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Introduction

One of the main problems faced by residents informed that their estate is being considered for ‘regeneration’ is the disinformation they are given by the local authority or housing association implementing the process. This is compounded by the council officers who run the unelected Resident Engagement Panels and Steering Groups formed to persuade residents of the benefits of regeneration; by the professional consultants employed to manufacture resident consensus for what they are told will happen; by the architects who visualise the promises of what regeneration will mean for residents; and ultimately by the property developers who will build the new development. For whatever residents are initially told about ‘regeneration’, on estates built on London’s highly lucrative land this invariably means the demolition of the existing estate, the redevelopment of new properties at greatly increased densities, and the privatisation of the management of the new development.

This problem of disinformation, however, isn’t confined to residents. Housing campaigners trying to resist the demolition of residents’ homes share the same misunderstandings about the costs of estate regeneration. As a result, these campaigns of resistance are almost entirely confined to ethical arguments about the right of the estate community to continue to exist. These arguments are important, but they are of no concern to the agents of regeneration: neither to the developers after the land residents’ homes are built on, nor to the council undertaking the process of moving them off it. The registered social landlord, whether local authority or housing association, will make gestures of appeasement towards those rights right up to the moment residents are forcibly evicted from their homes; but those arguments will have little or no influence on what gets built on the land cleared of the demolished homes. What determines that is one thing, and one thing only: the financial costs of demolishing and redeveloping estates.

It is important, therefore, that residents and campaigners understand these costs, and can base their resistance to the estate regeneration programme that is clearing the land for London’s property boom not only on arguments about ethics, but also on a clear understanding of what will result from the continued demolition of the city’s housing estates in the middle of a crisis of housing affordability. Current policy for London’s Conservative, Labour and Liberal Democrat councils, the Greater London Authority and the UK Government, is to use ‘regeneration’ as a Trojan Horse for demolition and redevelopment. But the financial figures show that the cost of demolition, compensation for leaseholders and tenants, and the construction of new-build dwellings, is so high in today’s housing market that the resulting redevelopment will overwhelmingly be composed of properties for private sale, with a hugely reduced number of homes for social rent, increased rental and service charges for existing council tenants, and enormously increased sale prices and reduced tenancy rights for leaseholders.
It is on the basis of our understanding of these costs that over the past three years Architects for Social Housing has developed its design alternatives to demolition for five London housing estates, including the Knight’s Walk and Central Hill estates in Lambeth, the West Kensington and Gibbs Green estates in Hammersmith and Fulham, and the Northwold estate in Hackney. Each of our design proposals increased the housing capacity on the estate by between 35 and 50 per cent without demolishing a single existing home or evicting a single resident. The funds raised from the market sale and rent of around half of the new builds meant the other half were able to be allocated as homes for social rent. And the sale and rent revenues from the new builds generated the funds to refurbish and improve the current estate up to the Decent Homes Standard and higher. Because of this, the ASH model of estate regeneration through refurbishment and infill new development is the most socially beneficial and environmentally sustainable option to address the crisis of housing affordability in London; but it is also the only financial option that doesn’t result in the social cleansing of existing residents from their estate and the mass loss of homes for social rent that is being implemented by the estate regeneration programme in its current form.
Part One: Gains and Losses

Demonstrating this to be the case, however, requires arguments not relying on the promises of the councils and housing associations implementing estate redevelopment, but on the facts of previous and current estate regeneration schemes, and the housing policy under which they were, and are currently being, implemented.

I want to begin this report on the costs of estate regeneration by looking at some of the more famous estate regeneration schemes in London, those which are some way along the process, and for which the figures, therefore, are available. Estate demolition and redevelopment is a long process. It takes years to complete, and, in the case of the larger estates, decades. But as we will see, the results of their ‘regeneration’ are at enormous odds with the promises made to residents by the landlords implementing them, and the reasons they gave for doing so.

This first set of three slides looks at six estate regeneration schemes. The first four of these, the Ferrier estate in Kidbrooke, the Woodberry Down estate in Manor Park, the Heygate estate in the Elephant and Castle, and the Aylesbury estate in Camberwell, are still in progress. The fifth scheme, Myatts Field North estate in Brixton, is complete. And the last estate, Central Hill in Crystal Palace, has been condemned for demolition.
On the left side of this first slide are the number of homes that have been or are to be demolished (indicated in light grey) in each scheme; and on the right are the number of homes to be built in the new development (indicated in black), usually under a different name. One measure of the extent to which estates are being regenerated as private developments for a clientele of home owners and property investors rather than council estates for people in housing need is that if the estate is in Inner London it tends to be renamed ‘Quarter’ or ‘Park’, and if it’s in Outer London it tends to be renamed ‘Village’ or ‘Orchard’.

So, the Ferrier estate had 1,906 council homes demolished; while Kibrooke Village, which is replacing it, will have 4,763 properties. Woodberry Down will have 1,980 of its council homes demolished; while the new Woodberry Down development will have 5,557 properties. The Heygate estate had 1,214 council homes demolished; while Elephant Park will have 2,535 properties. The Aylesbury estate will have 2,704 council homes demolished; while the new Aylesbury development will have around 4,200 properties. The Myatts Field North estate had 306 council homes demolished; while Oval Quarter has 808 properties. Central Hill will have 456 council homes demolished; with the number of dwellings on the new development not yet determined, but will be anything up to and even exceeding 1,530 properties.

I’m not going to go into the details of what the tenure breakdown of the new developments is here. You may read about them in ASH’s individual case studies of these and other schemes, which are published on our blog. But by referring to the demolished dwellings as ‘homes’ and the new dwellings as ‘properties’, I’m more generally indicating that in each of these schemes there is a mass loss of homes for social rent, as well as the council homes bought by leaseholders under the Right to Buy, and their replacement overwhelmingly with properties for market sale and rent, with the remainder so-called ‘affordable housing’. We’ll come to what this term means, which is at the heart of the lie of estate redevelopment.

All of these schemes, it should be noted, are being implemented by Labour-run councils. Kibrooke Village is in Greenwich; Woodberry Down is in Hackney; the Elephant Park and the Aylesbury are in Southwark; and Oval Quarter and Central Hill are in Lambeth. These are the boroughs at the forefront of London’s estate regeneration programme; but every London council has an estate regeneration programme, and they are following the trail cut by these boroughs through London’s council housing.

Now, as we can see, on each of these schemes the increase in dwellings from the demolished homes to the developed properties is considerable, between two and three times as much. The reason why this is the case is what I want to focus on in this report.
I want to start with leaseholders, as they get the worst deal out of estate redevelopment. For this reason they usually form the basis of the residents’ resistance to the demolition of their homes, because the deals they are offered in compensation are so bad. These deals are changing, however, and I want to go back over the regeneration schemes we’ve already looked at to see what’s happened on them. I’ve broken this down into three figures:

1. The compensation leaseholders were offered for their demolished homes (indicated in light grey), which the council are able to buy against leaseholder’s wishes through Compulsory Purchase Orders (CPOs);
2. The cost of a shared ownership deal on the new development as both a required minimum 25 per cent deposit (indicated in dark grey) and monthly rent (indicated in dots);
3. And the full price of a property on the new development (indicated in black).

Shared ownership makes up an increasing majority of the new category of so-called ‘affordable housing’, which all three political parties running London’s councils have adopted as the official replacement for homes for social rent lost to estate demolition schemes. It is also the primary deal offered to existing leaseholders. Shared ownership means the buyer needs a 25 per cent share in the new property. However, this only gives them the tenancy rights of an assured tenant. They don’t become the owner of the
property until they have purchased 100 per cent of the shares, the price of which will increase with the value of the property, and until that time they remain an assured tenant. Furthermore, although they may own just 25 per cent of the property, tenants are liable for 100 per cent of the service charges for the maintenance of the building. Finally, if they default on their rental payments, which can be increased at the discretion of the landlord, shared ownership tenants lose not only their home but also their down-payment on the property as well. For all these reasons, shared ownership is emerging as one of the greatest scams to come out of the housing crisis since the Right to Buy.

On the Ferrier estate, for example, the regeneration of which began back in 1999 under a Labour government, a leaseholder with a 4-bedroom home was offered £85,000 in compensation for a 4-bedroom home. In contrast, a 4-bedroom home on Kibbrooke Village, its replacement built by the Berkeley Group, costs £900,000 today. To enter into a shared ownership deal, therefore, the leaseholder needed a £225,000 down payment, £140,000 more than he was offered for his demolished home, as well as finding an additional £1,550 per month in rent. These are actual figures, not generalised ones, and accurately reflect the kind of cowboy practices that prevailed when the estate regeneration programme first entered its current form. Because of this, few if any of the leaseholders on the Ferrier estate purchased a property in Kidbrooke Village, as was quite clearly the intention.

On Woodberry Down, the regeneration of which was also initiated in 1999, things were marginally better. Leaseholders were offered £220,000 for their demolished 2-bedroom home. Equivalent-sized properties on the new development, also built by the Berkeley Group, are selling for £660,000, so this compensation covered the cost of a 25 per cent share in the new property. But from being homeowners – most of whom owned their property outright – leaseholders were now turned into assured tenants who had to find on average £1,150 per month in rent.

In the Heygate estate regeneration scheme, which was initiated in 1998, the leaseholders were offered on average £120,000 in compensation for a demolished 2-bedroom home; while a 2-bedroom property on Trafalgar Place, the first redevelopment site completed by international property developers Lendlease, went on sale for £725,000, meaning leaseholders required £181,250 for a 25 per cent share, an additional £61,000, plus £1,250 rent per month.

In the Aylesbury estate regeneration scheme, which was also initiated in 1999, leaseholders were offered £187,000 for their demolished 2-bedroom home; while on Albany Place, the first completed redevelopment site, 2-bedroom homes were sold for £550,000. This meant the £137,500 required for a 25 per cent deposit was covered by the compensation, but the leaseholder needed to find an additional £945 per month in rent to become an assured tenant of Notting Hill Genesis housing association.
On Myatts Field North estate, the regeneration of which began in 2002 under a Private Finance Initiative between Lambeth Living and a consortium called Regenter – a joint venture between John Laing Investments Ltd and the Pinnacle Regeneration Group – leaseholders were offered on average £114,500 for their demolished homes. 2-bedroom properties on Oval Quarter, the new development, are currently on sale for £595,000. Again, this means the £148,750 required for a 25 per cent share was not covered by the compensation, and that an additional £1,025 per month rent was required to become an assured tenant of the consortium, the homes for which are no longer managed by the council but subcontracted out to Pinnacle PSG, a private housing management company, which has been unaccountable to residents and unresponsive to the numerous repairs required to the badly-built new properties. This, too, is typical of the new developments being thrown up on London’s demolished council estates.

When we get to the regeneration of the Central Hill estate, which was initiated in 2014 but has yet to be demolished, Lambeth council has promised to compensate leaseholders for the demolition of their 2-bedroom homes with £340,000. It’s difficult to establish what is fair compensation for leaseholders’ homes based on their market value when the estate they are part of has been slated for demolition, and councils are cynical about using this loophole to offer leaseholders drastically reduced sums. But as we can see, £340,000 for a 2-bedroom home is considerably more than the sums paid in compensation for equivalent-sized homes on the earlier regeneration schemes, and pretty close to their...
actual market value. However, these are as yet only promises, and Lambeth council has systematically reduced its other written-in-stone promises to residents into hopeful principles, so we should take these offers with a pinch of salt. But taking the council at its word, a 2-bedroom property on the new redevelopment is currently estimated to go on sale for £476,000, which means the leaseholder can purchase something like a 70 per cent share in the new property, somewhat less given that prices will have risen in the 5-10 years it will take for the new development to be complete; but the assured tenant will, once again, have to find an additional £820 per month in rent and service charges, more if the housing association running the new development chooses to raise it.

As we can see, since the days when the Ferrier and Heygate estates were almost entirely socially cleansed of their existing residents, things have got a little better. This hasn’t happened because of a sudden wave of guilt overwhelming the councils implementing these schemes, or because of a sudden input of funding from the government, but because of the actions of residents and campaigners exposing and opposing the results of the demolition and redevelopment of estates.

