



# POLICY SUBMISSION

## Submission on the Study of Urban Renewal Schemes by KPMG

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## 1. Introduction

The Combat Poverty Agency is a statutory body which provides a centre of expertise on anti-poverty policy and practice. As part of this role, the Agency advises and makes recommendations to government on all aspects of economic and social planning pertaining to poverty. It is in this context that the Agency makes its submission on the study of urban renewal schemes, which is being conducted by KPMG at the behest of the Minister for Housing and Urban Renewal at the Department of the Environment, Ms Liz McManus TD. The Agency warmly welcomes the decision to commission a study of the impact, effectiveness and cost of the tax-based urban renewal schemes in designated areas. The inclusion of a social dimension to this assessment is especially significant, and is in keeping with the decision last year by government 'to mainstream anti-poverty action so that all government departments and agencies will target poverty and social exclusion in their policy-making and include the people affected by poverty in this process'.<sup>1</sup>

There is a particular challenge in incorporating an anti-poverty dimension to urban renewal schemes, a public policy issue which traditionally has not included an explicit social component. Yet, the potential impact on poverty of urban renewal, either positive or negative, is immense. As the Minister for Social Welfare has noted,

*policies formulated by public bodies in the past have in many instances, inadvertently, created pockets of poverty and we must learn from these mistakes so as not to repeat them. We must abandon the purely sectional outlook and develop the ability to see one's own job and one's own department in the context of a wider reality.*<sup>2</sup>

The wider reality is that of an increasingly entrenched two-tier society, where up to a quarter of the population is excluded from participation in the social, economic and political activities which are considered the norm in society. This process of social exclusion represents one of the main challenges facing policy makers in the second half of the 1990s.<sup>3</sup>

In making this submission, the Agency has drawn on its considerable first-hand knowledge of urban problems and solutions. It published in 1991 a landmark report on poverty in urban Ireland prepared by a team of international consultants.<sup>4</sup> The Agency has also been involved in a range of pioneering local initiatives aimed at tackling urban poverty, such as the EU Poverty 3 Programme, the Area Based Strategy to Tackle Long-term Unemployment and the Community Development Programme.<sup>5</sup> The Agency has also used its contacts with urban initiatives in Northern Ireland and throughout Europe.

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<sup>1</sup>Speech by Proinsias de Rossa, Minister for Social Welfare, in Dail Eireann, 22/3/95. This initiative, referred to as the National Anti-Poverty Strategy, is being prepared by the Interdepartmental Policy Committee on Local Development, which includes a representative of the Department of the Environment. See enclosed documentation for more details on the strategy.

<sup>2</sup>Speech by Proinsias de Rossa, TD, Minister for Social Welfare, at conference in Cavan, 24/4/95.

<sup>3</sup>Combat Poverty Agency (1996), *Sharing the benefits*, submission on the 1996 Budget, Dublin: CPA.

<sup>4</sup>D Donnison *et al* (1991), *Urban poverty, the economy and public policy*, Dublin: Combat Poverty Agency.

<sup>5</sup>B Harvey (1994), *Combating Exclusion: lessons from the Third EU Poverty Programme in Ireland 1989-1994*, Dublin: Combat Poverty Agency *et al*; S Craig (1994), *Progress through Partnership: final evaluation report on the PESp pilot initiative on long-term unemployment*; Dublin: CPA; and B Cullen (1994), *A Programme in the Making: a review of the Community Development Programme*; Dublin: CPA.

This document has three components: (i) the links between poverty and urban renewal; (ii) concerns in relation to existing urban renewal schemes; (iii) proposals for future strategy.

## **2. The links between urban renewal and poverty**

There are a number of ways in which urban renewal and poverty are connected.

First, the areas designated under the various urban renewal schemes are also characterised by high levels of unemployment and welfare dependency.<sup>6</sup> This reflects a general feature of urban Ireland: the concentration of social disadvantage in areas of economic and physical decline.<sup>7</sup> The cause of this socio-spatial polarisation lies in a complex interaction between an increasingly segmented labour market, widening disparities between private and public housing and a changing property market. 'Place poverty' and 'people poverty' are thus strongly linked in urban areas and addressing one should of necessity entail consideration of the other, so as to enhance the overall impact.

