

Accommodating Growth in Town Centres

**Achieving successful Housing Intensification
and High Street diversification**

Greater London Authority
July 2014

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Revision	Date	Description	Prepared	Reviewed	Approved
A	09/05/14		Team	Team	
B	25/06/14		PBA	PBA	
C	07/07/14		Team	Team	
D	15/07/14		Team	Team	
Final	18/07/14		Team	Team	

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Executive Summary

0.1 London faces the challenge of managing growth. The projected growth in London's population has been revised up with a forecast increase of 1.9 million in the period to 2036. These rising population projections create challenges for managing growth in that:

- it creates an increased demand for housing which will require innovative supply side solutions to address;
- it creates a growing labour supply that requires an increase in jobs to employ this workforce; and
- it potentially creates an increase in consumer expenditure that needs to be captured if the London economy is to benefit from this opportunity.

0.2 Town centres present one potential source of accommodating this growth. Town centres are undergoing significant restructuring that challenges their traditional role. Major structural factors include:

- **Restructuring of retail:** Rising from both historic trends such as continuing pressures for out of centre provision and supermarkets becoming more important for comparison shopping, and in the growth new forms of retailing such as multi-channel shopping which is leading to an increasing polarisation of retail provision, coupled with the qualitative mismatch of historic stock and (remaining) retailer requirements.
- **The need to manage surplus office space:** As there is decreasing longer term demand for back office functions in London and technology driven changes in working practises are increasing utilisation of floorspace.
- **Uninspiring town centre experience:** With many town centres lacking a wider cultural, social, or civic offer that can bring vitality to the high street. Too many centres also offer a poor qualitative experience, with poor service, in challenging or less-than-attractive physical environments.

0.3 The co-ordinated and proactive re-shaping and intensification of town centres offers a potential solution to these challenges. This will vary from centre to centre, but bears particularly on medium sized centres. It provides the opportunity to create more desirable places by:

- encouraging a more focussed, curated and diverse retail and service offer, which provides a positive consumer experience
- enabling high quality, high density housing to help meet London's acute housing need and will also contribute to town centre vitality, footfall and expenditure
- creating characterful workspace that is designed to a specification and price to meet the needs of 21st Century SMEs in a World City economy
- reinforcing the character and distinctiveness of town centres within London's network
- fostering a vibrant cultural offer which embeds London's core attraction within its town centres as the heart of community life

0.4 This study tests ways in which this co-ordinated and proactive re-shaping of town centres might be achieved in order to meet the needs of London's growing population and economy.

London's Town Centres

o.5 As stated in the London Plan, “**London’s town centres are a key spatial priority of the London Plan, providing access to a range of services and enabling all parts of London to make a greater contribution to London’s economic success**”¹. The Draft 2013 Town Centres SPG also explains that “**London’s town centres play a fundamental part in the life and function of a large and unique city.**”²

o.6 However, the performance of London’s town centres is very mixed. At the top of the hierarchy the International and Metropolitan centres have generally seen retail rents remain strong with relatively low vacancy rates (though some have seen vacancies rise). Further down the hierarchy, overall vacancy rates are higher in District centres than in Major centres and in general vacancy rates in District centres in outer London are higher than they are in inner London.

Town Centre Restructuring

o.7 The recent poor performance of some of London’s town centres may be due to more than cyclical effects of the recession. There are fundamental structural changes that are impacting on both retail and office floorspace demand.

Retail Restructuring

o.8 There are a number of structural trends affecting the retail sector that suggest the function and form of town centres may be subject to significant change in the future. These trends include:

- **A shift to Value:** With a rise of value stores at the expense of more established retailers.
- **A move away from larger ‘hypermarket formats’** towards smaller stores with a greater emphasis on convenience goods.
- **The growth of Internet Retailing:** Which still requires some physical presence to service the demand. Analysts are inclined to the view that ‘Click and Collect’ may become the dominant format which reinforces the need for a High Street presence.
- **Polarisation:** With a concentration of activity in the better performing centres that are able to offer an attractive retail experience.
- **Increasing role of Commercial Leisure:** Diversification of the offer of town centres which adds to their role as destinations.

o.9 The impact of these trends on London is, at least partially, offset by the strength of the London economy and the growth in London’s population. Consumer expenditure forecasts from Experian estimate that total Comparison goods expenditure by London households is projected to more than double over the period 2011-36, increasing by £25.6bn at a rate of 3.0% p.a., whilst Convenience goods expenditure is projected to rise by £9.3bn at a rate of 2.2% p.a.

o.10 However, while overall demand for retail is projected to be positive, within this overall growth there are different potential spatial distributions of growth as a result of the structural factors described above.

1 London Plan, 2011, para. 2.69

2 Town Centres Draft Supplementary Planning Guidance, 2013, p. 2

0.11 The effects of polarisation are likely to see demand concentrated in the International centres and the stronger performing Metropolitan and Major centres. Smaller centres dependent on predominantly convenience goods expenditure should remain largely unaffected but some of the middle ranking Major Centres and District Centres that currently have a high proportion of comparison goods retail but lack much in the way of a wider cultural offer may struggle to attract new retail investment.

Restructuring of the Office Sector

0.12 Not only is the retail sector facing restructuring but there has been significant structural change in the office sectors driven by a combination of:

- a shift of functions in the office sector in London away from secondary activity
- technological change such as wireless technology and cloud computing
- changes in working practices enabled by technology that have facilitates more efficient utilisation of space

0.13 These changes have been underway for some time but their impact has been accelerated by the recession as occupiers have become more cost conscious and sought to rationalise space.

0.14 The result has been a significant increase in the efficiency of offices in terms of the number of workers per sq m. Therefore even with growing employment in office based sectors this does not translate into such high demand for office floorspace. There has also been a spatial concentration of this floorspace in and around central London as occupiers seek to take advantage of agglomeration benefits, such as access to skilled workers.

Implications for Town Centres

0.15 The outcome of the structural trends described above is that under-performing retail centres are likely to lose trade to the stronger centres within their sub-region and those centres with a large quantum of secondary office floorspace may see little investment unless they reinvent themselves and redefine their role.

0.16 These impacts are likely to be felt predominantly amongst the District and Major centres. It is these middle ranking centres that are likely to be the most vulnerable and for those middle ranking centres that are already experiencing persistently high vacancy rates, comparatively low rents and a worsening retail offer, this should act as a wake-up call for action. Change is coming and the question is whether local authorities can positively shape that change.

0.17 If new investment is not coming in to town centres from retail or office sectors then residential-led mixed-use development offers one route to re-shape town centres whilst at the same time providing an opportunity to accommodate more homes. There are already examples of where existing town centres have experienced significant levels of new housing development such as Woolwich and Canning Town.

Impact on Non-Residential Space

o.18 Before considering the potential for residential development, it should be noted that town centres are still a key source of employment. Some estimates have said that, in outer London, town centres and 'high streets' together account for over half of all employment.

o.19 One concern is that what is termed Low Threshold Enterprise Space (LTES) is particularly vulnerable to conversion or re-development to higher value uses such as residential. LTES provides important capacity for start ups and small businesses which is of low cost but often poor quality and size. However, its role in the ecosystem of London's economy is often undervalued and hence there may be a rationale for intervention to prevent its loss.

o.20 There is no pre-existing definition of Low Threshold Enterprise Space but low rents, as well as flexible lease terms form an important component of its offer. It is likely to be found in older building stock on the edges of town centres and behind high streets.

o.21 The nature of LTES will vary in form and function. LTES in Kensington & Chelsea will look different to that in Barking & Dagenham. What is important is whether there is a wider economic value above their existing use value as revealed by market prices.

o.22 There are a range of activities that occupy this space and there are a number of arguments that are put forward to justify its importance:

- **Low Threshold Enterprise Space is needed for start-ups** and new firms add value as they grow. Without this entry-level space London's future economic growth prospects will be diminished.
- **LTES provides jobs and opportunities in areas of high unemployment** and there is an equity argument for intervening in regeneration areas or to support groups otherwise marginalised from the labour market.
- **LTES helps create diversity within town centres** and can form part of the character and distinctiveness that attracts wider economic investment.
- **LTES provides useful services** in accessible locations for residents, employees and visitors, thus reducing externality costs of travel.

o.23 In drawing up town centre strategies and in local employment land reviews local authorities should have legitimate regard to the importance of such space. There is no universal quantity or percentage of such space that should be retained, although there may be a case for similar space being provided as part of new housing-led developments.

Delivering Non-Residential Space as part of Housing-led Development

o.24 Non-residential space delivered as part of residential development can provide; local job opportunities, potential business rate income, a greater diversity of activity in the town centre contributing to the quality of the offer, and provide active ground floor frontages where ground floor residential may not be desirable. The types of non-residential space could be: business; retail; civic or community; cultural or leisure. The report considers the physical requirements for non-residential space and how it can be better integrated with housing above.

0.25 Delivering non-residential space in almost all cases is at the expense of potentially higher values that could be achieved with residential space. Development appraisals of different uses for eight town centres in London have been undertaken. In nearly all cases the capital value of private residential sales is substantially higher (often as much as five times higher) than non-residential uses. Housing led mixed use developments at high or even medium densities is shown to be viable in almost all of these cases. The only exceptions are in strong retail centres where the capital value of Grade A retail can be higher than residential.

