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BEYOND CITY LIVING: REMAKING THE INNER SUBURBS

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Introduction

Counting cranes on city skylines is a good measure of urban change. Over the past ten years, British cities have improved their economic and social performance (ODPM 2006b). But many challenges remain, even in the big provincial cities at the heart of the UK's urban renaissance. In particular, visible recovery has been largely confined to city centres. Many nearby neighbourhoods – inner suburbs – show little improvement.

Inner suburbs are characterised by social and economic deprivation, poor environments, poor health and high crime (Dorling and Thomas 2005, Stillwell and Shepherd 2004). These multiple problems have been of concern for many years (Lawless 1981; Archbishop of Canterbury's Commission on Urban Priority Areas 1985, Hausner 1987). As cities have improved, many urban housing sub-markets have experienced prolonged growth, but many of the least desirable inner suburbs have not been part of the upturn: here we are counting not cranes, but boarded-up houses.

In many areas of the North and Midlands, the whole future of such neighbourhoods is now up for debate – and some remedial action is already taking place. The Government's Housing Market Renewal programme is pumping money into nine Pathfinder areas in an attempt to turn around some of the most problematic inner city housing markets. Pathfinder agencies are using a mix of approaches, including renovation, refurbishment, and – notoriously – demolition. This aspect of the programme has aroused huge public debate and media interest (SAVE 2006, Brown 2005, Daily Telegraph 2005). In some cases, local communities are digging in their heels and refusing to move (Mansey 2006, Willis 2006).

The Pathfinder debate crystallises the issues: Housing Market Renewal attempts to find new roles for inner urban neighbourhoods, and offers lessons for other areas that can be described as 'inner city', 'inner ring' or 'inner suburbs'.

The inner suburbs issue is important – and timely. First, what all inner suburbs share is proximity to the most valuable urban land: the city centre, where housing markets are thriving. Now that city centres have improved, the inner ring is the next regeneration challenge. For Government, there is a clear logic for turning to the inner suburbs. Second, demographic trends provide a further imperative: cities need to use inner suburbs to help meet the challenges of future household change. Third, the planning system is changing, and will become increasingly market-based. Regeneration agencies will need to work with developers to reposition inner suburbs, shaping demand for different kinds of inner urban living.

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In this paper we explore the emerging regeneration strategies for inner suburban areas. Drawing on evidence from Liverpool, Manchester and Leeds, we argue that regeneration of these inner areas can do more than upgrade housing and environments for existing residents; they can become more attractive to a wider range of households as convenient, accessible locations for larger, more affordable housing than is available in the city centre or the more recent suburbs. But care will be needed to create appealing, safe, walkable places; to define and deliver an attractive 'offer' for new residents, and to avoid displacement and tensions with existing residents. Success will be unlikely unless deliberate action is taken to avoid repeating previous mistakes (Atkinson 2002). Here is a potential site for one version of 'sustainable communities' in the early twenty-first century, if it is approached sensitively and intelligently.

The paper starts by defining the inner suburbs. It then examines the drivers of change that both explain the current status of many inner city areas, and support the arguments for change in the inner city. We summarise some of the different approaches to inner city revival, including case study portraits of Liverpool, Manchester and Leeds. Concluding sections point to some emerging policy issues and raise some warnings about the way forward.

Defining the inner suburbs

Inner suburbs form the ring of neighbourhoods around a city centre and differ hugely in both their physical make-up and their social and economic conditions. Many are Victorian, with later suburbs spreading beyond this ring, towards the edge of the built-up urban area. Some inner suburbs are prosperous areas where people want to live (see below). But in the North and Midlands, many are concentrations of deprivation, with economic, social, physical and policy factors reinforcing each other, often at very local level (Social Exclusion Unit 2004).

Around thirty-two per cent – nearly one third of the English population – live in the city centre or inner suburbs (DETR 2000) and by far the greater proportion of these people are inner city dwellers.

From a housing perspective, many inner city areas suffer very low demand. Housing markets respond to economic and population change, as well as residential preferences. Some households can move to more desirable areas; households without the means to exercise choice are left behind in less desirable areas (Berube 2004, SEU 2004). In part, this is just the market working as it should. However, residential sorting can – at a tipping point – help trigger a 'spiral of decline' in some neighbourhoods, with empty properties, negative equity, poverty, crime, anti-social behaviour and – at worst – abandonment.

In 2004, 850,000 homes were in low demand areas in the North and Midlands. Ninety-four per cent of low demand is concentrated in 40 Local Authority areas in England. Average 2004 house prices were £65,000, compared with the national average of £176,000. Seventy per cent of these homes are in the private sector, but social housing is twice as likely to suffer low demand. One in 50 private homes in the North and Midlands remains vacant for more than six months, twice as high as for Southern regions. One in six Pathfinder wards is extremely deprived – compared with one in 100 nationally (ODPM 2005b).

