

Planning, small businesses and affordable workspace – contemporary challenges in London

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WHAT
IS
THE
PROBLEM?



Many businesses find it impossible to expand into new premises or remain at current locations because of rocketing inner city commercial property prices and rental costs... without government action, many businesses fear they will be forced to relocate away from inner city areas – which would be a tragedy for local employment and local economic well-being. Pressure on inner city property stocks from residential property developers has resulted in the conversion of many business properties into luxury, centrally located, urban residencies. Businesses were finding it hard to afford the rents before the property booms and now some have been completely priced out of the market.

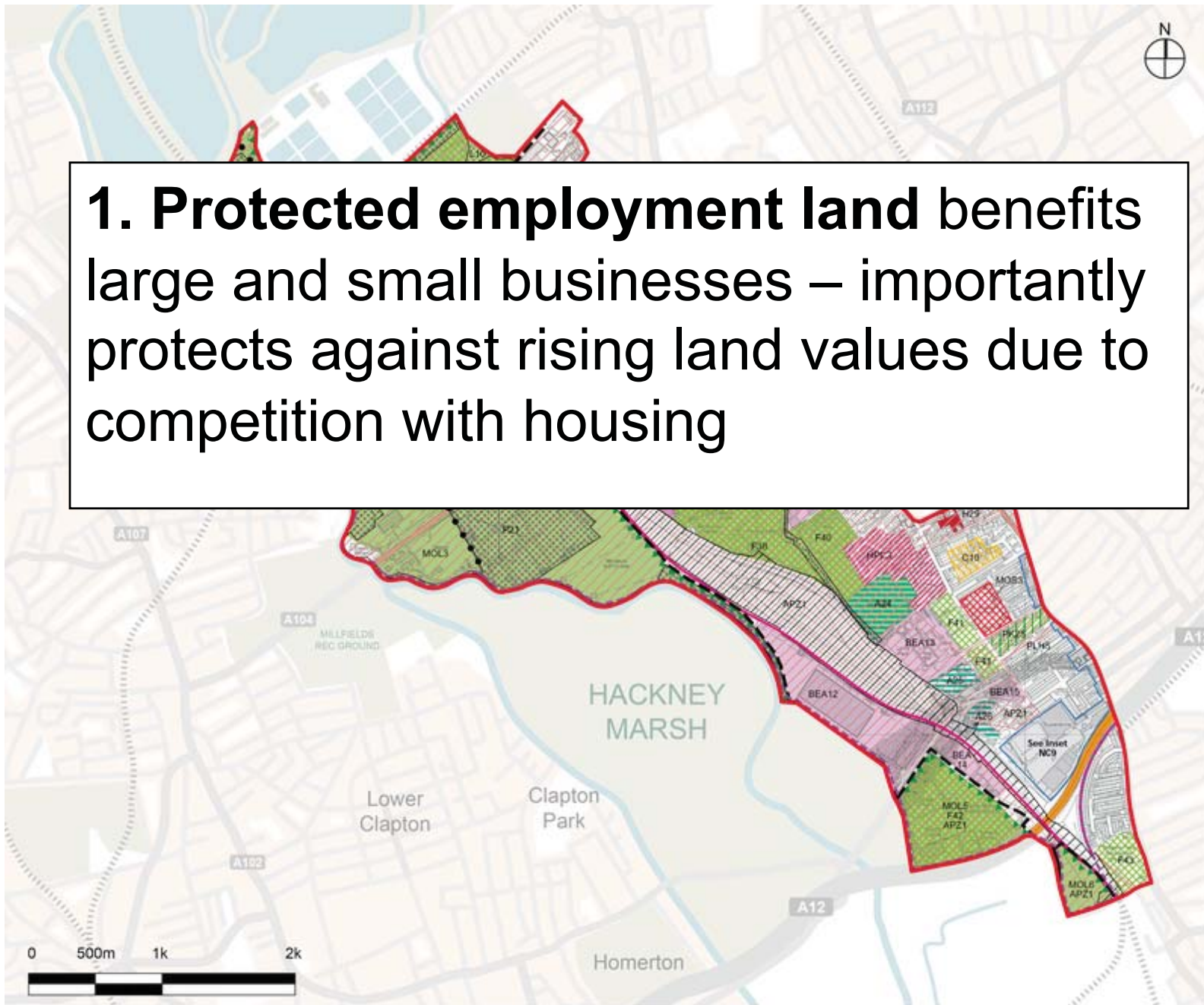
(New Economics Foundation, 2004:16)

