



From the Chair:

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Edward Leigh MP,
Chairman of the House of Commons Public Accounts Committee,
House of Commons,
Westminster
London SW1A 0AA

Dear Mr Leigh,

We wish to draw the attention of the Public Accounts Committee to concerns that large amounts of public money, intended for regeneration in the country's most deprived communities, appear to be going to waste on Merseyside.

Two major urban renewal projects funded via the Office of the Deputy Prime Minister, the *Merseyside 'New Heartlands' Housing Market Renewal Pathfinder (c. £250m)* and the *Kensington 'New Deal for Communities' Programme (c. £60m)*, are causing deep divisions in the very places they were designed to help.

Both 'quangos' are now heavily involved in the compulsory acquisition and demolition of large numbers of Victorian terraced houses, shops and associated buildings across inner Liverpool and Merseyside.

We have always been disturbed that this policy risks repetition of the planning mistakes of the 1960s, when established communities, in characterful areas, were blighted and destroyed, to be replaced by poor quality neighbourhoods of no lasting value.

It is now clear that the cost to the public purse of acquiring thousands of private properties appears to have been grossly under-estimated. The latest evidence shows that median property prices have more than doubled in the area covered by the Merseyside Pathfinder since it was established two years ago, calling into question the need for mass-clearance and making compulsory purchase increasingly costly and unpopular.

The Pathfinder and Kensington New Deal budget calculations are based on estimates that acquisition costs would average around £40,000 per property.

The cost of acquiring homes for demolition has now reached £80,000 a unit, in some cases, such as the Bedford Road area of Bootle, and is likely to double again as areas, such as Kelvin Grove, in the Welsh Streets neighbourhood of Toxteth, become targeted. Large five bedroom townhouses here are attracting private offers of over £180,000 - even whilst blighted by the threat of clearance.

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To this figure must be added the significant cost of demolition. Professor Anne Power, of the London School of Economics, has estimated that total demolition and waste disposal costs, for even a small Victorian terraced house, can amount to some £18,000.

Your committee will, I hope, be as shocked as the taxpayers of Merseyside and elsewhere to find that they will be expected to pay between £100,000 and £200,000 to turn habited historic housing into new open space of which there is already an abundant local supply.

This is before rebuilding costs and the social and environmental impacts of such disruption are accounted for, as well as the considerable costs of administering the quangos and paying consultancy fees.

A clearance scheme in the Edge Hill area, jointly funded by the Pathfinder and Kensington New Deal, has this month had to seek an extra £5m of public funding, from the North West Development Agency and Liverpool City Council, to make up for a shortfall that opened up as a result of rapidly rising land values.

There is also the very serious suggestion that valuable public assets, including housing stock owned by local authorities and Housing Associations (Registered Social Landlords), are being negligently left to decay and become derelict in order that grants for demolition and site assembly can be used to effect land deals that will benefit large developer interests rather than individual property owners.

The respected cross-bench peer, Lord Alton of Liverpool, has called the neglect of areas by housing associations and Liverpool City Council "an absolute disgrace".

The bureaucracy and blighting effects of the demolition schemes is having the unfortunate further effect of acting as a barrier to natural market driven renewal. In part of Kensington, in the Newsham Park Conservation Area, we are told by local residents that private investors have offered to purchase and restore publicly owned historic properties that are due for demolition, but have had their offers refused by Liverpool City Council, a lead partner in the Pathfinder.

The absurdity of the 'market renewal' scheme is thrown into yet sharper relief when contrasted with alternative means of regeneration. Even the most neglected of these solidly built Victorian houses can be modernised and made highly attractive for around £20,000 - £25,000, as the recent experiment conducted by Sir Trevor MacDonald's 'Tonight' programme proved conclusively. This solution would be far less wasteful and far more popular than forced eviction and compulsory purchase of property capable of cost-effective refurbishment to 21st century standards. Meanwhile, new homes can continue to be built on the large areas of 'brownfield' land that still scar Liverpool – without the need to tear down attractive, Victorian properties for which this is demonstrable market demand.

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The price 'boom' on Merseyside is partly due to the wider national growth in demand, and partly due to local conditions, including an upsurge in investor confidence in the city, following the announcement of its designation as European Capital of Culture for 2008.

Some of the property value growth has been an unintended, but entirely predictable, consequence of the Pathfinder policy itself - namely that the intention to demolish has prompted a frenzy of market speculation, in the knowledge that compulsory purchasers are obliged to pay full market value.

Notwithstanding this distortion, local agents believe that the increased values reflect, in great part, a genuine increase in demand for inner city living.

The Report of the ODPM Select Committee Inquiry into Empty Homes and Low Demand Pathfinders earlier this year warned the Government that a greater emphasis on refurbishment relative to demolition was advisable. It also urged efforts to be made to prevent the policy being seen as a return to unpopular slum clearance policies of the past, and recommended that the Pathfinders should respond more flexibly than hitherto to changes in market conditions.

We would be happy to arrange, for your benefit, a tour of the affected areas so that you could see for yourself the extent of the damage being caused by these programmes.

We respectfully ask that your committee consider undertaking a detailed investigation into whether this expensive and destructive approach to urban regeneration is offering good value for tax payers' money and protecting the basic rights of property owners, tenants and businesses.

Yours sincerely

Peter Brown (Dr)