

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- Housing clearance, demolition and relocation are central to achieving the aims of the Housing Market Renewal programme and these activities comprise a significant element of the resources devoted to the programme. Approximately 7,000 demolitions (compared to 30,000 property refurbishments) have occurred to date, prompting several questions for future strategy and programme delivery:
  - How the scale of demolition and relocation will increase in future phases of the HMR programme, with direct implications for the sustainability of financial and other support packages currently provided to those residents who are affected.

- The way in which a sense of ‘home’ and ‘neighbourhood’ are vital elements to the social and economic well-being of any household and therefore the huge impact of demolition and relocation has to be recognised and managed sensitively and appropriately.
- Some opposition to demolition programmes has arisen from sections of communities and in the national and local media. One way for Pathfinders to respond to this reaction is by deploying comprehensive community engagement strategies at all stages of the clearance and relocation process which should include an effective media relations strategy.
- It is important to achieve synergies in the phasing of clearance, demolition and relocation in order to minimise disruption to households and communities and to promote effectiveness and fairness in housing renewal strategies but this is extremely difficult to achieve in practice.
- It is a complex task to respond to specific local contexts and meet diverse housing aspirations, as it requires the offer of diverse housing options while balancing the needs of different types of household in the area.
- Many owner-occupiers affected by demolition have encountered a substantial affordability gap between the compensation they receive and the cost of buying a new property. The size of the gap varies, but an average figure quoted in consultants’ reports for Pathfinders is around £35,000. In most cases, owner-occupiers wish to remain in this tenure, necessitating the provision of financial support packages to assist them in achieving this. A minority would prefer to move into social housing.

## **Chapter Three: Supporting residents through the relocation process**

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- Residents affected by demolition require significant levels of support and advice at all stages of the process, from the initial designation of clearance areas onwards. This study found:
  - Pathfinders, local authorities and partner agencies are now providing a wide range of advice and support to households about the process of relocation and the housing and financial options open to them. It is important that this advice is comprehensive, consistent and provided free of charge. There is also a need to ensure that advice and support are tailored to the circumstances of individual households, are seen to be independent, and are facilitated through strong partnership working with delivery agencies.
  - There is a need to build the capacities and opportunities for communities to influence clearance and relocation programmes. Pathfinders are increasingly focusing on building community engagement through the use of Enquiry by Design and Planning for Real exercises and the employment of community-based consultants. It is often difficult to balance the need for local residents to be able to influence decision-making about clearance programmes with the need for purposive strategic direction about the future of the neighbourhood.

- Interviews with both Pathfinder officers and the sample of residents indicated that the process of conducting valuations of properties designated for clearance has been the source of considerable concern and resentment amongst those households affected. Fair and effective valuation processes must be put in place, including making independent valuations available.
- Certain categories of households, including elderly and long-term residents, and members of Black and Minority Ethnic (BME) communities may be more resistant to relocation and more vulnerable during the process. They will require particular strategies and support packages to assist them.
- Some Pathfinder officers and residents identified the need for further support packages to be developed to assist households after they have moved and to ensure that support follows on from the relocation of vulnerable households.
- The provision of adequate support requires considerable levels of resources which are likely to increase as the scale of demolition grows. This raises questions about both the future sources and the scale of revenue funding to sustain market renewal. It will be vital for comprehensive advice and support to be maintained, if HMR Pathfinders are to retain the trust of households in their area.

## Chapter Four: Financial assistance packages

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- One of the difficulties in developing generalised findings and offering guidance across the HMR programme is the considerable variation between and within the intervention areas. Local housing market circumstances, and wider neighbourhood and employment dynamics, provide different kinds of challenges for Pathfinders and their partners. The extent to which local housing markets have recovered, for example, varies, as do the economic circumstances of households affected by the programme. The extent of need for utilising Compulsory Purchase Orders (CPOs) or financial assistance packages also varies.
- A range of financial support packages is available to owner-occupiers in clearance areas to assist them in purchasing an alternative property:
  - Statutory compensation packages comprise the market value of the existing property, a Home Loss payment and Disturbance payments, but they are increasingly recognised as insufficient to enable many households to purchase a new home.
  - Relocation grants of between £10-20,000 have been provided by some of the local authorities in Pathfinder areas to bridge the gap between compensation packages and the costs of purchasing a new home. However, the increasing scale of relocation makes these grants financially unsustainable and more difficult to provide to residents on an equitable basis. The use of grants has also been questioned on the grounds of value for money.

- In response, some Pathfinders have begun to develop relocation equity loans, which provide a sum of money (usually between £20-35,000) to enable owner-occupiers to bridge the affordability gap. These loans operate as a legal charge on the purchased property and are repayable at the point of the future sale of the property. As the loans are repayable, they can be recycled to benefit others in the future, as opposed to the one-off benefits obtained from grants.
- Relocation equity loans are increasingly being utilised and have been welcomed for allowing households to remain in owner-occupation in an appropriate property without having to pay interest in the short term. However, in some cases residents perceive that ‘the council’ now owns the new property as a result of the loan. This has reduced take-up. The loans may also fail to meet the needs of the poorest and most vulnerable owner-occupiers.
- The Pathfinders are attempting to develop a consistent approach to providing relocation equity loans and are also seeking to involve private sector financial institutions in the provision of the loans. However, these institutions have been reluctant to engage to date, due to the relatively untested nature of the product, the perceived risks involved, the small-scale of the potential loan book and the long-term nature of investment returns.
- Pathfinders are also providing a range of other financial assistance mechanisms to owner-occupiers, including shared ownership, Homeswap and Section 106 discounted housing. The applicability of each of these packages varies considerably between households.

## Chapter Five: Building on experience

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- The process of clearance and relocation, and the support provided to households affected by it, is taking place within the context of a complex and demanding policy environment, as Pathfinders and their partners press ahead with their strategies for housing market renewal. Furthermore, the manifold issues arising from clearance activity, the impact of the ‘affordability gap’ on residents, and the implications for the financial support required for the HMR Pathfinder programme, are likely to become more significant in the near future. It is therefore essential to develop a firmer understanding about how the consequences of the programme can be tackled in the most effective manner. Some lessons are already beginning to emerge at this early stage:
  - The process of demolition has a major impact on residents and communities and raises fundamental issues about the goals of neighbourhood regeneration, the use of statutory powers, and the process of community empowerment. A balance has to be struck between mitigating the impact on individual households and securing longer-term benefits for the community as a whole.

- Many residents affected by clearance are bound to feel upset and anxious about the process. They should not feel pressured into making decisions, but need to maximise the advice and support that they are entitled to receive.
- Pathfinders and their partner agencies need to recognise the need to respond sensitively and appropriately to residents' needs and to involve communities continuously in decision-making processes. It is important to recognise that Pathfinders need to continue to support sustainable forms of home ownership; but they also need to avoid artificially propping up those households who cannot afford to remain in the sector in the long-term and are likely to exit.
- Pathfinders are beginning to provide tailored support to affected households which is comprehensive, available at every stage of the process, free of charge and includes access to independent advice. There is a particular need to provide support to vulnerable households and to continue support after relocation. The impact of replacing relocation grants with loans should be monitored and evidence of good practice should be shared across the HMR programme.
- Critics of clearance and demolition should recognise that the process of disruption and tensions arising is inevitably linked to the longer-term achievement of housing market recovery and neighbourhood sustainability. Those agencies and interests opposing clearance activity will need to make a credible alternative case for achieving these goals, focusing on the long-term as well as the immediate problems.
- Financial institutions and housing developers should recognise that their involvement and investment in the process is essential if housing market renewal is to be achieved and that taking on this role is consistent with the wider principles of corporate social responsibility.
- The government needs to reaffirm its support for the aims and mechanisms of housing market renewal and demonstrate its continuing commitment to the programme by offering support for the development of relocation equity loans and other financial assistance packages. It should recognise that Housing Market Renewal Funding will not be sufficient in itself to address the increasing affordability gap for owner-occupiers in the housing intervention areas, as the scale of demolition increases. It should also consider how the scale and timing of funding for the Pathfinder programme can affect the delivery of essential support packages for residents affected by clearance, demolition and relocation.
- There has been considerable progress in discussions about how residents can be supported during the clearance and relocation process. The need remains to disseminate existing research and knowledge more widely in order to provide more consistent support to residents within and between Pathfinders. Further research is needed into the development of appropriate financial assistance mechanisms for relocating households,

both in the HMR programme and in other neighbourhood clearance and remodelling schemes, and the involvement of the private financial sector will be critical here. Research is also needed into both the positive and negative social and economic effects of the clearance and redevelopment process.

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## Chapter One

# The policy context for the study

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### Introduction

This report explores the issues arising for residents, practitioners and policy-makers from clearance and relocation activities within the Housing Market Renewal Pathfinder programme. It evaluates the range of support mechanisms provided to residents during the clearance and relocation process and focuses in particular on the financial support packages offered to owner-occupiers to overcome an affordability gap between the sums of compensation these households receive and the cost of purchasing an alternative home. The report offers examples of good practice and makes recommendations to practitioners and policy-makers.

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### The Housing Market Renewal Pathfinder programme

The £500 million Housing Market Renewal Pathfinder programme was launched by the Office of the Deputy Prime Minister in February 2003 as part of *Sustainable Communities: Building for the Future*. The programme, which will run until 2018, aims to tackle the most acute areas of housing low demand and abandonment in the North and Midlands by renewing failing local housing markets and reconnecting them to regional markets. There are nine Pathfinder schemes: Birmingham/Sandwell, East Lancashire, Hull/East Riding, Newcastle/Gateshead, Manchester/Salford, Merseyside, North Staffordshire, Oldham/Rochdale and South Yorkshire.

The Pathfinder programme aims to restructure local housing markets so that they are fit for purpose for a future target population, removing acute imbalances between supply and demand. The programme includes clearing poor quality housing, upgrading existing homes and building new properties. The programme is linked to wider economic regeneration and neighbourhood renewal strategies. Although the majority of the programme is related to capital expenditure and physical renewal, the programme also aims to create sustainable communities with strong identities by ensuring that high quality local facilities and infrastructure are in place and by tackling crime and anti-social behaviour.

Funding is provided via partnerships of two or more local authorities, which work with other local agencies and directly with the local communities. In addition to

market renewal funding, the Pathfinders are encouraged to draw upon other funding streams from the public and private sectors to complement this investment. Community engagement and involvement is a central element of the Pathfinder programme. Each Pathfinder strategy has been subject to inspection by the Audit Commission and all Pathfinders have been required to submit a Scheme Update, detailing their plans for 2006-2008, as part of the next round of Housing Market Renewal funding. The funding allocations for six of the Pathfinders were announced in March 2006, with more recent announcements made for Manchester/Salford, Hull/East Riding and Birmingham/Sandwell.