Urgent need for an understanding and exploration of the issue

- How has the public sector traditionally supported small businesses?
 - What changes have been made in recent years?
 - New policy approaches – “affordable workspace”
 - Is it working?
 - What else could be done?
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Traditional planning responses

1. Protected employment land benefits large and small businesses – importantly protects against rising land values due to competition with housing



ECONOMY, INDUSTRY AND COMMERCE	
Strategic Employment Area	SEA
Borough Employment Area	BEA
Local Employment Area	LEA
New Road Linking Sutherland Road to Blackhorse Lane	
Lee Valley Regeneration Corridor	LVRC
Mixed Use Regeneration Area	MURA
HOUSING	
Proposed Housing Sites	H
Major Opportunity Sites	MOS
Non-Traditionally Constructed Estates	NPC
TOWN CENTRES, RETAILING AND LEISURE	
Walthamstow Major Centre	MC
District Centres	DC
Primary Shopping Frontages	
Secondary Shopping Frontages	
Neighbourhood Centre	NC
Neighbourhood Retail Parades	NRP
Local Retail Parades	LBP
see over for Inset Maps	
COMMUNITY SERVICES	
Site for Community Services Use	CS1
TRANSPORT	
Crossrail 2 Safeguarding Line	
Temple Mills (former marshalling yard) Safeguarding of land for rail or related uses in connection with the Crossrail Tunnel Rail Link	
TURN (Transport for London Road Network)	
Principal Road	
OPEN ENVIRONMENT	
Metropolitan Green Belt	
Metropolitan Open Land	MOL
Site of Special Scientific Interest	SSSI
Principal Site of Nature Conservation Importance	P
Site of Local Nature Conservation Importance	L
Local Nature Reserve	LNR
Park	PK
Parks and Gardens of Local Historic Interest	PLH
Allotment Site	A
Playing Field	F
Green Corridor	
Lee Valley Regional Park (Boundary)	
Lee Valley Pathway Corridor (indicative route only)	
BUILT AND HISTORIC ENVIRONMENT	
Conservation Area	C
Area of Special Character	SC
Archaeological Priority Zone	APZ