Second, there is a considerable overlap between the government's response to disadvantaged urban areas under the urban renewal schemes and its various policy initiatives for local social and economic development. For example, a key component of the EU-funded community support framework is the local development sub-programme for integrated development in designated areas of disadvantage. In addition, the EU Urban programme seeks to tackle the problems of disadvantaged urban areas using an integrated approach. Similarly, recent initiatives by other government departments (eg crime prevention, supports for SMEs, community development, social housing, home-school liaison and employment schemes) have a particular urban disadvantage focus.

Third, the urban renewal schemes impose a significant cost on the state in terms of tax revenue foregone. This revenue, by contracting the tax base, limits the capacity for redistribution of resources either through additional public expenditure or through reform of the tax system (eg reduced taxes on low wages). Aspects of the scheme also undermine the progressive nature of the income tax system by enabling higher earners to benefit disproportionately from income tax relief (ie by claiming relief at 48% rather than 27%). As we do not live in a world of unlimited resources, it is important that the benefits for society as a whole and in particular for the unemployed and the socially excluded are assessed, and not just for property-owners and investors. Only then is it possible to judge whether the cost of tax incentives is justified.

## **3. Concerns about the urban renewal schemes**

The Agency has a number of concerns with regard to existing urban renewal schemes.

### ***3.1 Lack of consultation with local residents in drawing-up urban renewal projects***

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<sup>6</sup>The Department of the Environment guide to the urban renewal programme, *New Life for Your Town*, notes that high rates of unemployment and welfare dependency are a feature of rundown urban areas (p2).

<sup>7</sup>K McKeown *et al* (1995), *Local Development Strategies for Disadvantaged Areas*, Dublin: Area Development Management

A feature of urban renewal schemes is the narrow circle of people which is involved in implementing the schemes. The main players are government officials, local authority staff, private developers and technical support people, such as architects, planners and tax advisors. Excluded from this circle are local people, through either their community organisations or their public representatives. This approach is quite out of step with the new public service management ethos, with its emphasis on openness, transparency and accountability. It also conflicts with current government initiatives to include voluntary and community interests in the policy-making process.<sup>8</sup>

### 3.2 *Failure to target the benefits of urban renewal at local people*

The achievements of urban renewal schemes in terms of property development, residential accommodation and job creation are undoubtedly impressive. At the same time, however, it is clear that these benefits are not being reaped by local people, who arguably have far greater needs than other sections of the population. No mechanisms have been put in place which would target the jobs and other benefits being created through urban renewal at local people, either in the construction phase (through, for example, local labour clauses) or in subsequent economic activities (eg retailing, accommodation). It is not enough to rely on market forces to determine the allocation of the benefits arising from urban renewal - there is ample evidence to suggest that these can quickly leak out of deprived areas.<sup>9</sup> Equally, it is not sufficient to say that targeting mechanisms cannot work in a competitive economy, for legal or other reasons. The initiative between the Inner City Partnership and the New Jury's Inn provides a model of how the downstream benefits of urban renewal can be effectively targeted at unemployed local people.

### 3.3 *Over-reliance on physical development as the engine of urban renewal*

Existing urban renewal schemes rely almost exclusively on physical regeneration initiatives. They thus ignore the wider dimensions of urban renewal, such as the need to support local businesses and to tackle social issues, eg crime, lack of amenities, poor services. This reflects the dominance of trickle-down economics in policy approaches to urban renewal. Recent research in Britain, however, suggests that the £10 billion spent on property-led urban regeneration during the 1980s has largely been wasted as the weak social and economic infrastructure of urban areas undermines the investment in property.<sup>10</sup> In Dublin, for instance, the Chamber of Commerce estimates that crime is costing businesses up to £200m per annum. Indeed, urban renewal can make worse the situation of marginalised groups, unless their needs are specifically taken into account. This has been the experience in Dublin, where renewal schemes have displaced existing businesses and residents.<sup>11</sup>

A similar point as to the narrow focus of urban renewal strategies in Ireland has also been made by the OECD urban policy expert, Chris Brooks. He notes that local economic development does not reach the people most in need and that in the 1980s it was proved that social and economic inequalities can grow during periods of economic expansion. He goes on to state:

*Separating social issues from economic development issues seems only to exacerbate the situation. Similarly, the process of social innovation and looking for new ways to combat social exclusion through economic*

<sup>8</sup>For example, the National Economic and Social Forum.