<table>
<thead>
<tr>
<th>Leaseholder Compensation</th>
<th>Shared Ownership</th>
<th>and Market Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lambeth Council</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25%</td>
<td>£1,025/month</td>
<td></td>
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<tr>
<td>Lambeth Living / John Laing Group</td>
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<td></td>
</tr>
<tr>
<td>25%</td>
<td>£820/month</td>
<td></td>
</tr>
<tr>
<td>Homes for Lambeth</td>
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</tbody>
</table>

- **Myatts Field Nth Estate (leasehold)**: £114,500 (average)
- **Oval Quarter (Shared ownership)**: £148,750 for 2-bedroom (+ rent)
- **Oval Quarter (market sale)**: £595,000 for 2-bedroom
- **Central Hill Estate (leasehold)**: £340,000 for 2-bedroom
- **Central Hill Estate (shared ownership)**: £119,000 for 2-bedroom (+ rent)
- **Central Hill Estate (market sale)**: £476,000 for 2-bedroom
We shouldn’t forget, however, that shared ownership does not mean ownership but assured tenancy. And, just as importantly, whether transferred to a housing association like Notting Hill Genesis or a property developer like Lendlease, former leaseholders are now private tenants, and their landlords are free to increase service charges at their whim. Indeed, ASH has been sent numerous examples of housing associations such as Genesis evicting leaseholders from their homes and repossessing their properties because they were unable to pay the dramatically increased service and maintenance charges.

Most residents on council or housing association estates, however, aren’t leaseholders but tenants, and it is the homes for social rent they currently live in that make up the greatest loss to the estate regeneration programme. In this slide I’ve laid out the increases between the social rent homes that are being demolished and the various affordable housing and market rents that are replacing them. Taking the London borough of Lambeth in 2017 as our example:

- Social rent (indicated in red) for a 2-bedroom home was £135 per week.
- London Affordable Rent (indicated in orange), which was recently introduced by the London Mayor as a new category of affordable rent designed to replace social rent, was £159 per week for a 2-bedroom home, a weekly increase of £24. However, this was set as a benchmark for the whole of London, and fails to
distinguish between, for example, new developments in Lambeth and Enfield, with the former likely to be considerably higher in practice, and subject to viability assessments for the new development.

- **London Living Rent** (indicated in yellow), another new category of affordable rent, is set at a third of the median income in the borough. As a benchmark to aim for, it’s proposed that we should pay no more than a third of our income on accommodation, so on the face of it this sounds like a good deal. However, if you live in the Inner London boroughs in which the estate regeneration programme is concentrated, a third of the median income is likely to be far higher than a council tenant and their family can afford to pay. In Lambeth in 2017 it was £213 per week, more than one-and-a-half times social rent.

- **Tenancy Strategy Rent** (indicated in green), which is applied to new affordable rent homes, ostensibly built for new council tenants, was £265 per week for a 2-bedroom home, nearly double social rent.

- **Intermediate Rent**, or so-called **Affordable Rent** (indicated in blue), which is set by the Homes and Community Agency at up to (and rarely below) 80 per cent of market rent, was £384 per week for a 2-bedroom home, so nearly three times social rent.

- **And finally, Market Rent** (indicated in purple), which for a 2-bedroom home in Lambeth in 2017 was £480 per week, is three-and-a-half time social rent.

In every case, therefore, when an estate is demolished and redeveloped, the best a council tenant can hope for is an increase – and in most cases a considerable increase – in their rent, which for many of them will be sufficient to prohibit them from returning to the new development. Moreover, in every estate regeneration scheme ASH knows about responsibility for the affordable housing provision has either been handed over to a housing association or will be developed through a Special Purpose Vehicle (SPV) acting as a housing association. This means that the council tenant will lose what for most of them is their secure tenancy, since under the 1988 Housing Act housing associations are prohibited from granting secure tenancies, so former council tenants will at best be given assured tenancies, with all the loss of rights that entails.

**These are considerable.** The rights of a secure tenancy include the right of a spouse or family member to succeed to the council tenancy; the right of mutual exchange of the tenancy with other tenants; the right to take in lodgers and to sublet the flat; the right to repair and make improvements to their home; the right to information and consultation from the landlord; the right to buy the property; the right to take out a mortgage on it; and the right to manage the estate of which it is a part. There are also far more stringent conditions to be met before a secure council tenant can be evicted by the landlord. Excepting the right of a spouse to succeed to the tenancy, all these rights will be lost under an assured tenancy with a housing association. The costs of estate redevelopment for a council tenant, therefore, are not only financial but also – if they are able to afford those increased costs and return to the new development – the loss of their tenancy rights.
Part Two: The Social Costs

Promises, Losses and Realities of Estate Regeneration (hypothetical)

- **Beginning of Regeneration (100 homes)**
  - 70 social
  - 30 leasehold (of which 10 let for market rent)

- **What Residents are Promised (250 dwellings)**
  - 70 social, 30 shared ownership,
  - 50 London living rent
  - 50 market rent, 50 market sale

- **Beginning of Demolition (100 homes)**
  - 50 social rent, 35 assured short-term tenancy
  & property guardianships, 15 leasehold

- **End of Redevelopment (250 dwellings)**
  - 25 London affordable rent, 25 London living rent
  - 50 shared ownership (total 40% affordable)
  - 25 market rent (10%), 125 market sale (50%)

Given these changes, which are consequent upon a regeneration scheme that demolishes and redevelops the estate, we can now look at how the process of regeneration proceeds. To do so I want to distinguish between what residents are promised by the council or housing association, what is lost as the process unfolds, and what are the realities of the resulting development. To make this complex process as clear as possible, I’m going to use a hypothetical example of an estate of 100 homes. Compared to the actual estate regeneration schemes we’ve looked at that’s a relatively small estate, but the proportions at each stage of the process are the same, whether they apply to an estate of 100 homes, 500 homes, or 1,000 or more homes.

On this hypothetical estate, at the beginning of the regeneration process – which takes place long before residents are notified of the council’s or housing association’s intentions – 70 of the homes are for council or what is now called social rent (indicated in red). These colours are cross-referenced to the previous slide showing the difference between the different social, affordable and market rent levels. The remaining 30 homes on the estate are leasehold (indicated in light grey), purchased under the Right to Buy; and of these 10 have been let for market rent (indicated in purple). This may seem high, but of the nearly 2 million council homes that have been lost to the Right to Buy since
1980, **over 40 per cent** are now being rented out by private landlords. So a hypothesis of 10 out of the 30 leasehold properties being let is if anything on the low side, especially in London, where market rents, in the absence of the sold council homes, are so high.

As we've seen from the actual examples we've looked at, since the early 2000s estate regeneration schemes in London increase the housing capacity on the new development by between two and three times, so let's take an average increase of two-and-a-half times, and say that the new development will increase our hypothetical estate from 100 homes to 250 properties.

Now, what residents are promised at the beginning of this process is that all 70 existing secure tenancies on social rent levels will be rehoused on the new development on the same secure tenancies at the same social rent levels (indicated in red); while the leaseholders, as we have seen, are offered shared ownership deals on the new properties (indicated in dark grey). The councils and housing associations call this ‘like-for-like’ replacement, to which residents are guaranteed first choice by their Right to Return; and we’ll be looking at what both these terms actually mean in practice.

To convince the residents that the inconvenience of losing their demolished home – of being decanted to another temporary home and then back onto the new development, or of living on a construction site for an undisclosed number of years while the new dwellings are built – is for the greater good as well as their own benefit, the council or housing association also tells them that – in addition to resupplying their demolished homes on a like-for-like basis – the new development will contain an additional 50 new homes for London Living Rent (indicated in yellow), specifically targeted at young couples trying to get onto London’s property ladder. We’ll have a look in a minute at the conditions of this new tenure type of affordable housing.

Finally, residents are told that in order to pay for all this new affordable housing it is necessary to cross-subsidise it with the construction of properties for market rent and sale. In our hypothetical case that means an extra 100 properties, which at this stage would typically be divided into 50 for market rent (indicated in purple) and 50 for market sale (indicated in black). That’s about where things stand for the next few years of disbelief, denial, angry resistance, protracted negotiations and final, exhausted acquiescence.

By the beginning of demolition, however, several long years after the regeneration was initiated, things have changed on the estate. The 70 households on secure social rent tenures have been reduced to 50 (indicated in red). Many of these tenants, ground down by the stress of endless consultations and council meetings in which their voices are repeatedly ignored, the insecurity of not knowing what their future will be, or simply not wanting to live on a construction site for the next 10-20 years, will have taken the
council’s offer of rehousing elsewhere, either within the borough or outside of it, often losing their secure tenancy as a result and having their rents increased. Indeed, councils actively encourage tenants to move off the estate long before demolition starts, and even – as in the case of the Ebury Bridge estate regeneration – before planning permission for the new development has been granted. Of the 1,034 secure council tenants on the Heygate estate, only 45 had returned to the new development by February 2013; 216 were rehoused within the SE17 postcode, while the remaining 773 council tenants were scattered across the borough and beyond, with some relocated as far as Greenwich.

Tenants Displacement Map: Heygate Estate (35% Campaign)

For the same reasons, the 30 leaseholders on our hypothetical estate have now been reduced to 15. The other 15 have accepted the council’s offer of compensation, typically under the threat that the offer was a one-off and would not be renewed, and purchased a place elsewhere. However, given the inadequacy of that compensation, this means properties either on the outskirts of London at best, and often out of the capital altogether. Again, on the Heygate estate scheme, leaseholders ended up in the Outer London boroughs of Barnet, Enfield, Waltham Forest, Redbridge, Havering, Bromley and Croydon, with the majority relocating to Bexley. Others ended up outside London altogether, in Berkshire, Hertfordshire, Essex and Kent. While leaseholders on the Aylesbury estate regeneration scheme have ended up as far away as Leicester, Warwickshire, Wiltshire and Wales.
Importantly, for our hypothetical scheme, in place of the vacated 20 council tenancies and 15 leasehold homes – some of which, as we have seen, housed private renters – the empty homes have now been used to house 35 tenants on either short-term tenancies or as property guardianships (indicated in blue tissue paper). This serves four purposes.

First, such tenancies have no rights of tenure, so the tenants can be given one month and two-weeks’ notice respectively, and the council has no obligation or responsibility for rehousing them. Indeed, since the changes to legislation in the 2010 Localism Act, councils can offer even secure council tenants private rental housing in lieu of their demolished homes. Should the council tenant refuse to take up this offer of rehousing, whether it is located in London or Newcastle, the council’s duty of care to them is now discharged, since the tenants is legally deemed to have made themselves ‘intentionally homeless’. It is one of the more unpleasant aspects of this threat that, having judged a former council tenant to have made themselves intentionally homeless, the council can now call in Children and Young People Services to take children away from a homeless single mother. Newham council, for example, which in the five years between 2012 and 2017 rehoused over 3000 Newham residents outside of the borough, continues to use this threat against single mothers who have refused relocation to Birmingham, Manchester or Bradford.
Second, the temporary placement of people on the council’s housing waiting list in the council estate’s empty homes stops squatters from occupying them. From the Carpenters estate in Newham to the Sweets Way estate in Barnet, the Marian Court estate in Hackney, the Loughborough Park estate in Brixton and the Aylesbury estate in Camberwell, such occupations have acted as a focus for organisation against the impending demolition of the estate, and councils have learned not to take this risk.

Third, as happened on the Carpenters estate in Newham, the incomers are usually selected from outside the area, with no local connections to the existing residents, and are often selected by the council to include people with a history of criminal, drug-related or anti-social behaviour. Their relocation onto the estate not only damages the reputation of the community within the neighbourhood, making it conform to the stereotypes about estates the council uses to justify its demolition, but further encourages long-standing residents to sell up and move away or accept rehousing elsewhere by the council.