The fall and rise of urban Britain

Urban decline and recovery is the product of interlocking demographic, market, social and policy factors. So far, city centres have been the main beneficiaries, but there are signs of life for inner suburbs too.

Demographic change

The UK's population structure is changing. Household growth is outstripping family growth: there are more single households, and people are living alone for longer, before or after relationships (Lewis 2005, ONS 2005). The latest projections suggest that these trends will continue for at least another 20 years, with particularly high growth of households consisting of over-45s living on their own (ODPM 2006a). Altogether, England and Wales will have almost 5m more households by 2025 (ODPM 2006a) with Northern and Midland regions experiencing growth of around 20,000 households a year.

Assuming these figures are borne out, where will these households go? So far the trends seem to be helping British cities, which have seen a rising share of population growth in the last decade. In England, the 56 biggest towns and cities now contain 58% of the population (ODPM 2006b). So far, young single people have led the return to the city – particularly city centres. In the long term older singles will be a much bigger group, but their attitudes and preferences are so far much less clear (see below).

Economic change

Urban economies have also changed dramatically during the past few decades. Between 1971 and 2001, Britain's 20 biggest cities lost 2.8 million manufacturing jobs and gained 1.9 million financial and service jobs (Moore and Begg 2004).

The 'jobs gap' in these cities is still a concern (Turok and Edge 1999, HMT / DWP 2003). Most of the workplaces that employed the original residents of the Victorian terraces have disappeared – their products obsolete or more cheaply made in low wage countries (Wilson 1997). However, cities have also become key sites for the 'new economy' of business services, retail and leisure. Some restructuring has helped: the factories and warehouse conversions of the 1990s are the legacy of earlier decline.

Most importantly, cities have ridden the twin waves of macro growth and high public spending – particularly in health, education and local government. English cities' share of employment growth rose from 51.8% in 1991-98, to 58% between 1998 and 2003. In 2003, cities held nearly two thirds of all jobs in England (ODPM 2006b). Rising disposable incomes have underpinned urban renaissance: greater affluence means more money to spend on housing, shopping and leisure – key ingredients of cities' recovery.

Economic recovery has also helped create booming housing markets in many city centres. As city centre living has expanded, high returns have stimulated further investment. City centre markets have some inherent instabilities, but have so far avoided a downturn (Urwin 2005).

Some inner city residents have found jobs in the new workplaces, but many of the jobs have gone to people from further afield. The bulk of jobs growth has been in city centres,

and in key employment sites elsewhere in the city-region. Worklessness remains stubbornly high in inner ring neighbourhoods (Lupton and Power 2005).

Social and cultural change

Britain has become more receptive to city living. City living has become trendy, even aspirational. British cities have had a very public makeover, and images of city living have changed too: from *Blade Runner* to *Friends*, *Coronation St* to *Queer As Folk*. City centre living is very attractive for many young people: a space to work hard and play hard (Chatterton et al 2003, Urry 2000).

In particular, higher education expansion during the 1990s has brought thousands of young people into British city centres. In cities, growth in student numbers has matched or outstripped the national trend – for example, total student numbers rose 30.7 per cent across the UK, but by 75.8 per cent in Manchester and Salford (Nathan and Urwin 2006). Rising numbers at first resulted in ‘studentification’ of inner areas within easy reach of university campuses. Now a combination of residents’ pressure groups, planning policy revision and private sector development of purpose-built student accommodation is leading some students to move from traditional inner urban neighbourhoods into new blocks in city centres. Some inner ring areas appear to be losing out from this regeneration in the city core (ibid).

Policy change

From the late 1970s, successive governments have attempted to move people and jobs towards the big conurbations (Rogers and Power 2000). Since 1997, the Labour Government has implemented a range of pro-urban policies. Planning frameworks and tools such as PPG3 and PPG6 have concentrated residential and commercial development in urban centres. At the same time, various economic development and regeneration funding streams have pump-primed urban property markets.

The overall shape of policy is less city-friendly, however: the Sustainable Communities Plan emphasises the need to accelerate housing growth across the Greater South East, responding to long term patterns of economic development (ODPM 2003).

New urbanites: the city centre living phenomenon

The growth of city centre living is one of the big success stories for British provincial cities. In the late 1980s, less than 1,000 people lived in the centre of Manchester. In 2005, the figure was at least 15,000. In 2001, Liverpool’s city centre population was 13,500, up from just 8,000 ten years earlier. Leeds, Birmingham, Sheffield, Nottingham, Newcastle and Glasgow have all experienced similar, rapid growth (Nathan and Urwin 2006).

