Cleaning house

The high price of contaminated brownfield land is proving a barrier to regeneration and new housing around the country. **Chris Ames** sifts through the details and assesses the possible solutions

Using brownfield land for housing and other growth and regeneration projects is something that just about everyone supports, in principle. This includes prime minister Theresa May, whose Government at the time of writing is due to publish a Housing White Paper. Ministers are highly sensitive of the potential pressure that new housing can put on greenfield and green belt land.

One factor that makes re-using brownfield easier said than done is the sometimes enormous cost of remediating – cleaning up – land that has been contaminated by a previous industrial use.

Problems can include asbestos in remaining buildings and toxic chemicals in the ground.

In 2015, the Homes and Communities Agency (HCA) published the latest version of its guidance on dereliction, demolition and remediation costs. It stresses that: 'Given the potential that brownfield land holds it is important that central and local Government (and their agencies), developers and landowners work together to overcome potential obstacles to delivery.'

However Simon Neilson, a vice president of the Association of Directors of Environment, Economy, Planning and Transport (ADEPT), says the Government is reluctant to discuss the cost of remediating contaminated land, having been burned in the past by the decontamination costs of major projects on brownfield land, like the Olympics and the Millennium Dome – both cost many millions.

'Yes, there is a trade off if you are dealing with a logical landowner. But many people have unrealistic value expectations'

'They are worried that you don't know how much it might cost until you put a spade in the ground,' he says.

However, he argues, where remediation issues cannot be resolved, such sites will otherwise remain derelict and opportunities for regeneration will be lost. The decontamination of the land is also a valid objective in its own right, he says.

Invited to comment on the issue, a spokesman for the Department for Communities and Local Government says: 'Last October we announced plans to radically increase brownfield development and to bring life back to abandoned sites. That means high-quality housing for families in town centres, turning abandoned shopping centres into new communities and creating more developments around transport hubs to build homes that people want to live in.

'Councils are already expected to prioritise development on brownfield with 90% of suitable sites expected to have planning permission for new homes by 2020.'

However, that 90% requirement is itself problematic as it depends on identifying 'suitable' sites – a definition that includes their condition. Although the Government is currently piloting brownfield registers, under which councils identify land that is suitable for housing, Mr Neilson says that those he has seen do not appear to provide detail on contamination.

Estimates vary as to how much contaminated land there is in the UK. Last year the Commons Environmental Audit Committee noted that in 2005 the Environment Agency estimated some degree of contamination affects around 300,000 hectares. However, MPs criticised environment department Defra for not making sufficient effort to update the data. In 2015 another Government department estimated the UK total at over 400,000 hectares.

Mr Neilson, who is executive director, economy and environment at Walsall Council, says that in his experience, the complexity and cost of remediating contaminating brownfield land can steer developers towards greenfield and green belt land, even where it does not rule out some sites altogether.

'One example is my own authority, Walsall, which has part of the Black Country Enterprise Zone and is trying to develop a very large cluster of sites near to Junction 10 of the M6, in total capable of supporting 2,000 jobs. The largest

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site is in public ownership and includes a former copper works so is heavily contaminated.

'It is situated in a corridor of the country that is hugely attractive to private sector development for our manufacturing industry, just 10 minutes away from the Jaguar Land Rover engine plant in Wolverhampton – the other half of the Enterprise Zone. But it will take time and considerable expense to make the land capable of development – and the market needs sites now.

'Unfortunately a private developer might rather go to a greenfield site, which is simpler and certainly less risky. These sites are often away from employment opportunities, transport links and other facilities. That would take around two years, whereas using the brownfield land could take twice as long as the need for decontamination to secure development takes time – planning, remediation, build out – and the market cannot wait.'

Mr Neilson says the Black Country has half a billion pounds worth of regeneration investments in the pipeline, with land remediation being a large proportion of cost due to past use and historic mining.

In December Smart Growth UK (SGUK), an informal coalition of organisations and individuals, published a report putting forward what it called a sustainable stimulus programme.

The report highlighted the UK's 'huge legacy of previously developed, derelict, damaged, unstable and contaminated land', arguing that brownfield sites in urban areas are both a liability and an opportunity and that the very best use must be made of brownfield land to meet tough house building targets.

It also noted that developers perceive obstacles to redeveloping sites that are potentially contaminated, thanks to the time and cost involved in their investigation, risk assessment and, if need be, remediation. 'Although these obstacles may not be as great as feared' the report states.