## Clearance and relocation

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Clearance and demolition strategies are an important element of the Housing Market Renewal programme. To date approximately 7,000 homes have been demolished. The scale of clearance and demolition activity is likely to increase during the next phase of the programme to 2008. Whilst many of the demolished properties were already vacant, as a result of over-supply, it has been necessary in some areas to designate occupied homes for clearance. These properties are acquired voluntarily through negotiation or through the use of Compulsory Purchase Orders (CPOs). Where occupied homes are designated for clearance, residents should be offered a range of rehousing options, including mechanisms to help maintain them in home ownership. It is recognised that individual households and communities may face considerable uncertainty and stress during restructuring and redevelopment programmes and require appropriate support to be provided during the process (*Housing Market Renewal Pathfinders Chair's Report*, 2005).

Clearance is a relatively modest element of the programme in comparison to the levels of property refurbishment. As of March 2006, 30,000 homes have been refurbished compared to 7,000 demolished. However, clearance, demolition and relocation processes raise considerable and complex challenges and managing these processes and providing appropriate support to affected residents and communities has been identified as a key priority for the Pathfinders in their Scheme Updates. The loss of one's home and the prospect of relocating to a new neighbourhood is obviously an emotive issue and there is increasing media and political interest about the scale of, and rationale for, demolition within the Pathfinder programme. A number of prominent community campaigns against demolition activities have been supported in the local and national media, and there is a prominent lobbying campaign aimed at preserving the built heritage of terraced housing in the North of England (see, for example, *Save Britain's Heritage*, 2006).



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## The affordability issue

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A key concern identified by the seven Pathfinders contacted by the research team, and echoed by the All-Party Parliamentary Group on Regeneration, is the impact of demolition and relocation on owner-occupiers in low value properties within the HMR intervention areas. Consultants for Pathfinders have identified an affordability gap between the statutory compensation packages paid to relocated owner-occupiers, including a payment based on the valuation of their existing property, and the cost of purchasing an alternative property elsewhere. This affordability gap is a barrier to many households wishing to remain in owner-occupation. A combination of falling values in areas designated for clearance and rising house prices in other local areas is increasing this affordability gap, which has been identified as around £30-35,000 by David Cumberland Associates, which has undertaken much of the specialist analysis for different Pathfinders. The Pathfinders have been implementing a range of financial grant and loan packages in order to bridge this gap and enable some households to remain in owner-occupation where they wish to do so.

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## The research approach

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This research falls within the broader programme of work supported by the Joseph Rowntree Foundation through the *Developing a Mutual Learning Network for Housing Market Renewal Pathfinders*. The aim of the research was to produce practical guidance for Housing Market Renewal Pathfinders and other key stakeholders on responding to and accommodating the needs of households, and in particular owner-occupier households, affected by clearance, demolition and relocation. The objectives of the research were to:

- identify the key issues relating to clearance, demolition and relocation, particularly as they affect owner-occupiers;
- identify and evaluate the range of legal, financial, advice and other support mechanisms provided by Pathfinders to households;
- identify and evaluate the financial packages being introduced to address the housing affordability gap affecting owner-occupiers in low value properties facing relocation;
- identify the outcomes of various approaches for different household types and in various neighbourhood and housing market contexts;
- identify good practice;
- produce guidance and recommendations about how owner-occupier and other households should be supported during clearance, demolition and relocation processes.

The research included:

- analysis of policy documentation, evaluation reports and publicity material from the nine Pathfinders;
- site visits and interviews with Pathfinder and local authority officers in seven Pathfinder areas;
- a case study of a neighbourhood affected by clearance activities: Pendle in East Lancashire;
- telephone interviews with 13 residents in Oldham and Rochdale who have relocated or are in the process of relocating.

## **Structure of the report**

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This chapter has given an introduction to the policy context and key issues for the study and described the research aims and methods. Chapter Two describes the key issues arising for Pathfinder practitioners, communities and residents relating to clearance, demolition and relocation processes and their impacts on different households and neighbourhoods. Chapter Three describes and evaluates the range of mechanisms being deployed to support households affected by demolition and relocation, provides guidance and identifies good practice examples. Chapter Four describes and evaluates the financial packages being utilised to bridge the affordability gap for owner-occupier households in low value properties affected by demolition and relocation processes, provides guidance and identifies good practice examples. Chapter Five sets out the key messages from the study and provides recommendations about how households affected by clearance, demolition and relocation may be supported most effectively.

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## Chapter Two

# Key issues in clearance and relocation

### Introduction

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This chapter identifies the key issues relating to clearance, demolition and relocation activities within the Housing Market Renewal programme. The chapter discusses the scale and importance of these processes to housing market renewal, outlines the emotive nature of the process of property acquisition, demolition and moving for households and explores key issues facing Pathfinders – such as responding to community and media opposition, ensuring the appropriate phasing of demolition and relocation, responding to local contexts, and meeting a diversity of housing circumstances, needs and aspirations. The chapter concludes with an account of the particular affordability issues faced by owner-occupiers affected by clearance.

### The role of clearance and relocation in Housing Market Renewal

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In the majority of the Pathfinders, the scale of demolition and relocation has been relatively modest and in its early stages. It is difficult to obtain an accurate and up to date picture of exactly how many properties have been cleared and the numbers of residents relocated. The levels of demolition and the phasing of clearance programmes vary considerably between local areas within the Pathfinders. The DCLG (formerly ODPM) has calculated in mid-2006 that 7,000 demolitions have been undertaken since the beginning of the Housing Market Renewal Pathfinder programme, with a significant proportion of this figure accounted for by empty dwellings. The scale of demolition and relocation is likely to increase in future stages of housing market renewal. Much of this activity will occur in the next two phases of the programme.

This increase in clearance activity has significant implications for the processes of property acquisition, demolition and resident relocation and the nature of support and financial packages provided to affected residents. Figures provided by the Pathfinders relating to direct demolition costs, statutory compensation packages and relocation grants also indicate that demolition and relocation account for a significant proportion of Pathfinder's budget spends (and this does not factor in management, community engagement and other costs).

The current picture is very mixed across and within the Pathfinders, with different areas subject to the various stages of clearance including obtaining authority for

Compulsory Purchase Orders, issuing notices for Compulsory Purchase Orders, pursuing voluntary acquisitions, relocating residents and clearing and demolishing properties. Similarly, there is a complex pattern of land assembly, new property acquisition and new build development which all impacts on clearance and relocation processes.

How clearance and relocation are managed has significant consequences for the effectiveness of the Housing Market Renewal programme. The Pathfinders' Scheme Updates identify demolition and relocation activities on the scale envisaged in their prospectus and argue that this is essential to achieve the aims of housing market vitality and sustainable neighbourhoods. Backing away from this level of activity, it is suggested, would result in a 'sticking plaster' approach being taken, yet again, to addressing the issues of low demand and inappropriate housing stock while meeting the housing needs of existing communities, as well as attracting new households into the areas.

Clearance and relocation have a significant impact on the relationships between Pathfinders, their partner agencies and local communities. Clearance, demolition and new build are the most visible and symbolic activities of the Housing Market Renewal programme. They are also the most emotive, bringing about substantial and far-reaching change for local communities. Therefore the effective management of these processes will have a considerable bearing on the levels of support amongst local communities and the willingness of residents to engage in all aspects of the renewal agenda.

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## The importance of home and neighbourhood

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The starting point for the exploration of issues relating to clearance and relocation is recognition of the centrality of home to the economic, social and well-being of individuals, and consequently the huge impact of the process on affected households. Our study found a growing recognition amongst the Pathfinders about the salience of home and neighbourhood to local residents, although many Pathfinder officers also admitted that the scale of concern and complexity of the issues had perhaps been greater than envisaged when the initial programmes were drawn up. Many of the Pathfinder Scheme Updates acknowledge this and set out new mechanisms for responding to the concerns of residents.

The interviews with residents in Oldham and Rochdale demonstrated the impact of having to leave an existing home and neighbourhood:

*'I can't bring myself to go back to the old house all boarded up. It is upsetting when you have been somewhere so long. We had to get rid of a lot of stuff...'*

*'I was sad. I was unhappy because I love this place. I know lots of people here.'*

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*'Why should I move out of a home I bought to spend the rest of my life in? I didn't want to move...we brought our kids up here.'*

Whilst many residents had a negative view of their existing neighbourhood due to poor housing conditions, inadequate transport, retail and services provision, changing population profiles and crime and anti-social behaviour, a significant proportion of households were nevertheless happy with both their home and their neighbourhood. They were therefore less likely to support the renewal programme and were more reluctant to relocate.

Designating homes for demolition involves the interface of two key sources of tension for residents. First, Compulsory Purchase Orders provide the mechanism for the use of statutory powers in circumstances where residents may not wish to move. A conflict may therefore arise between the community empowerment and resident choice aspects of the HMR programme and the reliance on legal powers to enforce clearance. This contextual framework remains important in the perceptions of local residents even where, as is often the case, Pathfinders have been able to negotiate property acquisitions on a voluntary basis.

Second, the use of clearance and relocation involves certain households being affected in order to achieve the wider goal of housing market renewal. There is an underlying conflict between the support shown by the majority of residents for the aims of housing market renewal and their acknowledgement that short-term disruption is inevitable to achieve longer-term regeneration, and their concerns when this process affects them directly. As a resident in a clearance area describes:

*'People were just so worried about their own situation: house prices, mortgages, affordability etc...they couldn't see the bigger picture.'*

This reaffirms the need for an approach that enables people to express their legitimate concerns and that recognises the trauma and uncertainty associated with renewal processes aimed at regenerating communities in the longer-term. As a resident who had been relocated explained:

*'[People] are vulnerable. The council needs to handle early communications carefully. People need to be able to express their emotions without feeling they are misbehaving... there is too much focus with the facts rather than empathising with people in their situation.'*

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## **Community voices: protest or empowerment?**

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A central aim of all of the prospectuses produced by the Pathfinders, reaffirmed in their Scheme Updates, is building the capacity of local communities to influence the Housing Market Renewal programme and to engage local residents in decision-

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making structures and processes. However, in several local communities in some HMR areas, campaign groups have become organised around opposition to clearance and demolition activities. These prominent localised campaigns have had a considerable impact on the Housing Market Renewal programme, resulting in changes to the amount and location of Compulsory Purchase Orders, delays in the phasing of demolition and clearance and negative impacts on the reputation of the Pathfinders and their relationships with some local residents. Many of these local community campaigns have received support from national lobbying organisations such as Save Britain's Heritage and the national and local media. In some cases the Pathfinders and their partner local authorities have been subject to legal challenges.