0.26 There is a development cost for non-residential floorspace, which in some centres in London is likely to exceed market rents for that use (and be relatively unaffordable for businesses). It may therefore be necessary to consider the provision of non-residential space as a policy requirement or a kind of planning obligation to be balanced against other policy objectives in town centres, where it does not undermine the viability of housing led redevelopment. There should be a clear rationale for why such space should be provided at the expense of other planning obligations.

0.27 In seeking non-residential space as part of town centre development boroughs should:

- **Understand the Market for Non-Residential Space:** Town centre developments should seek to provide the type of space in that location for which there is effective demand at market rents. It is not about subsidising businesses.
- **Use specialist providers:** Organisations that provide workspace as their core activity are likely to better understand the market and the product that occupiers want. Developers should work with providers of non-residential space perspective of the users of that space and not simply provided as a secondary residual element of a residential scheme.
- **Ensure new non-residential space has basic fit-out:** to bring the entry threshold closer to the existing market in that area.
- **Town Centre strategies should be clear where non-residential space and active frontage should be provided:** It may not be necessary nor desirable to provide non-residential space everywhere, and it may be unsuccessful in particular locations. Town centre strategies should articulate a clear rationale for the provision of non-residential space and the role that it plays, for example, in curating the offer or creating a desirable and vibrant environment.
- **Identify the market failure:** Non-market solutions may be required where justified and evidenced to demonstrate why the market will not deliver the best outcome.
- **Think across the Town Centre, not individual developments:** It may be possible to spread the financial burden of non-residential space across the town centre, in order to provide a more meaningful provision in the right places, in line with wider town centre strategy.
- **Provide more specificity on the different kinds of ‘active frontages’:** Be clear and realistic on what active frontage policies are trying to deliver in each location and whether they need to be uniformly applied.

High Density Housing in Town Centres

0.28 Town centres have an important role to play in accommodating future residential growth in London. There are two particular dimensions to this:

- the role they have to play in creating more capacity; and
- the role they have to play in enhancing rates of delivery.

Town Centres and Residential Capacity

0.29 Town centres are already identified in the SHLAA as being the source of much of London's future housing capacity. 54% of housing capacity from sites larger than 0.25ha in the SHLAA are in and around town centres (within 300m of them). However, there could be potential for more.

0.30 There are two ways in which residential capacity can be increased over and above that currently identified:

- through inclusion of sites that are currently excluded from the SHLAA and boroughs' development plans; and
- through increasing density on currently identified sites.

0.31 Sensitivity tests on both variables were carried out to understand how much additional capacity might be found.

0.32 One of the reasons why sites are currently excluded from the SHLAA capacity and potentially not allocated for development in boroughs' plans is that they are in multiple ownerships. In other words, either no one party has an incentive to bring forward the site, or the process of doing so is perceived as too difficult. Fragmented ownership however is a constraint that can be overcome with the right tools.

0.33 If all of the sites that are currently excluded due to reasons of multiple ownership were brought forward to their full capacity then this would generate an additional 3,000 dwellings p.a..

0.34 The second possibility for increasing town centre yield is through higher housing density. Another sensitivity test that increased densities, was undertaken. This could yield an estimated 1,900 additional dwellings p.a..

Viability

0.35 Viability testing has shown that size and density are key drivers to enable viable schemes without compromising on affordable housing or other planning contributions. Existing use values in town centres are such that substantial development is required to enable intensification to be financially viable in the prime areas and to a lesser extent on more peripheral sites around the town centre. Medium rise schemes are unlikely to come forward unless the retail values in that location is extremely low.

Town Centres and Residential Delivery

0.36 London currently needs at least 49,000 dwellings per annum over the Plan period to meet its projected housing need. However, in the last ten years average annual completions have been around 25,000. Past performance would suggest that delivery is a greater challenge for London than capacity.

0.37 Despite the increase in new planning applications, it is apparent that development by the private sale market and Registered Social Landlords (RSLs) is not sufficient to meet future needs. Private sector completions have never exceeded 18,000 in any one year and over the past twenty years have averaged 11,600 per annum. To achieve the scale of delivery required, then other forms of investment are necessary.

0.38 To increase housing delivery rates in London to the target levels requires new entrants to the market and there are two sources that could make a significant contribution to the figures. These models are:

- **Private Rental Sector:** which is, effectively, a new model for the UK
- **Direct Public sector provision or funding:** which has a proven track record of delivering high quantities of units

0.39 Although untried, Private Rental Sector (PRS) development may be particularly suited to town centre redevelopments as it allows developers to retain control of the residential elements as well as the non-residential elements of a mixed use scheme and operate the whole scheme as an investment. By letting units on assured shorthold tenancies, many of the complications around residential leaseholders' rights can be avoided.

0.40 Private rented housing is a growing part of the housing market; it offers a flexible form of tenure and meets a wide range of housing needs. It contributes to greater labour market mobility and is increasingly the most common form of tenure for young people.

0.41 Large-scale institutional investment in private rental housing could provide a source of new funding for the housing sector and could provide greater choice for consumers. Much effort is being put into developing practical business models for this emerging sector. There are still some barriers to this model but these are not insurmountable. PRS is unlikely to be able to compete with the private sale model on traditional housing sites due to the viability gap; however, it may be more suited to the exceptional circumstances that prevail in town centre redevelopment.

Town Centre Housing Type

0.42 Higher density housing in town centres may be more suited to students, younger people (who may be more likely to accept private rented sector accommodation), and potentially some older downsizers (if there is an attractive wider offer). Family sized units in high density housing can pose particular challenges around child density, management and maintenance issues, particularly where there are a large number of affordable units which are likely to be fully occupied. However, it may be suitable to introduce family housing within 300m of a town centre, where it is possible to provide ground floor entrances, larger maisonettes, and access to amenities and other resources.

Approaches to Town Centre Intensification

o.43 Accommodating growth in town centres presents an opportunity for many London Boroughs to meet growing housing demand in an efficient and sustainable manner, while responding to structural change in the office and retail sectors by proactively re-shaping town centres to provide a more curated and diverse offer, and vibrant experience for Londoners.

o.44 There are different mechanisms and tools that can be used, however one of the most fundamental issues is ownership. In most cases, no single entity has ownership of the town centre, either physically in terms of land and other assets, or culturally in terms of a vision and direction for its future.

o.45 London boroughs are well placed to exercise this leadership role. Firstly, boroughs should review all their town centres to identify which have the potential for intensification. These can be identified through a number of performance indicators such as vacancy rates; opportunities such as through the SHLAA data; and threats such as the Experian retail forecasts.

o.46 Boroughs should develop proactive strategies to take forward future development of these town centres. They do not need to be formal planning policy documents but they should as minimum address the following points:

- set a vision and direction for the town centre, to include the economic and cultural role it is expected to fulfil
- identify opportunities for intensification
- identify significant infrastructure requirements
- identify land ownership and a land assembly approach
- identify a lead development partner, which may be the local authority
- recognise the role that Low Threshold Enterprise Space (LTES) plays in the local economy and consider what role it should play going forward
- incorporate a labour market strategy

o.47 It is recommended that the Mayor assists with a capacity fund to help boroughs develop these strategies, and assist with implementation. Including, in particular, support with CPOs where needed to help the land assembly process. The Mayor's support should be directed at those centres which have the potential for intensification; are under threat of decline as a result of structural change; and where there is the commitment and capacity to deliver intensification.

1 Setting the Context

This chapter sets out the rationale for the study. It sets out the latest projections of growth for London and the role that town centres can play in accommodating that growth.

1.1 London Plan Projections

1.1.1 Against the context of projections of significant population and employment growth (outlined below), the Draft Further Alterations to the London Plan (Draft FALP) (January 2014) sets out the Mayor's vision of London as follows:

“Over the years to 2036 – and beyond, London should: excel among global cities – expanding opportunities for all its people and enterprises, achieving the highest environmental standards and quality of life and leading the world in its approach to tackling the urban challenges of the 21st century, particularly that of climate change.”

1.1.2 This high level, over-arching vision is supported by six detailed objectives that embody the concept of sustainable development, give more detail about how the vision should be implemented and link it to the Plan's detailed policies.

1.1.3 This study helps address Objective 1: A city that meets the challenges of economic and population growth in ways that ensure a sustainable, good and improving quality of life and sufficient high quality homes and neighbourhoods for all Londoners, and help tackle the huge issue of deprivation and inequality among Londoners, including inequality in health outcomes. In particular, it addresses issues relevant to Policies 2.15 (Town Centres), 3.3 (Increasing housing supply), 3.8 (Housing choice), 4.7 (Retail and town centre development), 4.8 (Supporting a successful and diverse retail sector and related facilities and services), 4.9 (Small shops), 4.10 (New and emerging economic sectors) and 7.1 (Lifetime Neighbourhoods).