<sup>9</sup>A Cebulla (1995), 'Property-led regeneration and job creation: the Belfast case', *Local Economy*, 10,1, 22-32.

<sup>10</sup>B Robson *et al* (1994), *Assessing the Impact of Urban Policy*, London: HMSO; and Commission on Social Justice (1995), *Social Justice: strategies for national renewal*, London: Vintage.

<sup>11</sup>Communication from the Dublin Inner City Partnership.

*initiatives will be critical to rebuilding cohesiveness in local communities. This should not however be interpreted that all social concerns and responsibilities are left to the PESPs. This concern must be more generally integrated across the policy areas which touch urban development in Ireland.*<sup>12</sup>

In recognition of the need for a more integrated approach, the UK government has introduced a new approach to urban renewal, referred to as City Challenge. This programme is based on the implementation of an integrated development strategy, linking physical development with social renewal, and drawn up by a partnership of business, statutory and community interests. In Ireland, there already exists a structure through which the urban renewal schemes could be delivered, ie the partnerships set up under the programme of integrated development in designated disadvantaged areas. Indeed, as the business sector is already a partner in these local structures, it should be relatively easy to forge links with property developers.

### 3.4 *No overall framework guiding urban renewal and development*

Traditionally, the response by government to urban renewal has been to create the conditions whereby the private sector can act as the engine for urban renewal. This model of property-led regeneration is increasingly seen as too passive a response to urban decay. The strategy adopted in Temple Bar and the Custom House Docks is a superior approach, though an overall **urban** framework is still missing. Consequently, what should be an instrument of public policy - physical renewal - instead determines the outcome of policy. Bannon makes the following argument for an overall framework for urban renewal:

*The inner city is not an island.....The health and vitality of the central business district in its national role is bound up with the physical, social and environmental conditions of its surrounding inner city areas.....Its scale and its role can only be properly defined within the context of a (regional) strategy which lays down the guidelines for the future social, economic and physical development of the entire area, including the inner city.*<sup>13</sup>

A policy framework for urban areas should map out, in an integrated way, the social, economic and physical development of the city, based on the development of urban areas as sustainable entities. A basic requirement in preparing such a policy would be research on the causes of urban decay, and the interplay between physical, economic and social issues.

### 3.5 *Limited coordination of government programmes*

There is a multiplicity of programmes targeted at urban areas, directed by various government departments and using a variety of local delivery structures. There is a need for better coordination of these programmes for two basic reasons: to ensure better targeting of resources and thus minimise duplication, and to generate synergy

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<sup>12</sup>C Brooks (1993), 'Elements for a local development component of an urban economic strategy in Ireland', proceedings of seminar entitled *Creating local enterprise through partnership*, Lewis Clohessy (ed), Environmental Institute, UCD.

<sup>13</sup>M Bannon (1994), 'Dublin's inner city: its past development and future prospects', paper to conference on the inner city and its future organised in Dublin by Encounter, October 1994.

and added-value across the various programmes (eg housing and environmental projects can create job opportunities).<sup>14</sup>

### 3.6 *Inadequate monitoring and assessment of the outcomes of urban renewal schemes*

To-date, assessments of urban renewal has focused on the amount of property that has been developed and the number of residential units created. These are very limited indicators of the outcome from the huge financial investment, private and public, under these schemes. In addition, they do not incorporate any analysis of the distribution of these gains.

## 4. Proposals for future strategy

There are a number of ways in which the urban renewal schemes could be enhanced.

First, there should be greater consultation with local people when urban renewal projects are being prepared by local authorities and property interests. This should extend beyond the reactive planning process to include a proactive consultation with local residents as to what they would like to happen to their area and then on-going consultation when specific projects are being formulated and implemented.