These community campaigns opposing demolition and clearance require a sensitive and holistic response from Pathfinders. Whilst these campaigns may be undertaken by a vocal minority of residents, they often reflect a wider unease and concern amongst local communities about demolition and clearance activities and the longer-term consequences of the HMR programme for local neighbourhoods. It should be noted that some Pathfinders are also operating in a local context shaped by controversial or unpopular Compulsory Purchase Order schemes that predate HMR. It is clear that the Pathfinders now have in place significant resident participation and community consultation mechanisms. Some of these initiatives are a response to the levels of opposition and concern in local communities. Therefore, Pathfinders are to some extent attempting to redress the perception that communities have not been sufficiently engaged in the strategic planning of demolition and clearance activities. Four key issues have emerged:

- First, there is ambiguity about the extent to which opportunities for residents to participate represent genuine community empowerment or serve as weaker consultation processes to facilitate decisions and actions that have already been decided. The current national evaluation of the HMR programme suggests that one of the successes of the Pathfinders has been to engage residents increasingly in the strategic neighbourhood planning elements of the programme. However, some residents also think that the phasing of community consultation and the pursuit of Compulsory Purchase Orders has severely constrained their opportunities to set the agenda and has effectively narrowed their role as local residents to *reacting* to decisions about demolition and clearance that have already been taken. Some of the possible responses to this concern are set out in Chapter Three.
- The second issue relates to the diversity of opinions within local communities and how these diverse opinions may be interpreted and acted upon by the Pathfinders. The Department for Communities and Local Government requires local authorities to demonstrate 'a good majority' of local support for demolition. It does not define what constitutes 'a good majority,' nor how

this majority may be identified and measured. In many cases, Pathfinder officers suggest that the vocal opposition to the Pathfinder programme by a minority of prominent residents conceals considerable, but latent and low profile support for the programme among the majority. Gauging exact levels of support in local communities is a complex and resource intensive activity and may be in conflict with the timescales and phasing requirement of moving forward with core elements of the programme.

- The third issue relates to increasing community capacity and engagement. Pathfinder teams recognise that local communities require substantial resources and support mechanisms to increase their capacity and to enable local residents to maximise their influence on decision-making. Individual households also need to be able to access a wide range of advice and support to assist them through the clearance and relocation process. The central difficulty is that this places pressures on Pathfinder budgets, not least because Housing Market Renewal is predominately a capital investment programme based upon physical interventions. Many of the community engagement and support initiatives are reliant on revenue spending, and any available revenue budgets are already under pressure from the increasing emphasis on neighbourhood management functions and the newly defined responsibilities for the Pathfinders in terms of the Respect and anti-social behaviour agenda.
- The fourth issue relates to the phasing and funding of the Housing Market Renewal programme. The biggest barrier reported by all the Pathfinders to improved relations with local residents and increasing the effectiveness of community engagement was the difficulty in giving residents transparent and guaranteed information about demolition and relocation plans. As one Pathfinder officer explained:

*'Residents essentially want to know when demolition will occur, how they will be affected, what the process will be, what it will cost them, where they will be living in the future and when all of this will take place.'*

However, the complexities of phasing land assembly, new housing development and acquiring properties makes it very difficult for Pathfinder staff to answer these questions. This results in community engagement requiring residents to respond to strategic, abstract and long-term plans rather than more short-term specific proposals. It raises levels of uncertainty and reduces the trust and confidence amongst local communities and increases the potential for promises not to be kept. One key message from each of the Pathfinders is that these problems are compounded by the nature of the Housing Market Renewal funding, currently based on two-year cycles. This uncertainty about the level and timing of funding makes it very difficult for Pathfinders to plan their longer-term programmes, including clearance and relocation, and this consequently prevents robust and comprehensive information being given to affected households.

## The role of the media

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The clearance and demolition activities of the Pathfinders have been subject to sustained and often negative coverage by the media at both national and local levels. At the national level papers such as the *Daily Telegraph* have been very critical of the demolition programme and the media have also widely reported *Save Britain's Heritage's* claims about the scale of demolition in the HMR programme (inaccurate in relation to demolition numbers), the loss of traditional terraced houses and the inadequate processes of clearance. The picture at the local level is more diverse, with some local press supportive of the Pathfinder programme.

It is clear that an effective media strategy is crucial to ensuring the support of local communities, and this needs to be pursued at both local and national levels. Locally, most of the Pathfinders now have in place dedicated media relations officers who are working closely with local media agencies and residents, or Pathfinders have hired public relations consultants to perform this function. In several cases this has resulted in a stronger dialogue between the Pathfinder and media and a more constructive and supportive viewpoint being portrayed by local press and radio.

There are a number of important issues that a media and publicity dissemination strategy needs to focus on, including:

- reiterating the central aims of housing market renewal and the long-term nature of the programme;
- providing information about valuation processes, equity loans and relocation options to dispel inaccurate perceptions amongst residents;
- highlighting the relative scale of clearance and demolition and in particular emphasising that renovation and refurbishment is a much larger element of the programme, and affects much larger numbers of households than demolition (even in local circumstances where demolition budgets are slightly greater than refurbishment budgets);
- highlighting that the Pathfinder programme collectively and individually will not result in a massive net loss of available properties;
- providing examples where Pathfinders or their partners have revised policies or programmes in response to community concerns;
- providing 'real-life' examples of households who have been affected by clearance and demolition and whose housing circumstances have improved as a result.

These local media strategies require to be supported by the government at a national level. One notes here the robust response of the then Office of the Deputy Prime Minister's to the *Save Britain's Heritage* report, and its reaffirmation of the

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It is also the case that some of these processes may be in tension with each other, making it difficult for the Pathfinders to reconcile them. For example, undertaking appropriate community consultation, ensuring a fair valuation system and providing residents with the time and support to make informed decisions require considerable time to be set aside for the demolition and relocation process, whilst on the other hand private developers have their own timeframes for selling their properties.

Pathfinders have sought to achieve the ideal situation whereby new housing is built or acquired prior to clearance taking place in order to minimise disruption to households, demonstrate the positive impacts of housing market renewal and reduce the potential for misinformation. As a significant proportion of residents wish to remain within or close to their existing homes and neighbourhood, there is also positive symbolism in providing options for achieving new build or refurbished properties next to clearance areas. Several Pathfinders have therefore established a sequencing policy of building new homes in advance of clearance, but this has been difficult to achieve in practice, particularly due to the difficulty in assembling land packages and acquiring or renovating alternative properties.

Priority is usually given to residents affected by demolition in accessing refurbished or newly acquired or built homes, but there is a particular difficulty about bridging the affordability gap faced by owner-occupiers, especially given the price of new build homes.

Pathfinders have also sought to avoid the use of temporary rented accommodation for residents, including owner-occupiers. This reduces their capital accrued through selling their homes and also impacts on housing benefit eligibility. At least one Pathfinder has considered deferring entitlement to financial assistance if residents are placed in temporary accommodation awaiting new build or refurbished properties, but this raises issues about future affordability if property prices rise and it creates dilemmas about priority criteria if new build developments are oversubscribed.

## **The difficulty of meeting housing needs and aspirations**

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One of the difficulties in developing generalised findings and offering guidance across the HMR programme is the considerable variation between and within the intervention areas. These local housing market circumstances, and wider neighbourhood and employment dynamics, provide different kind of challenges for Pathfinders and their partners. For instance, the extent of housing market recovery varies, as does the economic circumstances of households affected by the programme. The extent of need for utilising Compulsory Purchase Orders or

financial assistance packages also varies. For example, in North Staffordshire many owner-occupier households have already left the intervention areas, whilst in other areas considerable numbers of owner-occupiers remain and are resistant to relocation. Much may depend here on the availability of affordable housing options nearby.

Furthermore, the history of community relations around housing market intervention and clearance activities varies, as does the local political context. In some Pathfinders, including East Lancashire and Oldham and Rochdale, the politics of social cohesion have required sensitive management. There has been a need to meet the particular rehousing needs of some Black and Minority Ethnic communities whilst simultaneously responding to the criticisms of groups such as the British National Party and demonstrating equality of treatment between ethnic communities in the phasing and nature of demolition, relocation and refurbishment.

At the individual level, identifying housing needs and aspirations and linking this to resident choice is an inherently complex process. It cannot be based on the assumed demands, needs and preferences amongst different groups (for example, that BME households will desire large family properties within existing neighbourhoods). It is however possible to identify a number of common issues across the Pathfinders, such as:

- Many residents have a strong desire for very local moves, and often confine the locations they will consider being relocated in to very narrowly defined areas adjacent to their existing neighbourhoods which are subject to clearance.
- It is very difficult to generalise about the relative priority given by households to tenure, property type and neighbourhood. Only 13 residents were included in the sample for this exploratory study, but most of them stated that tenure and affordability were more important than property type and location, although this was not universal. Similarly diverse priorities have been found in Pathfinders' own research and surveys of residents.
- It is sometimes difficult to respond to residents' requests – for example, a request for larger (i.e., four-bedroom properties) is very difficult to achieve given affordability pressures and the lack of larger properties in preferred neighbourhood locations.
- In many Pathfinder areas, the prospectuses and Scheme Updates confirm that there is a lack of choice due to a historical lack of diversity in housing forms and size and, in certain localities, a lack of social rented provision.
- Some of the households affected by demolition have moved into the private rented sector, which has made it more difficult to track them and provide appropriate support.

- One important finding of the household surveys conducted by the Pathfinders is that housing needs and aspirations may vary between residents who have already relocated, or who have expressed a desire to be relocated, and those who are more resistant to relocation. This suggests a need to review at regular intervals relocation support packages and the potential need to develop new products to meet the needs of households unable or unwilling to utilise current support packages.
- There is also some tension between prioritising the housing needs of the existing residents in intervention areas, who are often on low incomes, and meeting the housing aspirations of the higher income households that Pathfinders may wish to attract in order to achieve more diverse and balanced communities.

## The impact on owner-occupiers

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The housing market context in which the Pathfinders are operating is one where the entry point for owner-occupation has historically been very low (with households able to access the tenure with mortgages of £5-10,000 in some cases). As the market has recovered, the gap between the market compensation and the cost of purchasing alternative properties has grown considerably. The average gap is estimated at between £20-30,000, but may be as much as £50-90,000 for new build developments. A lack of savings and poor access to traditional finance products also inhibits the ability of households to remain in owner-occupation in more expensive alternative properties. For example, a MORI survey commissioned by Oldham Borough Council in September 2003 estimated, on the basis of income data, that 70 per cent of those affected by clearance in housing market renewal areas who wished to remain in owner-occupation could not do so without additional financial assistance.

The majority of existing owners wish to remain in this tenure. Indeed, for the residents interviewed for this study, being able to afford a new property and to remain an owner-occupier was their most important concern. It was regarded as more important than the type of property or the type of neighbourhood in which a new home was located. Where former owners had not been able to remain in this tenure, they expressed considerable regret and anger.

This raises a number of issues for Pathfinders and their partners about their responsibilities to existing owners. There is considerable diversity of views amongst practitioners about how these issues should be addressed. Some take the view that, in the words of one Pathfinder officer: *'We have almost a moral duty to enable existing owners to be able to remain in owner-occupation'*. Other officers believed that the quality of the alternative accommodation and neighbourhood conditions were more important than tenure.

This is linked to a more fundamental issue about the extent to which maintaining and increasing levels of owner-occupation is essential to achieving housing market and neighbourhood renewal. Many of the Pathfinders have an explicit aim of raising rates of owner-occupation in order to increase tenure diversity, the range of housing on offer and to attract new populations in the quest for more mixed and balanced communities. However, some of the officers interviewed expressed concern that promoting or facilitating owner-occupation on the margins of affordability may have detrimental consequences for both individual households and local neighbourhoods. For households, high mortgage repayments or shared ownership with high rent components may result in financial uncertainty and economic hardship if their circumstances change. For the Housing Market Renewal programme as a whole, supporting households on the margins of owner-occupation is likely to reduce the capacity or willingness of such households to finance the repair, renovation or maintenance of their properties, adversely affecting the condition of the housing stock, environmental amenity and neighbourhood sustainability. It also puts pressure on Pathfinder budgets, especially where the affordability gap is growing.