The UK is evolving a distinctive model of city centre living, dominated by young single people. We have not brought Barcelona to Britain. In cities like Liverpool, Leeds and Manchester students, young workers and those on low incomes are the three key groups (Nathan and Urwin 2006, Unsworth 2005).³ There are not many families, and not many

³ Three factors can increase the presence of lower income households: central city wards can include some low-income inner city housing (both Victorian terraces and 20th century

people over 40. City centre residents are far younger: two thirds are aged 18-34, compared with a national average of quarter. They are twice as likely to be single as the average Briton and they are generally much more diverse than the rest of the city. These 'city people' look and feel very different from the rest of the population.

Convenience and buzz are the main attractions for city centre residents. A survey of Leeds residents found that 37 per cent of residents moved to the city centre for lifestyle reasons (17 per cent moved because of nightlife). Forty-four per cent moved to be close to work (Unsworth, 2005). A similar survey in Liverpool found that 54 per cent of city centre residents moved 'to be in central Liverpool' (CSR 2004).

However, for many people city centre living is a short term experience that is not about becoming part of a 'community'. Residents are disproportionately likely to rent and they are mostly more interested in keeping in touch with friends than knowing next door neighbours. There is a 'conveyor belt' effect: most people move out after a few years, and in any given year a third of the population moves out. This level of churn is three times higher than the UK average. Most residents leave the city core when they have children, because of lack of space, lack of services – and because they prefer the suburbs. They pine for green space and need more living space, especially if they are moving into the child-rearing stage of the life cycle (Nathan and Urwin 2006, Unsworth 2005). Most city centre dwellers tend to give up their city centre 'experience' in order to satisfy their desire to return to the suburbs, which was always their longer-term aim.

City centre living: the limits

City centre living is important, with significant regeneration benefits (Nathan and Urwin, 2006). But it is still a relatively small phenomenon. It has helped big cities stem population decline, but has not yet made up for long term losses.

It also, paradoxically, highlights Britons' deep preferences for suburban living. Many recently built apartments are too small for people to mature into, in part because city centre markets contain incentives to over-provide studio and two-bed flats (Allen and Blandy, 2004; Nathan and Urwin 2006, Unsworth 2005). But most people do not want to live in flats of any kind: the most popular English house types are detached houses, semis and bungalows (CABE / MORI 2004). Around two thirds of people live in suburban areas (DETR 2000).

Suburbia is Britain's cultural default mode. Most people were brought up in one or other kind of suburb; flat living is not 'in the blood' as it is in continental European cities. People still arrive in big cities as young singles, and leave as older families (Champion and Fisher 2004). The urban-rural shift continues (ODPM 2006b). City centre living is a new twist to an old story.

Some commentators have suggested that families and 'empty-nesters' could arrive in city centres in large numbers in the next fifteen years (Knight Frank 2005). These authors have heard plenty of anecdotal evidence that empty-nesters are already taking an interest in city centre property. But it is hard to see how far these trends will go. Currently,

redevelopments); some city centres have a significant number of housing association units; some cities have been relatively successful in achieving the delivery of affordable housing as an element of city living.

older people children have left home are unlikely to downsize – if they can help it. Owner-occupiers and private renters tend to hold onto existing homes (King and Hayden 2005).

This has some profound implications for future household growth (see above). If current attitudes and trends continue, the UK will need a lot more larger dwellings in the next 20 years. To avoid sprawl and overheating suburban housing markets, policymakers will need to make better use of inner suburbs and city centres.

What's the scope for repositioning city centres? Practically it will be hard to shift preferences, and unacceptably expensive to refit city centres for new groups. In some cities, there is scope to develop more diverse, family-friendly *neighbourhoods* – the Canning / Hope St area of Liverpool, or parts of Castlefield in Manchester, for example. But in most places, the policy priority is to encourage older households (families, older singles and empty nesters) into inner ring areas where they will have a bigger regeneration impact.

In other words, most city planners recognise that future urbanites will be more attracted to developments around the edge of the city core, and in the inner suburbs.⁴ The growth of city centre living also shows the great potential of inner suburbs. Here, regeneration need and market opportunity could come together again.

The inner suburbs: the next success story?

The Government's Housing Market Renewal programme (HMR) aims to turn around inner city housing markets, working with other agencies to achieve social and economic change. The goal of the programme is:

'to replace obsolete housing with modern sustainable accommodation, through demolition and new building or refurbishment. This will mean a better mix of homes, and sometimes fewer homes' (ODPM 2003).