Second, all residential developments should include social housing as an inherent component, such as low cost private rented accommodation, shared ownership, local authority rented housing or voluntary housing (capital assistance and rental subsidy schemes). This would ensure a greater mix in redeveloped areas.

Third, economic initiatives which provide more accessible employment opportunities for local people should be actively encouraged, eg small business centres.<sup>15</sup>

Fourth, all investment projects should be required to include aspects which would be of communal benefit to the wider community. This could include public parks, community rooms, sports and leisure facilities and public services, such as health centres, chemists, doctors' surgeries, etc.

Fifth, all commercial developments should have in place linkage programmes which would target construction jobs and subsequent downstream jobs at local people. The recently established local employment service is an ideal vehicle for this.

Sixth, local development partnerships should be given a role in promoting urban renewal projects, which would be supported by funding from central government level.

Seventh, a national development strategy should be drawn-up for decaying inner city areas, which provide a context in which urban renewal schemes could operate. Such a strategy should be informed by an analysis of the nature and extent of urban decay.

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<sup>14</sup>One of the main conclusions to emerge from the ex-ante evaluation of the local development programme was a call for greater coordination between programmes, in the belief that such interaction would generate synergies and thus enhance the sum of the individual parts.

<sup>15</sup>The recent proposal by the *Big Issues* magazine to develop the area surrounding Connolly Station as a commercial centre providing local employment opportunities is an example of this.

Eighth, independent monitoring and assessment procedures for urban renewal schemes should be greatly enhanced, including a provision for analysing the distribution of the benefits, as well as detailing their global impact.

Ninth, consideration should be given to extending the designation of areas under the urban renewal scheme to include the newer local authority housing estates in the suburbs, with the aim of supporting local businesses and mixed housing projects.

Tenth, an interdepartmental committee on urban renewal is proposed, to include all government departments which relate to urban problems, including the Departments of the Taoiseach, Environment, Enterprise and Employment, Social Welfare, Education and Justice.<sup>16</sup> There should also be second tier of coordination at the local level, where the authorities responsible for various programmes are brought together, including the local development partnerships. The county strategy teams, established under the local development programme, could provide this through a sub-committee structure. In Dublin, the Customs House Docks Development Authority and Temple Bar Properties would also be included in the proposed sub-committee.

## **5. Conclusion**

This submission has argued that the social dimension of urban renewal schemes should be greatly enhanced. This is required given the strong link between poverty and unemployment on one hand and physical decay on the other urban areas. Urban renewal schemes, as an instrument of public policy, should be inclusive of and beneficial to all citizens, especially those in greatest need. There is also a strong economic rationale for incorporating a social dimension, as the long-term sustainability of urban renewal schemes is greatly enhanced by ensuring viable local communities.

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<sup>16</sup>The proposed urban renewal committee could be a sub-committee of the interdepartmental policy committee on local development that already exists. The interdepartmental committee that was established to examine the problems of urban crime and disorder provides a useful precedent for what might be established.

## **Combat Poverty Agency's observations on the conclusions and recommendations of the study on urban renewal schemes**

### Conclusions

Our main observations on the conclusions of the report relate to the community impact of urban renewal (Chapter 10). The Agency welcomes the inclusion of this criterion in the assessment of urban renewal schemes. It is especially appropriate in the light of the Government's commitment to the formulation of a national anti-poverty strategy which examines the contribution of all aspects of public policy to tackling poverty.

The Agency very much concurs with the conclusion that the socio-economic benefits arising from urban renewal for neighbouring communities are limited. There are three ways in which the local benefits of urban renewal are restricted:

- The over-reliance on physical development as the engine of urban renewal. This has resulted in a failure to address the social issues associated with derelict urban areas such as high unemployment, inadequate housing and a lack of communal facilities. Indeed, addressing only the physical aspect of urban decay has exacerbated local inequalities, thus making the problem of social polarisation even worse;
- The absence of synergy between the government's response to disadvantaged urban areas, under the local development programme, and the urban renewal schemes. For example, the local development partnerships play only a marginal role in targeting the employment and other benefits of urban renewal at local communities. This dichotomy undermines the effectiveness of public policy in regard to poverty;
- The exclusion of local communities from contributing to urban renewal because of (i) the reliance on tax incentives when local groups do not possess sufficient tax liability and (ii) the lack of structures for consultation on local needs, which alienates communities from the renewal process and creates a 'them and us' atmosphere.