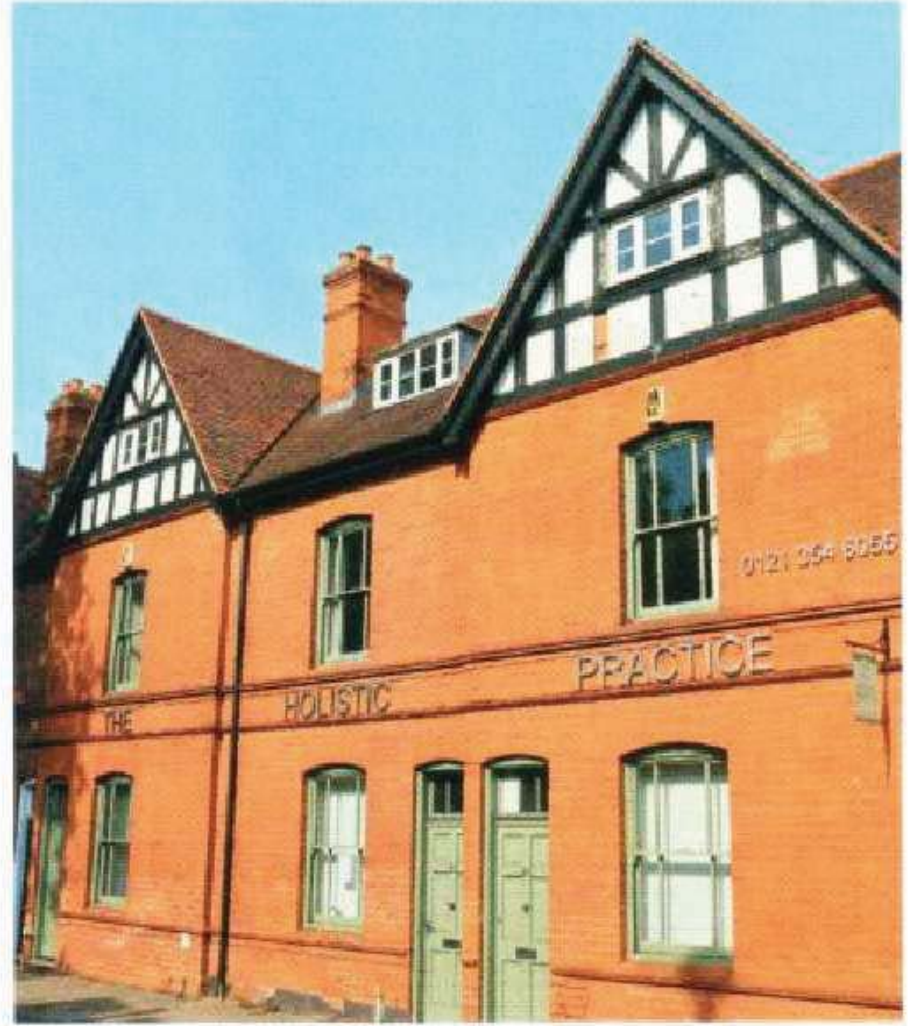




2. Requirement for permission for change of use from employment (all classes) to residential



Birmingham 120 flats



Sutton Coldfield 3 apartments

Source: Planning

3. Subsidy - for 'managed workspaces' – esp. in the 1980s and 1990s.



Changing policy context



Harder to protect employment land

- PPS3 (Housing) and PPS4 (Employment) – together prioritised housing over employment
 - NPPF – supports housing and promotes change of use from commercial to residential or mixed use “to stimulate regeneration”.
 - Regional and local – boroughs are under pressure to release protected employment land to meet London’s demand for housing (through SHLAA and London Plan Policy 4.4)
 - Emphasis at all levels on mixed-use
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Permitted development

SPECIAL REPORT

Office politics

Exclusive survey results reveal that some local authority planning teams have been flooded with applications to convert offices to homes under newly relaxed planning rules. John Geoghegan reports

Photographer *Julian Dodd*

The coalition government's many planning reforms over the past couple of years have caused no end of debate, resistance and headlines. Among the most controversial have been the new permitted development rights allowing offices to be converted into homes without the need for planning permission. The strength of opposition was reflected in the fact that more than half of England's local planning authorities – 165 out of 326 – applied to the government seeking exemption from the rules before they were introduced. Councils voiced fears on loss of control of employment space and the impact on jobs and growth.

After announcing that only 17 local authorities would be granted an exemption for areas within their administrative boundaries, the government introduced secondary legislation on 30 May amending the General Permitted Development Order 1995 to allow office-to-residential changes of use for a three-year period. At the time, planning minister Nick Boles said the measure would allow "under-used and outdated offices to be brought back to life", providing "an excellent opportunity to create much-needed new homes". It was one of a number of measures to shake up permitted development rights, including allowing larger household extensions, that Boles said would "reduce restrictive 'change of use' red tape".

Following the introduction of the new rules, many authorities in London and the wide South East were still unhappy. Brighton and Hove City Council and the London Boroughs of Islington and Richmond have each sought to introduce article 4 directions,

Approved: Canterbury House, in Birmingham's Jewellery Quarter, is the second biggest office-to-homes conversion scheme so far



SURVEY FINDINGS

Proportion of prior approval applications involving occupied offices

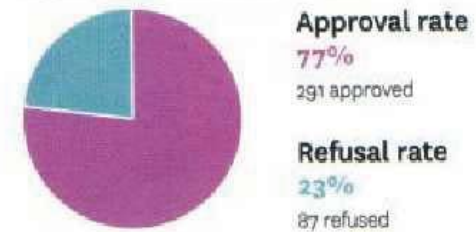


Average number of office-to-residential prior approval applications per council

London borough 10.2

2.8 Council outside London

Proportion of prior approval applications allowed in householder extension decisions so far