Pathfinders are operating in nine areas of the North and Midlands, with smaller programmes in several other neighbourhoods affected by low demand.⁵ The Government is releasing £1.2bn dedicated funding, phased over 2002-8 (ODPM 2005b). But Pathfinders will also leverage additional private, RDA and mainstream public funds. In Manchester-Salford, for example, the initial grant of £113m should lead to total investment of £1.247bn.⁶

How should these Pathfinders proceed, and what approaches can we try in other deprived inner suburbs? One strategy is to extend high-density, city centre type

⁴ Stakeholder interviews, Liverpool and Manchester, July, August and September 2005.

⁵ The nine Pathfinder areas are Birmingham/Sandwell, East Lancashire Burnley, Blackburn, Hyndburn, Pendle and Rossendale), Hull/East Riding, Manchester/Salford, Merseyside (Liverpool, Sefton and Wirral), Newcastle / Gateshead, North Staffordshire (Stoke, Newcastle-Under-Lyme and East Biddulph), Oldham/Rochdale and South Yorkshire (Sheffield, Doncaster, Burnley and Rotherham). The main areas to receive additional funding are Tees Valley, West Cumbria and West Yorkshire.

⁶ The Pathfinder applied for £113m for 2004-6, but the eventual ODPM grant was £125m. Total investment figure includes the initial £113m grant.

developments to the inner ring. The Government has suggested harnessing city centre housing markets to wider market renewal:

We need to reconnect our pathfinder areas to their surrounding markets and to the renewed, vibrant city centres that lie next to many of them – so that the benefits of urban renaissance are enjoyed more widely (ODPM 2005b).

Is this working? On the ground, developers are already 'pushing the city centre out', building high-density apartments in city centre border areas. This both reflects and drives changes in the local housing market. House prices in HMR areas are rising. Improvements in the middle of town have helped changed investor perceptions of cities like Manchester and Liverpool. As city centre property becomes more expensive, investors are taking a greater interest in inner urban areas.

However, it is unclear how successful this strategy will be. Price rises in HMR areas have not kept pace with regional or national price trends (Nevin 2006). Much investor interest also appears to be speculative, and may not translate into long term price movements.⁷ In Liverpool, for example, 65% of homes resold within six months are within the HMR zone boundaries (Coxon 2006).

New developments may attract those looking for a cheaper 'city centre experience'. However, many will not be near enough to the city centre (Allen and Blandy 2004). Specifically, they may not be walkable, so will not feel like city centre living, and will be much less attractive as a result. There are limits to building more and more flats, unless these are reconfigured as part of a distinct inner urban living experience. 'More of the same' is a risky option.

So could the inner suburbs in the UK become a new hybrid, bringing a blend of city centre/suburban feel to previously most socially deprived areas? Could this be suitable territory for more varied housing stock and take-up?

It is important not to underestimate the challenge. Interest in many HMR neighbourhoods is tentative, at best. Most do not compete with popular suburbs, or with city centres. Negative perceptions run deep, and can take years to change.

However, many inner city areas have positive potential. Those seeking to move for housing reasons (to meet requirements for accommodation that better fits their needs) look principally in the areas immediately adjacent to where they currently live (Cole *et al* 2003). Rehabilitated inner suburbs may serve as a next stepping stone. This may not be a 'final destination' – land prices may be too high to allow delivery of enough larger, affordable family housing. In these cases households will still have to move further out if they want to consume more housing space. However, HMR land values remain relatively low, and most Pathfinder agencies are planning a range of housing options. It should be possible to create a real mix in more deprived areas.

Close to the centre and with good transport links, inner suburbs can offer a quieter, more spacious alternative to city centre living. At the same time, they could offer much better value than the overheated housing markets of more popular suburbs. Inner city developments could help to create a smoother 'conveyor belt' as households move

⁷ Stakeholder interviews, Liverpool and Manchester, August and September 2005.

outwards, and for the duration of their stay in the inner city, they will contribute to regeneration. High-spending, high-skill residents should support the local service economy, and should help improve labour markets and investment flows across the city as a whole.

Box 1: Leeds inner city areas

The areas immediately beyond the city centre in Leeds are extremely varied. There are three types of areas:

- The mainly Victorian terraced areas – Beeston Hill, Burley Lodge, Little Woodhouse, Hyde Park, Chapeltown, Harehills, Cross Green/East End Park
- Areas that were redeveloped by the Council during the mid-twentieth century – Little London, Ebor Gardens, Richmond Hill.
- Mixed areas with some older terraces and some council estates – Holbeck, Armley, Wortley, Holbeck.

Altogether, the inner city areas of Leeds are home to over 140,000 people living in more than 64,000 properties, 82 per cent of which fall in Council Tax Band A.

Approaches and funding mechanisms vary greatly across these complex areas with their mixed tenures, property types and residents. Some areas have been recipients of SRB funding which has been channelled through Neighbourhood Renewal Teams. Those areas not designated as SRB recipients have had some funding from the Regional Development Agency (Yorkshire Forward), the EU (Objective 2) and the City Council. This funding has been used in a range of ways to improve the physical fabric and improve the quality of life and life chances of deprived inner city residents.