And fourth, and most importantly, reducing the number of households on secure tenancies at the time of demolition means those households don’t have to be rehoused on the new development. This reduces the number of replacement homes for social or affordable rents that have to be included on the new development, and therefore increases the number of properties that can be built for shared ownership or market sale.

By the end of the redevelopment, therefore, things have turned out far worse than the residents could have imagined when they were told that their estate was up for ‘regeneration’.

The 70 like-for-like replacement homes secure tenants were promised have been reduced to a mere 25 homes, and those are not for social rent but for London Affordable Rent (indicated in orange). At best, these will house 25 of the remaining 50 tenant households with secure tenancies. But these will lose that security and have to come up with the increased rental and service charges if they want to enact what they were promised was their Right to Return to the new development.

But what of the other 25 council tenants? Well, under the deliberately deceptive category of ‘affordable housing’, the remaining 25 homes the council is obliged to provide for secure tenants have now materialised as London Living Rent (indicated in yellow). As we saw, this is set at one-third the median income of the borough, which in Lambeth in 2017 was more than one-and-a-half times social rent. Worse still, this is a Rent to Buy product, and tenants who enter into the deal are contractually required not only to find the extra 50 per cent rent and service charges, but also to put aside sufficient funds to buy the property within 10 years. If they don’t, they will lose their tenancy.
This is what the Government calls ‘incentivising’ people out of rental dependency and into home ownership, and is the basis of the housing policies not only of the Conservative Party, but also of the Labour Party and Liberal Democrat Party. What isn’t clear in any of their policies is where the money required to buy a £650,000 home is meant to come from for a former council tenant used to paying social rent. In fact, as we shall see, these properties are only nominally for existing council tenants, who can’t hope to meet the requirements of a London Living Rent tenancy, and are in reality built for middle-class households that can afford home ownership on these financial terms.

The bulk of the so-called ‘affordable housing’ provision on the new development, however, is made up of shared ownership properties (indicated in dark grey). On our hypothetical estate redevelopment these account for 50 of the 250 new properties, a fifth of the total dwellings, but half of the affordable housing provision. Only 15 of these, at best, will be taken up by the former leaseholders whose homes have been demolished, and who will now become assured tenants. The remaining 35 are for new residents looking to get on London’s property ladder, and willing to enter into what we have seen are the extraordinarily risky and exploitative conditions of a shared ownership deal.

Despite this, with the 25 London Affordable Rent homes (indicated in orange) and the 25 London Living Rent properties (indicated in yellow), the 50 shared ownership properties together make up 40 per cent of the total new builds. And in London, although it has been reached with the loss of 70 homes for social rent and 30 leasehold homes, this percentage of affordable housing qualifies the new development for full public funding under the Greater London Authority’s Affordable Homes Programme 2016-2021.

Finally, what of the other 150 properties, which make up 60 per cent of the new development? Well, 25 of these, 10 per cent of the total, are for market rent (indicated in purple), which means three-and-a-half times social rent. But the remaining 125 properties, 50 per cent of the entire new development, and two-and-half-times the number residents were originally promised, are now for private sale (indicated in black).

Bad as this is, however, the reality of our hypothetical estate regeneration is even worse. This is because of the difference between the tenure of the new dwellings at the end of redevelopment and their actual use.
First of all, either because of their inability to afford the more than 50 per cent increase on their rent and service charges, or because of their complete inability to raise the money necessary to purchase the property, sooner or later 5 of the households in the London Living Rent properties will be unable to keep up the necessary payments. Under the Greater London Authority’s policy on London Living Rent, this means their homes now revert to shared ownership properties.

Of the affordable housing provision on the new development, therefore, there are now 25 homes for London Affordable Rent (indicated in orange); 20 for London Living Rent (indicated in yellow), a reduction of 5; and 55 for shared ownership (indicated in dark grey), an increase of 5.

The crucial change, however, between the tenure at which the new properties were sold and the tenure of their use is in the 150 properties for market rent and sale. This is because the buyers of the properties for private sale are not living in them. On the first redevelopment sites of the Woodberry Down and Elephant Park schemes, the bulk of the properties for market sale were marketed to and purchased by overseas investors. It’s hard to get precise figures on this, as it falls under commercially confidential information and councils won’t release the information, but on Woodberry Down 55 per cent of the properties built in phase 1 of the new development were bought by overseas investors,
mainly from Asian markets; while on the Southgate Gardens development on the former Heygate, every one of 51 properties were sold to overseas investors before they were even marketed in the UK. But more generally we know that an extraordinary 30 per cent of properties sold in London in 2017 were bought by overseas investors, often as investments by off-shore companies, and at the high end of the market that increased to over 50 per cent. Many of these are being built on land cleared of demolished council and housing association estates.

What this means for our hypothetical estate redevelopment is that of the 125 properties for market sale, only 25 are now owner occupied (indicated in black), 75 are Buy to Let (indicated in purple), and the remaining 25 are Buy to Leave (indicated in white marble). This latter term means they have been purchased purely as an investment, and are not being used either by their owners or by anyone else as accommodation. But the 75 Buy to Let properties means the properties for market rent have now increased from 25 to 100 dwellings, 40 per cent of the entire new development (indicated in purple).

Far from ushering Londoners into the entirely fictitious home-owning democracy to which all three of our major political parties have signed up in their housing manifestoes, estate demolition and redevelopment is returning us to a rentier society of exploitative landlords and increasingly powerless tenants who are forced to pay ever higher proportions of their income for accommodation. The estate regeneration programme is returning us to precisely that slum existence of the 1930s from which the great council housing programme of the post-war years was initiated to save us.

Home ownership in the UK, which peaked at 71 per cent in 2003, has been declining ever since and now stands at 63 per cent. In London the figures are even lower, with only 47 per cent having a mortgage or owning their own home. At the same time, rents on the private market, which 20 per cent of British households now live in, increasing to 30 per cent of households in London, rose to an average of £1,615 per month in July 2018, more than twice the national average. The total rent paid by UK tenants in 2017 rose to £51.6 billion, more than double the £22.6 billion paid in 2007, just 10 years before. The fact 123 of our 650 Members of Parliament are themselves landlords – 20 per cent of the total across all parties – and so many of our councillors are professionally involved in the building industry cannot be discounted as a financial motivation in this disastrous programme.

But returning from the general to the particular, what does this programme of demolition and redevelopment mean socially for our hypothetical estate of 100 households?
Let’s recall that, before the regeneration process began, the estate was home to 70 households of council tenants (indicated in red), 20 households of resident leaseholders (indicated in light grey) and 10 households of market renters from non-resident leaseholders (indicated in purple).

Of this estate community, a total of 70 households have now been evicted from their homes as a direct result of the regeneration of their estate, never to return. 45 of these households were council tenants (indicated in red), who will be rehoused elsewhere, either within the borough, outside the borough, or out of London altogether. We should remember that this rehousing will take up existing council homes that could have been used to house homeless families living in temporary accommodation or to reduce the council’s housing waiting list. 15 of the evicted households were leaseholders (indicated in light grey), who will have taken the compensation for their demolished homes and bought or rented elsewhere, typically in Outer London or outside of London altogether. Finally, 10 of these evicted households were private renters (indicated in purple) who will have moved on to what we have seen is an increasingly unaffordable private rental market. Some of these, unable to afford this market, will have become homeless.

Of the 100 households that were promised the Right to Return, 25 former council tenants out of the original 70 are now housing association tenants living in London Affordable
Rent tenancies (indicated in orange). As I mentioned before, this is either because responsibility for the affordable housing provision in new developments is handed over to a housing association, or because councils undertaking that redevelopment often do so through a Special Purpose Vehicle that, for all intents and purposes, runs the new development as a housing association. Either way, returned council tenants are subject to increased rental and service charges and the reduction in tenancy rights consequent upon becoming a housing association tenant.

Of the original 30 leaseholders on the now demolished estate, only 5 have returned, and these are now assured tenants on shared ownership deals (indicated in dark grey), with the hugely increased mortgage repayments and almost non-existent rights of ownership that entails. This is what the Right to Return means for existing residents whose estate is ‘regenerated’.

But what of the new residents, for whom the regeneration programme – we are constantly told – has been developed as the only means of addressing our so-called ‘housing crisis’? Well, 20 of these households have sufficient income to pay for a London Living Rent tenancy (indicated in yellow) while saving sufficient funds to get a mortgage on the property within 10 years. To get an idea of what this requires, Rent to Buy deals are available to households earning up to £60,000 per year. We might ask why households with such incomes are being subsidised with government loans when council tenants are told by councils not only that their homes for social rent must be demolished to make way for such private property deals but that the same councils apparently can’t afford to build any new homes for social rent.

50 of the new resident households have entered into shared ownership deals (indicated in dark grey). As we have seen, this means finding a 25 per cent share on properties averaging around £650,000 in Inner London – so at least £162,500 – plus £1,100 per month rent. To give you an idea of what this requires in terms of household income, buying a £450,000 home requires a 21.5 per cent deposit of £97,000 and a salary of £77,000 per year. We shouldn’t forget that, under the policy of the Conservative-run government and the Labour-run Greater London Authority, all three of these tenancy types are categorised as ‘affordable housing’.

But that isn’t all. 25 of the new resident households are homeowners (indicated in black) who can afford these prices. These are largely made up of wealthy investors in second-homes, purchasers of properties occupied sometimes for only a few weeks a year, people commuting to work in London and after a pied-a-terre for the week, or the children of wealthy parents, often from overseas, studying in the capital.
25 of the market sale properties are long-term empty (indicated in white marble), purchased as a commodity for capital investment and property speculation on London’s housing market by non-domicile owners.

But the bulk of the new residents, 100 out of the 195 new households, and 40 per cent of the 250 households in total, are the renters of the 25 market rent dwellings and 75 buy-to-rent properties (indicated in purple).

I want to emphasise that these figures are as good as it gets. The proportion of residents socially cleansed from their homes in our hypothetical example is far lower than the actual, ongoing regeneration schemes we started this report by looking at, such as the Ferrier estate, the Heygate estate, the Woodberry Down estate and the Aylesbury estate. The figures and proportions I’m using for our hypothetical example are based on the best deals for tenants, the highest levels of compensation for leaseholders, the greatest number of replacement homes for London Affordable Rent. Most regeneration schemes that demolish and redevelop the estates will be far worse than this. However, I’m happy to use this hypothetical best-case scenario to demonstrate ASH’s argument, since, as we will see, the difference between the costs of estate demolition and redevelopment – social, financial and environmental – and the costs of refurbishment and infill is so great as to make the former, even in the best-case scenario, the worst possible choice for everyone but the developers.
The difference between what residents are promised when they are first informed that their estate is being considered for regeneration and the reality of what that regeneration will result in has implications for the recent Greater London Authority policy on balloting residents.

On the face of it this sounds like a positive move, but as with all things in estate regeneration the devil is in the detail. Architects for Social Housing has written in detail about the numerous failings in the GLA policy on resident ballots, which can be read about on the ASH blog; but the key ones are that the London Mayor, Sadiq Khan, has specified that only a single ballot will be permitted, and that the ballot must be held as early as possible in the regeneration process, and specifically before even a private development partner is allocated.

Now, where an estate regeneration scheme means demolition and redevelopment, the funding of the entire scheme is dependent upon private development partners, whose financial investment in the scheme will determine the outcome of that scheme. Holding a ballot before private development partners have been found, therefore, is nonsense, since neither the council nor their as-yet-identified private development partners can possibly be expected to honour a proposal on which a viability assessment has not been produced. The residents, in effect, will be voting on nothing more than empty promises.

Holding the ballot so early in the process, therefore, can only be a means through which to manufacture resident consent to an agreement that the council, housing association and their private development partners and financial investors are free to change beyond recognition. That Sadiq Khan has insisted that the ballot vote be final and unrepeatable is the clearest indication that its purpose is not to empower residents to make a decision over the future of their homes, but to create a binding agreement they will have no further recourse to change, and to which the council and other private development partners, consultants and contractors can point in the face of criticism or objection, claiming the new development to be ‘resident-led’.