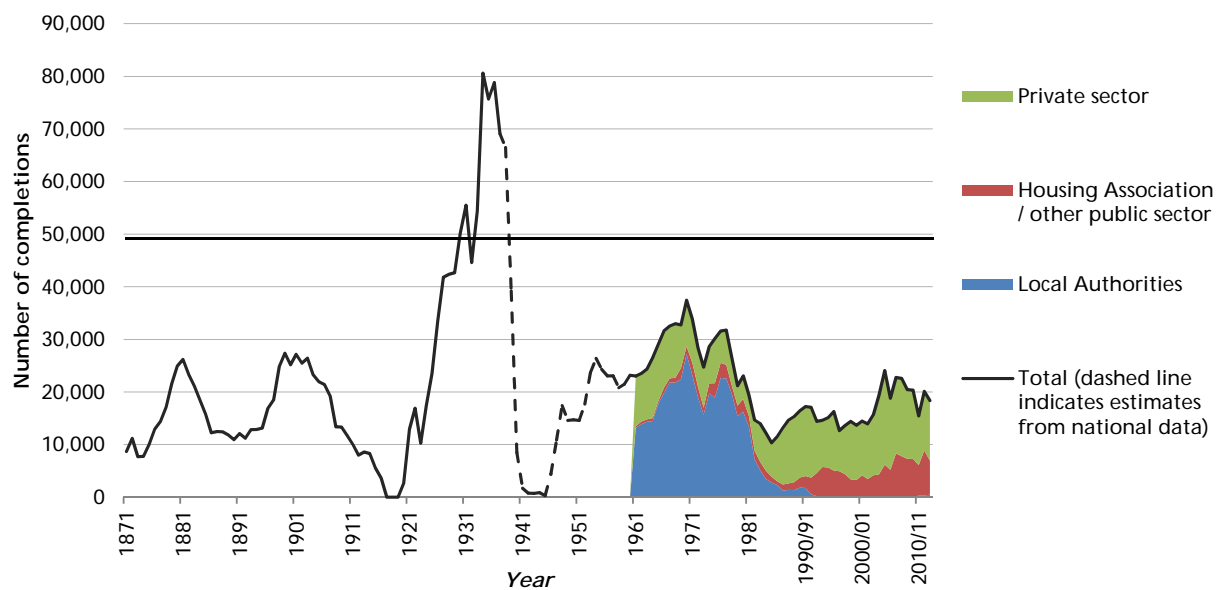
1.1.4 Town centres are accessible places, with strong economic and housing roles, often capable of significant physical growth and intensification. This study looks out how they can fulfil that role more effectively.

London Plan Population Projections

1.1.5 The latest population and employment projections which informed the Draft FALP show continued high levels of growth for London. The central population projection published in the Draft FALP sees London’s population rising from 8.2m in 2011 to 10.11m by 2036, a significantly higher growth than that on which the existing London Plan was predicated.

1.1.6 The London Plan (July 2011) predicted that 45,000 new homes are required every year, a total which has now been revised to 49,000 under the latest proposed alterations. However, in the last thirty years annual completions have only exceeded 20,000 on five occasions, with the peak year being less than half the new annual target. The net result has been an increase in demand in prices not only in central London but throughout the capital. Figure 1.1 below starkly illustrates the scale of the challenge facing London for new housing provision. With the sole exception of one decade, in the last 100 years, the capital has never achieved the current target for delivery of new dwellings. This is despite the large investment in council housing in the post-war period.

Figure 1.1 - London Annual Dwelling Completions by Type since 1871



Source: London Housing Strategy (April 2014)

1.1.7 Despite the increase in the number of new planning applications it is apparent that the private sale market and investment by the Registered Providers (RPs) is not sufficient to meet future needs. Private sector completions have never exceeded 18,000 in any one year and over the past twenty years have averaged 11,600 per annum. Other forms of investment are required to meet demand.

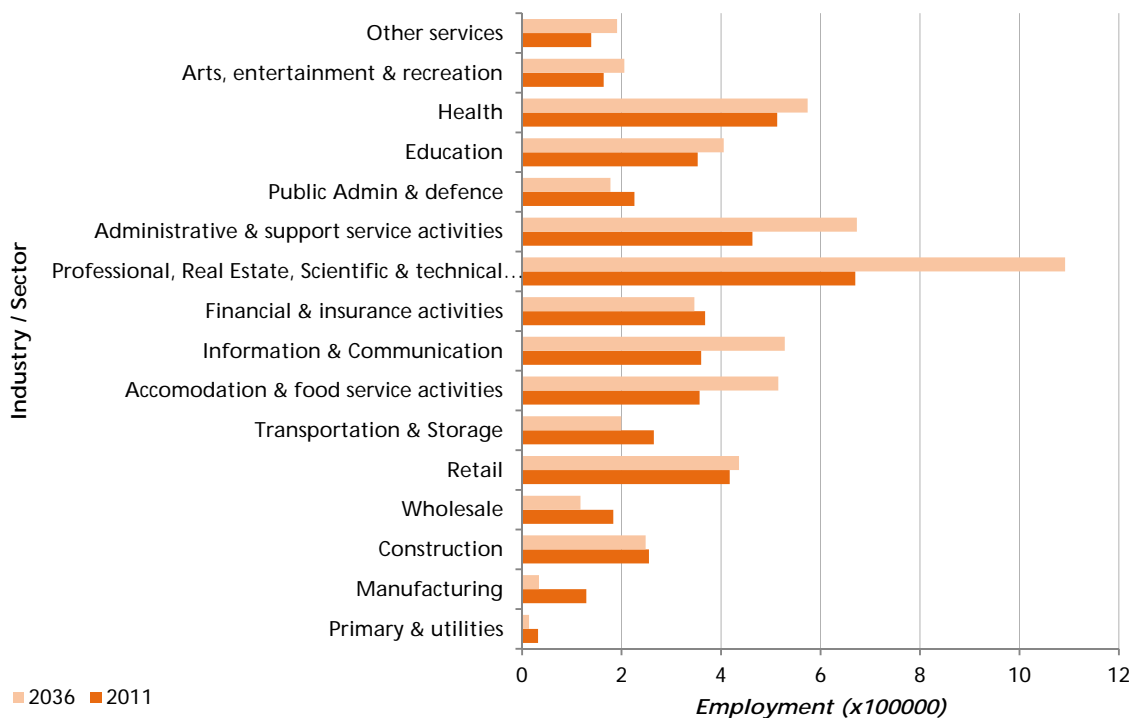
GLA Employment Projections

1.1.8 As well as accommodating housing growth, the London Plan needs to plan for corresponding employment growth. Employment projections prepared by the GLA show growth of 860,000 jobs over the 25-year period 2011-36, a growth rate of 0.6% p.a. The largest growth sectors are:

- professional, real estate, scientific and technical activities with 420,000 additional jobs
- administrative and support services with 210,000 additional jobs
- information and communication with 168,000 additional jobs
- accommodation and food service activities with 158,000 additional jobs

1.1.9 All these are sectors where a large proportion of their growth might be expected to be accommodated within town centres. Projections by sector are summarised in Figure 1.2 below.

Figure 1.2 - London Employment Projections 2011-36



Source: GLA Economics

1.1.10 This study focuses on the role that town centres might play in accommodating London's anticipated housing and employment growth.

1.2 The Role of London's Town Centres

1.2.1 *“London’s town centres are a key spatial priority of the London Plan, providing access to a range of services and enabling all parts of London to make a greater contribution to London’s economic success”*¹. The Draft FALP Policy 2.15 (Town Centres) confirms that the Mayor, boroughs and other stakeholders should co-ordinate the development of London’s network of town centres so that they provide:

- A. the main foci beyond the Central Activities Zone for commercial development and intensification, including residential development;
- B. the structure for sustaining and improving a competitive choice of goods and services conveniently accessible to all Londoners, particularly by public transport, cycling and walking; and
- C. together with local neighbourhoods, the main foci for most Londoners’ sense of place and local identity within the capital.

1.2.2 In most cases, boroughs are the local planning authorities for their areas (unless the Mayor assumes that role) and are responsible for preparing local plans. The Localism Act 2011 enables the preparation of neighbourhood plans and Neighbourhood Development Orders (NDOs) to steer development at a local level. All local plans, neighbourhood plans and NDOs must be in general conformity with the London Plan (with neighbourhood plans also having to be in general conformity with local plans).

1.2.3 Town centres in London are experiencing change to their traditional roles as centres of commercial activity due to major structural factors such as:

- **Restructuring of retail:** Most notable through the growth of e-commerce and the increasing polarisation of retail provision, coupled with the mismatch of historic stock and (remaining) retailer requirements
- **Redundant offices:** As there is no longer demand for back office functions in London and technology driven changes in working practises are increasing utilisation of floorspace.
- **Uninspiring experience:** With many town centres lacking a wider cultural offer that can bring vitality to the high street. Too many centres also offer a poor experience, with poor service, in challenging or less-than-attractive physical environments.

1 London Plan, 2011, para. 2.69

1.2.4 Despite the overall growth in jobs and expenditure in London, these structural changes are likely to generate lower levels of demand for commercial floorspace, at least for some centres, and the task for the GLA is to develop the policy tools to respond to these structural shifts.

1.2.5 At the same time London also faces the challenge of managing growth. As outlined above the projected growth in London's population has been revised up with a forecast growth of 1.9 million in the period to 2036. These rising population projections create challenges for managing growth in that:

- it creates an increased demand for housing which currently outstrips the identified capacity to meet that demand
- it creates a growing labour supply that requires an increase in jobs to employ this workforce
- it creates an increase in consumer expenditure that needs to be captured if the London economy is to benefit from this opportunity

1.2.6 The re-shaping of town centres offers a potential solution to these twin challenges. It offers the opportunity to create more desirable places through the re-development of:

- a more focussed retail and service offer, which provides a positive consumer experience
- high density, high quality housing which helps meet London's growing housing need and brings vitality and expenditure to the centres
- characterful workspace that is designed to a specification and price to meet the needs of twenty-first century SMEs in a world city economy
- a vibrant cultural offer which embeds London's core attraction within its town centres as hubs of community life

1.2.7 This study tests out ways in which this re-shaping of town centres might to be achieved in order to meet the needs of London's growing population and economy.