Leeds' public sector housing is now managed by six ALMOs (Arms Length Management Organisations) that cover 'wedges' of the city. Each is taking a different approach to tackling the problems of the inner part of their area.

In Armley (which missed out on SRB money) a masterplanning process is under way. Analysis of the strengths and weaknesses of different elements of the area has been a starting point for proposals to carry out selective re-development and upgrading, plus improvement of the public realm. Solutions vary according to the nature of the housing stock, the availability of publicly-owned land, the views of residents and the possibilities for involving housing associations and private sector interests. A property developer has recently shown a willingness to invest in schemes to provide affordable housing for rent and for sale. But this is a rare example of a local who has returned to his native patch with a desire to see the area improved. More broadly, a joint Leeds-Bradford corridor project is being assembled to link employment and economic development, transport and connectivity improvements and housing improvements.

The East and South East Leeds (EASEL) project reaches out beyond the inner city as such to include not only Harehills and Richmond Hill but Gipton, Seacroft, Osmondthorpe and Halton Moor – areas dominated by high levels of social housing and deprivation. A private sector housebuilder is in partnership with the local authority to bring existing residential property up to Decent Homes standards and to replace some social housing with property that will appeal to a wider occupier profile. But as the supply of social housing diminishes there is a danger of being unable to meet demand for this tenure. Also, it is said that the broader aims of providing high quality services within the improved housing areas is not being given a high enough priority by the private sector partner.

Along Kirkstall Road, the proposed redevelopment of the Yorkshire Chemicals site may be less controversial, as there are no existing residents to take into consideration. This could be a prime

site for providing a variety of maisonettes and associated facilities for people wanting to move out of a city centre apartment (see later section 'Delivering the offer').

In all the areas of extensive back-to-back terraced houses (approximately 13,000 units in total) there will have to be some imaginative solutions in order to address serious problems of sub-standard accommodation. The range of solutions will have to include selective demolition and knocking through of some of the properties as well as some larger scale clearance and redevelopment. All the options will be expensive and will require substantial public finance. For many years, indecision about the way to handle the vexed question of the back-to-backs has resulted in little progress and in the meantime, many houses have been bought by investors who rent to unstable tenants. Some of the more committed property owners in the area hitherto dominated by students in houses in multiple occupation may now be prepared to consider some radical and imaginative solutions as the area goes through another transitional period.

The different inner city areas will not all be equally appealing to those moving on from city living. And in any inner city area, the combination of space standards, quality, price, immediate environment and availability of local services will have to add up to an offer that is on balance more attractive than an alternative further from the city centre.

Crucial to the success of any of any inner city improvement schemes will be the work now being undertaken by the Renaissance Leeds Partnership⁸ to improve the connections between the city centre and the immediately adjacent areas – 'the rim' as it is called.

⁸ The Renaissance Leeds Partnership has Board members from Yorkshire Forward, English Partnerships and the City Council.

Strategising suburbia

What might the new inner suburbs look like? What does this imply for Housing Market Renewal Pathfinders, and for other inner city neighbourhoods?

First, who might live there? Alongside existing residents we should expect a mix of city centre residents, key workers, families and older singles. Some will move in to 'edge of centre' zones because they value proximity to the city centre. Others will value the specific characteristics of the area and property, typically classic *inner suburbs* a little further out. In both cases, some new residents will be effectively priced in by housing market dynamics elsewhere in the city.

Outsiders (particularly students, former students and those moving to cities for work) and lower-income locals (who may have lived in or close to these areas already) appear most willing to consider moving in (Nathan and Urwin 2006, Silverman et al 2006). Pathfinder agencies like Manchester/Salford are already developing a differentiated approach to different parts of the HMR zone, tailoring specific neighbourhoods to likely new resident groups (Nathan and Urwin 2006).

Second, what are people looking for? The evidence suggests some basic priorities – shared by potential residents, and by existing residents of successful inner urban regeneration projects. Mixed tenure itself does not put potential residents off, as long as it is combined with well-designed, well-built houses and estate environment (Rowlands et al 2006). Research in mixed-income inner city neighbourhoods suggests key attractions for existing families are:

- A safe, clean and friendly neighbourhood
- Unified appearance, good open spaces
- Proper neighbourhood management and community-building measures
- Good primary schools
- Affordable family houses – not flats of any size (Silverman et al 2006).

Focus groups with city centre residents in Liverpool and Manchester suggests they look for:

- Security
- Good quality housing stock, with character
- Houses, not flats
- Inside, outside and green space
- A community 'on the up'
- Presence of students / middle class people (Nathan and Urwin 2006).