To give you an example of how this will work, let’s move from our hypothetical estate regeneration scheme to an actual one. This is Knight’s Walk, the low-rise component of Cotton Gardens estate in Kennington. Composed of bungalows and low-rise blocks designed for elderly residents and those living with disabilities, it was nonetheless deemed insufficiently dense by Lambeth council, who placed the estate on its regeneration programme in December 2014. Knight’s Walk has a total of 33 homes, of which 26 are for social rent (indicated in red) and 7 are freehold (indicated in light grey). Freeholders not only own the property outright but – unlike leaseholders, who lease it from the landlord – also own the land it stands on, making it far more expensive for the council to buy them out through Compulsory Purchase Orders. This would be crucial to saving their homes from the bulldozers.
Initially the council’s proposal was to demolish the whole of Knight’s Walk. However, with the help of Architects for Social Housing, residents were able to demonstrate that the cost of compensation for the freeholders, who were united in their opposition to the full demolition scheme and threatened to resist the CPOs in court, was so great that the council eventually changed their plans to a partial demolition scheme. This was agreed to by the residents and proposed to Lambeth Cabinet in November 2015 on the following proposal.

Of the 26 homes for social rent, 17 would be demolished, plus 1 of the 7 freehold homes. In their place the council would build 42 new homes for social rent, which, with the 9 existing ones, made 51 homes for social rent (indicated in red). The 1 demolished freehold home would be replaced, making up 7 freehold homes in total (indicated in light grey). And to reduce the council’s housing waiting list – which Lambeth council has always argued is the motivation for their estate regeneration programme – they would also build an additional 39 dwellings for market rent (indicated in purple).

It’s not clear how 2-bedroom homes renting for £480 per week was meant to reduce the housing waiting list, but the promised result was that an estate of 33 homes would be increased to 97 dwellings, nearly three times the capacity; all the existing homes would be replaced on a like-for-like basis with the same rental levels and tenancy rights; and there would be a net increase of 25 homes for social rent and 39 homes for market rent. Although the existing residents weren’t formally balloted on this proposal, this is what they agreed to, and what was presented to Lambeth Cabinet for approval. However – and this is why this example is so instructive to the progress of estate regeneration schemes and the subterfuge of balloting residents early in the process – all these figures were described in the proposal as ‘indicative’ and subject to what the council called ‘further detailed analysis’.

The results of that analysis came two years later, in December 2017, when the council sought planning permission for the demolition and redevelopment of Knight’s Walk to a scheme that bore almost no relation to what had been submitted to Cabinet. Although the number of homes the council proposed demolishing had stayed the same, the number of properties it sought planning permission to build had increased by 2 to a total of 99 dwellings, exactly three times the original housing capacity of the estate. However, there were now to be no additional social rent homes, and the 9 homes for social rent left (indicated in red), after the demolition of the other 17, will be all there are on the new development. Significantly, of the 17 homes for social rent promised to rehouse the council tenants whose homes will be demolished, there are now only 14, and these will be for London Affordable Rent (indicated in orange).

We might ask where the other three households of council tenants have gone. The answer is that they have accepted rehousing elsewhere, either in Lambeth or outside the
borough, possibly in council housing, possibly in private rental accommodation, possibly in temporary accommodation. But if the 17 replacement homes for social rent have been turned into 14 dwellings for London Affordable Rent, what of the other 28 homes for social rent the residents were promised?

Well, 13 of these have been turned into homes for Tenancy Rent (indicated in green). This, remember, is for new council tenancies in affordable rent properties, and at £265 per week for a 2-bedroom property is nearly double social rent. While 12 have been turned into Intermediate or Affordable Rent dwellings (indicated in blue), which set at 80 per cent of market rate will cost £384 per week to rent for a 2-bedroom home, nearly three times social rent.

Together, the 9 existing homes for social rent, the 14 homes for London Affordable Rent, the 13 homes for Tenancy Strategy Rent and the 12 homes for Intermediate rent, despite being 3 less than the 51 homes for social rent residents were originally promised, make up 48 of the 99 total dwellings in the proposed new development, and therefore slightly below 50 per cent of the total. This, therefore, qualifies the regeneration scheme for public funding from the Greater London Authority, which Lambeth council in fact received in September 2017.

Again, indicatively, the 1 replacement freehold home has now been quietly dropped, the freeholder having understandably taken the compensation from the council for their demolished home and purchased what new home they could afford, presumably outside of Inner London. This leaves just 6 freehold properties (indicated in light grey).

But as bad, perhaps, as this loss of the 42 new homes for social rent promised to residents, is that the promised 39 dwellings for market rent have now been turned into 45 properties for market sale (indicated in black), 45 per cent of the total. On 2017-18 sale values the council has estimated these at £520,000 for a 1-bedroom property, £650,000 for a 2-bedroom property, and £735,000 for a 3-bedroom property. In fact, by the time the redevelopment is completed in 5 years’ time these prices will be considerably higher. So much for the households on Lambeth council’s housing waiting list.

And yet, it is on the proposal put to Cabinet in November 2015 that residents, under the Greater London Authority policy, will be balloted, for the first and final time, with no recourse to a second ballot when the scheme submitted for planning application two years later bears almost no relation to what they consented to. In fact, among the litany of conditions Sadiq Khan has imposed on resident ballots, one is that they are only open to residents on schemes in which at least 150 new homes will be constructed; so on the Knight’s Walk redevelopment, with only 82 new homes, residents wouldn’t even have had that. In the event, all residents were invited to do was comment on the planning
application. As you can imagine, they were extremely upset and angry at the breaking of the promises they were made by Lambeth council, which added insult to injury by ignoring all their comments. In fact, the entire document has subsequently been removed from the Lambeth council website, and ASH’s article is now the only record of residents’ objections. As I said, in its current form the Mayor’s policy on balloting residents is not written to empower them, but to manufacture consent for schemes for which they never voted.
Part Three: The Financial Costs

Promises, Losses and Realities of Estate Regeneration (hypothetical)

- **Beginning of Regeneration (100 homes)**
  - 70 social
  - 30 leasehold (of which 10 let for market rent)

- **What Residents are Promised (250 dwellings)**
  - 70 social, 30 shared ownership,
  - 50 London living rent
  - 50 market rent, 50 market sale

- **Beginning of Demolition (100 homes)**
  - 50 social rent, 35 assured short-term tenancy
  & property guardianships, 15 leasehold

- **End of Redevelopment (250 dwellings)**
  - 25 London affordable rent, 25 London living rent
  - 50 shared ownership (total 40% affordable)
  - 25 market rent (10%), 125 market sale (50%)

So, why is this the case? To answer this question, we have to look at what the UK government is and isn’t funding. This in turn will tell us what it wants councils to build on the land cleared of demolished council estates under the cloak of ‘regeneration’?

This next slide shows the latest round of funding guidance to come out of the Greater London Authority, which has been given £4.8 billion of government funding to build at least 116,000 affordable homes by March 2022.

- Homes for social rent (indicated in red) and
- Homes for London Affordable Rent (indicated in orange) will be subsidised to the sum of £100,000 per new-build dwelling.
- All the other forms of affordable housing, including London Living Rent (indicated in yellow),
- Tenancy Strategy Rent (indicated in green),
- Intermediate Rent (indicated in blue) and
- Shared Ownership (indicated in dark grey), will receive £38,000 for every dwelling started between 2018-19 and 2019-20, and £28,000 if started between 2020-21 and 2021-22.
It's notable that the subsidies for social rent and London Affordable Rent are exactly the same, so the only justification for councils replacing the former with the latter is because of what, for them, is the relatively tiny amount of profit they make at the relatively greater expense of their tenants. These, however, aren't the only government subsidies. In addition to these subsidies to build affordable housing provision, there also exist subsidies for purchasing such properties.

London Living Rent, set at a third of median income and requiring the householder to take out a mortgage on the property within 10 years, is subsidised for the first five years under the government’s Rent to Buy scheme. This subsidy, remember, is available to households earning up to £60,000 per year.

Shared Ownership is an even greater subsidy of middle-income earners, with the government's Help to Buy scheme being available to households earning up to £90,000 per year. In London this equates to a 5-year interest-free government equity loan for up to 40 per cent of the price of a property worth up to £600,000, and requires a mortgage from a commercial lender of at least 25 per cent and a deposit of 5 per cent. Quite extraordinarily for a government that claims council estates are unsustainably subsidised by the state, for the 5 years between 2016 and 2021 the same government, through its Shared Ownership and Affordable Homes Programme, has allocated £4.1 billion in funds for Help to Buy. In contrast, only £1.67 billion was belatedly allocated in June of this year to build homes for social rent.
Against these subsidies, let’s look at what it costs to build new dwellings today. Now, this is hard to establish, since whether developed by a council, a housing association or a private developer, the cost of redevelopment is hidden behind the cloak of commercial confidentiality. This means that, despite our Freedom of Information requests to see these figures on which the demolition of our council estates are founded, they are withheld from public scrutiny.

Fortunately, however, Simon Morrow, a chartered quantity surveyor with 29 years’ experience, was engaged by leaseholders on the Aylesbury estate trying to save their homes from demolition to assess the relative costs of refurbishing their homes versus the cost of demolishing and redeveloping them. This was published in December 2017 as part of the public inquiry into the justification for Southwark council issuing Compulsory Purchase Orders on the leaseholders’ homes. Consequently, we have access to a breakdown of the costs of new build on an estate redevelopment. His estimates are based on figures provided by the council’s private development partner, then the Notting Hill Housing Trust, in their viability assessment for the first development site of the Aylesbury estate. This was approved for planning application in September 2014, so Simon Morrow has also re-calculated the figures allowing for inflation between March 2015 and December 2017.

These costs are very important when establishing two things: first, what proportion of the new builds on an estate redevelopment scheme need to be for market sale, market rent and all the types of affordable housing, in order to cover the costs of redevelopment; and second, what increase in housing capacity over the demolished estate the redevelopment has to achieve in order to supply the sufficient number of properties to meet those costs. For easier comparison, these costs are represented in this slide at the same scale as the different government subsidies in the previous slide.

- There are many ways in which to breakdown the enormous number of elements that go into a new development, but in round numbers the cost of materials and construction alone (indicated in black) come to £212,000 per dwelling. This might come as a shock to most people, who will rightly ask why it suddenly costs so much to build a home. Well, it’s not because the cost of timber and concrete has gone up, that’s for sure; or because the new developments are built to higher standards – as the list of complaints from residents in estate redevelopments shows. Rather, it’s because the profits being made by developers from the UK housing crisis are so high – with the four biggest UK building companies increasing their pre-tax profits eightfold in the past six years alone – that builders can charge equivalent profit margins from them.

- Professional fees for contractors and Section 106 agreements (indicated in dark grey) – the latter covering the developer’s contribution to the council for affordable housing provision, compensation for loss of open space and mitigation for impact on the area – come to £38,500 per dwelling.
• Marketing and Letting Fees (indicated in mid-grey), relating to the sale and rental of the properties, come to £7,500 per dwelling.
• Finance (indicated in light grey), which largely consists of the interest on the loans required to fund the scheme, and taking the estimates used by Notting Hill Housing Trust for the Aylesbury estate calculated on inflation up to December 2017, comes to £8,000 per dwelling.
• And, finally, developer profit (indicated in lightest grey), which is ring-fenced in Notting Hill Housing Trust’s contract with Southwark council at 21 per cent of private sales income including car parking, comes to £39,000 per dwelling. Interestingly, this is just over the £38,000 in subsidies the government is making available for most forms of affordable housing, which indicates where those public subsidies are going.
• All of which adds up to a total cost per new-build dwelling of £305,000 (indicated in granite).