2 An Overview of London's Town Centres

This chapter sets out the existing profile of London's town centres whose functions range from International destinations to neighbourhoods parades.

London's town centres have a total retail floorspace of 9.1m sq m but also contain a range of other activity such as office, leisure cultural and civic functions.

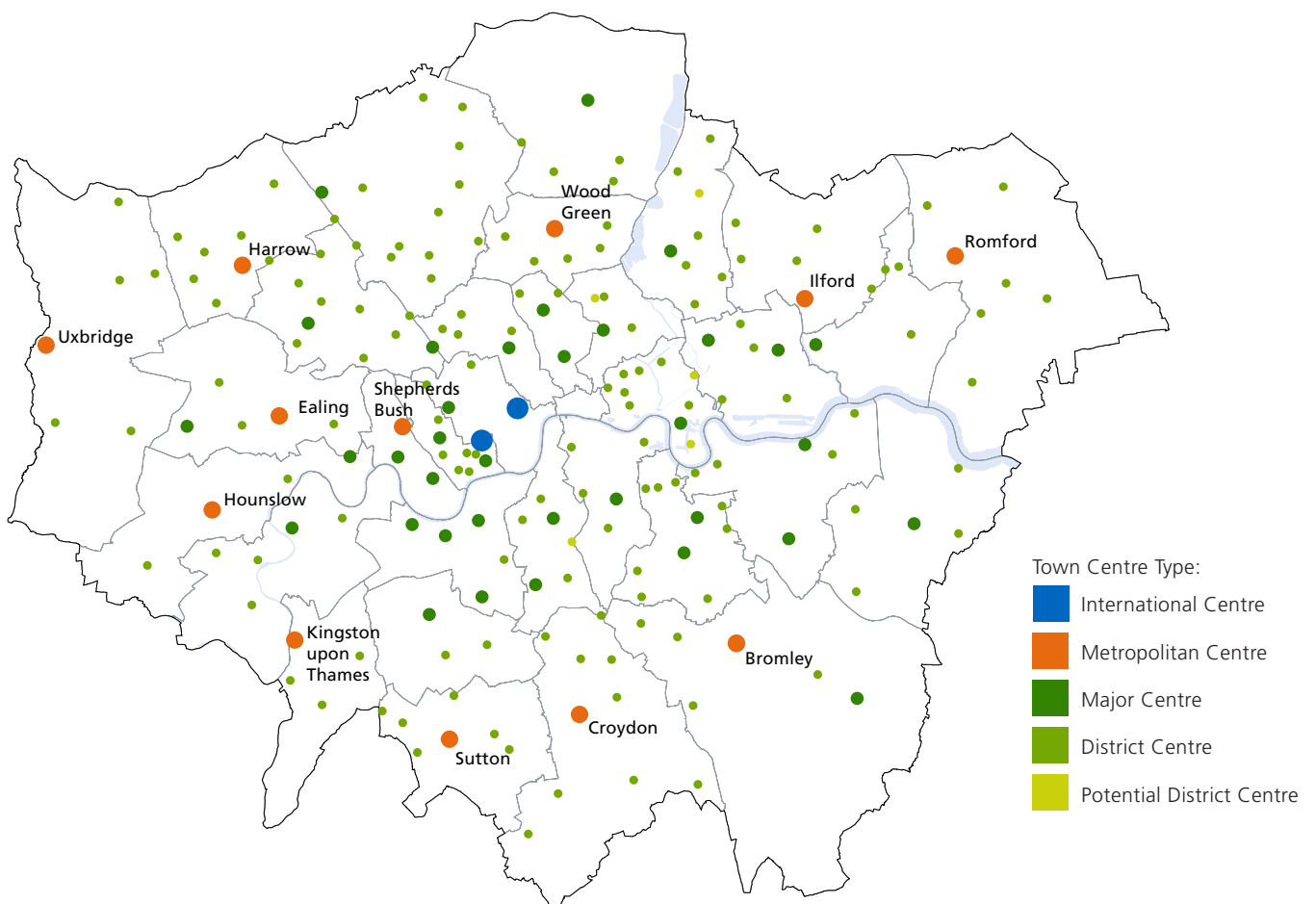
Performance of town centres varies but in general vacancy rates tend to be higher for the smaller District centres than for the larger Major centres.

2.1 London's Town Centres

2.1.1 The London Plan sets out a hierarchy of town centres, ranging from 'International centres' to 'Neighbourhood and local centres'. There are 217 centres individually identified in the London Plan from District centres and above. Parts of Central London which are shopping areas within commercial districts are classed as 'Central Activity Zone' (CAZ) Frontage; they are not (for the most part) defined 'centres' or 'destinations' in their own right, but rather are important functional shopping streets which can largely be expected to cater to the needs of working populations. London Plan Policy 2.15 and its justifying text also recognises the role of local / neighbourhood centres and shopping parades, although these are not individually identified.

2.1.2 Figure 2.1 displays this hierarchy of centres by type and it is these centres that this report focuses on.

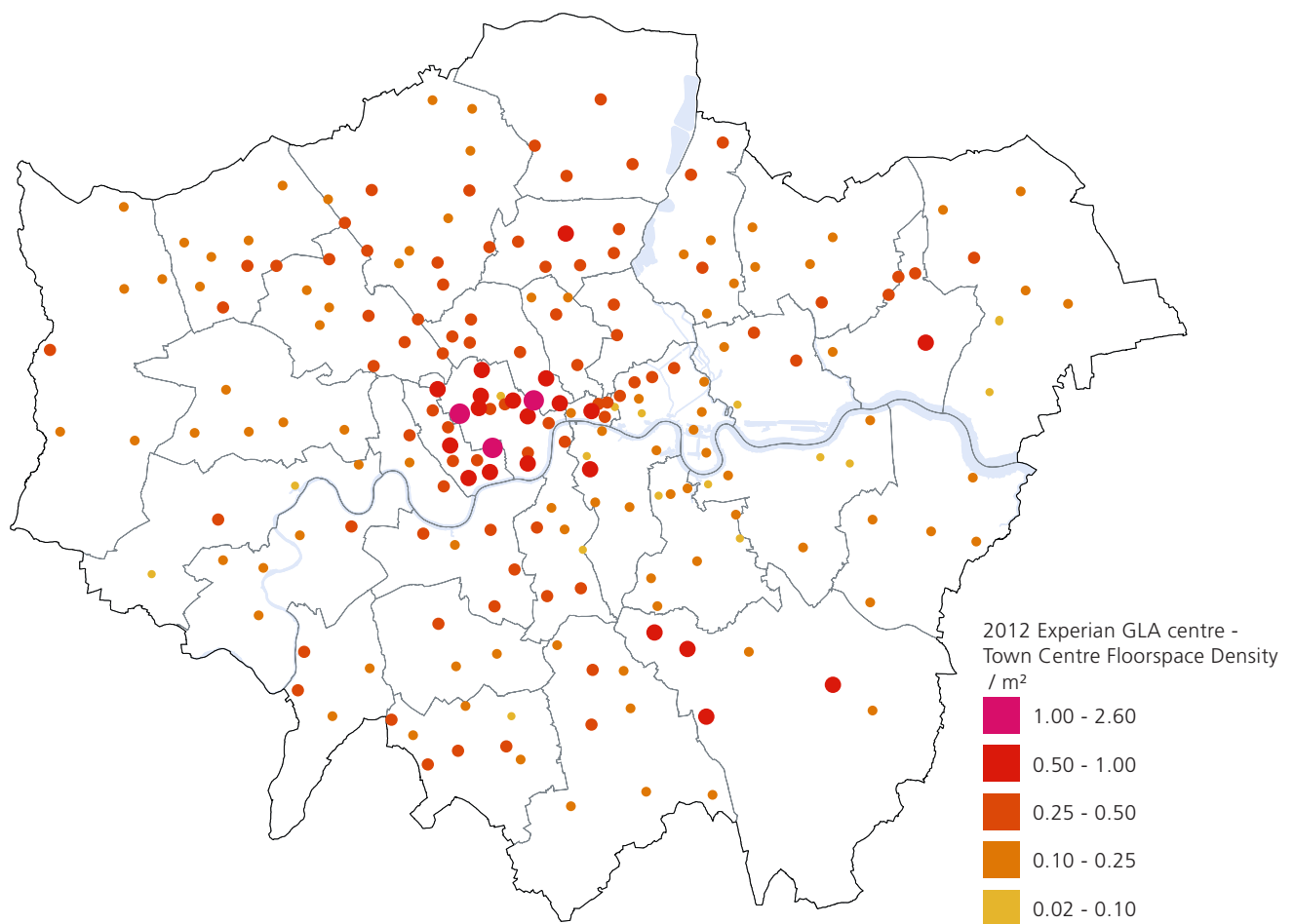
Figure 2.3 - Hierarchy of centres



2.1.3 The distribution of floorspace by town centre is illustrated spatially in the figure below with the largest concentration in Central London and a ring of large centres in outer London. The West End, has upwards of 603,000 sq m retail floorspace, the vast majority of which is given over to comparison (non-food retailing). The twelve Metropolitan centres, vary in size in terms of their total floorspace, ranging from 74,700 sq m in Harrow to 220,600 sq m in Kingston.