In these focus groups, some city centre residents, particularly those with or planning to have children, were looking for a fundamentally suburban experience. Others – particularly younger first-time buyers – were attracted by edge-of centre apartment developments, or more lively neighbourhoods offering a type of 'grown up city living'. This suggests that a mix of high and medium density flats and houses around the edges of city centres; and conventional suburban housing further out, stands the greatest chance of success.

Box 2: Manchester Salford Housing Market Renewal Pathfinder

The Manchester Salford Housing Market Renewal Area covers a swathe of land between central Salford, and North and East Manchester. The Pathfinder area covers over 125,000 properties (around 15,000 households), with large swathes of monolithic social housing – particularly in North Manchester.

The Pathfinder programme is run out of Manchester and Salford City Councils, and works closely with the New East Manchester Urban Regeneration Company (URC). Manchester Salford was the first Pathfinder to submit its prospectus and the first to receive funding. The initial grant from Government was £125m 2004-2006. This investment is expected to trigger further public and private investment, taking the total investment to £1.274bn 2004-2006.

The first tranche of Pathfinder funding is being used to refurbish, repair or upgrade 13,400 homes; build 1,000 new homes and demolish 1,700 properties. Key projects include:

- New Islington – East Manchester. Regeneration of the Cardroom Estate, northeast of the city centre. Urban Splash and Will Alsop have designed a mix of new apartments and family houses. The first new development is the CHIPS apartment complex. Early phases sold out, with over a third of apartments reserved for key workers / first time buyers. Future plans include new shops, health centres, a pub and a primary school.
- Beswick – East Manchester. Existing housing stock is largely small streetfront terraces. Redevelopment involves some demolition and use of non-housing land. The new stock includes apartments, and 600-700 new, three-storey townhouses with open space and garages. The Pathfinder is also planning new schools and health centres. Private sector partners include Lovells and Gleasons.
- Blackley – North Manchester. This is a site for future development: the Pathfinder considers it has great potential for new housing. Developers LPC recently converted four tower blocks into loft-style apartments, with town houses in the grounds around them. This is a popular scheme, and further developments of this kind should appeal to former / aspirant city centre residents.
- Langworthy – Salford. Urban Splash has remodelled classic *Coronation St* terraces to create 349 'upside down terrace' houses. The new designs have space for two double bedrooms, and are aimed at young families and professional sharers. Urban Splash's tagline is 'city living on a proper street': it should appeal to those looking for a cheap, distinctive, working community close to the city centre.

The Pathfinder's longer term strategic aims are to replicate city centre product around the city centre fringes, while providing larger, more family-orientated housing further out. The idea is to keep people within regeneration areas as their circumstance change, to minimise pressures on overheated housing markets elsewhere in the city.

Third, what sort of delivery strategies should be adopted? We can learn lessons from city centre revival. Agencies need to start small. In big cities, the inner ring areas zoned for market renewal are huge, and often contain very vibrant neighbourhoods alongside more deprived places. Delivery agencies and developers are already starting to work outwards from attractive neighbourhoods, and this should continue. Similarly, agencies also need to identify 'suburban pioneers'. City centre living kicked off with a small number of early adopters, and HMR can take the same approach. Some people will be priced into the inner ring, but others will choose to go there.

Most importantly, the inner suburbs need a clear 'offer'. City centres have obvious assets and clear appeal. Further out, agencies need to work harder at developing USPs and neighbourhood stories – whether this is 'grown up city living' just outside the city core, or good value suburbia further afield. In both cases, the basics are security, space and design, services – especially schools and convenience shopping – and a sense of community. These are at the heart of a new suburban offer.

Making it happen

Delivering an inner suburbs strategy is not easy. This section outlines four key challenges.

Gentrification

The discussion has so far largely ignored existing residents of inner suburbs. In practice, this is impossible. Unlike many city centre neighbourhoods, gentrification and displacement are real risks in the inner ring. If 'regeneration' shifts poor people elsewhere – as in Docklands in the 1980s – then it has not succeeded.

Outside London, city centres were virgin territory. There were barely any existing residents to displace; early developments were largely social housing, leading to a good mix of incomes and tenures; and current residents have largely positive attitudes towards their neighbours (Nathan and Urwin 2006).

In inner London, urban regeneration has resulted in displacement, and street-level tensions between new and existing residents (Atkinson 2000). Outside the capital, there are similar risks in HMR neighbourhoods and other deprived inner suburbs. The outward movement of regeneration could be a source of potential conflict between existing and incoming residents. First, people already live there. Second, although it is not keeping pace with city averages, local property is becoming more expensive. Government data suggests that median house prices in Pathfinders more than doubled between 2002 and 2005 (ODPM 2005b). Third, many residents are hostile to incomers. Stakeholders report locals' fears that regeneration will push them out, and change the mix of the area (Nathan and Urwin 2006).