Source: Planning survey

Office space

- London Plan (Policy 4.2) promotes conversion of surplus office space for EITHER housing OR SME workspace
 - In light of land values for both, which is it likely to be?
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Decline of managed workspace model

- 1990s – most managed workspaces operated by public sector or voluntary organisations
- Research* undermined value of public sector subsidy for managed workspaces – not providing added value or supporting economic development
- Squeeze on public purse
- Mixed use policies – fewer employment only sites

*(Chalkley and Strachan, 1996; Green and Strange, 1999)

Emerging new approaches





Galleria artists' studios, Peckham

Affordable workspace policies

THE LONDON PLAN

SPATIAL DEVELOPMENT STRATEGY FOR GREATER LONDON
JULY 2011

FOREWORD

I am delighted to publish my spatial development strategy for London – a keystone in realising my vision for London as the best big city in the world.

I am conscious in doing so of carrying on a proud tradition of planning for London – a tradition associated with great names like Wien, Bazalgette and Abercrombie, and with innovation in areas like housing, the Green Belt and, more recently, tackling climate change.

Although the London Plan is only a decade old, the debate engendered by this document proves that Londoners understand its importance, and are serious about ensuring it provides a framework for their city to develop in ways that meet their needs and aspirations.

My vision for London embraces two objectives. London must retain and build upon its world city status as one of three business centres of global reach. It must be somewhere people and businesses want to locate, with places and spaces to meet their needs. This economic dynamism is vital to ensuring the prosperity Londoners (and the rest of the United Kingdom) need, to maintaining the world-beating innovation increasingly needed to address global challenges, and to secure the highest quality development and urban environments.

London must also be among the best cities in the world to live, whatever your age or background. We need enough homes, meeting a diversity of needs. The local and distinctive have to be treasured. Our neighbourhoods must be places where people feel safe and are proud to belong. Our unique resources of green and open spaces must be defended and improved, and we must



realize the opportunities presented by the Thames and other waterways. We must close the unacceptable gaps in life chances, opportunities and quality of life between Londoners; tackle disadvantage and discrimination and ensure opportunities accessible to all. Fundamentally, we must pay attention to quality as well as quantity, and protect the things that make London London; this new emphasis is at the core of what makes this new Plan distinctive.

These objectives are not opposites. We can't achieve one without the other. But there can be tensions between them, especially given the scale and scope of growth and change explained in this Plan – more Londoners (and more at either end of the age spectrum), more jobs, more households and wider changes, such as a warming climate. All of this at a time when public resources are going to be limited.

Given this background, turning vision into reality means London needs a plan. Daniel Burnham warned against little plans, as they do not still

Policy 4.1 Developing London's Economy

The Mayor will work with partners to:

“promote and enable the continued development of a strong, sustainable and increasingly diverse economy across all parts of London, ensuring the **availability of sufficient and suitable workspaces in terms of type, size and cost**, supporting infrastructure and **suitable environments for larger employers and small and medium sized enterprises, including the voluntary and community sectors**”

LDF

Local Development Framework

South Shoreditch
Approved February 2006



 Hackney

South Shoreditch Supplementary Planning Guidance (2006)

A proportion (50%) of all new *employment floorspace* in commercial and mixed-use developments should be suitable for small to medium enterprises. In some cases monetary contributions would be accepted towards off-site affordable workspaces, run by managed workspace providers.

Hackney's S106 template (2006)

- AW units should be built to 'shell and core finish';
 - occupation of the residential component of the mixed-use development will not be permitted until the AW unit is available for letting
 - "all reasonable endeavours" should be used to ensure "the Affordable Workspace Unit is let as a whole to a Workspace Provider as single units at a rent which shall be for no less than 50% of the open market value"
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In practice...

