

## Addressing housing affordability, clearance and relocation issues in the Housing Market Renewal Pathfinders

The clearance and demolition of homes and the relocation of affected residents raise considerable challenges for local communities and Housing Market Renewal Pathfinders. This study, by researchers at Sheffield Hallam University, examined the support and financial assistance packages being provided to residents during clearance and demolition. It also explored how the Pathfinders are addressing housing affordability issues facing relocating households. The researchers found that:

- A sense of home and neighbourhood are vital elements of communities' social and economic well-being. Demolition and relocation processes therefore need to be managed sensitively, efficiently and equitably.
- There are several examples of good practice where Pathfinders, local authorities and partner agencies are providing a wide range of advice and support to affected residents, although there is a need to further develop additional support for vulnerable households.
- The phasing and funding cycles of the Housing Market Renewal Programme create some barriers to developing good practice in community empowerment and consultation and the provision of support to individual households.
- The 'affordability' gap between the compensation value of demolished homes and the price of purchasing alternative properties means that affected residents need to be offered a range of financial assistance packages. In some cases, these packages have already been used successfully by relocating households.
- The researchers suggest that:
  - Pathfinders and their partners need to ensure the active engagement of communities at all stages of the housing renewal programme and provide adequate support, advice and financial assistance to affected residents. This may require additional resources from central government and other partners.
  - The Pathfinders and central government should continue to explore with financial institutions how to maximise the housing choices available to residents affected by clearance and demolition through loans and home-ownership products.



## Background

The Housing Market Renewal Pathfinder Programme aims to renew failing housing markets in nine designated areas of the North and Midlands of England. Clearance and demolition are important elements of the housing renewal strategies in these areas.

Whilst many properties earmarked for demolition are already vacant, in some areas it has been necessary to designate occupied homes for clearance. These properties are acquired through voluntary negotiation or the use of Compulsory Purchase Orders: affected households are relocated. However, demolition programmes have been subject to considerable local and national controversy. A particular concern has arisen about the 'affordability gap' between the statutory compensation packages paid to relocated owner-occupiers and the actual cost of purchasing an alternative property in a different area. The Pathfinders have implemented a range of financial grant and loan packages in order to bridge this gap and enable some households to remain in owner-occupation.

This research sought to:

- identify the key issues relating to clearance, demolition and relocation, particularly as they affect owner-occupiers;
- examine the legal, financial and other support packages provided to affected households;
- evaluate the financial packages being provided to address the housing affordability gap;
- identify examples of good practice.

## Key issues in clearance and demolition

Demolition, clearance and relocation processes are important elements of Housing Market Renewal Programmes in all of the Pathfinders. To date the scale of demolition and relocation has been modest, but it is likely to increase in the next phases of the programmes. The researchers found that:

- How clearance and demolition are managed has a significant impact on the relationships between Pathfinders and local communities and the wider effectiveness of the Housing Market Renewal Programme. These relationships are vital in building the capacities of local communities, ensuring their active engagement with regeneration processes and building a sense of attachment and stakeholding within local neighbourhoods that is essential to the sustainability of renewal activities.
- The importance of home and neighbourhood for individual households and local communities means demolition and relocation processes have a

substantial impact on affected residents; this impact needs sensitive management. Pathfinders have faced significant challenges empowering communities at all stages of the process, reflecting the diversity of needs and views in local communities, and ensuring that communities get reliable information on the nature and phasing of demolition activity. Pathfinders also require effective media strategies.

- Phasing clearance and redevelopment to minimise the disruption to households and communities and facilitate appropriate relocation has proved very difficult for the Pathfinders, given the complexity of these processes and the wide range of people involved. The Pathfinders also face considerable challenges meeting the diverse housing circumstances, needs and aspirations within affected communities.
- Many owner-occupiers affected by demolition have encountered a substantial gap between the amount of compensation they receive for their existing home and the cost of purchasing a suitable alternative in an appropriate neighbourhood. The size of this affordability gap varies, but estimates provided by the Pathfinders suggest an average of £35,000. Most owner-occupiers affected by demolition wish to remain home-owners but require additional financial support to purchase a new home.

## Supporting residents through the relocation process

Residents affected by demolition require significant levels of support, advice and assistance at all stages of the process. These stages include: the designation of clearance areas; the valuation and purchasing of properties for clearance; the purchasing of new properties by affected residents; the moving process and the period of settling in to a new property and neighbourhood following relocation.

The researchers found that:

- There is a need for Pathfinder local authorities and their partners to build opportunities for communities to influence the scale, timing and details of clearance and relocation programmes and their capacity to do so. Although the Pathfinders are increasingly using a range of community consultation methods, it is often difficult to balance the empowerment of residents with the strategic phasing and longer-term planning of housing market and neighbourhood renewal because of the complexities of acquiring new properties, synchronising the different timescales of stakeholders (including private developers), and the uncertainties of future funding.