Fears of gentrification are often closely connected to debates about demolition. Residents worry that their homes will make way for new, unaffordable housing: they may suffer the double disruption of clearance and displacement. Regeneration agencies need to tread very carefully here. Demolition should be a last resort, but cannot be ruled out altogether. Housing market renewal needs to balance economic aims – raising demand for inner suburbs, and improving choice – with social objectives – preserving heritage, community balance and minimising disruption. Commentators have focused on the need to ensure that social and intermediate housing is provided at the right levels – to minimise displacement of existing residents, and to promote a genuine mix of incomes and tenures (Nevin 2006).

In practice, agencies' options can be restricted. Different VAT rates on new-build and renovation may tilt the balance in favour of clearance (see below). Some stakeholders suggest that Government pressure to spend budgets, and show quick progress, may also have moved some agencies to adopt large-scale demolition programmes.

This helps explain some of the current controversies (see box 3 for a detailed discussion). In Liverpool, proposed demolition in the Edge Lane area is the subject of wide public debate (Mansey 2006, Willis 2006). Developments like New Islington in the Manchester Salford Pathfinder appear to have largely avoided displacement and community tensions through careful consultation and providing adequate affordable housing where new property is built.

Box 3: Little London, Leeds

Leeds City Council is pressing ahead with a PFI project in Little London, immediately to the north of the city centre. At the turn of this century, demand in some parts of the area was weak and occupier turnover very high. It was an area in need of a new approach and PFI is the mechanism strongly favoured by central government, which means that local government officers and elected members have felt constrained to pursue this option. An essential element for attracting involvement of the private sector is the inclusion of an area of cleared land suitable for higher value development. This would mean the demolition of two blocks of flats and nearby maisonettes of council-owned property in 'the Carltons' and displacement of existing tenants from these properties and from three further blocks in 'the Lovells' that would be refurbished for private renting.

Anecdotal evidence from representatives of the Little London Tenants' and Residents' Association (LLTRA) suggests that the process of working towards a solution for regeneration has been carried out in a way that has alienated and de-motivated the existing population. Consultation has long-drawn-out, manipulative and opaque. Few residents have the ability and stamina to continue opposing a process which will 'only' disadvantage a minority of the area's residents. There has been what one council official admits is 'a deafening silence' on the topic of where displaced people will go. During the years since the PFI was first mooted, the area has become much more sought-after, partly because of the high numbers of asylum seekers and other minority groups who have needed accommodation, so displacement is an increasingly important issue.

Certainly, the area of land in question is a logical extension of the city centre and could provide a new kind of mix of housing types suitable for a variety of households. But the eventual development is unlikely to reflect the preferences of the existing residents even if it includes a proportion of affordable housing. This does not seem to be an exemplary way to proceed with the twin objectives of renewing the inner city and extending the city centre. LLTRA has recently withdrawn support from the stakeholder group steering the proposed changes, citing a lack of confidence in the Council's approach to the consultation on the PFI.

Delivering the offer

The Government's 'sustainable communities' framework helps frame the elements of a successful neighbourhood: housing, utilities, physical and transport infrastructure, space, public and private services. In practice, however, it is far harder than it should be to deliver these elements in a coherent way (Dixon et al 2006). Regeneration agencies come up against a number of barriers in delivering a local 'offer'.

- Cultural and capacity barriers: many public sector health and education bodies lack experience of large-scale investment
- Funding formulae: funding formulae for health, education and utilities are reactive, and do not allow investment ahead of population. Local agencies need to build a 'regeneration case' for investment from scratch
- Levels of funding: there are straight shortfalls for key projects, particularly transport infrastructure and healthcare.

By slowing down investment and project delivery, these funding issues create additional strategic risks for the private sector. So there can be knock-on effects, and over time these may put whole programmes at risk – whether in deprived inner suburbs, or the Growth Areas across the Greater South East (Bennett *et al* 2006). Decision-makers we spoke to argued that years of negotiation with LEAs, Primary Care Trusts and Whitehall departments were sometimes necessary before new schools and health centres were committed.⁹

A recent development proposal on a former industrial site on Kirkstall Road, just beyond the city centre in Leeds (see Box 1), may be held up by just such problems: the owners, influenced by evidence of over-supply of two-bedroom apartments in the city centre proper, have suggested including family housing. The plans panel of the City Council is concerned about the lack of support facilities. Yet this is just the type of location for an experiment in the next wave of development and the lack of an existing community means that gentrification is not an issue. It is a substantial site and there are other adjacent sites that will come forward for development. The challenge is to demonstrate that a critical mass of patients, pupils and consumers will be present in this sector of the inner city in the medium term. Some of the relevant facilities will be provided as part of the mixed use developments.