- 10 mixed use schemes with AW 2004-2008
 - 11,000 sqm AW delivered in Hackney (2003-8) and 52,000 sqm employment floorspace lost.
 - Mostly mixed use redevelopment on industrial land – not ‘employment-led’ schemes
 - Policy used to justify loss of employment floorspace
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In practice...

- 50% market value - only applies to workspace provider, NOT end tenant
 - Genuinely affordable? Between £9psf to £32psf
 - Short lease terms (5-10 years)
 - Approx half failing to appoint WPs, reverting to market
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Who is benefiting?

- Higher end creative industries, artists, 'second-stage' businesses with a track-record
 - NOT lower-value businesses, start-ups or voluntary organisations
 - Developers' priorities: businesses that are perceived to complement (and market) housing (either clean & quiet, or 'creative/edgy')
 - Workspace providers' priorities depend on underlying purpose, but often maximising rental
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centa business services

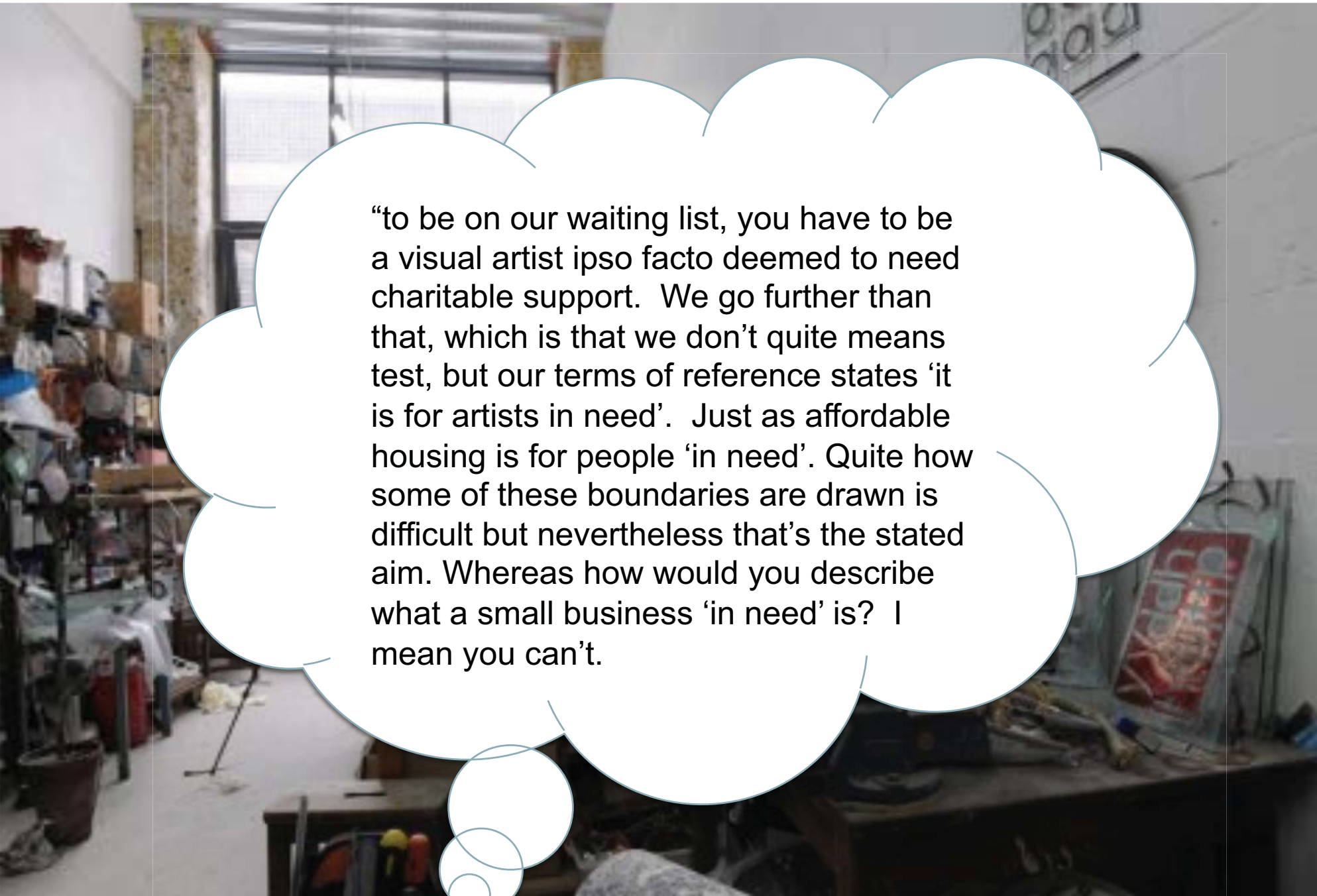
Showing you the way in Business

PROPERTY

Office Space, Flexible Terms - A

All enterprise agencies are in trouble; the only ones who will survive will be those who have property portfolios.