This is a figure that might surprise a lot of people, and which the councils implementing estate demolition schemes do their best to keep quiet. Indeed, when Simon Morrow requested Southwark council’s own estimates they refused to supply him with the figures, just as Lambeth council refused ASH. Let’s look at the reason why.
Residents told by their local authority that their homes are about to be demolished and redeveloped are consistently told that the council is compelled to do so because the cost of refurbishing the estate is too high, and redevelopment is the only financially viable option. The truth, however, which this report will demonstrate, is that demolition and redevelopment is in reality many times the cost of refurbishment. This has consequences for how any estate regeneration that begins by demolishing the existing estate will turn out in terms of housing density and, more importantly, the tenure of that new housing.

- High as the cost of £305,000 per new-build dwelling (indicated in granite) might seem, in fact the cost of redevelopment doesn’t stop there. Or rather, it doesn’t start there; because, of course, before the council can construct a new development they need to demolish the existing one. The cost of redevelopment, therefore, starts with the cost of demolition.

To most of us, perhaps, demolition conjures up images of a crane and a wrecking ball easily knocking down concrete walls. In reality the process is far longer and more complicated than this, and consequently more expensive. Anyone who has visited the Aylesbury estate and seen the scaffolding that has encased the 12-storey blocks for the last few years as they are gradually dismantled will have a better idea of what it takes to demolish multi-storey reinforced concrete buildings and dispose of the rubble. The cost of demolition varies depending on the size and height of the individual buildings, their means of construction and the ease of access to them. As is typically the case with post-war estates, the presence of asbestos in the buildings dramatically slows the process and increases the cost of removing it. In a report on the Aylesbury estate regeneration dated September 2016, Southwark council allocated funds for the demolition of four housing blocks on the First Development Site to the sum of £16,800,000. Allowing for inflation, this came to about £30,000 per dwelling. However, the total cost of demolition also includes the demolition of the estate’s commercial, communal and administrative buildings, as well as its public spaces, sports grounds, carparks and garages, plus any below-ground demolition.

- Because of this, according to a report by Professor Anne Power, Head of Housing and Communities at the London School of Economics, the average cost of demolition is closer to £50,000 per dwelling (indicated in sand).

On any estate regeneration scheme that begins by demolishing the existing estate, therefore, to the £305,000 cost per dwelling built needs to be added the £50,000 cost per home demolished.

In comparison to this already large – but, as we shall see, not yet complete sum – the cost of refurbishing those homes, rather than demolishing them, is tiny. This depends on the size of the home, but according to the estimates by Simon Morrow for the Aylesbury estate, in order to bring homes up to the Decent Homes Standard plus, it ranges between
£20,000 for a 1 and 2-bedroom homes and £25,500 for a 3-bedroom home. This standard includes new kitchens, new bathrooms, new heating systems, new boilers, re-wiring, new windows and external doors and new painting finishes.

Full refurbishment, however, also includes external mechanical and electrical works, including new pipework, gas installation, door entry systems, fire-stopping and repairs to communal areas; external refurbishment costs and external works and preliminaries, including new roofing and scaffolding. In other words, the refurbished estate will be in better condition than it ever was and have better facilities than it ever had. To this needs to be added professional fees and a 10 per cent contingency fund, all of which adds an additional £28,500 cost per dwelling.

Anyone who lives there or has visited it will know that the Aylesbury estate is one of the most run down and neglected estates in London, whose managed decline – in preparation for its eventual demolition – Southwark council has overseen for decades. These independent estimates by Simon Morrow, therefore, are as high as they're likely to be on any estate in London, and in fact considerably higher than the council’s own estimate, which they made in 2014, that the cost of refurbishment was between £30,000 and £40,000 per dwelling inclusive of all other works.

- Simon Morrow’s final estimate, therefore, based on prices in December 2017, is that refurbishment of an entire estate up to the Decent Homes Standard plus costs on average £50,000 per home (indicated in recycled paper).

As we've just seen, that's the same cost per home as demolishing the whole estate. It's extraordinary, therefore, that although there is funding for building affordable housing, at least two-thirds of which are properties for sale to middle-income households, neither the government nor the Greater London Authority has allocated funding for the refurbishment of the homes for social rent our councils are busily demolishing in order to build these properties at huge cost to the taxpayer.

Why is that? Well, the Decent Homes Standard programme was initiated in 2001 by the Labour government of Tony Blair, and between 2001 and 2010 the Labour government allocated £22 billion to the Decent Homes Programme. However, the Coalition government subsequently committed just £1.6 billion to the Decent Homes Programme between 2011 and 2015; and since then the Conservative government has stopped funding the programme entirely. As a consequence, in the £4.8 billion of government funding he has released under the programme called Homes for Londoners, London’s Labour Mayor, Sadiq Khan, has allocated no funds for bringing existing council homes up to the Decent Homes Standard.
In contrast, under his Conservative predecessor, Boris Johnson, Lambeth council received around £11,000 per dwelling (indicated in recycled paper) for over 2,000 of its council homes from the funding revenue for 2015-16.

Interestingly, however, unlike new development, which has zero Value Added Tax, refurbishment work continues to be taxed at 20 per cent VAT. On the average refurbishment cost of £50,000 per dwelling, therefore, the VAT cost of £10,000 (indicated in green marble) is nearly what Lambeth council received for such refurbishment work. In other words, what the government was giving away in funding with one hand it was taking back in taxes with the other.

Now let’s return from the Aylesbury estate to our hypothetical demolition of an estate of 100 homes and its redevelopment as 250 properties on the tenure mix we’ve already established as typical of estate regeneration schemes. This is our rough viability assessment of how much it will cost to redevelop the estate and how much money the developer will make from doing so over a 10-year period.

To assess the income from this scheme, let’s start with the subsidies the developer will get from the government for building the new dwellings.
• 25 dwellings for London Affordable Rent at £100,000 per home (indicated in orange) will receive £2.5 million.
• 25 dwellings for London Living Rent at £38,000 per home (indicated in yellow) will receive £950,000.
• And 50 shared ownership properties at £38,000 per home (indicated in dark grey) will receive £1.9 million. That’s a total government subsidy of £5.35 million.

Now let’s look at the income the developer will receive from rents and sales. This will vary depending on the number of bedrooms in each property, but based on a 2-bedroom home:

• 25 properties for London Affordable Rent at £159 per week (indicated in orange) produce an annual rent of £206,700.
• 25 properties for London Living Rent at £213 per week (indicated in yellow) produce an annual rent of £276,900.
• 50 shared ownership properties at £1,100 per month (indicated in dark grey) produce an annual rent of £660,400.
• And 25 properties for market rent at £480 per week (indicated in purple) produce an annual rent of £624,000.

When management and maintenance costs are deducted, only 47 per cent of affordable housing revenue and 75 per cent of private housing revenue is income, so these figures will have to be adjusted. It is in sales, however, that the overwhelming majority of the developer’s investment is recovered.

• Sales receipts on the 25 per cent share of the 50 shared ownership properties at an average of £650,000 per dwelling (indicated in dark grey) come to £8.125 million.
• Sales receipts on the 125 properties for market sale (indicated in black), again at an average sale price of £650,000, are £81.25 million.

So, to add up the developer’s income:

• The total subsidies come to £5.35 million;
• The total sales to £89.375 million;
• And the net rent, calculated at 47 per cent of affordable housing revenue and 75 per cent of market rent revenue, extended over the first 10 years of the development, is £10,056,800.
• All of which gives the developer a total income of nearly £105 million.
Now, let’s look at the costs of this hypothetical scheme, based on the figures we’ve established.

- First, the demolition of the existing 100 homes at the cost of £50,000 per home is £5 million (indicated in sand).
- The construction of 250 new dwellings at £305,000 per dwelling is £76.25 million (indicated in granite).

However, as I said before, the cost of demolition and construction is not the complete cost of redevelopment. Now we come to some new costs, the first of which is what is called decant costs. This includes home loss and disturbance costs at £8,900 per dwelling and decant costs at £3,000 per dwelling for 70 tenants; plus disturbance costs at £4,000 per dwelling and compensation at £340,000 per dwelling for 30 leaseholders.

These sums are offered to residents by the council in compensation for the loss of their homes, for their moving expenses, and above all in order to compulsory purchase leaseholders’ homes. As we have seen, the paltry sums offered to the leaseholders of the Ferrier, Woodberry Down, Heygate, Aylesbury and Myatts Field North estates in the early 2000s are slowly being corrected to more accurately reflect the market value of leaseholders’ homes, and the figure of £340,000 is an average drawn from what Lambeth council is currently offering leaseholders of 1-bedroom, 2-bedroom and 3-bedroom homes on estates the council is intent on demolishing.
Applying these figures to the decant costs for our hypothetical estate regeneration gives us a total cost of £11.15 million (indicated in newspaper). That alone is considerably more than double the £5 million cost of refurbishing the 100 homes up to the Decent Homes Standard plus.

But the cost of demolishing and redeveloping our hypothetical estate hasn’t finished there. So far, we’ve only talked about the cost of construction of the dwellings themselves. But although new privatised developments lack the infrastructure of shops, clinics and communal facilities designed into post-war estates, they still include more than residential blocks, with concierge entrances, gyms for office workers, private gardens and other landscaping.

Under the category of external works this comes to an average of £6,000 per dwelling, which for 250 new-build dwellings is a further £1.5 million (indicated in khaki).

Finally, as in all development schemes, there must be a contingency sum set aside for increases in expenditure as the project unfolds. This is typically set at 10 per cent of construction costs and professional fees, which in this case comes to £7.775 million (indicated in diagonal lines).

Altogether, therefore, the cost of demolishing our hypothetical estate of 100 homes, of building 250 new-build properties in their place, of compensating existing tenants and leaseholders, plus external works, with contingency funds, comes to nearly £102 million. This is only 3 million less than the developer will recoup, even with their 21 per cent profit margins, in the first 10 years.

It should be borne in mind that, in our hypothetical example, the land on which the demolished estate is built has been retained in the ownership of the council, and therefore has not been added as an additional cost to the developer. In the cases of the Aylesbury estate, however, as well as the Heygate estate, the Ferrier estate and the Woodberry Down estate, the land was sold to the developers; and although the price the council charged for the land was minimal, and not a fraction of its market cost at the time, in some cases the cost of our hypothetical estate regeneration to the developer would include the additional land cost, further eating into their profits.

So, what does this mean? It means that when an estate regeneration proceeds by demolishing the existing estate and building a new development, the cost of doing so is so high that certain outcomes from that redevelopment are non-negotiable. By this I mean that, under the current model of estate regeneration, which means demolition and redevelopment, the housing capacity of the demolished estate will have to be increased by between two-and-half and three times. But it also means that properties for market sale at upwards of half a million pounds must make up at least 50 per cent of the total number of new dwellings, and that the bulk of the affordable housing provision must be for shared ownership.
This in turn means that when councils, at the beginning of the regeneration process, tell residents that they are all going to be rehoused on the new development in ‘like-for-like’ replacements for their demolished homes – they’re lying. It never has happened, and it will continue not to happen: not because councils are corrupt – even though they have repeatedly been shown to be corrupt; and not because developers are greedy – even though they are enormously greedy. It won’t happen because, as soon as a council demolishes a housing estate and hands the redevelopment over to private development partners, the financial requirements of the market mean they will have to build the properties that will return the 20-25 per cent profit margins they can and do demand. If they don’t, the figures, as we have seen, won’t add up.

It would, of course, be possible to increase the proportion of homes for social rent, in our hypothetical case, to constitute all 40 per cent of the affordable housing provision. There is, as we have seen, limited funding for this tenure type; but at £100,000 per dwelling it would be possible for councils and developers to set this larger subsidy against the loss of extra rental income from affordable and even market rents. However, with the category of affordable housing allowing demolished homes for social rent to be replaced by Rent to Buy and shared ownership deals, this isn’t what councils are doing, and it will continue to be what councils do not do. To a target completion rate of 17,000 net additional affordable homes per year, during the year 2016-17 a net total of 7,347 affordable dwellings were completed in London, less than 16 per cent of the net housing supply of 45,505. Of these a mere 2,318 dwellings, 5 per cent of the total, were for social rent; 2,103, less than 5 per cent, were for affordable rent, meaning anything up to 80 per cent of market rate; and 2,926, over 6 per cent, were ‘intermediate’, meaning for shared ownership. Lambeth council, which completed a net total of 1,135 dwellings in 2016-17, completed 285 for shared ownership, 81 for affordable rent, and produced a net loss of 174 units for social rent.