However, an important finding of this research is that the desire to remain in owner-occupation is not universal. Several Pathfinder officers noted that particular households were willing to move into the social rented sector, including elderly households moving into sheltered housing association accommodation with repairs and support services and (often younger) households with multiple debt problems. It is difficult to disentangle the relative priority that owner-occupier households give to remaining in the tenure over the type of property or neighbourhood they will relocate to. Whilst the majority of residents interviewed for this study reported that affordability and remaining in owner-occupation were the most important factors for them, figures from one relocation area in Oldham found an even split amongst owner-occupiers between those remaining in this tenure (30) and those moving into rented properties (29). Our own interviews with a small sample of residents in Oldham suggested that some had only entered the rented sector reluctantly and that resistance to leaving owner-occupation may be greater amongst those residents who are yet to relocate.



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## Chapter Three

# Supporting residents through the relocation process

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### Introduction

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This research has reaffirmed the growing awareness amongst the Pathfinders about the need to provide considerable levels of support to communities and individual households affected by clearance and relocation programmes. This chapter describes the various mechanisms of support and identifies good practice in supporting residents through all phases of the process, including the designation of clearance areas and the use of Compulsory Purchase Orders, the valuation process and the provision of advice and assistance before, during and after households are relocated.

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### Designating clearance areas and Compulsory Purchase Orders

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Given the emotive nature of the whole process of demolition, there is a need for clarity of information at the earliest stages of the clearance process. Several residents that we interviewed reported learning of clearance plans and the designation of clearance areas by word of mouth and rumour. Whilst residents welcomed newsletters and public meetings, they also argued for the need for follow-up contact and one-to-one communication once clearance plans were publicised. Pathfinder officers also reported that it was important that demolition and relocation activities were undertaken as soon as possible after residents were informed of the plans. However, this was often difficult to achieve in practice, and could create tensions over the need for continuing community engagement and consultation.

There was a range of reactions from residents when they learnt that their property was to be cleared:

*'I was concerned about how I would feel about moving after so long. I did not have any neighbours or friends in the [new] area.'*

*'It was good for me. I wanted to move...I was happy.'*

This reflects the complexity of community responses that the Pathfinders must deal with. Chapter Two highlighted the difficulty in building and demonstrating majority community support for such proposals and noted that achieving genuine community empowerment was problematic if decisions about clearance areas and acquiring Compulsory Purchase Orders were already in place. However, there are

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a number of principles and actions that may increase the capacity and engagement of local communities and thereby facilitate clearance processes, including:

- ensuring the substantive, active and continuing involvement of local residents at the earliest stages of the clearance process;
- providing accurate, comprehensive and regularly updated information to residents;
- responding sensitively and comprehensively to the needs of affected households whilst reaffirming the longer-term benefits to wider communities and neighbourhoods;
- utilising a range of consultation and review mechanisms including household surveys, Enquiries by Design, Planning for Real and best course of action exercises to provide residents with the opportunities to influence clearance and CPO areas;
- being willing, where appropriate, to redefine clearance areas and the individual properties subject to CPOs in response to community consultation;
- demonstrating that these community engagement mechanisms have resulted in changes where appropriate and that residents are being listened to;
- employing consultants or other agencies to build the capacity of local communities to influence decision-making and to improve relations between residents and Pathfinder agencies.

### **Box 3.1: Responding to community concerns about CPOs**

In one area of the Elevate East Lancashire Pathfinder an appeal against a CPO (which predated the Pathfinder) was upheld by the Office of the Deputy Prime Minister. Heritage issues were central to the successful appeal. An Enquiry by Design initiative brought a range of stakeholders together and developed a heritage-based solution, which resulted in a reduction in the scale of clearance and demolition activity.

The Pathfinders are increasingly taking up these measures. These initiatives will ameliorate, but not necessarily resolve, the tensions within local communities, given that opposition to demolition may be sustained and that there is an inevitable trade-off between the wider longer-term interests of local neighbourhoods and communities and the impacts on individual households affected by renewal activity. There is also a significant resource issue, given that many of these activities are reliant on revenue funding. This research found a growing recognition amongst the Pathfinders that community capacity building and consultation mechanisms were essential to achieving successful physical renewal through capital spending. However, the necessity and scale of community



support packages may have been underestimated in initial Pathfinder prospectuses, and this issue will become increasingly important as the scale of demolition and relocation is likely to increase.

### **Box 3.2 Good practice in supporting residents: The Brierfield Canal area in Pendle**

In Autumn 2004 Pendle Borough Council designated two areas within the Brierfield Canal Corridor, comprising 135 Victorian terraced houses, for demolition and pursued Compulsory Purchase Orders. In December 2004 they recruited an independent consultancy firm (The Include Consultants) to support residents affected by demolition and relocation, and Include began its work in January 2005. The remit of Include's work is to provide support and advice to residents, to look at options for enabling existing residents to remain in their local communities through 'buying back into' the new developments and to consider a range of housing finance packages to facilitate this and address the affordability gap issue.

Include's services were established to complement the support already provided by Pendle Borough Council, which includes the provision of information packs about compensation packages and rehousing options provided by the council and home visits by housing officers. Include have provided a free-phone number for residents and have held local drop-in surgeries every Monday afternoon and evening. The idea has been to provide residents with a range of options and mechanisms for accessing help and advice. Residents have different needs and specialist advice and support is provided to elderly households. It was reported that many residents had used these services. Residents have also been taken on site visits to Halifax and Rochdale to assess potential housing options, such as shared ownership and to Skipton and Blackburn to look at different house types. Include gave a presentation to residents in January 2006 that set out the vision of a community-focused (mixed tenure) housing redevelopment programme and the timing of development activities. A further resident workshop was held in February at which design layouts for the sites and the different affordable housing products and financial implications was set out. Whilst information and consultation has taken place, there have been several delays in the process, which makes it difficult to give certain reassurances to residents.

Include have also been engaged in redevelopment proposals for two sites in the Brierfield Canal Corridor to develop a mixed tenure area which enables affected residents to stay in the immediate local area. Include conducted a door to door survey of residents to assess how many wished to remain in the neighbourhood, their tenure preferences and to assess their financial circumstances and their capacity to access redeveloped properties. Whilst some owner-occupiers have moved away from the immediate locality, many others have expressed a desire to stay, due to factors including long-term residence and extended family and friendship networks in these neighbourhoods. Include are also evaluating a range of housing products to enable relocated residents to remain in the local area, including shared ownership, equity loans and discounted housing with a resale covenant. They are undertaking a financial modelling exercise to assess the sensitivity of various options to household circumstances and market conditions.

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## The valuation process

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The valuation process is a vital element of the relocation process, particularly because residents' perceptions of the fairness and efficiency of the process strongly influences their relationship with agencies during future stages of property acquisitions and relocation. Both officers and residents raised concerns about the valuation process. These included:

- the rushed nature of the process, with residents feeling harassed into accepting an offer;
- the lack of access to independent valuations;
- a lack of information about the valuation process and options;
- the lack of a robust, transparent and accessible appeals procedure;
- the perception by some residents that their houses had been significantly undervalued.

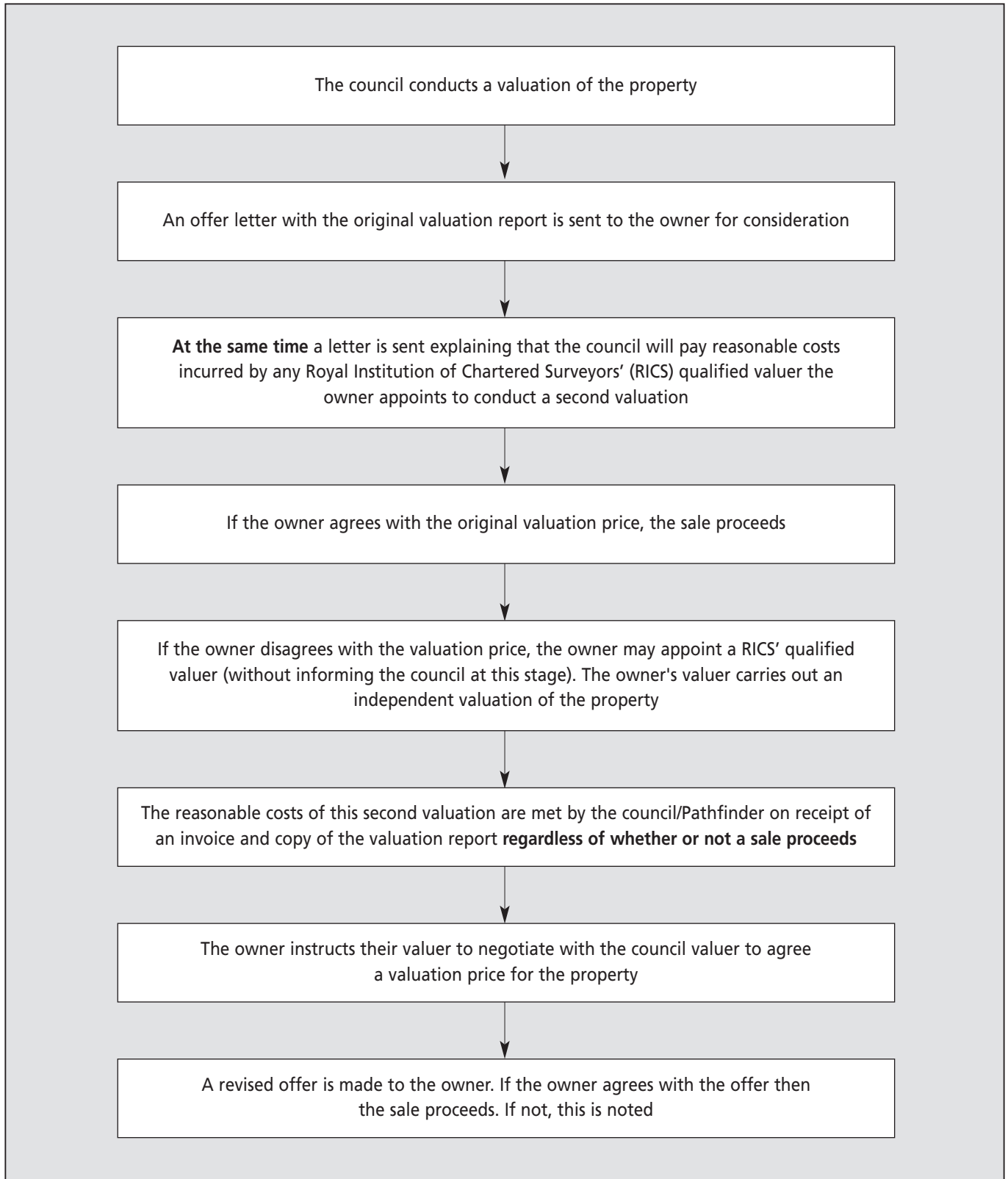
The evidence is mixed on these issues. Anecdotal evidence suggests that the value of properties falls when an area is designated for clearance. However, it was not possible to establish this fact empirically, and some Pathfinder analysis suggests that properties retain their value. Similarly, whilst some residents argued strongly that they had received insufficient compensation and that independent valuations were substantially higher than the offer made by local authorities, some analysis by individual Pathfinders suggested that the council offers were often higher than independent evaluations. However, addressing perceptions is as important as establishing the facts in providing reassurance, confidence and choice to affected residents. It is therefore important to establish a valuation process that addresses the above concerns, based on key principles.