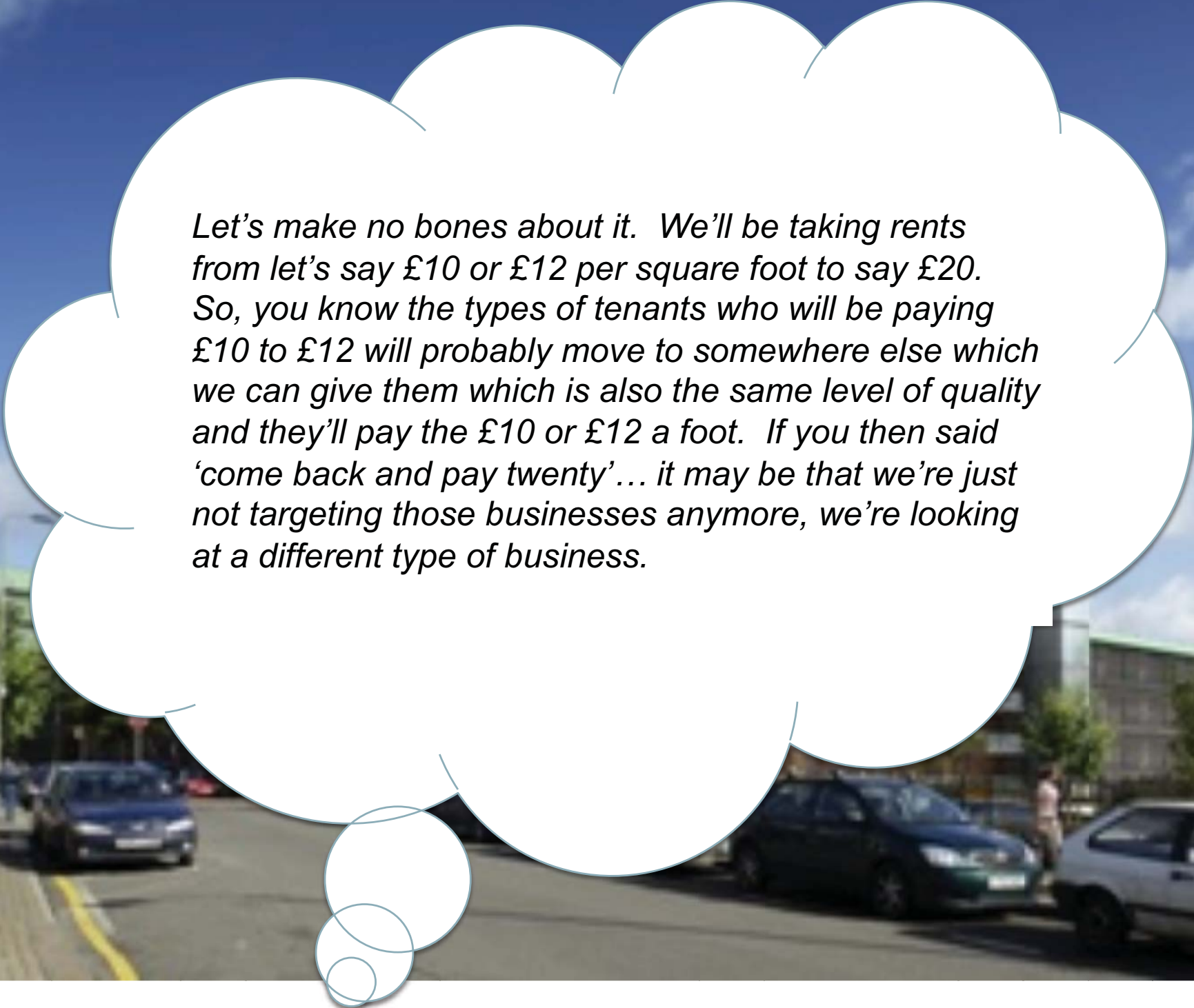


“to be on our waiting list, you have to be a visual artist ipso facto deemed to need charitable support. We go further than that, which is that we don’t quite means test, but our terms of reference states ‘it is for artists in need’. Just as affordable housing is for people ‘in need’. Quite how some of these boundaries are drawn is difficult but nevertheless that’s the stated aim. Whereas how would you describe what a small business ‘in need’ is? I mean you can’t.

HCD Co-operative Workspace

It would be a positively bad thing to actually really go way below market rent because...you create a relatively unrealistic situation for that business, which is that the moment it has to expand and has to move out, it suddenly finds that the world outside is an impossibly steep hill to climb. That's one disadvantage. And the other is that...if there's no move on or no through-put, then you've offered this great deal to a very few people. They're the lucky ones and then there's a justice and equality issue that comes into the picture.





Let's make no bones about it. We'll be taking rents from let's say £10 or £12 per square foot to say £20. So, you know the types of tenants who will be paying £10 to £12 will probably move to somewhere else which we can give them which is also the same level of quality and they'll pay the £10 or £12 a foot. If you then said 'come back and pay twenty'... it may be that we're just not targeting those businesses anymore, we're looking at a different type of business.

Variable interpretations of ‘affordable’

- “Subsidised”
 - “Bottom of the market”
 - “Flexible leases and lease terms”
 - “Flexible space”
 - “Value for money”
 - Relatively affordable because it is located in a low-value area
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S106 mechanism: crude & problematic

- Only dictates rental level for lease to workspace provider NOT the end tenant
 - Most leases less than 15 years
 - Restrictions relating to specific use classes, size of workspaces etc resisted due to lenders' requirements
 - Negotiable at the end of the day... (esp. in downturn)
 - Competing requirements for S106 pot
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Summary – the pessimistic view