If Whitehall is serious about sustainable communities, it must make it easier to deliver them. In the Growth Areas, extended Section 106 Agreements like the Milton Keynes 'Roof Tax' have provided some short term funding for growing new neighbourhoods. But neither a Roof Tax nor the Government's proposed Planning Gain Supplement will cover the funding shortfalls in Growth Areas or Housing Market Renewal areas.

The key issue is aligning mainstream funding, and ensuring coherent delivery. This means better joining-up at central Government level. PSA5 commits DCLG to provide a better balance of housing supply and demand: it should be extended to a broader 'sustainable communities' remit, covering DfES, DoH and DfT. As part of its response to the Barker Review, the Treasury announced a review of social infrastructure provision, to report by the end of 2006 (HM Treasury 2005). This is an opportunity to come up with some imaginative solutions.

Planning tools and incentives

Regeneration of inner suburbs also requires a clear, coherent planning framework at local and national levels. But the planning system is currently in flux, which will make long term regeneration harder to deliver.

First, the Government recently published its new draft guidance on planning housing. The draft PPS3 makes a number of changes to the existing guidance. It maintains a focus on brownfield development, though with greater local flexibility on density and housing mix. It also establishes a much more market-based framework. Planners will need to develop detailed analyses of sub-regional housing markets, and identify future pots of developable land at least five years ahead (ODPM 2005).

⁹ Stakeholder interviews, Liverpool and Manchester, June, August and September 2005.

This is good and bad news for city planners. They will have more discretion to develop planning strategies to suit local circumstances. However, in deprived areas they will need to actively shape housing demand in order to demonstrate current and future markets. Given the existing barriers to delivering a viable neighbourhood offer, this presents a further strategic risk for Housing Market Renewal and similar programmes elsewhere.

Second, the Treasury has also commissioned a root and branch review of the planning system, again headed by Kate Barker. The Barker Review of Land Use Planning has a very broad remit, assessing:

'... ways of further improving the efficiency and speed of the system; ways of increasing the flexibility, transparency and predictability that enterprise requires; the relationship between planning and productivity, and how the outcomes of the planning system can better deliver its sustainable economic objectives; and the relationship between economic and other sustainable development goals in the delivery of sustainable communities.' (HM Treasury 2005)

In effect, the Review will be looking at how the UK planning system helps or hinders the Treasury's five drivers of productivity. The signs are that Review will recommend a more market-based planning system, and may even suggest shifting the brownfield/greenfield mix in some places, with profound consequences for city housing strategies. After the 2007 Comprehensive Spending Review, in other words, city planners could be operating in a much less helpful policy environment.

Other incentives also shape developers' decisions in regeneration areas, notably VAT. Currently new-build housing is zero-rated, while renovation and repair is liable for 17.5% VAT – except in very limited circumstances. This is a serious anomaly (Urban Task Force 1999, 2005). It distorts the market in regeneration areas, skewing development away from the existing stock and creating wasteful economic behaviour. Urban Splash's converted terrace scheme in Salford (see above) was uneconomic under the present rules: the firm had to knock down almost all of the building, maintaining the facade so the work as classified as new build (and therefore zero-rated). Over time, VAT rules may also lead to market failure, if people want refurbished / converted houses and the market oversupplies new-build.

So far the Government has resisted calls to remove VAT from conversions, citing EU-wide rules on indirect taxation. But it would probably be feasible to apply a reduced rate of VAT to both new build and conversions. An area-targeted, time-limited 5% VAT rate would level the playing field and give regeneration agencies better room for manoeuvre.

Economic performance

Finally, there are two major economic issues. Will the provision of more appealing housing for more qualified people mean even stiffer competition for jobs within or close to the inner suburbs? People with no qualifications are much more likely to work locally, if they work at all (ODPM 2006c), and they face competition from those with qualifications who are prepared to work lower down the labour market (Turok and Edge 1999). Such people are likely to be further disadvantaged in local labour markets by the in-migration of residents who can out-compete them (Green and Owen 2006). The supply-side challenge here is to connect local people to employment opportunities through outreach, welfare to work and workforce development initiatives. Some of these jobs will be local, while others

will be elsewhere in the city-region. This is another reason why good transport infrastructure is a priority.

The bigger, demand-side challenge is to ensure the continued growth of the wider city-region economy. While many British cities are in recovery mode, it is clear that macro growth and public spending have played a major role in their economic success – and thus, in urban renaissance. Areas of deprivation have been targeted more or less intensively by a wide variety of funding initiatives with some areas benefiting more than others from Treasury largesse. But economic stability will not last forever, and the next round of public spending is likely to be less generous than the current round. Ultimately, the remaking Britain's inner suburbs depends on the wider economics of urban growth and change.

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