### **Box 3.3 Key principles of an effective and fair valuation process**

- No valuation should be carried out without the authorisation from the owner of the property.
- Clear guidance and information about the process should be provided to the owner of the property along with contact details for accessing advice and support, including RICS' qualified valuers.
- The owner of the property should be *encouraged* to seek independent advice and an independent evaluation of their property.
- The reasonable costs of the valuation process should be met by the council/Pathfinder, regardless of whether the sale proceeds.
- The timescales for the process should be clearly set out and should enable owners to have adequate opportunity to seek independent advice and to consider any offer without feeling unduly rushed or pressured.

The valuation process developed by officers and residents in Oldham and Rochdale provides an example of key principles and good practice:

Figure 3.1: An effective and fair valuation process



Adapted from *Oldham and Rochdale HMR Update*, November 2005.

In some other cases, such as in Sandwell, the use of the District Valuer has paid dividends. In one CPO (Edith Street) the independent critical friend for the residents suggested that the valuations were 'spot on'. There has been widespread support for the role of the District Valuer in all cases of clearance and redevelopment in the area.

It appears from the comments of Pathfinder officers that residents' perceptions of unfairness around valuations are shaped by informal communication and anecdotes about the experiences of others. It should also be noted that our interviews in Oldham suggested that even residents who had accepted offers and relocated were still concerned and uncertain about whether they had received a fair price and whether they had done the right thing in accepting the offer.

This suggests that an effective communication strategy and transparency are vital in providing reassurance and countering perceptions of unfairness. It may be possible for example for Pathfinders to provide information to residents about house prices before and after clearance areas are designated and also to publicise generalised data about the comparison between local authority offers and independent valuations.

## Identifying vulnerable households

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The diversity of reactions to the prospect of moving has been noted above. There are some households who may be more reluctant and resistant to relocation. These include:

- elderly households (especially those who have paid off a previous mortgage);
- households who have lived in the locality for a long period of time and have considerable social capital in the neighbourhood;
- households with children (who are reluctant to disrupt childcare arrangements or their children's schooling or friendship networks);
- Black and Minority Ethnic (BME) households who may be more reliant on social networks, faith and cultural facilities and may be reluctant to relocate to neighbourhoods where they may be isolated or subject to hostility or harassment. Some BME households may also have specific cultural objections to certain interest-bearing mortgage finance products;
- households requiring larger properties (given the scarcity of larger family properties and the financial leap from three to four-bedroom homes).

Research commissioned by Pathfinders (including work by GVA Grimley and David Cumberland) found a general reluctance amongst households to commit to either extending or obtaining mortgage commitments and taking on borrowing when a household did not have an existing mortgage or loan. Our interviews with

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residents also found that long-standing residents understandably attached great importance to friendship networks built up over many years invested in their existing neighbourhoods.

Some households are particularly vulnerable and require particular additional support through the relocation process. These include:

- individuals with no experience or no recent experience of moving home (for example elderly people or young people leaving home for the first time);
- individuals who are less familiar with housing processes and systems, for example refugees and asylum seekers;
- people with health disabilities and support needs;
- individuals from Black and Minority Ethnic backgrounds who may face language barriers and feel isolated or intimidated. This is a particular issue in some the Pathfinders where neighbourhoods are relatively segregated by ethnicity.

## **Support and advice before and during relocation**

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The support and advice provided to residents during the demolition and relocation process is essential in ensuring that the disruption and anxiety caused by losing one's home and moving into a new property is minimised. The Pathfinders have developed a range of support measures, and these include:

- the provision of information about policies and procedures involved in the property acquisition and relocation process;
- household financial appraisals and advice about financial options, including the use of capital sums received through the selling of properties and the receipt of compensation and mortgage options;
- advice about housing options including alternative owner-occupied properties and the routes into social and private rented tenures;
- advice about grants and benefits entitlement;
- assistance in completing forms and legal paperwork;
- advice about legal rights and accessing solicitors;
- advice about the range of financial assistance packages available, including equity loans;
- advice about utilities suppliers and energy efficiency;
- providing information, advice and occasionally practical assistance relating to removals and the moving process;
- specialist housing advice (for example on tenants' rights, social landlord allocation systems or sheltered housing for the elderly).

### **Box 3.4: NewHeartlands HMR and Merseyside Home Ownership Solutions**

NewHeartlands HMR has pioneered the process to develop a comprehensive and long-term package of measures to aid those seeking to remain in home ownership in the past three years. Working with ABRA and David Cumberland Housing Regeneration Ltd they assessed the merits of different housing options available to residents affected by renewal, so that they are tailored to their specific circumstances and aspirations in terms of the design, location and tenure of their homes. This included equity renewal loans, relocation loans, Homeswap mechanisms and shared equity packages for the elderly. Art Homes was selected as a partner agency to work with the three local authorities in the HMR (Liverpool, Sefton and Wirral) to develop these products further.

A particular feature of NewHeartlands' approach has been the emphasis on support services for residents affected by the process. Each local authority has appointed home ownership advisory staff directly or via agents. These officers work in parallel with professional support services, including independent financial advisors and solicitors. The objective throughout is to provide integrated and continuing packages of financial, social and emotional support through the often stressful process of relocation.

This information, advice and support is offered by a range of providers, including:

- property advisors (also known in some areas as home ownership advisors) and neighbourhood and housing management teams and 'residents' friends' working directly with households;
- independent financial advisors and solicitors;
- occupational therapists;
- agencies including welfare rights centres and citizens advice bureaux;
- Social services officers;
- community and voluntary organisations working with particular groups, such as members of BME communities.

### **Box 3.5 Good practice: housing plans**

Renew North Staffordshire Pathfinder's Home Options project includes the development of a detailed housing plan for each household affected by clearance, which is developed and acted upon by a dedicated caseworker. Clearly this places considerable demands on resources and staff time. In Sandwell, a single team is deployed so that the same standard of service and advice and the management of blight prior to demolition is consistent, regardless of tenure or the clearance powers being used.

A number of key learning points may be identified about the provision of support to affected households, including:

- the need to provide advice, information and support at the earliest opportunity and to maintain regular contact with households throughout all stages of the process;
- the value placed by residents on the consistency and familiarity gained from working with known individuals and dealing with officers in locally based neighbourhood teams;
- the value placed on the role of independent financial advisors and also neighbourhood teams, who are often not perceived to be ‘the council’;
- the development of a positive and trusting relationship between households and their advisors so that it can often overcome the technical difficulties and delays in the process.

### **Box 3.6: Good practice principles in providing support to households**

- Personal contact
- Consistency of contact
- Tailored packages to meet individual needs
- Responsiveness to concerns that arise and changing household circumstances
- A clear and agreed plan of action in each household case
- Equality and fairness in support provision

Adapted from Renew North Staffordshire *Home Options* (2005).

The following good practice principles may be identified in order to maximise the effectiveness of support provided to affected households:

- all advice and support should be provided free of charge to residents;
- as far as is possible, support and advice should be provided in person on a one-to-one basis;
- the types and levels of support available to affected households should be standardised between the constituent local authorities in each Pathfinder in the first instance, and between the Pathfinders in the longer-term (whilst recognising that specific forms of appropriate support may vary between Pathfinders);
- advice and support need to be offered and provided proactively at all stages of the process. In the words of one resident: *‘We should be told about things rather than having to find things out for ourselves’*;

- residents should be provided with a choice of advisors and representatives. NewHeartlands Pathfinder's development of a panel of solicitors and financial advisors represents an effective mechanism for achieving this;
- all advisors, whether independent or directly employed by local authorities should receive appropriate training and be made fully aware of the range of financial packages and other support mechanisms available to households, including equity loan products;
- consistency is needed in the advice, information and recommendations offered to households;
- residents should be able to rely on the proactive advocacy of representatives working on their behalf;
- residents should be given the time necessary to make informed decisions and to pursue all the support available to them and to have their queries and concerns about the process recognised and responded to;
- residents should have access to robust appeals and review systems if they are unhappy with the advice and support they are receiving;
- the support and advice provided to residents should be monitored and reviewed at regular intervals and satisfaction surveys should be conducted with residents who have been through the relocation process;
- the network of support provided to residents through partner agencies and organisations should be underpinned by appropriate Service Level Agreements.

The research revealed a number of issues that require to be addressed as support packages are developed. First, both Pathfinder officers and interviewed residents suggested that there was still a lack of awareness about housing options, housing finance packages and available support amongst some groups of residents, especially BME households. This lack of awareness needs to be addressed, both to maximise the support available to households and to ensure equity in the treatment that each household receives. Second, residents reported being generally satisfied with the levels and type of support they received, and many Pathfinders have managed to provide fairly intensive support to residents on a one-to-one basis, including home visits and regular contact with affected residents. However, there are questions about the extent to which this level of support can be sustained if the scale of demolition and relocation increases considerably in future phases of the HMR programme. Pathfinder officers are well aware of how crucial intensive and comprehensive support is, but they are concerned that current levels of support may be increasingly difficult to deliver in the future.

Several residents who were interviewed said that they felt rushed during the relocation process and occasionally felt pressurised into making decisions. Regardless of whether or not this perception reflects the actual attitudes and actions of agencies, it is important to respond to such concerns. Some Pathfinders have sought to provide extra time for residents, for example by enabling them to access new properties before the sale of their own properties, allowing residents an

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extra couple of days to vacate their properties or negotiating with developers to allow residents one or two weeks advance access to new build developments. It should be noted, however, that these approaches have legal and corporate liability implications.

Pathfinder officers reported that the day of moving was the most difficult and often traumatic for residents and were aware of the need to provide sensitive support at this time. Despite this, some residents suggested that further support would have been very useful to them, although they did not specify what form this support could take other than assistance with removals and house cleaning.

Pathfinders have also sought to provide specific additional support to vulnerable households, including the elderly (help with the actual moving process), BME households (translation services) and individuals with specific physical or mental health needs. They have worked with a range of partner agencies including social services and benefits departments, medical charities and projects and drug addiction support initiatives. Renew North Staffordshire's Home Options project provides additional support, through their Home Improvement Agencies, to older and vulnerable households at low or no cost in order to enable them to keep their existing homes secure and adequately heated until they are relocated. The Home Options project has also sought to address the needs of BME households by ensuring cultural sensitivity, working with BME organisations and facilities and providing information in appropriate formats.