- The process of valuing properties designated for clearance is the source of considerable concern and resentment amongst affected households, including those who have successfully used additional financial support packages to relocate. There is a need for valuation processes to be fair and consistent within and between Pathfinder areas, to include free independent valuations and to contain adequate review and appeal options. The Pathfinders also need to reassure residents that they will receive a fair market price for their property.
- Pathfinders, local authorities and partner agencies are now providing a wide range of advice and support to households about relocation and the housing and financial options open to them. It is important that this advice is comprehensive, consistent, free, independent and tailored to the circumstances of individual households.
- Particular households, including older and long-term residents and members of black and minority ethnic communities face particular barriers and challenges to relocating and are more vulnerable during the process. They may be unwilling to take on new debts, are reluctant to lose the sense of attachment and family/friendship networks they have built up in their neighbourhood, and have concerns about being socially isolated in a new area. These households require additional support to assist them in relocating.
- There is also a need for Pathfinders and their partners to develop further support packages to assist households after they have moved and to ensure that vulnerable households get support after relocation.
- Providing adequate support requires considerable resources: the need for more resources is likely to increase as the scale of demolition grows. This raises questions about both the sources and the scale of revenue funding to sustain Housing Market Renewal.

### Financial assistance packages

Owner-occupiers affected by demolition receive statutory compensation packages which comprise the market value of the existing property, a Home Loss payment and disturbance payments. However, these are widely recognised as too low to enable many households to purchase a new home. The Pathfinders have therefore developed additional financial support packages for owner-occupiers. The researchers found that:

- Relocation grants of between £10-20,000 have been provided 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. The Pathfinders are increasingly using loans, often privately financed, to bridge the affordability gap instead of grants.

- The Pathfinders have also developed 'relocation equity loans' to help enable owner-occupiers to bridge the affordability gap and buy a new home. These loans are usually between £20-35,000. These loans operate as a legal charge on the purchased property and are not interest bearing. Repayments to lenders are based on their proportion of equity when that property is sold at some point in the future.
- In the short term, relocation equity loans enable households to remain owner-occupiers in an appropriate property without having to pay interest. Over the long term, they ensure that funding is recycled into the Housing Market Renewal Programme. An increasing number of relocated households are using these loans successfully. However, reluctance amongst some households to take on new or additional debts and a perception that new properties are owned by councils rather than households has affected take-up. These loans may also not be appropriate 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 engage with private sector financial institutions in the provision of the loans. However, these institutions have been reluctant to get involved, due to the relatively untested nature of the product, the perceived risks, and the small-scale and long-term nature of the investment.
- Pathfinders are also providing a range of other financial assistance mechanisms to owner-occupiers, including shared ownership, Homeswap and discounts on new housing provided through Section 106 agreements. The applicability of each of these packages varies considerably between households.

### Conclusions

The process of clearance and relocation and the support provided to affected households take place within a complex and demanding policy environment, as Pathfinders and their partners press ahead with their strategies for housing market renewal. A balance has to be struck between mitigating the impact on individual households and securing longer-term benefits for the community as a whole. The issues arising from clearance activity, the impact of the 'affordability gap' on residents,

and the implications for the financial sustainability of the Pathfinder programme, are likely to become more significant in the near future.

The researchers suggest that:

- *Pathfinders and their partner agencies* need to:
  - respond sensitively and appropriately to residents' needs;
  - involve communities throughout decision-making processes;
  - further develop tailored support to affected households which is comprehensive, available at every stage of the process, free and includes access to independent advice. There are positive signs that this is now beginning to happen in earnest;
  - support vulnerable households, in particular, and continue support after relocation;
  - support sustainable forms of home-ownership and consider the role of other tenures in facilitating housing market renewal.
- *Financial institutions and housing developers* need to recognise that their involvement and investment in the process are 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.
- *Central 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;
  - recognise that housing market renewal funding is not sufficient in itself to address the increasing affordability gap for owner-occupiers in the housing intervention areas;

- 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.

■ *In the research field*, there is a need to:

- disseminate existing research and knowledge more widely in order to provide more consistent support to residents within and between Pathfinders;
- look further into the development of appropriate financial assistance mechanisms for relocating households;
- explore further both the positive and negative social and economic effects of the clearance and redevelopment process.

The issues arising from clearance, demolition and relocation are part of the inevitable disruption entailed in achieving housing market recovery and neighbourhood sustainability in the longer term. Although the researchers found that systems and processes could and should be improved, these immediate problems do not in themselves undermine the rationales and need for demolition and redevelopment to achieve housing market renewal.

## About the project

The researchers analysed policy documentation, evaluation reports and publicity material from each of the Pathfinders. Face-to-face and telephone interviews were conducted with Pathfinder and local authority officers in seven of the Pathfinder areas. Further interviews and documentary analysis were carried out in a neighbourhood affected by clearance. The researchers also interviewed 13 residents in two other areas who had relocated or were in the process of relocating.

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## For further information

The full report by Ian Cole and John Flint will be published later in 2006.

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