Jon Reeds, co-ordinator of SGUK and compiler of the report, explains: 'Land remediation costs vary hugely from site to site and many of the techniques developed over the past quarter century have enabled big costs savings to be made.'

The HCA guidance says: 'Estimating the cost of preparing a brownfield site for reuse can be a complex exercise and one that often has uncertainties. Current and comprehensive information is essential to reduce the uncertainty and risk of underestimating the costs of remediation.

'In this respect nothing can compete with a recent and well executed site investigation that has been designed with full regard for the land use history and setting of a site.'

This guidance includes tables setting out approximate remediation costs per hectare, depending on the land's previous use, its proposed end use and the level of water risk.

The highest risk uses are residential with private gardens, schools for younger children with pitches and play areas and of course allotments and growing areas in developments.

On the housing front, the SGUK report also pointed to ministers' announcement in the Autumn of a £3bn Home Building Fund, with £2bn in loans for infrastructure, including site preparation 'to unlock a pipe line of up to 200,000 homes over the longer-term – with the emphasis on developments on brownfield land.

Mr Reeds says: 'Guaranteed loans can certainly help, particularly where the market is strong. But we recommended a blend of loans and grants; pure loans in areas where the market is very strong, pure grants where it's very weak.

'In between there should be a blend of the two, with the level determined by central government in each council area and periodically reviewed.'

Mr Neilson agrees that there is a big issue over the balance between loan and grant funding. 'Some schemes in some parts of the country and some markets will never work unless grant funding is provided – they simply aren't viable. Loan funding will help in other cases. In other cases, neither is needed. And in some cases providing cheap loan funding will fuel already overheating markets – like pouring petrol on a bonfire.'

He says: 'ADEPT knows of many places around the country where there is the appetite and space for development and frankly no placards saying "don't build here". But those places inevitably need the money to gap fund unviable development and stimulate a positive cycle of regeneration.'

He adds that the £2bn 'looks like a big number but won't make a huge difference. It won't help small and medium builders, who will find the process difficult.'

Mr Neilson sees the plethora of funding routes as part of the problem, particularly how funds are accessed. From start to finish, going through the whole process – from bid to delivery – could take five years.

'They [the Government] are making it confusing. The Local Government Association identified that £23.5bn of planned government growth-related expenditure is spread across 70 funding streams.'

He says a solution could be to devolve money to competent authorities such as combined authorities and let them prioritise its spend according to local need. 'This puts the money and the decision at the point closest to delivery – and avoids wasted bidding effort and abortive costs,' he says.

Mr Neilson suggests that the Government may be nervous of letting go of the money and power – and not getting the credit where growth is delivered by other bodies.

'The distribution of grant money nationally is political, but needs to reflect different local circumstances and ultimately the country will get the economic returns to pay for it.'

He adds: 'Putting funding in one place could "fend off" the market's desire to go for the simplest places – greenfield and green belt. Making brownfield land capable of development should be a critical concern of any Government who wish to make inroads into our national housing shortage. But it will cost them.'

Mr Neilson recognises that the potential cost of remediation is something that can reduce the

cost of land. 'Yes, there is a trade off if you are dealing with a logical landowner. But many people have unrealistic value expectations, particularly where the land is held within a family, and they see it as their pension.'

Some land has negative value and in buying the land a developer or authority accepts any environmental liability. However he says people find this hard to accept and, 'it is a very brave authority that pays more for land than it is worth.'

In some cases, where there is grant funding to help authorities carry out investigations to objectively establish the value, memoranda of understanding can be reached, but for landowners the risk that the land value may fall provides a disincentive.

'One way through the issue, where you are working with a more sophisticated landowner, is to ask: when are you aiming to get payment? A joint venture is possible where the return is not immediate but the risk is shared,' Mr Neilson says.

As for wider solutions, as well as simpler, devolved funding with an emphasis on grant funding, Mr Neilson would like to see clarity over local government finance.

'If it were not for the forthcoming full retention of business rates, I would be arguing for a third, fourth and fifth round of enterprise zones, with the ability to get 25 years of business rates. That forward certainty of return on investment can recover upfront costs and provide a mechanism to develop today.

'But at the moment, because of all the uncertainty, it's too complicated a field – too uncertain. To borrow millions of pounds without the certainty of repayment would be a foolish thing to do.'

Uncertain funding to pay for uncertain costs doesn't look like the best foundation for building anything.