2.1.4 Following from this are 35 'Major' centres, whose role and function is typically geared towards meeting more 'day-to-day' comparison goods shopping needs. The centres are normally smaller in nature than the higher-order centres; however, all contain a significant quantum of retail floorspace, ranging from 25,800 sq m in Fulham to 64,100 sq m in Kings Road (East).

Figure 2.4 - Floorspace

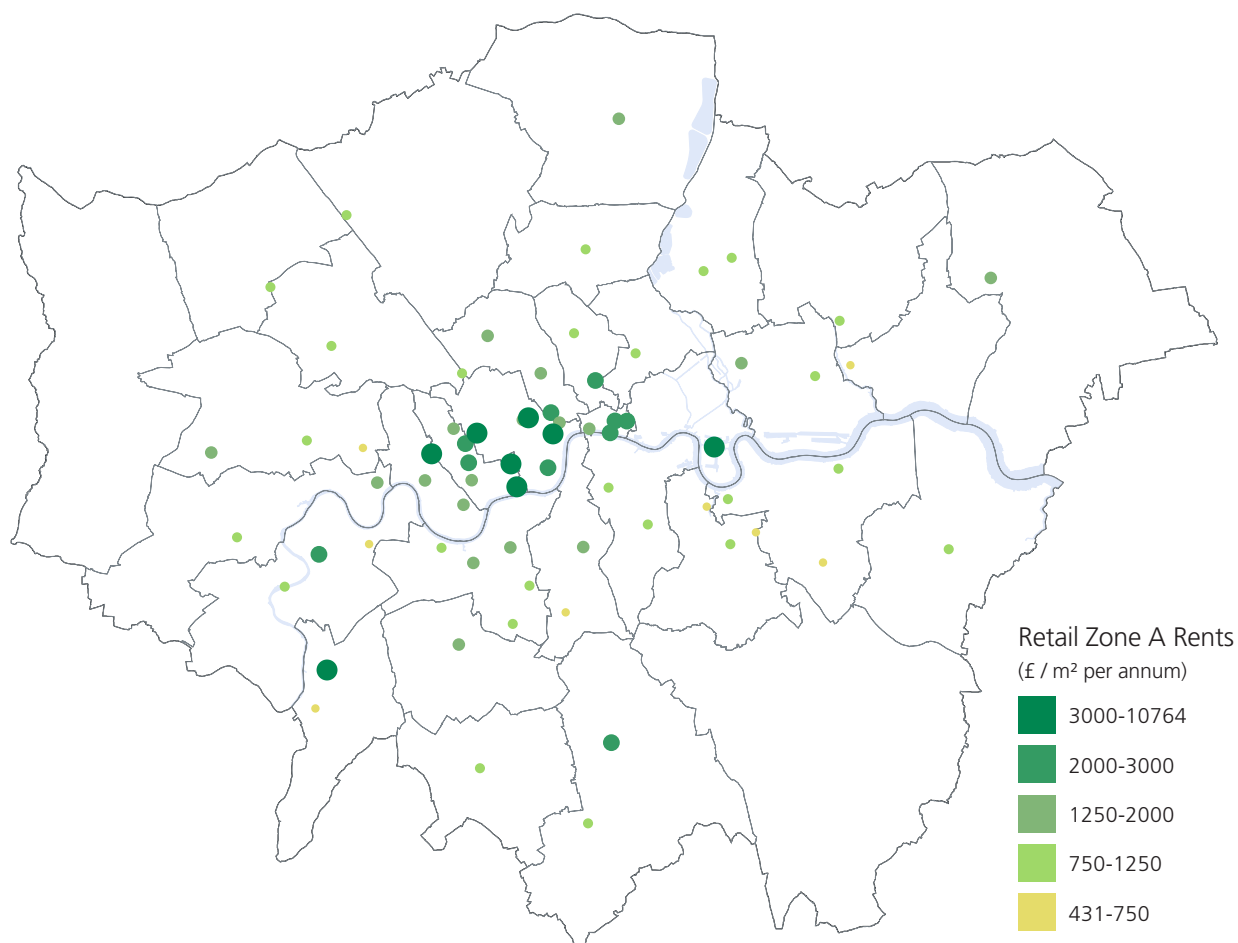


Rents

2.1.5 Retail rents provide one measure of relative value and in some ways reflect the spatial patterns of the larger centres. They are highest in Central London as might be expected. Town centre rents also reflect the broader spatial pattern of property market values in London, with values higher in the west than the east and the highest non-central London values in an arc to the south west of London.

2.1.6 Thus whilst retail rents may appear to be under-performing in the east this needs to be considered in the context of alternative use values. This theme is returned to in later chapters when considering the provision of non-residential space and the viability of town centre development.

Figure 2.5 - Rents



Current Town Centre Population

2.1.7 The GLA Town Centre Health Check data examines the amount of housing completions within International, Metropolitan, Major and District centres over the period 2008 to 2012. In general the number of housing completions in the higher-order centres are relatively modest, averaging at 210 at International level (the majority of which were in the West End), and 230 in the Metropolitan centres. Certain Metropolitan centres have seen reasonably high numbers of housing completions, for example Croydon (650 completions) and Ilford (584 completions), but other centres such as Bromley, Shepherd's Bush and Hounslow have each seen fewer than 100 completions in the three years to 2012.

2.1.8 In the Major centres, numbers of completions fluctuate quite considerably. Wembley, which has been the focus of considerable regeneration activity, has witnessed substantial numbers of housing completions (946 in the period 2008 to 2012). Lower but nonetheless significant levels of completions have taken place in Woolwich and Dalston (600 respectively). However, 15 of the 35 Major centres had fewer than 50 residential completions in the period 2008-12. (Though a cautionary note is added with regard to the varying definitions of town centre boundaries.)

2.1.9 Turning to the District centres, there are again significant fluctuations in the number of completions in each centres, normally allied to foci of regeneration, such as Elephant & Castle (738 completions) and Hayes (568 completions). Other District centres which have seen a number of completions include Gants Hill (483 completions), Clapham High Street (375 completions), Greenwich West (347 completions) and Canada Water (233 completions). However only 16 of the 148 District centres saw completions of more than 100 dwellings in the period 2008-2012, and 48 District centres added fewer than 10 dwellings.

2.1.10 However, there have been significant levels of housing completions on the edge of centres across Greater London. Analysis of data from the GLA Town Centre Health Check study indicates that 25,041 dwellings were completed on the edge of centres, compared to 15,366 within the centres themselves.

- **Metropolitan centres:** The completion of 376 dwellings on the edge of Croydon, 364 dwellings on the edge of Romford, and 363 dwellings on the edge of Ealing.
- **Major centres:** A further 556 dwellings on the edge of Dalston town centre (in addition to the 600 dwellings completed within the centre itself) were completed in the period 2008-12, alongside notable levels of completions on the edge of Canary Wharf (1,833 completions), Lewisham (465 completions), Nags Head, Islington (464 completions) and Stratford (408 completions).
- **District centres:** Six centres have seen completions upwards of 400 dwellings on the edge of their respective town centres. These are Elephant & Castle (619 dwellings), South Woodford (549 dwellings), Greenwich (west) (448 dwellings), Mare Street, Hackney (440 dwellings), South Harrow (414 dwellings), and Deptford (405 dwellings). A further 39 locations have seen upwards of 100 dwellings completed on the edge of their centres.

Table 2.1 - Residential completions within and on the edge of centres, 2008-2012

Type of centre	International	Metropolitan	Major	District	CAZ frontages	Total
Number of centres	2	12	35	148	24	221
Total completions in-centre	400	2,800	4,600	7,300	200	15,300
Total completions edge-of-centre	300	2,400	7,100	12,900	2,300	25,000