The choice to make between two-thirds and three-quarters of all affordable housing provision properties for home ownership is not a financial one, therefore, but an ideological choice, justified by the spurious notion of ‘mixed communities’ – as if council estates aren’t already home to some of the most mixed communities in London – and the equally fictitious notion, to which successive Conservative and Labour governments have subscribed these past forty years, of a home-owning democracy. It was this myth, sold to council tenants since the 1980s, that has resulted in the loss of nearly two million council homes to the Right to Buy, 40 per cent of which are now being rented out at market rates by private landlords. And it is this fiction, imposed on the remaining council tenants, that is losing council homes for social rent to estate regeneration schemes that demolish those homes and replace them with dwellings that, one way or another – through Rent to Buy or shared ownership schemes, a private mortgage or outright purchase – turn those homes into private property.
Most importantly, though – and this is the key point these figures demonstrate – the cost of demolition, compensation and redevelopment means the developer has to build the properties for sale that will cover those costs and extract their profits. This is an economic given, which slight variations in the number of leaseholders on an estate, the proportion of affordable housing allocated, or the amount of government funding will not change.

Under existing government policy and market conditions, estate regeneration means the demolition of the existing estate, the social cleansing of the estate community, the mass loss of homes for social rent, and the privatisation of the new development, with at least half the new dwellings built for market sale at the highest possible price.
Part Four: The Alternative to Demolition

So, what’s the alternative?

Having informed residents that their estate is being considered for regeneration, councils inevitably conclude that the best, or indeed the only, option is to demolish and redevelop the estate. In justifying this conclusion, they typically cite three main reasons for doing so:

- First, that, given the housing crisis, councils are under obligation to use council land to increase the housing capacity on existing estates, and in doing so both increase housing provision and, according to the law of supply and demand, reduce house prices.
- Second, that the existing estate has reached the end of its ‘natural lifespan’, and its refurbishment will not address problems the council has identified as fundamental to both the design and the build quality of post-war housing estates.
- And third, that under Central Government cuts to their budgets, councils cannot afford to undertake the maintenance of the existing homes, and that only demolition and redevelopment will provide the solutions to a physically declining estate.
Now, all three of these excuses are fundamentally flawed in their reasoning, and any campaign to resist the demolition of an estate and find genuine solutions to the problems these excuses identify must begin by understanding why. Let’s start by being clear what these problems are and are not:

- **First**, any plan to address the housing crisis must not simply increase housing capacity in London, but must increase the number of homes people can actually afford to live in. This doesn’t include most of what is being built under the umbrella of ‘affordable housing’, which as we have seen is targeted at middle-income households making between £60,000 and £90,000 per annum. Still less does it include properties for market sale for half a million pounds and more. In London’s financialised property market inflated by global capital, simply building more properties for capital investment will not reduce house prices but actually increase them, reproducing the property boom that has created London’s housing crisis. **58 per cent of housing demand in London** is for homes for social rent and properties for sale at up to £450 per square foot, which is lower than all but the cheapest London property in the outer boroughs. This is the housing we need to build.

- **Second**, post-war estates built from reinforced concrete have not come to the end of their natural lifespan, but the components that have been starved of maintenance for decades may have. What is required is not demolition of the few remaining homes to have escaped the huge escalation in property prices, but repair and maintenance and, where necessary, improvements to estates that have typically been subject to a process of managed decline and even deliberate vandalism for years and sometimes decades by councils intent on manufacturing reasons to demolish them.

- **And third**, far from being financially unviable, the cost of refurbishment is far less – even many times less – than the cost of demolishing estates and redeveloping them as property for market sale and so-called affordable housing that is unaffordable to the majority of current estate residents.

In April 2015 ASH was contacted by the residents of Central Hill, a council estate in Crystal Palace, South London, which had recently been placed on Lambeth council’s estate regeneration programme. Working with the residents over the next year, ASH developed a **design alternative to demolition** that proposed the addition of up to 242 new dwellings on the estate without having to demolish a single existing home or evict a single existing resident. Some of these new dwellings infill homes (indicated in yellow above), located on land identified by the residents, including that currently occupied by disused buildings such as the estate’s old boiler house, as well as land around the edge of the estate; some of it was roof extensions (indicated in pink) to existing housing – which we were able to establish could take one or two additional storeys of timber-framed buildings – as well as over commercial and communal buildings and carparks.
Together with the West Kensington and Gibbs Green estates in Hammersmith and Fulham, Knight’s Walk in Lambeth, and the Northwold estate in Hackney, Central Hill is one of five estates for which ASH had developed this model of estate regeneration, and on each of these estates we were able to increase the housing capacity by between 35 and 50 per cent of its current provision. These figures are at strong variant with the infill options produced by the architectural practices employed by the landlord to show that demolition and redevelopment was the only viable option for increasing the number of homes required by an expanding London population. On the Northwold estate, for example, the infill option by TM Architects found room for only 40-60 new dwellings on an estate of 580 homes, while the ASH option for the same estate found room for 245, an increase of 42 per cent. On the West Kensington and Gibbs Green estates, with a combined housing capacity of 760 homes, we found room for an additional 250 dwellings, an increase of 33 per cent. And on Knight’s Walk, with 33 homes, we found room for up to 80 new dwellings, an increase of 242 per cent. So, although every estate has its own particular possibilities for increasing its housing capacity, our proposal for Central Hill, which increases its housing capacity by 51 per cent, is not exceptional in this respect. Indeed, given the amount of land on estates and the reinforced steel structure of their concrete buildings, the capacity for increase in their housing provision is limited primarily by the wishes of the residents.

As a principle ASH never proposes building on green spaces or on land used by the residents for recreation, or on sites that infringe residents’ Right to Light or block valued
views; and every proposal must have the approval of the residents affected. However, when most of these post-war estates were built London was experiencing a population decline, with many households moving to the suburbs. As a consequence, these estates are generous with their space, with plentiful underused or disused land that can be reused for infill housing.

Above all, although residents are repeatedly told that their homes have come to the end of their natural lifespan – typically identified as 60 years – the reinforced concrete buildings in which they live are generally speaking extremely well made, with decades of service before them if they are maintained properly. The 60-year lifespan cited by councils as a reason for demolishing estates refers to the lifespan of a building’s components and their inter-relation in the design and construction of the blocks. It doesn’t mean that those components – like those in any other building in London, including the far older Georgian, Victorian and Arts and Crafts homes – can’t be maintained and refurbished, with the out-of-date elements replaced and improved. The notion of a fixed lifespan to reinforced concrete buildings is one of the more fantastical myths peddled by the implementers and beneficiaries of the estate regeneration programme, but does not stand up to professional scrutiny as a reason for demolishing them.

On the contrary, on Central Hill as on every estate ASH has worked on, the physical deterioration of residents’ homes was not only a consequence of a lack of maintenance but also of poor maintenance. New windows fitted without adequate ventilation are the typical causes of the mould and damp that is regularly cited by councils as an excuse for demolishing people’s homes. Irregular paving is often a consequence of cleaning them with high-pressure water jets that have stripped them of their mortar. Flat roofs leak because they have been deprived of maintenance, not because flat roofs are flawed in design, and can easily be repaired or even replaced with angled tiled roofs – as ASH has proposed with our roof extensions to new flat-roofed blocks. Contrary to what councils tell residents, there is almost no physical deterioration to an estate that cannot be fixed through refurbishment, proper maintenance and innovative design solutions.

But beside the possibility of increasing housing provision and the effectiveness of maintenance and refurbishment in addressing the deterioration of the existing estate, ASH’s design proposals also address the third excuse councils give for demolishing estates. This is that, due to Government cuts to their budgets, councils do not have the funds to carry out the necessary repairs.

This is where we return to the financial costs of refurbishment versus those of demolition and redevelopment. The first thing residents confronted with this excuse ask councils is, of course, where the rent and service charges they’ve been paying on their homes for the past decades have gone. Unfortunately, as residents who have conducted audits of the
councils have discovered, the answer to that is in the appalling financial mismanagement of many of these councils, the hugely undervalued deals on council land agreed by councillors who then went on to work for the developers they sold it to; the proliferation of senior council officers on salaries between £50,000 and £150,000 at the expense of the low-paid council staff who once carried out the maintenance; and the spiralling costs of vanity projects like new town halls costing over £100 million being taken out of Housing Revenue Accounts supposedly ring-fenced for estate maintenance. As an example of which, in their viability assessment of the options for the regeneration of Central Hill estate dated 4 January, 2016, Airey Miller, the quantity surveyors employed by Lambeth council, wrote that:

‘An infill option is not being taken forward, as the high cost of refurbishment cannot be funded through Homes for Lambeth, and the funding is not available through the council’s Housing Revenue Account. The option also does not meet the council’s aspiration of maximising the number of homes developed, specifically homes built at a council level rent.’

Because of this, the model of refurbishment proposed by ASH doesn’t rely on the misspent Housing Revenue Accounts of mismanaged councils like Lambeth. Instead, where infill and roof extensions are possible and appropriate to the estate, and with the agreement and collaboration of residents, we rely on the rent and sales revenues from the new-build dwellings to generate the funds necessary to pay not only for the increase in the housing capacity of the estate, but also for the refurbishment of the existing homes.

ASH Alternative to Estate Demolition: Central Hill Estate

Existing Estate (476 homes)
340 social rent
136 leasehold

ASH Proposal (718 dwellings)
460 social rent (120 new build) (64%)
136 leasehold
60 market rent, 62 market sale

Lambeth Proposal (1,530 dwellings)
320 London affordable rent, 100 tenancy strategy rent, 109 shared ownership (27% affordable)
246 market rent, 765 market sale (50%)

Lambeth Proposal (1,201 dwellings)
320 London affordable rent, 240 tenancy strategy rent, 80 shared ownership (63% affordable)
561 market sale (47%)
To explain how this works, let’s look at the figures on ASH’s proposal for Central Hill estate. Central Hill has 476 homes: 340 of these are for social rent (indicated in red), and 136 are leasehold (indicated in light grey). As I said, ASH’s proposal is to build an additional 242 new dwellings. We estimate that we can make 120 of those new builds available for social rent (indicated in red), 60 for market rent (indicated in purple), and put 62 up for market sale (indicated in black). The Prime Minister has recently promised to lift the cap on councils borrowing against their assets in order to fund the building of new council homes. When that change in legislation goes through, there will be no reason why more, and even all, of the new-build housing couldn’t be for council rent, as they were when the estates were first constructed. But as things stood, we were still able to propose an estate of 718 dwellings, a 51 per cent increase in housing capacity, of which 460 are for social rent – 64 per cent of the total – with all the existing social rent and leasehold homes refurbished up to Decent Homes Standard. This is the ASH model of estate regeneration.

In comparison, Lambeth council employed a practice called PRP Architects to draw up a series of options for the demolition of 456 of the existing homes and the redevelopment of the estate as a housing association. Each of these options proposed a huge increase in housing density, in order to cover the costs of demolition, compensation and redevelopment we’ve already looked at. The option with the highest increase in density that we have seen is the proposal for a new development of 1,530 dwellings, more than three times the housing capacity of the existing estate.

According to Airey Miller, the engineering company employed by Lambeth council to produce a feasibility study for the PRP proposals, this option will comprise 320 homes for London Affordable Rent (indicated in orange), 100 homes for Tenancy Strategy Rent (indicated in green), and 109 properties for shared ownership (indicated in dark grey). These three categories comprise the development’s affordable housing provision, which together, however, make up only 27 per cent of the total. Moreover, the 320 homes for London Affordable Rent are 140 less than the 460 homes for social rent in the ASH scheme, 20 less than the 340 existing homes for social rent, and £24 per week more expensive, with increased service charges and the loss of secure tenancy rights. Even with the addition of 100 homes for Tenancy Strategy Rent, which is double social rent, there are 40 less homes for affordable rent than the ASH scheme has for social rent.