- Limited success – key deliverables
 - Problems with S106 system
 - Huge variation in interpretation of ‘affordable’
 - Not benefiting those most ‘in need’
 - Favour creative industries and artists, and established businesses with more secure incomes
 - Not supporting economic diversity, social equity
 - Unlikely to deliver quantum required to offset loss of employment floorspace
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Is there scope for optimism?



Hackney DMD (for consultation, 2014)

DM16 Affordable Workspace

The Council will seek 10% of the new floorspace within major commercial development schemes in the Borough, and within new major mixed-use schemes in the Borough's designated employment areas, to be affordable workspace, subject to scheme viability.

The Council's preferred sliding scale is 60% of markets rents from years 1 to 3; 80% from years 4 to 6; and 90% from years 7 to 10, subject to negotiation.

Conclusions

- **Traditional tools** available to planners to protect existing employment premises for small businesses are being **undermined**
 - **‘New’ tools**, such as affordable workspace policies are enjoying **limited success** and being **further undermined by broader planning changes**
 - Permitted development most likely where there is a high ratio of residential to employment land values, where affordability is a problem anyway.
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For discussion...

- Which types of businesses and activities are we seeking to support and why?
 - What type of space do these businesses want, and where? What support do they require?
 - Is it appropriate for affordable workspace to be delivered in a mixed use context (i.e. with housing)?
 - How can we prevent displacement of existing low cost space?
 - Is the policy (as currently framed) likely to be successful? And what can we do specifically about Hackney's proposed policy?
 - How can it be improved, or what are the alternatives?
 - How important is the role of protected employment land?
 - How can we bring businesses and voluntary organisations into the planning policy process and the work of Just Space?
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