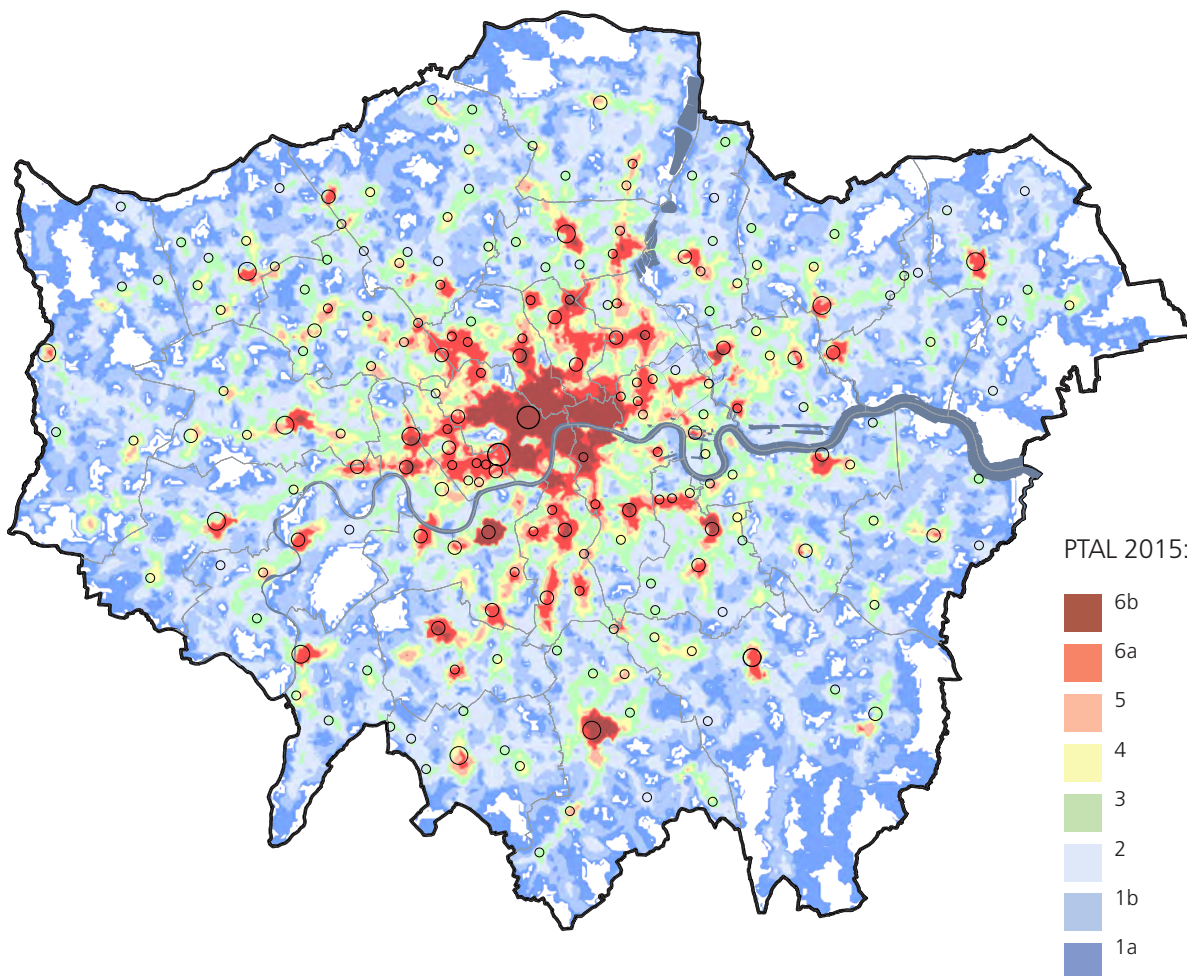
Source: GLA Town Centre Health Checks Study

2.1.11 The level of completions confirm that there is scope for intensification of sites within and around town and District centres, often allied with regeneration schemes, and likely to be most attractive when offering good levels of accessibility to public transport.

Accessibility

2.1.12 Town centres are in general highly accessible locations with high Public Transport Accessibility Level (PTAL) ratings. Not only are they efficient places to put new development, if the level of activity in town centres declined it could result in under-used infrastructure capacity.

Figure 2.6 - Town Centre Accessibility



2.1.13 In terms of improvements in PTAL ratings there is one centre - St John's Wood - where the PTAL rating between 2009-2020 is estimated to rise from 4 to 6a and a further four centres where the PTAL rating is projected to rise from 5 to 6a: Canada Water, Chiswick, Dalston and Kentish Town. Centres with improved accessibility are centres that are likely to be able to absorb greater capacity.

2.1.14 There are also centres where the PTAL is expected to drop from its existing high of 6. These are Brick Lane, Crystal Palace, Herne Hill and Sutton, where the PTAL is projected to fall to 5 and Deptford and Roman Road West where it is projected to fall to 4.

Vacant Floorspace in Centres

2.1.15 A key indicator of town centre performance and in particular of whether there is under-utilised space is the level of vacancy. The Town Centre Health Check report also contains extensive information on the levels of vacant floorspace and number of vacant units within each centre. The data confirms that there is significant fluctuation in the performance of each centre in the context of the economic downturn.

Major Centres

2.1.16 Vacancy rates in the Major centres are, for the most part, below the UK average. The average vacancy rate for both inner and outer London boroughs is 11%. This may reflect the increasing tendency for units in these centres to be given over to convenience and services uses, which have typically been more immune to the economic downturn. Analysis of the health check data shows that 24 of the 35 Major centres have a vacancy rate below the current UK average. However, a number of centres have a vacancy rate significantly above the UK average, including Wandsworth (31%) and Orpington (21%).

District Centres

2.1.17 The average vacancy rate for District centres across London is also close to the UK average. For the inner London boroughs, the average is 11%; this increases to 12% for the outer London boroughs. The boroughs with the highest vacancy levels in their District centres are Lewisham (inner London), and Bexley and Richmond-upon-Thames (outer London) – each of these have an average vacancy rate of 16%, followed by Sutton at 15%.

2.1.18 A number of District centres have vacancy rates that are significantly higher than the UK averages. Analysis of the centres with the highest vacancy rates indicates that six of the District centres with the highest vacancy rates are in the inner London boroughs, and the remaining 14 are in the outer London boroughs.

2.1.19 The District centres with the highest vacancy rates in inner London are:

- Lee Green (LB Lewisham) / Roman Road East (LB Tower Hamlets): **25%**
- New Cross (LB Lewisham): **21%**
- East Greenwich (LB Greenwich) / Forest Hill (LB Lewisham): **20%**
- Sydenham (LB Lewisham): **19%**

2.1.20 The District centres with the highest vacancy rates in outer London are:

- South Norwood (LB Croydon) / Whitton (LB Richmond-upon-Thames): **26%**
- North Harrow (LB Harrow): **24%**
- Harold Hill (LB Havering): **23%**
- North Cheam (LB Sutton) / New Barnet (LB Barnet): **21%**

2.1.21 Therefore whilst vacancy rates are highest in the outer London District centres, there are a number of examples of District centres within the inner London area that also have high vacancy rates. The important consideration is that in the District centres, the peak vacancy levels are (with the exception of Wandsworth) higher than Major centres or other centres in the retail hierarchy. This suggests that across London, some District centres are likely to be struggling for vitality and viability, with insufficient demand to fill the vacant floorspace available, from either national or independent retailers.

2.1.22 This situation is far from uniform however, with some District centres across London performing well in respect of this indicator. A total of 12 District centres, including Whitechapel, Blackheath, Stockwell, and Leyton, all have vacancy rates below 5% and two centres – Rainham and East Beckton – are identified as having no vacant units. On average, vacancy rates within the District centres are in line with UK averages.



Lee Green, Lewisham

Character

2.1.23 Although town centres share many common characteristics, each is unique with their individual characteristics reflecting their complexity and maturity. Town centres are lively and exciting places and in addition to providing a focus for shopping and entertainment, they often provide a focus for civic life and provide important opportunities for social interaction.

2.1.24 The Mayor's draft *Shaping Neighbourhoods: Character and Context SPG* (February 2013) sets out an approach to understanding character and context so that it can be considered in the planning and design process to guide change in a way which is responsive to individual places and locations. This guidance should be used to understand the character and context of individual centres. Two important common characteristics of town centres are summarised below.

2.1.25 Heritage designations will form a key consideration in some centres when considering intensification of town centres. The Town Centre Health Check summaries that:

- thirty-eight town centres (18% of all centres) have more than 50% of their area covered by Conservation Areas
- 120 centres (55%) have less than 10% of their area covered by Conservation Areas
- 98 centres (45%) have no conservation areas (1% threshold applied)

2.1.26 Whilst centres often have a high PTAL rating, they are often also based around busy roads and public transport interchanges. Busy roads bring issues such as noise and poor air quality. Servicing requirements and timings can also cause disturbance. All of these characteristics raise challenges for growing housing markets.

2.1.27 The characteristics of town centres are complex and the 'positive vibe' that many centres have, and which makes them attractive places, cannot instantly be replicated by something new. Strategic redevelopment of centres has the potential to enhance it.

2.1.28 Independent retailers inform local character and distinctiveness, more so than multi-chain retailers. Chiswick and Barking are Major town centres, both have a multi-chain pharmacies, both have big format supermarkets, but it is the food stall, the bookshop and the other small retailers that mark them as profoundly unique. These unique shops reinforce the highly honed and contextualised commodification of localised lifestyles.

3 The Restructuring of Town Centres

This chapter examines recent trends in town centres and analyses some of the structural factors at play that might influence their future role or performance. On the face of it, London's town centres may appear to be performing relatively well, particularly when compared to other parts of the UK. However, such a view could lead to complacency in the face of what are fundamental changes in the retail sector coupled with changes to the office sector and housing demand.

Evidence of the changing structure of London's town centres is reviewed, in particular:

- recent trends in development;**
- structural changes affecting the retail sector;**
- forecasts of demand for retail floorspace;**
- trends in demand for office floorspace; and**
- demand for other town centre.**

3.1 Space in Town Centres – Key Trends

3.1.1 The recently published 2013 London Town Centre Health Check Analysis Report identifies some of the main trends occurring in London's town centres.

London's town centres are growing

London's total town centre floorspace was approximately 10.9 million sq m in 2012, an increase of over 540,000 sq m since 2007.