### **Box 3.7: Good practice in providing information to residents**

Burnley Borough Council has developed a comprehensive information pack for residents affected by clearance. The pack contains:

- a 12-page guide about how housing clearance affects residents, which includes: information about how clearance properties are identified and designated; the formal consultation process and how to respond; the steps following the consultation process; Compulsory Purchase Orders, how to object to them and public inquiries; details of purchasing a house elsewhere, relocation grants, Home Loss and Disturbance payments; timescales for the purchase of properties, compensation payments; possession and demolition; and contact details;
- a guide to relocation grants;
- a guide to relocation grants procedures;
- initial enquiry forms for eligibility for relocation and renovation grants;
- claim forms for compensation and Home Loss payments;
- information about other housing agencies in Burnley including a list of accredited landlords;
- a checklist for moving home;
- a council complaints form;
- details of receiving the information pack in other formats and languages.

(See Burnley Borough Council, 2005).



Other Pathfinders also provide additional information on:

- estate agents;
- information and advice for private tenants;
- a step-by-step guide about how to purchase a property;
- details of equity loans, Section 106 developments, Homeswap, Homebuy and shared ownership products;
- information on new housing development in the local area.

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## Support and advice after relocation

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Whilst support provided to residents prior to moving is fairly well developed, Pathfinders and interviewed residents identified the need for greater levels of support to be provided to households after they have been relocated. Some local authorities and Pathfinders, for example Burnley Borough Council and Renew North Staffordshire Pathfinder, are attempting to track relocating vulnerable households and to work with partner agencies and organisations to ensure that these households continue to receive appropriate support packages. However, ensuring that support packages follow residents is dependent upon a number of factors, such as having accurate tracking mechanisms, well-developed partnerships with partner support agencies and a flexibility of provision across local areas and operational boundaries. There is a particular concern that it is very difficult to track households relocating into the private rented sector, particularly as partnership working structures with private landlords tend to be much less developed than with councils or registered social landlords.

Although formal support provision may be continued after residents have relocated, there is also awareness amongst Pathfinder officers and residents that relocation often disrupts or severs existing informal support mechanisms that vulnerable households rely upon – both those remaining in and those leaving areas experiencing demolition activity. These support mechanisms may for example include neighbours who fetch groceries for an elderly person or collect prescriptions for an infirm individual. Some Pathfinders have sought to develop befriending schemes to address these concerns. A number of key practice points may be identified, including:

- ensuring that interviews with residents during the relocation process establish the existence of any informal support networks in order that attempts may be made to replicate them in the neighbourhood the household is relocating to (and also to determine if relocating households were providing informal support to vulnerable neighbours who have yet to relocate);
- maintaining regular communication with relocating households in the immediate periods after their move and, less regularly over a longer time period to identify any serious support needs that are not being met;

- ensuring that adaptations and refurbishments are carried out to meet the needs of elderly or mobility impaired relocating households;
- providing information to relocating households about services such as GPs, dentists, schools, post offices and cultural and religious facilities in their new neighbourhood;
- providing assistance with changes to utilities suppliers;
- providing specific support to BME households who may experience particular difficulties in relocating to certain new neighbourhoods (see the example given in Box 3.9).

Providing this level of support to households after they have relocated carries considerable resource implications for the Pathfinders and their partner agencies. The various support projects are also often reliant upon less formalised and insecure funding streams. Whilst it is difficult to measure explicit outputs and outcomes from providing this support, it is clear that such mechanisms make a substantial difference to residents' experiences of relocation. Furthermore, ensuring that adequate support mechanisms are in place, both in intervention areas subject to clearance and for relocating households, is important in order to strengthen community dynamics and sustain neighbourhoods.

### **Box 3.8: Useful sources of further advice**

The Home Options Project developed by Renew North Staffordshire Pathfinder produced a report that contains detailed information about processes of providing support to residents affected by clearance and relocation, including assumptions of resource inputs, key performance indicators, procedural flow charts and a number of case study scenarios.

### **Box 3.9: Good practice in supporting relocating BME households: The Community Induction Project, Rochdale**

The Community Induction Project in Newbold, Rochdale was supported by a range of partners including Rochdale Borough Council, several housing associations and, for a period, the HMR Pathfinder. The project provides support to South Asian households considering relocating to particular neighbourhoods and also works with the existing residents in these areas. Support provided has included the provision of information and home visits for households considering moving into the neighbourhoods, guided tours of the neighbourhoods, access to South Asian mentors (individuals who have already relocated to the neighbourhoods), escorted visits to properties, signposting to relevant services for prospective and existing residents and fun days, trips and events to bring different sections of the community together. The project has resulted in an increase in the number of South Asian households moving into these neighbourhoods.

For a more detailed description and evaluation of the project, see Robinson *et al.* (2004), pages 46-50.



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## Chapter Four

# Financial assistance packages

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### Introduction

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The affordability gap facing owner-occupiers in some clearance areas in the HMR programme has arisen from existing statutory compensation packages no longer being sufficient to enable owner-occupiers to purchase alternative properties. This has necessitated the development of additional financial packages of assistance, including relocation grants and loans. This chapter identifies the issues arising from compensation packages and describes the financial grant and loan packages being made available to owner-occupiers to bridge the affordability gap, focusing particularly on relocation equity loans. The chapter concludes by identifying some of the key issues and challenges facing Pathfinder in the development of financial assistance packages for vulnerable owner-occupiers.

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### Existing statutory compensation packages

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The statutory package of compensation provided to home-owners subject to Compulsory Purchase Orders in clearance areas comprises three elements:

**1. *The market value of the property***

Owners receive the market value of their property, based on a valuation conducted by the council valuer (or an independent valuer – see Chapter Three).

**2. *Home Loss payments***

Owners receive a payment to compensate them for the process of having to relocate. This is a set amount.

**3. *Disturbance payments***

Owners receive payments to cover the actual expenditure occurred in relocating (for example, removals, utilities, replacing some fixtures and fittings etc.). These payments are based on receipts provided by households and therefore vary between households, up to a maximum amount. There is scope to extend these payments to include decorating costs of the new home, fees for purchasing a new property, mortgage transfer fees and accessing independent financial advice.

The interviews with Pathfinder and local authority officers identified three issues relating to the compensation packages. First, compensation for the market value of

the properties is the subject of considerable controversy and concern arising from disputed estimates of market values and compensation amounts (as outlined in the previous chapter). Second, our interviews with residents also indicated that there is need to ensure in a proactive manner that all moving households are aware of their eligibility for Disturbance payments, what these cover and the process through which these may be claimed. The third and most important issue, is that statutory compensation packages are not sufficient to enable households to relocate to a suitable alternative property, which has necessitated the provision of additional financial assistance packages to owner-occupiers. These packages are now discussed in turn.

## Relocation grants

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Several local authorities in the Pathfinder areas provide a relocation grant to assist owner-occupiers displaced by clearance to purchase an alternative home. The value of these grants varies (from £10,000 to £20,000) and is subject to review in response to changing market circumstances. The grants are usually means-tested and may be used to purchase a property within designated housing market renewal areas. There are also conditions attached to the property complying with the council's space/household size standards and being appropriate to the housing needs of the applicant. However, after consultation with residents, some local authorities have revised the conditions of the grants. Some have removed the means-tested element within housing market renewal areas or extended the boundaries within which properties may be purchased using the grants. In addition, at least one Pathfinder has ceased to take household savings into account for individuals aged over 55 years.

The main issue with the provision of relocation grants is that the increasing scale of clearance and relocation, combined with the increasing cost of purchasing an alternative property, have resulted in grants-based schemes becoming increasingly difficult to sustain financially. There is also a risk that grants may also push up the cost of properties in local housing markets and therefore any financial gain to relocating households will be absorbed in increasing purchase prices. Grants schemes also often provide incentives for households to access the maximum amount available, putting further pressure on available resources.

## Relocation equity loans

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Whilst this report focuses on equity loans for house purchases, the importance of equity loans for repair and renovation should be noted, given the greater levels of renovation and repair compared to demolition and relocation. There is also the need to meet government targets for vulnerable households in decent housing in

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the private sector and the importance of maintaining and improving the housing stock for neighbourhood and housing market sustainability.

The main mechanism for bridging the affordability gap between compensation packages and the cost of purchasing a new property is relocation equity loans. The exact models and terms of equity loans (also known as relocation equity release schemes) vary slightly between councils and Pathfinders, but the key elements are as follows:

- owners contribute equity in the form of the statutory compensation package plus existing mortgage finance;
- owners also commit sums from their statutory Home Loss and Disturbance payments;
- the local authority or registered social landlord or private lender provides a 'top-up' equity loan to bridge the affordability gap to a new property based on a proportion of the purchase price, and a legal charge is placed on the property;
- the loan is not interest bearing and owners effectively do not make any payments during their tenure at the new property. This enables the loan to be compliant with Sharia principles;
- the repayment of the loan occurs following the transfer of deeds of the new property;
- the lenders receive their proportionate share from the sale of the property, and therefore share in any increase in the market value of the property.

Each of the Pathfinders has commissioned detailed studies of the applicability of equity loans, mostly carried out by David Cumberland Associates or GVA Grimley. Whilst the contexts and issues vary between the Pathfinders, the key findings of these studies are similar, and we have drawn upon them in this report.

As rising house prices in housing market renewal areas have increased the affordability gap, there has been a corresponding increase in both the value of properties that equity loans may be used to purchase and also in the actual amount of loan available. The typical amount offered is in the region of £30-35,000. However, in some cases this is still not sufficient to enable households to remain in owner-occupation in their desired new properties and location, particularly in new build developments.

There is variation between the Pathfinders in the criteria for accessing loans, assessment processes, the grant or loan component of an equity product and how the equity product is combined with other financial packages (such as property purchase discounts and statutory compensation). There is also variation between local authorities within Pathfinder areas.

### **Box 4.1: Key principles underpinning financial assistance packages**

The packages should:

- be transparent and fair;
- be targeted at residents but not at landlords;
- have the majority support of the community for the process;
- make remaining in home ownership affordable to residents;
- provide value for money to the public purse by encouraging people first to consider whether other options might be better for them;
- meet with all financial regulation and ODPM guidance to local authorities;
- strive to meet housing need by only allowing loans on properties which are fit and acceptable for mortgage purposes and by trying to facilitate the move to larger accommodation for overcrowded households;
- support residents in their choices;
- provide the potential to lever in private finance;
- promote community cohesion;
- encourage residents to move voluntarily rather than wait for a CPO.

Adapted from an unpublished report by Oldham Borough Council, 2004.

Initiatives at the moment are attempting to develop more consistency of approach at two levels: across local authorities in each Pathfinder and across the Pathfinders as a whole. The advantages to developing a consistent approach include:

- ensuring equitable and fair processes for all residents;
- increasing understanding of processes and products for practitioners and residents;
- facilitating joint working, learning and good practice sharing across the Pathfinders;
- developing an evidence base about the effectiveness of processes and products;
- providing a more coherent potential market assessment and standardised product profile for prospective private sector partners.

However, practitioners also acknowledge that the housing market circumstances vary considerably within and across the Pathfinders, so that some processes and products will be more or less suited in particular localities. Achieving a balance between consistency and standardisation and local responsiveness and flexibility is a key challenge for the Pathfinders.