But to pay for all this waste, the new development will also have 246 dwellings for market rent (indicated in purple), which is three-and-a-half times social rent; and an enormous 765 properties for market sale, this latter tenancy type comprising a full 50 per cent of the entire development. As we can see, in its increase in housing density and in its proportion of tenure types, this proposed option is very close to the hypothetical example we were looking at earlier, and we can expect a similar difference between the tenure
these properties are sold at and their use as accommodation, with the bulk of the properties being purchased by Buy to Let landlords. All of which raises several questions:

- How does the reduction of 340 homes for social rent to 320 homes for London Affordable Rent benefit existing tenants of the estate?
- How does the building of 100 homes for Tenancy Strategy Rent and 246 homes for market rent benefit constituents of the borough, when studies have consistently shown that the primary rental housing need in London is for homes for social rent?
- How does the replacement of 136 leaseholder homes with 109 properties for shared ownership benefit those residents who have placed their life savings into their council properties and were looking forward to a financially secure future?
- How does the construction of 765 properties for market sale at an estimated average of £463,500 at today’s prices, and far more by the time they’re completed, benefit anyone except those middle-income families earning up to £90,000 per year who qualify for Help to Buy, the Buy to Let landlords who will purchase these properties and rent them out on the private rental market, the Buy to Leave property investors, and above all the private development partners who profit from the demolition and redevelopment of the estate?
- Finally, how does this model of estate regeneration do anything to address London’s crisis of housing affordability, when all the facts show it to be reproducing and expanding this crisis?

This particular option by PRP Architects was subject to a viability assessment by quantity surveyors Airey Miller in August 2016. But I’ve also included another option by PRP that was assessed in December 2016. The latter option has a slightly less but still considerable increase in housing capacity of 1,201 dwellings, around two-and-a-half times the existing estate. As with all the PRP options, however, it will have 320 homes for London Affordable Rent (indicated in orange). That’s an unchanging given in all Lambeth council’s proposals. What changes is the tenure of the remaining new builds. In this case there are 240 homes for Tenancy Strategy Rent (indicated in green), 80 for shared ownership (indicated in dark grey) – which will leave 56 leaseholders without even this inadequate option – and a massive 561 properties for market sale (indicated in black), 47 per cent of the total.

Now, the purpose of these options is to work out what they produce not only in terms of housing tenure but in the Net Present Value of the development. To explain what this term means, in their viability assessment of these options Airey Miller wrote:

‘Net Present Value (NPV) is a measure of how profitable a future cash flow is by comparing the value of a pound today to the value of that pound at a future point, taking inflation into account. If the NPV of a prospective project is positive, the project stands to provide an increased return on investment and would be
considered acceptable. However, if NPV is negative, the project probably should be rejected because the cost of implementing will not be recovered in the future.’

The calculation of NPV is a very important figure in estate regeneration schemes. It is used, for example, by the real estate firm Savills, which is employed by just about every council in London, including Lambeth, to establish whether an estate should be demolished and redeveloped. Unfortunately, it’s very unclear how this figure is calculated.

As we can see from these two PRP options for Central Hill, Net Present Value can vary considerably, with the earlier option for 1,530 dwellings producing a positive NPV of +£4.87 million, while the late option for 1,201 dwellings producing a positive NPV of +£11.37 million, the highest out of all the options we’ve been allowed to see. The £6.5 million disparity between these two figures, even when the earlier option has the same number of homes for London Affordable Rent but nearly 200 more properties for market sale, seemed incongruous to us. Even more inexplicable was that the August option closest in numbers (1,268 dwellings) to the December option (1,201 dwellings) proposed the same 320 homes for London Affordable Rent, 109 shared equity properties (a forerunner to shared ownership deals, subsequently dropped when councils discovered they were not legally permitted to offer equity) instead of 80 for shared ownership, 100 dwellings for Tenancy Strategy Rent instead of 240, and 556 properties for private sale for 561. And yet while the December option for 1,201 dwellings, according to Airey Miller, has a positive NPV of +£11.37 million, the August option of 1,268 dwellings has a positive NPV of just +£2.9 million.
Such variations and incongruities suggested the figures in the December report have been miscalculated at best, or manipulated to fit into a predetermined conclusion. This was important to us, not only because it was on these figures that the homes of 456 households on the Central Hill estate will be demolished, but because Airey Miller had also undertaken a viability assessment of the ASH proposal for Central Hill, which with the backing of residents we had submitted to Lambeth council for their consideration.

To start with, Airey Miller produced two viability studies of the ASH report, the first dated 27 June 2016, the second dated 23 August 2016, and these, like their reports on the PRP proposals, contained huge variations in the calculated NPV. The difference to the PRP proposals is that here the variations weren’t between different options, or even between comparable options, but between exactly the same ASH proposals.

On the calculation of the 97 roof extension homes we proposed (in fact we only proposed 68, so even this figure is incorrect), the June report arrives at a positive NPV of +£789,187 on a Gross Revenue Value after 60 years of £155.4 million. However, two months later the same number of dwellings, calculated on exactly the same number for private rent and council rent, now produced a negative NPV of −£9,418,763 on a Gross Revenue Value of £107.8 million. That’s an extraordinary loss of over £97,000 per dwelling, which, since our own quantity surveyor estimated these prefabricated, light-weight timber roof extensions would only cost £115,000 each to construct and lift into place, must represent a new low in value for money, and a completely unexplained reduction in revenue of £47.6 million.
But the incongruities in the calculations don’t stop there. The NPV of a proposal is calculated not only on sales of properties but also on what percentage of rental revenues can go towards capitalisation for the project. On an estimated open market value of £624.00 per square foot, the figures for the ASH proposal assumed by Airey Miller were between 61.27 per cent and 76.92 per cent for market rent, and between 27.66 per cent and 45.40 per cent for affordable rents, the range expressing the difference between 1-, 2-, 3- and 4-bedroom homes. By contrast, the percentages assumed for the PRP schemes were between 70.53 per cent and 82.01 per cent for private rent, and between 39.90 per cent and 54.47 per cent for affordable rents. This means that, in assessing the financial viability of the PPR schemes over that of the ASH schemes, Airey Miller assumed between 5.09 over cent and 9.26 per cent more gross rent from private rentals, and between 8.93 per cent and 12.24 per cent from affordable housing rentals, towards the provision of capital for the respective schemes. Despite our repeated requests for clarification, Lambeth council refused to give us any explanation for these differences.

Given the randomness of the figures on which the Airey Miller calculations were made, it wasn’t surprising, therefore, that in the same report of August 2016 the ASH proposals for the whole scheme, on a cost estimate of £184.6 million, was given a negative NPV of –£26,557,743, while the PRP option for 1,530 new dwellings was given a positive NPV of +£4,871,189. It was based on these figures that Lambeth council was able to reject our proposals as financially unviable, and go ahead with their plans to demolish and redevelop Central Hill estate. So how did they do it?
Well, when we looked at the viability assessments by Airey Miller we found the following financial discrepancies between how they calculated the negative NPV of £26.56 million for the ASH scheme (indicated in red) and the positive NPV of £4.87 million for the PRP scheme (indicated in black):

- On the ASH proposal Airey Miller imposed a 40 per cent social rent requirement on new builds alone, not the whole of the estate (for which, as we have seen, the ASH proposal provides 64 per cent social rent); while on the PRP proposals there was only 27-40 per cent affordable housing, including Tenancy Strategy Rent and shared ownership deals, on the whole of the new development.
- On the ASH proposal 0 per cent of the new builds were capitalised for market sale; while on the PRP proposals 44-54 per cent of the new builds were assumed for market sale. Since, as we have seen, the bulk of the funds for new development come from sales, this alone was guaranteed to make our scheme financially unviable. But Airey Miller hadn’t finished yet.
- As we have seen, on the ASH proposal, capitalisation on gross rent was estimated at 35 per cent on social rents and 68 per cent on private rents; while on the PRP proposals capitalisation was at 47 per cent affordable and 75 per cent private rents.
- But in addition to this difference, on the ASH proposal capitalisation was on the 242 new build rents alone, not on the 340 existing rents, as if current tenants
would no longer be paying rent to the council; while on the PRP proposals, capitalisation was on all new build rents.

- On the ASH proposal the £184.6 million cost of the scheme was estimated at £100.6 million over its £84 million estimate by our independent quantity surveyor, an impossible to justify increase; while on the PRP proposals the £22.8 million cost of demolition was omitted.

- Finally, on the ASH proposal there is full disclosure of the financial estimates by our quantity surveyor, Robert Martell & Partners; while on the PRP proposals, the financial estimates by Airey Miller for the cost of materials and construction, professional fees, Section 106 agreements, marketing and letting fees, finance and developer profits were all withheld by Lambeth Council as ‘commercially confidential’.

In May 2017, 9 months after producing this viability assessment and 2 months after Lambeth Cabinet voted to demolish Central Hill estate, Airey Miller was awarded the role of Strategic, Commercial and Technical Advisor to Lambeth council’s major Estate Regeneration Programme on a five-year, £6 million plus contract.

This teaches us an important lesson, which residents facing the regeneration of their estate should learn and never forget. This is never to trust anything the council hands them as a document produced by ‘independent’ professionals. If professionals are contracted by the council they are not independent, and the impossible to ignore story to come out of London’s estate regeneration programme is that professionals – whether developers, architects, engineers or consultants – will engage in professional malpractice in order to win commissions and justify the plans of councils to demolish estates whose land they want to redevelop. From council and management to contractor and manufacturer, the level of professional malpractice at every level of responsibility revealed by the man-made disaster of the Grenfell Tower fire is not the exception but the rule. But the fatal refurbishment of Grenfell Tower currently being subject to such scrutiny was a £8.7 million project for a single building, the purpose of which was primarily cosmetic. The demolition and redevelopment of Central Hill estate, by contrast, is a half a billion pound project designed to capitalise on a considerable stretch of highly lucrative land. If councils and contractors will put residents’ lives at risk to save a few hundred thousand pounds on a refurbishment, as they did on Grenfell Tower, what will they not do to push through a project, against all the facts, when there is a £100 million profit incentive? Airey Miller’s fabricated report is one answer to that question. Lambeth council’s withholding of the figures on which they based their decision to demolish this estate is another.
Part Five: The Costs of Refurbishment and Infill

Breakdown of Costs of ASH Proposal (Robert Martell & Partners)

- **Refurbishment (476 homes)**: £18,500,000 (£6.5m DHS)
- **External Works & Services**: £4,150,000
- **Professional Fees**: £10,100,000
- **Contingency Sum (10%)**: £6,130,000
- **Construction (242 dwellings)**: £45,000,000
- **Total Cost (718 dwellings)**: £84,000,000

In drawing up our proposals, ASH was able to draw on the services of Robert Martell & Partners, an established company of quantity surveyors, who produced for us – free of charge and therefore genuinely independently – a cost assessment of the ASH proposal. Hardly surprisingly, given what we’ve seen, their assessment of the costs was unrecognisable from those produced by Airey Miller, so let’s look at the breakdown of costs by Robert Martell’s & Partners.

- Refurbishing all 476 homes on the estate had been previously estimated by Lambeth council itself at £18.5 million (indicated in recycled paper). Lambeth received £23.3 million from the Greater London Authority funding revenue of 2015-16, and £6.5 million of this had been allocated for Central Hill estate. However, because we want the ASH model of estate regeneration to be applicable to any estate, we won’t deduct this funding from the total cost of refurbishment.
- External works and services to the estate were estimated by Robert Martell & Partners at £4.15 million (indicated in green).
- Professional fees come to £10.1 million (indicated in dark grey).
- A standard 10 per cent contingency sum comes to £6.13 million (indicated in diagonal lines).
• And the cost of construction of the 242 new-build dwellings comes to £45 million (indicated in granite). At £185,000 per new build this is lower than the £212,000 per dwelling estimated by Simon Morrow for the Aylesbury estate, but this reflects the cheaper construction costs of the roof extensions.
• So the total cost of the ASH proposal for an estate of 718 dwellings is £84 million.