However there is variability by use class

Occupied retail floorspace in London's town centres was approximately 7.1 million sq m in 2012, an increase of 140,000 sq m since 2007.

Leisure floorspace in London's town centres was approximately 2.9 million sq m in 2012, an increase of 230,000 sq m (+9%) since 2007.

The overall net loss of office floorspace in town centres was 16,000 sq m

There is also variability by geography

Average comparison goods floorspace declined across all town centre classifications except the CAZ Frontages, International Centres and Shepherds Bush and Stratford (2007-2012)

Nineteen centres recorded net increases in office floorspace completions 2008-2012, together comprising just over 92,000 sq m, whereas 35 centres recorded net decreases in office floorspace with a net loss of 108,000 sq m

The overall town centre vacancy rate in 2012 was 8.8%, compared to 7.4% recorded in 2007.

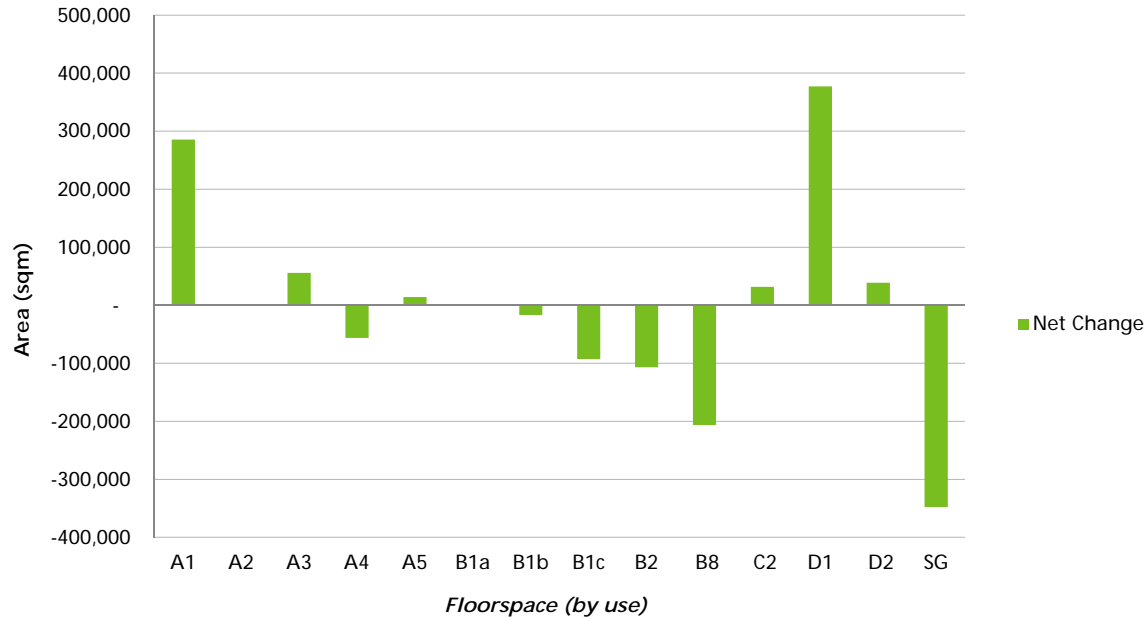
3.1.2 Another source to analyse trends is the London Development Database (LDD), which records planning permissions. The data recorded includes completions, developments under construction and planned developments not started in the planning pipeline. The LDD data is site specific and includes information on the site location; a description, existing and proposed floorspace / units by use class; planning status and timing for the development.

3.1.3 For the purposes of this study the GLA have provided LDD completions data from 2008. There are certain limitations of the LDD dataset that impact the analysis. In particular the LDD records only cover permissions beyond a threshold: 1,000m² in any proposed non-residential use class using floorspace (A1-A5, B1-B8, C2, D1, D2, SG) or 7 bedrooms or more in any proposed non-residential use class using bedrooms (C1, C2 hotels, care homes or SG hostels). However if the development site has any existing or proposed residential units or open spaces the sites will also be recorded on LDD. Thus smaller losses to residential can be identified to an extent.

3.1.4 The data from the LDD differs from the Town Centre Health Check (TCHC) dataset as the data has been collected over different time periods and from different data sources. The TCHC data is sourced from Experian's GOAD centre surveys, Local Data Company, Edubase, LDD (2008-2012) and from Local Authority data sources. Hence the numbers from the two data sources differ.

3.1.5 Figure 3.1 below illustrates the gains and losses of employment floorspace in and near town centres between 2008 and 2013.

Figure 3.7 - Net Employment space in / near London town centres (Completions between 04/2008 -03/2013)



Source LDD

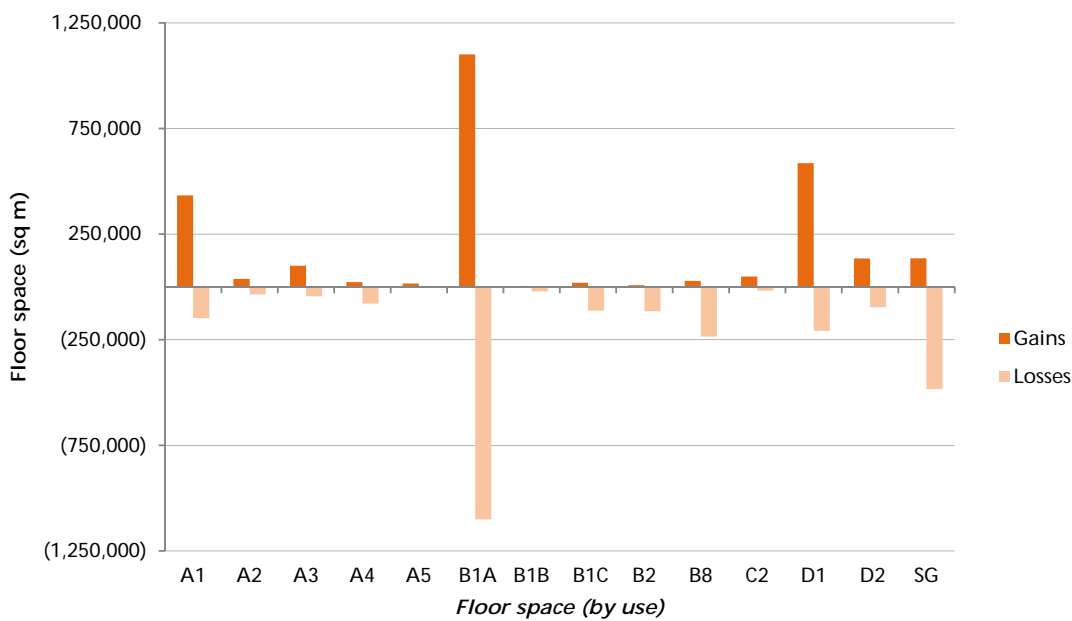
3.1.6 The LDD evidence indicates that between 2008 and 2013 town centres experienced a net loss of floorspace (68,000 sq m), with a gain of 2.56m sq m and loss of 2.62m sq m. The CAZ frontages experienced some losses and gains however overall there was a positive net gain of floorspace in the region of 260,000 sq m. Equally Metropolitan town centres had a net positive gain of approximately 64,000 sq m according to LDD in this time period. On the other hand Major centres, District centres and International centres experienced a net loss of floorspace of 160,000 sq m, 120,000 sq m and 40,000 sq m respectively. In addition, other unclassified centres and high streets experienced a net loss of 70,000 sq m.

3.1.7 The largest gains were in D1 floorspace which are non-residential institutions such as clinics, health centres, crèches, day nurseries, day centres, schools, art galleries (other than for sale or hire), museums, libraries, halls, places of worship, church halls, law courts, non-residential education and training centres. This was followed by A1 floorspace (shops, retail warehouses, hairdressers, undertakers, travel and ticket agencies, post offices (but not sorting offices), pet shops, sandwich bars, showrooms, domestic hire shops, dry cleaners, funeral directors and internet cafes).

3.1.8 The largest net losses are not in any use class (i.e. sui generis) (-348,100 sq m), which includes theatres, houses in multiple occupation, hostels providing no significant element of care, scrap yards; Petrol filling stations and shops selling and / or displaying motor vehicles; Retail warehouse clubs, nightclubs, launderettes, taxi businesses, amusement centres and casinos. B8 uses (Storage and Distribution) also experienced a net loss of -206,000 sq m; equally B2 uses (General Industrial) and B1c (light industry) uses experience a net loss of 106,900 sq m and 92,900 sq m respectively.