Our interviews with Pathfinder officers suggested that there is a move away from providing grants to bridge the affordability gap towards offering equity loans, and an attempt to move from public sector to private sector loan provision. The factors underpinning these developments and the advantages of equity loans include:

- ensuring the financial sustainability of the Pathfinders and local authorities;
- increasing value for money;
- providing a mechanism for recycling expenditure and reinvesting resources into housing market renewal activities;
- ensuring that loan repayments reflect any equity growth dividend from strengthening housing markets;
- increasing the choice and proactive involvement of residents in considering value for money and their best options;
- enabling certain households to remain in owner-occupation;
- increasing the sense of ownership and responsibilities of home owners for their properties and neighbourhoods and thereby contributing to neighbourhood sustainability.

Both the increasing amounts required to bridge the gap between compensation amounts and the cost of purchasing an alternative property and the increasing scale of clearance and relocation envisaged in the HMR programme mean that sustaining a grant-based system is unlikely to be viable, given the inevitable resource constraints on the programme. However, the timescales for repayment of the loans – and thereby reinvestment streams – are very long-term, with many households unlikely to make a subsequent housing move and therefore repay their loan within the current funding requirements of the Housing Market Renewal Pathfinder programme.

A number of intermediaries are currently providing equity loans on behalf of the Pathfinders. These include Art Homes, West Pennine Housing Association and Manchester Methodist Housing Group. In addition, some local authorities are providing loans directly to residents and Sheffield City Council operates a regional loans service for Yorkshire and the Humber. A key issue for some Pathfinders is the current lack of an intermediary loans provider operating in their area.

### **Engaging with the private sector**

Pathfinders are currently attempting to engage private sector financial institutions in the provision of equity loans. The advantages of this approach include:

- increasing the financial sustainability of the Pathfinders;
  - freeing up resources for investment;
  - spreading the risks;
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- increasing the numbers of households able to access equity support to remain in owner occupation;
- potentially increasing fairness and reducing the need for rationing;
- drawing on the experience and expertise of loan providers and financial institutions.

However, despite the efforts of Pathfinders both individually and collectively, continuing dialogue with private financial institutions and a series of seminars and workshops, it is apparent that the Pathfinders are encountering considerable difficulty in engaging private sector financial institutions in the provision of loans. Discussion with members of private lending institutions at one of these workshops, for example, identified five main barriers to their involvement in the process:

- residents in housing market renewal areas and equity loans represent a new and untested market with considerable risks, limited market intelligence and uncertain repayment periods and patterns;
- there is uncertainty about longer-term housing market prospects in the Pathfinder areas and therefore the rates of return are difficult to calculate and compare to those of other investment opportunities;
- an equity loan model based on repayment at the point of subsequent re-sale of a property does not provide a regular interest payment pattern that the finance institutions argue is required;
- the repayment at the point of subsequent re-sale of a property will in many cases result in a return on investment over a very long timescale;
- the limited scale of potential business within each Pathfinder coupled with the diversity and associated high relative start-up and administration costs are unattractive. There are continuing attempts to provide a pooled loan book across the Pathfinders, but it still unclear whether even this measure will result in the levels of business required by the private finance institutions.

Given the necessity of securing private sector involvement and levering in new forms of investment for the future viability of the Housing Market Renewal programme, this reluctance on the part of private sector financial institutions will need to be addressed urgently. Whilst the Pathfinders are continuing a dialogue with various agencies about equity loans, there may be a case for central government to develop and underwrite equity loan products.

It is beyond the scope of this study to assess the legal and financial implications of different models of equity loans, but there is a need for further research, including comparative studies of schemes in other countries, to complement the significant body of research already undertaken by consultants on behalf of the Pathfinders.

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## Perceptions and experiences of using equity loans

Residents in the sample welcomed equity loans as enabling them to remain in owner-occupation or to acquire a suitable property in a neighbourhood that they wished to live in, and recognised that this would not have been possible without the loan. They also liked the fact that there were no regular interest payments on the loan and that to some extent the timing of the repayment was under their control.

However, there were a number of negative perceptions. The most important of these, commonly shared amongst residents who have both used, or chosen not to use, these products is the belief that they would no longer own their home:

*'We feel as if the house is part owned by the council.'*

This negative perception of shared ownership was extended to other assistance options:

*'I don't like the idea of shared ownership. I would still be paying rent and mortgage. I couldn't get a mortgage and someone else would own half the house.'*

This negative perception may have important implications for the future actions of households who have used an equity product:

*'If we make an improvement we just add value to the house for them [the loan provider].'*

Part of the negative perceptions that residents in the sample had about loans were bound up in continuing resentment about the valuation process or concerns about fairness in relation to other products. For example, residents argued that the value of the equity loan should have been included in the valuation of their own property, and that whilst equity loans would result in some of the benefit of future property improvements accruing to lenders this was not the case for households receiving home improvement grants.

Small-scale research by the Oldham and Rochdale Pathfinder found that households' initial aspirations had been curbed to some extent by the amounts available but equity loans had enabled them to access some form of alternative housing. Equity loans were therefore sufficient for them to remain in some existing neighbourhoods, but not necessarily to meet more particular housing and locational aspirations. The study revealed that, of 14 applicants, ten borrowed commercially and took equity loans to top this up, three used a loan only and one used a combination of savings and loan. Of these, six households had purchased a property in higher price bands and could be described as using equity loans to meet their housing aspirations.

Whilst the interviews with both the small sample of residents and Pathfinder officers indicated that households generally felt that they had been given adequate information about equity loans and alternative options, and particularly appreciated the advice of both locally based housing officers and independent financial advisors, there was a need to provide further information on what happens at the point of a future sale, how the repayment process will work and guidance on undertaking a future sale.

These findings suggest the need for Pathfinders and their partners to:

- ensure as far as possible consistency in the information and advice being provided to all households and to provide continuity for individual households through having the same officer or advisor taking a household through the options and process of accessing a loan;
- provide additional information and clarification about how loans will be repaid at the point of future re-sale of the property;
- emphasise that councils or other lenders are not joint owners on property deeds but have a charge registered, as with a traditional mortgage;
- provide guidance and support for households selling their properties in the future;
- address the perception that future increases in the value of properties will benefit lenders but not the household (i.e., by explaining that price increases and improvements to the property should financially benefit the householder as well);
- recognise that perceptions of unfairness about the valuation process will continue to influence residents' attitudes to equity loans, even when these loans have been taken up;
- ensure fairness and equality in the combination of home purchase and home improvement grants and loans to households;
- provide on-going communication, advice and support to households at all stages of the loans process, including after a loan has been taken up and households have relocated;
- ensure that independent advice and support is made available and recognise the importance of the role played by local housing officers and independent financial advisors in selling the loans product, given that the knowledge and enthusiasm shown by these actors is a vital element in the successful marketing of loans products;
- ensure that robust and innovative communications and publicity strategies are in place to reassure residents and counter negative perceptions;
- ensure that the loan products and information provided about them comply with financial regulations and codes of practice.

Discussions with several Pathfinder officers indicated a slower take-up of equity loans amongst Black and Minority Ethnic households and the consequent need for further research to investigate whether this is caused by more general barriers to relocation or the specific elements of the loan product. It should be noted however that a number of residents interviewed in this study were members of BME communities and had successfully utilised equity loans to relocate.

An important learning point from this research is that, given the uncertainties and concerns that residents have about clearance and relocation in general, and equity loans in particular, the pattern to date has been one where take-up is initially slow but then begins to gain momentum. Disseminating 'good news' stories about equity loans, based on the experiences of households who have utilised the product and been through the relocation process could prove to be an important mechanism for increasing take-up rates.

#### **Box 4.2: Good practice in disseminating publicity about equity loans and relocation**

A number of Pathfinders have used their newsletters to provide case studies of households who have used an equity loan to purchase a new property and to relocate. These stories explain the financial packages involved, often include positive quotes from the households about their experience and their new properties and include a photograph of the family outside their new property, which provides a reality and human face to the story and provides a resident's perspective on the loans process.

## **Other mechanisms for financial assistance**

There are a number of other financial assistance packages available to support owner-occupiers in clearance areas to purchase alternative properties. These are described briefly below. Each Pathfinder is currently offering a range of these options, based on the understanding that a suite of financial assistance packages needs to be provided to meet the diverse housing circumstances, needs and aspirations of individual households.

### **Shared ownership, Homebuy and equity share**

Under shared ownership schemes, residents purchase between 25 per cent and 75 per cent of the equity in a home developed by a registered social landlord. The financial support package is funded by the Housing Corporation and delivered by registered social landlords. It is available to individuals on local authority and

registered social landlords housing waiting lists. The shared owner pays rent on the remaining equity, and is also responsible for maintenance. New Build Homebuy, Open Market Homebuy and Leasehold Schemes for the elderly are variants of the shared ownership model.

Whilst these financial assistance packages are suitable for some households, research by the Pathfinders indicates that a considerable number of households affected by clearance would still not be able to afford even a 25 per cent equity stake or to meet the rental payments required on the remaining equity. These products are also dependent on significant registered social landlord development activity in or near Pathfinder intervention areas.

### **Homeswap**

Homeswap, developed by Salford City Council, enables owner-occupiers affected by clearance to transfer their existing mortgage to an alternative property. A charge may be placed on the new property to cover value differentials between the old and new homes. This charge is discounted over time so that the longer a household remain in their new property the less will have to be repaid to the local authority. As with equity loans, any charge is only recovered after the subsequent sale of the new property.

Research into the Salford Homeswap scheme indicates that the advantages perceived by residents included accessing a like-for-like home, with no negotiation around cost, reduced search and legal costs, and some protection from house price rises. However, the wider application of Homeswap is dependent on having a stock of available and desirable properties available within the search areas of households affected by clearance, and this makes this option less appropriate in some Pathfinder areas.

### **Section 106 agreements**

These agreements are negotiated with private sector housing developers to provide a proportion of discounted affordable properties in new build developments. These properties are usually pre-determined and the discount is usually around 30 per cent of the open market value. The property is sold to a restricted market, usually taken from local authority housing waiting lists. Research by some of the Pathfinders indicates that, unlike equity loans or Homebuy, this form of subsidy is not seen by residents as incurring a debt and is therefore very marketable. Discounted housing has also been combined with equity loans or grants to enable affordability gaps to be bridged. In interview, one of the Pathfinder officers said they had received advice from the Housing Corporation that a double subsidy was not permitted, by using Section 106 in conjunction with Homebuy or Social Housing Grant. However, a representative from another Pathfinder said they had been able to do this without any difficulty.

As a result of the increasing market values of new build developments in several Pathfinder areas, officers said that these properties might still be unaffordable for owner-occupiers in low value properties in clearance areas, even with the 30 per cent discount. The number of Section 106 properties is also limited, and negotiations with private developers are often protracted and subject to other delays in the development process.

### **Other schemes**

Homesteading schemes involve local authorities or registered social landlords selling a poorly maintained property at a discounted price to an individual who then renovates the property, subject to certain standards and timeframes. The Home for Home scheme run by Sheffield City Council enables residents to purchase, rather than rent, vacant council rental stock, with the council purchasing the household's existing property.