Total Cost of ASH Proposal (Architects for Social Housing)

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To this, however, must be added marketing and letting fees, finance costs, and developer profit, none of which were included in the costings of the ASH proposal by Robert Martell & Partners. It’s difficult for us to estimate what these costs are, as we have been unable to engage the help of a quantity surveyor; but using the same figures calculated by Notting Hill Housing Trust for the Aylesbury estate, adjusted for inflation by quantity surveyor Simon Morrow, we get the following sums – which, if anything, are likely to be overestimates:

• Marketing and Letting Fees, given that half the new-build dwellings in the ASH proposal are for social rent, and would be allocated by the council rather than marketed by a housing association, are likely to be far lower; but in the absence of clarification from a quantity surveyor we’ll stick with the figure of £7,500 per new-build dwelling, which comes to £1.815 million (indicated in mid-grey).
• Finance, at £8,000 per new-build dwelling, comes to £1.936 million (indicated in light grey).
• Developer profit, given the cheaper cost of roof extensions that make up over a quarter of the proposed new builds, is once again likely to be lower; and, more importantly, many councils, including Lambeth, have argued that by carrying out
the redevelopment through a Special Purpose Vehicle rather than a developer they will be able to remove this cost; but in the absence of any financial information from those councils, and at the same sum of £39,000 per new-build dwelling used by Notting Hill Housing Trust, this comes to £9.438 million (indicated in lightest grey).

- That’s an additional £13.189 million in costs, taking the total cost of the ASH proposal for the refurbishment of 476 homes (indicated in recycled paper) and the construction of an additional 242 dwellings (indicated in granite) to around £97 million. For all the reasons listed here, this is likely to be too high an estimate by £10 million or more, but we’ll retain it as a yardstick.

Now, you may be wondering why the representation of the costs in these slides are all pushed over to the left-hand side. The reason is that I want to represent these costs proportionate to those of PRP’s proposal for the demolition of 456 homes on the existing estate and the construction of 1,530 new dwellings. Given the costs of demolition, compensation and redevelopment, we believe it is this proposal – or something close to it in numbers and tenure types and proportions – that Lambeth council will be obliged to choose if its private development partners are to recoup their investment and make the profits they demand.
As I said, the construction costs of the PRP proposals – which includes the cost of materials and construction, professional fees and Section 106 agreements, marketing and letting fees, finance and developer profit – were all redacted from the Airey Miller reports on the financial viability of each scheme. The excuse for this was that, although each proposal was based on the demolition of 456 council homes and the compulsory purchase of 136 leasehold properties, the figures on which the viability of those proposals were made were judged by Lambeth council to be ‘commercially confidential’. In their absence, therefore, ASH has made our own estimates of the cost of the PRP scheme, based on the figures we have already looked at.

- The cost of decanting 456 households is £25.65 million (indicated in newspaper). This is Lambeth council’s own estimate, taken from some of the few figures not redacted from Airey Miller’s viability assessment.
- The cost of demolishing 456 homes, at an average of £50,000 per home, is £22.8 million (indicated in sand). As we’ve said, demolition costs depend on the site, and Central Hill estate, located on a steep hill, is a difficult one in terms of access, with demolition costs likely to be at the high end of the spectrum. So far, therefore, before a single home has been built, Lambeth council are looking at a bill of £48.45 million just to take possession of the land.
- The cost of construction is more complex. Once again, Central Hill is a difficult site, with the existing estate built on pylons driven 30 metres through the loose soil of the hillside into the bedrock. It’s likely, therefore, that the new development will have to be built on the same footprint as the existing estate, with blocks tripled in height. But taking a baseline of £305,000 per dwelling – which includes materials and construction, professional fees and Section 106 agreement, marketing and letting fees, finance and developer profit – we need to add an additional £6,000 per dwelling for external works and services and a 10 per cent contingency sum, all of which comes to £342,000 per dwelling.
- To rebuild the 456 demolished homes, therefore, comes to £156 million (indicated in granite). So simply replacing what is already there, together with the decant and demolition costs, comes to £204.5 million. That’s more than double the cost of the ASH proposal, without adding a single additional dwelling.
- To match the total number of homes in the ASH proposal is even more expensive. The construction of 718 dwellings at £342,000 per dwelling is £245.5 million (indicated in granite), making the entire scheme come to £294 million. That’s three times the cost of the ASH proposal just to reach the same number of dwellings.
- To pay for this, however, we’ve seen that the number of new dwellings on an estate regeneration that demolishes the existing homes and builds a new development from scratch, has to increase the housing density by between two-and-a-half and three times if it’s to make the profits developers demand. The most likely option Lambeth council will take, therefore, is something like the PRP proposal for a development of 1,530 dwellings. At £342,000 per dwelling that will cost £523.25

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million (indicated in granite), with a total cost for the scheme of £571.7 million, nearly six times the cost of the ASH proposal. Indeed, the increase is so great that I can’t fit both schemes onto the same slide at the same scale.

In fact, if we go back to the Airey Miller viability assessment for this option of 1,530 new dwellings in its report of August 2016, the Indicative Finance Cost for the proposal is calculated to be £560.4 million. However, this left off the cost of demolition, which at an estimated £22.8 million brings the whole scheme up to £583.2 million – slightly more than, but not far off, our own estimate. Given that we’ve had no access whatsoever to the bulk of those costs, this is remarkably close to our own assessment of £571.7 million, and strongly suggests that our own estimates are accurate in their assumptions and calculations.

I said that Robert Martell & Partners costed our proposal. What we haven’t been able to find is a quantity surveyor – or the funds to pay one – that will undertake the more laborious task of producing a viability assessment of our scheme based on those figures. However, given the accuracy of our estimate of the cost of the PRP proposal for 1,530 dwellings to that by Airey Miller, we feel confident that we can produce a similarly accurate viability assessment of our own proposal for the refurbishment of 376 homes and the infill and roof extension development of 242 new dwellings on Central Hill estate. To make this as clear as possible, the scale of this slide has been enlarged seven times over that used for the proposals by Lambeth council.
- First of all, subsidies for 120 homes for social rent at £100,000 per dwelling come to £12 million (indicated in red diagonal lines).
- Net social rent on 460 homes calculated at 47 per cent of gross on an average rent of £140 per week for the first 25 years is £39.35 million (indicated in red).
- Net market rent on 60 homes calculated at 75 per cent of gross on an average rent of £320 per week for the first 25 years is £18.75 million (indicated in purple).
- Market sale of 62 properties at an average of £463,500 per property is £28.737 million (indicated in black).

In the first twenty-five years, therefore, revenues from subsidies, rent and sales come to £98.837 million, covering our cost estimate for the construction of 242 new-build dwellings and the refurbishment of the existing 476 homes at £97 million.

This shouldn’t be surprising. Property development, after all, is a lucrative business. And with the subsidies from the Greater London Authority and the extraordinarily high prices of London property, it is quite possible to generate the funds to build the homes for social rent that is the highest demand rental housing in London; but only when they are built as part of an existing estate, not on the ruins of its demolition. Not only that, but the funds they generate can, quite easily, cover the costs of refurbishing the existing estate up to Decent Homes Standard plus, making the homes better than they ever were, and assuring their continued service for many years to come as council homes for social rent for the communities they house. We’ve written elsewhere on the ASH blog about how councils, or the communities they’ve sold out, can circumvent Government legislation and raise the funds to build these infill homes: through loans against future income; through setting up a Community Land Trust, a Community Interest Company or a Housing Co-operative; through a Joint Management Organisation; through the Right to Transfer; even through Special Purpose Vehicles, if the council is willing to explore these options, rather than continue to be the willing instrument of property developers.

With the demolition and disposal of an estate’s concrete, brick and masonry resulting in significant and harmful emissions being released into the atmosphere, added to the embodied carbon already locked into the estate, Chris Jofeh, Director of Arups, the original engineers for Central Hill estate, has testified to the Greater London Authority Housing Committee that any benefit from building more energy-efficient dwellings would take up to 30 years to redress the balance. This is another cost of estate demolition and redevelopment the councils haven’t counted, and which can’t be compensated by Section 106 agreements with developers. Refurbishment and infill is not only the most socially beneficial and environmentally sustainable option for estate regeneration, it is also – by far – the most financially viable. The only thing this option doesn’t do is create the vast profits property developers and financial investors are extracting from London’s housing crisis.
Until ASH finds the help of a quantity surveyor willing to undertake this work for us, or find the funding to pay one to do so, we’re not able to calculate a viability assessment on the ASH proposal with any greater accuracy. But given the closeness of our calculation of the PRP proposal for 1,530 homes to that by Airey Miller, we’re confident that our own viability assessment is closer to the financial reality than their inaccurate, miscalculated, fabricated, manipulated and withheld calculations. Indeed, what our figures show is that, over a longer time period, some of our proposed 60 new-build dwellings for market rent could be turned into a far lower rent category, perhaps even into homes for social rent. We should recall that the viability assessments for the PRP options were calculated on revenues over 60 years. We’ve shown that the ASH proposal recoups its expenditures in less than 25 years. Everything is possible if councils are willing to look at the possibilities, rather than fabricate reports to dismiss them. It is to show that these possibilities exist that ASH has developed its model of estate regeneration. These possibilities become radically reduced, however, as soon as an estate is demolished. At that point the huge increase in the housing capacity of the new development and the re-tenure of the new dwellings along the lines we’ve looked at in this report become inevitable.

Demolishing and redeveloping estates is not a financial necessity but a political choice, and one that does nothing to address the crisis of housing affordability in London. On the contrary, as the figures in this report demonstrate, by demolishing our council estates and replacing homes for social rent with so-called affordable housing and properties for market rent and sale, the estate demolition programme is expanding the housing crisis at the cost of the increased housing poverty and homelessness of its citizens.

Simon Elmer
Architects for Social Housing

Illustration by Clifford Harper

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Appendix

ASH Policy Proposals on Estate Regeneration

1. **When proposing an estate regeneration scheme**, a Registered Provider of Social Housing (RP) and their Private Investment Partners must set aside sufficient funds for a refurbishment and infill option to be developed up to feasibility-study stage. This option must be designed, assessed and costed by a team of architects, engineers and quantity surveyors independent from the team given the brief for the demolition and redevelopment option.

2. **This independent team must be given funds**, from the RP and Investment Partners implementing the scheme and/or the Greater London Authority (GLA), to produce an impact assessment of the social, financial and environmental costs of demolition and redevelopment for existing residents, the local community and the landlord. The findings of this assessment must be overseen and verified by an independent supervisor, and made public before any resident ballot is held on regeneration.

3. **Enforceable target requirements must be set in GLA policy** defining what an estate regeneration scheme is required to meet before receiving either GLA funding or local authority planning permission. These targets must be written not in vague phrases about ‘like-for-like’ replacement of homes, residents’ financially contingent ‘Right to Return’ to them, or undefined proportions of promised ‘affordable housing’, but in non-negotiable, clearly defined numbers, proportions, tenures and rent levels that are not subject to, for example, the future viability assessments of Investment Partners.

4. **If an estate community votes against a proposed demolition and redevelopment scheme**, the RP must carry out the refurbishment and continue (or where appropriate restart) the maintenance of the estate at the very least. Where it is necessary to the funding for this refurbishment, and with the agreement of residents, the RP should implement the infill housing produced by the independent team employed to develop this option. In this way residents cannot be presented with a choice between the demolition of their estate and its managed decline.

5. **The London Mayor must allocate sufficient funds for estate refurbishment and infill** (which at present are entirely lacking) through his Homes for Londoners programme. If residents vote for this option these funds must be made available to them, either working in tandem with the council or through the various forms of resident-managed and community-led models being explored by residents who have lost confidence in councils that are implementing the demolition and redevelopment of their homes for the benefit of their Investment Partners.