These three blockages must be addressed if the impact of urban renewal on neighbouring communities is to be improved. However, there is also an economic rationale for incorporating the needs of local communities into urban renewal, as vibrant local communities will help to ensure the sustainability of physical renewal schemes in the longer-term.



### Recommendations

The Agency agrees strongly with the central recommendation of the report that a more comprehensive approach to urban renewal should be adopted, to address the wider social and economic needs of decaying urban areas. Urban renewal, as an instrument of public policy, should be inclusive of and beneficial to all citizens. For this to happen, a more interventionist and directive approach by central and local government is required. Also, local communities must have a greater input into the urban renewal process, both in terms of consultation and of implementing a linkage between economic renewal and local social need.

### *Concept of urban renewal*

We agree with the wider definition of urban renewal proposed: linking physical, economic, social and environmental regeneration through an integrated area based strategy. However, this framework must be developed also at regional and national levels if we are to avoid purely localised measures. What is required is a national policy statement on urban renewal, which lays down guidelines for the future social, economic and physical development of run-down urban areas. These include both traditional inner city areas and peripheral public housing estates. The latter has been almost totally neglected by urban renewal to-date, despite the huge level of social and housing needs in such areas. It is also important that an urban renewal policy statement should promote baseline research on the causes of urban decay.

Central to a policy framework for urban renewal must be the linkage of the economic benefits of urban renewal with social regeneration. The Boston approach to this issue appears to have particular merit, with its 'linkage programme' based on levies and development equity (see appendix 4 of report). The role of social housing, including low cost private rented accommodation, in urban renewal should also be clarified in the policy statement. Another policy theme should be that of community participation in urban renewal. This should outline the rationale and the requirements for meaningful community involvement.

### *Strategic area plan*

The use of a strategic area plan as a mechanism for implementing integrated urban renewal is supported. We do not agree, however, that the local authority is best placed to lead the preparation of a strategic area plan. An alternative approach would be to give this task to local development partnerships, which are currently implementing local development strategies. There are a number of advantages to this: these bodies are already familiar with strategic area planning; they provide a forum for bringing together the key actors (state, business, community, trade unions); they are familiar with the requirements for facilitating community participation; and they could implement commercially marginal aspects of the area plan (see recommendation 16.22 on p148). Another option might be to jointly charge the local authority and the local development partnership with the task, as in the model adopted for the management of the Urban community initiative in Dublin and Cork.

It is important that community participation in the preparation of a strategic area plan is both pro-active and adequately resourced. Bodies such as Community Technical Aid should be contracted to support local communities in this regard. This cost could be met by a levy on development applications under the area plan.

We would endorse a role for partnerships in the implementation of a strategic area plan. The existing local development partnerships are ideally placed to play this role. Access

to grant aid would be required, however, if partnerships were to be in a position to negotiate with commercial companies on socially-beneficial urban renewal projects.

#### *Role of tax incentives*

We agree that tax incentives should not be the role instrument of urban renewal and would advocate the introduction of a grants scheme for urban renewal. Such a scheme would be in addition to the environmental grants scheme under the local development programme. It would focus on social projects, eg provision of community facilities, which might otherwise not be included in a purely commercial-driven area plan. Local development partnerships would be the designated bodies for drawing down such funding at the local level.

The cost to the exchequer of tax incentives requires greater transparency and on-going assessment of the benefits of the revenue foregone in terms of deadweight, social gain etc. In addition, all tax incentive applications should include a social impact statement, setting out the potential gains of the proposed development for the local community. This would encourage developers to voluntarily incorporate a stronger social component to their projects.

We would agree that the designation of areas should correspond to areas of social need, rather than being based on physical boundaries alone. The framework for identifying areas of disadvantage prepared by the Agency and applied by Gamma is one option in this regard.

The application of the various tax incentives should be more selective. Also, tax incentives should be introduced or adjusted to promote development which meets the social needs of run-down areas, e.g. local shops, banking services, small businesses, low income housing.