## **Emerging issues and challenges**

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The use of financial assistance packages is in its early stages and many of the financial products are still being developed. There are a number of emerging issues regarding their use and future challenges facing the Pathfinders.

### ***How will relocation be handled for those owner-occupier households who are either unable or unwilling to utilise equity loan or other support products?***

Equity loans have been used successfully and their use is increasing, and the evidence suggests that they have been popular, to some extent, with households who have used them. However, it is possible that this initial uptake may subside and that alternative products and mechanisms will need to be developed for remaining households who are either unable or unwilling to utilise existing products.

### ***How will equality and fairness be resolved as the scale of relocation activity and the affordability gaps increase?***

To date, many of the equity loans products and other financial assistance packages have been allocated on a first-come, first-served basis. Given the limited number of properties and households involved to date, and the slow initial take-up of loans, this has not yet become a major problem. As with CPO acquisitions, access to loans will have to be budgeted for, and decisions made about rationing and prioritisation. The Oldham Rochdale Pathfinder, for example, has found it necessary to place ceilings on the amount that can be borrowed, in order to keep the commitment affordable for the whole programme. If it proves difficult to find private sector partners to provide finance, the pressures on public resources will, of course, intensify.

***How can (pre and post-move) support mechanisms be maintained as the scale or relocation increases?***

At the moment the support provided to residents includes free independent advice, valuations, one-to-one interviews, home visits etc. But it is not clear that this level of support is sustainable, without considerable additional resources, if the scale of affected households increases and services need to become more targeted.

***What displacement effects might emerge from the provision of equity loans?***

As equity loan products require a sufficient supply of aspirational housing, the provision of this form of support may displace demand to neighbourhoods which lie outside the Pathfinder area. It is too early to say how such displacement effects may occur and whether equity loans will reduce the level of commitment to remain in market renewal areas. The prospect underlines the need for clearance and new development to go hand in hand wherever possible, to provide relatively local options for displaced households.

***To what extent may double subsidies be utilised in providing assistance to households?***

The interviews with officers from the Pathfinders found that in some circumstances even a combination of statutory compensation and equity grants or loans has not been sufficient to enable owner-occupiers to remain in the tenure following clearance. Some Pathfinders have responded to this situation by utilising equity grants or loans in combination with other financial assistance, usually access to discounted affordable housing provided through Section 106 agreements with developers. However, there is both a need to clarify whether such practices comply with legal and statutory regulations and codes of practice and to consider whether this double subsidy may be maintained in situations where increasing numbers of existing owner-occupier households are requesting financial assistance to relocate.



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## Chapter Five

# Building on experience: Key messages for policy and practice

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### Introduction

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This chapter identifies the inherent and complex issues that characterise clearance, demolition and relocation programmes, and continues by setting out the main implications of the research findings for various key stakeholders.

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### Clearance, demolition and relocation within the context of housing market renewal

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The processes of clearance, demolition and renewal are inherently emotive and controversial and occur within the wider context of the complex policy agenda of housing market renewal and the creation of sustainable and vibrant local neighbourhoods. A number of key issues frame the issues facing local communities and practitioners in the Pathfinder areas, including:

- The loss of one's home and moving from an existing neighbourhood can have a huge impact on individuals and result in considerable anxiety, concern and emotional distress. These responses are entirely natural and legitimate and must be allowed to be voiced and to influence policies and procedures.
- The use of statutory powers such as Compulsory Purchase Orders represent one of the most major interventions that public institutions may make on the private lives of citizens. Whilst considerable steps have been undertaken to engage local communities in decision-making processes, the use of statutory mechanisms to facilitate clearance programmes limits the extent to which genuine community empowerment may be achieved. This sets the framework for the often difficult relationships between Pathfinders and sections of local communities over specific proposals.
- There is an inherent tension between improving the longer-term interests of neighbourhoods undergoing housing market renewal programmes and the shorter-term disruption caused to local communities and the impact on households affected by clearance and relocation. It is far from straightforward to resolve this conflict between the interests of individual households and the wider benefits accruing to communities.
- Housing market renewal requires very complex interventions that need to balance the interests of a wide range of actors. The programme is constantly

evolving and responding to changing local circumstances. It is characterised by the need to develop new skills and mechanisms very rapidly and requires very steep learning curves. The support to residents and the use of financial packages are in their early stages and new ways of working inevitably generate lessons that need to be learned as the programme develops. Many of the factors influencing housing market renewal or the processes of clearance and relocation are beyond the powers of the Pathfinders to control. Therefore Pathfinders, as well as affected residents, require advice and support.

## **Messages for residents affected by clearance and relocation**

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Residents affected by demolition and relocation are entitled to feel anxiety and concern. They should not be made to feel that their responses to clearance are in any way inappropriate. Nor should they feel pressured into making swift decisions or agreeing to decisions that they are not happy with. The most important advice given by residents who have already been through the demolition and relocation process is for other residents to ensure that they have all the advice and information available, to raise any queries or concerns at any stages of the process, to seek independent support and advice and to make the maximum use of any support that they are entitled to. There is a need to be proactive in seeking out what advice and support is available, and to ask others about their experiences and what support they have received.

## **Messages for the pathfinders, councils and registered social landlords**

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Individual Pathfinders are responding to the specific local circumstances facing them, and this is a rapidly moving policy field. They are, to some extent, adopting a pioneering role in exploring the use of private finance to support those affected by public policies. However, it is already clear that many of the central issues and challenges are shared across each of the intervention areas. Pathfinders and their partner agencies should continue to build the capacity of local communities to influence the renewal programme and sustain their efforts to improve their relationships with affected residents. Demonstrating that residents are listened to and able to influence clearance and demolition plans is very important in building levels of trust and engagement that are required to facilitate the relocation process. There is also a need to tackle some of the negative perceptions about the support, including financial support packages, available to residents. This is dependent on the training, knowledge, sensitivity and enthusiasm of front line officers interacting with affected households.

There is also the need for processes to be transparent and developed on the basis of independent assessment and advice, which needs to be provided proactively and

free of charge to residents. Whilst comprehensive support packages are in place for residents prior to moving, there is a need to develop more robust support mechanisms for households, and especially vulnerable households, during and after relocation.

The financial imperatives necessitate a move from relocation grants to loans. There is a need to review the consequences of this approach in terms of effectiveness and equality. The approaches taken by local authorities within Pathfinder areas, and by Pathfinders themselves, also need to be more consistent. This is already being taken forward through a number of forums and activities. There is also a need for local authorities and Pathfinders to develop monitoring and performance measures to enable the evaluation of the impact of relocation equity loans and other financial support measures.

Within these review processes, it may be necessary to develop new products or mechanisms for engaging with those households who are the most unwilling or unable to move. These households are often the most deprived and vulnerable and therefore are likely to require significant levels of additional support. It is also the case that to date the provision of support to affected residents and the use of financial assistance packages for owner-occupiers has been feasible because of the limited extent of clearance and relocation in most areas. If the scale of clearance increases and the affordability gap grows as a result of housing market recovery, this will place considerable pressure on resources and careful planning will be necessary to decide how these resources will be prioritised and allocated fairly and equitably in the future.

Finally, there is a need to continue to pool the considerable knowledge, experience and good practice relating to support packages to affected residents, and specifically owner-occupiers, that exists in individual Pathfinders.

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## Messages for the media and campaigning organisations

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There has been considerable local and national media coverage of the Housing Market Renewal programme, and in some cases concerns have been expressed about the impact of demolition activities in particular. The consequences for local communities, the degree of community empowerment and the adequacy of compensation and support packages provided to residents, including owner-occupiers, are crucial issues that need to be discussed. However, such criticisms need to be framed within an accurate portrayal of both the actual scale of demolition activity, the motivations of Pathfinders and other agencies, and the types of support being provided to residents. There is also a need for those critical of demolition programmes to set out what alternative mechanisms should be

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utilised to achieve the longer-term goals of bringing about housing market recovery and building sustainable communities. In relation to concerns about the loss of Britain's built heritage, there is a need to undertake further research into whether traditional housing forms, such as terraces, actually meet the housing needs and aspirations of new households in the 21st century. Much of the opposition to clearance plans has so far has been driven by supposition about housing aspirations rather than firm empirical evidence on what residents want.

## **Messages for financial institutions and housing developers**

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Engaging in the Housing Market Renewal programme and providing financial support packages to economically vulnerable households carries risks and requires innovative involvement in new markets and the production of new products. The need to ensure appropriate levels of return on investment is paramount. However, there is also a case for financial institutions and housing developers to engage more fully in the process, as a means of achieving social justice and corporate social responsibility goals. It should not be beyond Pathfinders, central and local government to develop, in partnership with private sector organisations, products with appropriate safeguards that can contribute significantly to the regeneration of some of the most deprived communities in the country.

## **Messages for central government**

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There is a need to reaffirm the importance of the Housing Market Renewal programme to achieving the core aims of government policy including the creation of vibrant housing markets, building sustainable and balanced communities and regenerating our most deprived neighbourhoods. This may require some of the assumptions underpinning current priorities to be reassessed – for example, the extent to which owner-occupation on the margins of affordability should be promoted, and how this relates to longer-term neighbourhood sustainability.

More specifically there is a need to recognise the substantial level of support that needs to be provided to residents, the resource implications of this support and the provision of adequate revenue funding in order that this support may be delivered and sustained as the scale of demolition and clearance increases. The impact that the current funding regime has on community consultation, housing investment and programme phasing needs to be examined further. The results should then be used to assist Pathfinder and other bodies to facilitate the most effective process of clearance, demolition and relocation.

Finally, there is a need to facilitate the greater involvement of the private sector in providing financial support to residents affected by clearance. The increasing scale

of demolition and rising house prices in the housing market are likely to result in the affordability gap issue growing, and this affordability issue may not be resolved entirely by Housing Market Renewal Funding. This may require the development of a nationally supported range of financial assistance products, underpinned by the development of regulations, guidance and monitoring and review mechanisms.

Such an approach would also benefit from an investigation into potential lessons to be learned from the experiences of other countries. The Pathfinders and other bodies have already undertaken a series of events to disseminate their experiences and to share learning about equity loans and other support packages. These efforts could be complemented by further focused research drawing upon the expertise of finance, economic and regeneration specialists. Clearance represents the most visible and emotive element of housing market renewal activity and therefore provides a powerful symbol for the success or otherwise of the entire Pathfinder programme. It is therefore fundamental to the goals of housing market renewal to ensure and demonstrate that these processes are sensitively and appropriately managed, that financial, social and environmental disruption caused to households has been minimised and that these activities are making an important contribution towards improving the quality of life of all residents.



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This research has also drawn upon the following sources:

- The Scheme Updates and annual reports for each of the Pathfinders.
- A series of reports and presentations prepared for the Pathfinders about equity loans and other financial assistance packages by David Cumberland and GVA Grimley.
- Pathfinders' and councils' policies, procedures and unpublished reports and minutes
- Pathfinder newsletters and publicity materials.





# Sheffield Hallam University

*Demolition, relocation and affordable rehousing: Lessons from the Housing Market Renewal Pathfinders*

COLE, Ian <<http://orcid.org/0000-0002-9207-7528>> and FLINT, John

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