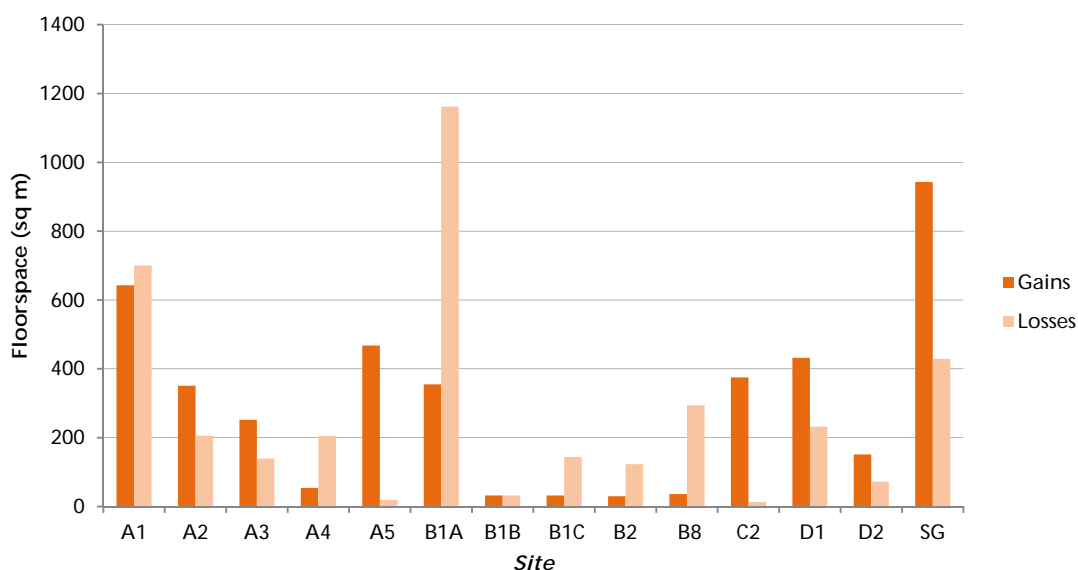
3.1.9 Figure 3.2 and 3.3 presents the gains and losses of floorspace and sites. This shows that in town centres the greatest level of activity has been in B1a (offices) uses. Between 2008 and 2013 there was an overall loss of 1,100m sq m of B1a floorspace coupled with a gain of 1.101m sq m resulting in an overall net gain of 775 sq m. Other space that shows signs of relatively high activity in town centres are A1 (shops), D1 (non-residential institutions), D2 (assembly and leisure) and sui generis.

Figure 3.8 - Gains and Losses of Employment space in London town centres (Completions between 04/2008 -03/2013)



Source LDD

Figure 3.9 - Number of sites with gains and losses in London town centres (Completions between 04/2008 -03/2013)



Source LDD

3.1.10 Figure 3.3 shows the number of sites in town centres with losses and gains by use class. Again this shows that the most activity in town centres is office space with over 1,200 sites recording losses compared with 355 sites with office floorspace gains. All B-uses recorded more sites with losses than gains as did A1 (shops) and A4 (drinking establishments).

3.1.11 The floorspace data from Figure 3.2 and the site data from Figure 3.3 above is used to estimate an average gain / loss per site. It is important to flag that many if not most of the sites presented in the above data are mixed-use sites; however, the data is presented separately by use class. The table below shows some interesting trends:

Table 3.2 - Average gain / loss per site

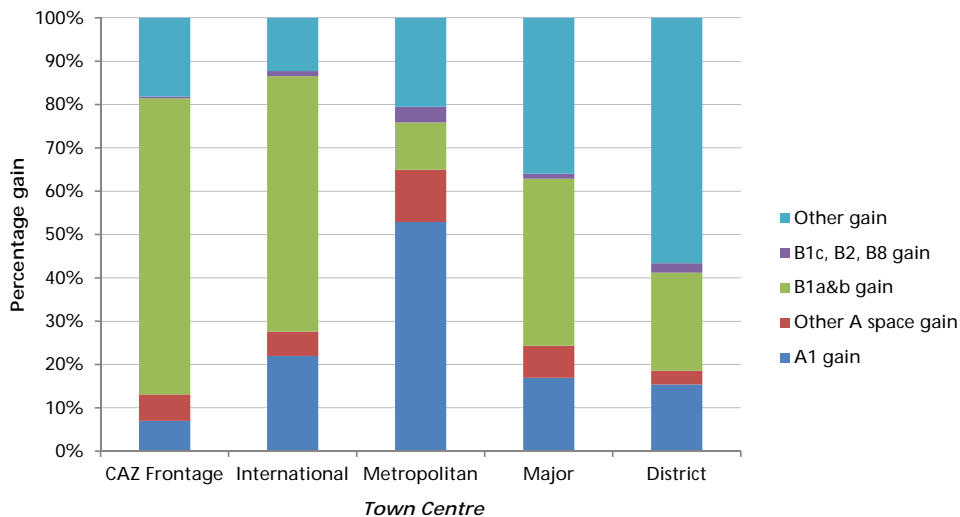
	Average gain per site	Average loss per site
A1	674	-211
A2	106	-175
A3	397	-320
A4	413	-384
A5	35	-115
B1	1,409	-798
B1A	3,102	-947
B1B	148	-676
B1C	622	-784
B2	261	-933
B8	789	-799
D1	1,355	-898
D2	893	-1,339
SG	144	-1,128

Source LDD

- For A1 (shops) and B1a (offices) the average gain per site is more than three times larger than the average loss per site. In other words, there is evidence of consolidation of floorspace through large developments coupled with small incremental losses of floorspace on a larger number of sites. Both these uses recorded net gains in floorspace between 2008 and 2013; however, the data below suggests that the spatial distribution of floorspace is likely to have changed over time.
- On the other hand, B1b (research and development laboratories), B1c (Light Industry), B2 (General Industrial) and B8 (Storage and distribution) sites report larger losses per site relative to gains per site. Recall that each of these use classes recorded a net loss of floorspace between 2008 and 2013.
- In absolute terms the largest gains per site are for B1a (offices) with an average gain of 3,100 sq m per site. On the other hand, the largest absolute losses per site are for D2 (Assembly and leisure) sites and sui generis sites with average losses over 1,100 sq m per site.

3.1.12 The LDD data indicates rather different patterns of development and loss for the different types of centres. Looking firstly at the type of floorspace gained the data shows:

Figure 3.10 - Floorspace gains in town centres

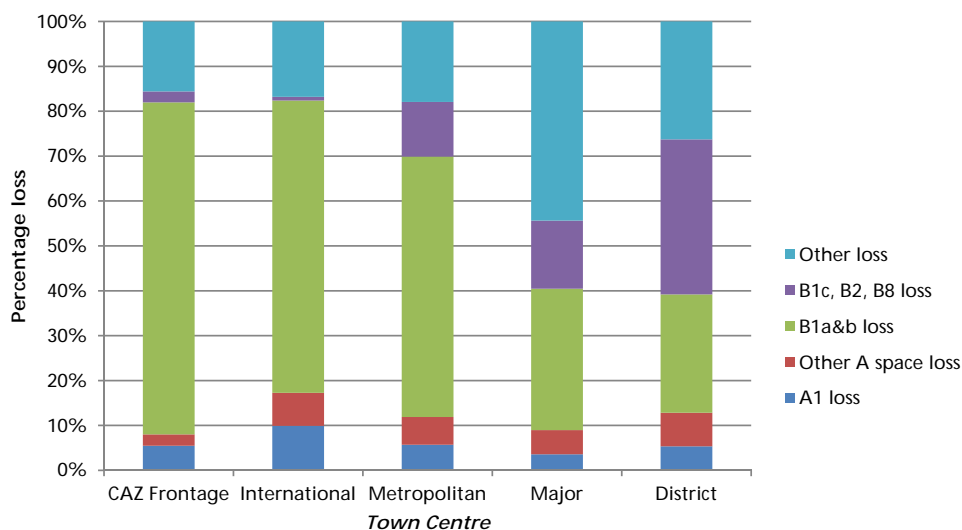


Source LDD

- The largest gains were in the CAZ (950,000 sq m) and this was primarily driven by the additional Bi Office floorspace gained there. Equally the gains in floorspace in International town centres were primarily due to B1 office growth.
- Major centres and District centres gained a similar level of floorspace (560,000 and 540,000 sq m respectively). In Major centres the growth was primarily in B1 office space and other floorspace including leisure, sui generis and community facilities. The growth of floorspace in District centres was primarily a result of growth in these uses.
- Growth in floorspace in Metropolitan town centres was primarily driven by growth in A1 retail floorspace.
- There was little relative growth in industrial and warehousing floorspace (B1c, B2, B8) in all types of centres. Of the total industrial floorspace gained in this time period, the majority was in District and Metropolitan centres.

3.1.13 The gains above were in many cases offset by losses in floorspace. The figure below shows the losses of floorspace by use class and town centre type:

Figure 3.11 - Floorspace losses in town centres



Source LDD

- In all types of centres there was a large loss of office floorspace. Much of this would have been replaced by the new developments shown above.
- In District centres there was a large loss of industrial and warehousing floorspace (B1c, B2, B8).
- In Major centres there was a relatively large loss of other floorspace uses however a large part of this was due to losses at few large sites e.g. the Warren site in Woolwich.
- It is notable how little retail A1 floorspace was lost in this time period relative to other uses.

3.1.14 Most of the sites from the LDD are mixed-use sites with recorded net gains in one use class and losses from another. There is clearly significant redevelopment already occurring in London's town centres and a switch of use in response to market signals. Whether more active policy intervention can work with this dynamic help to create greater opportunities for intensification remains to be seen.

Residential Gains in Town Centres

3.1.15 The LDD completions data paints a picture of the changes that have occurred in residential development in and near London's town centres over a 5-year period between April 2008 and March 2013:

- There were 3,691 sites with employment floorspace losses in this five year period. On 589 of these sites (16%) there was a change of use to a different employment use class. The remaining 84% of the town centre sites with a loss did not result in a gain of employment floorspace. The sites that did have a change of use to different employment floorspace resulted in a net gain of employment floorspace (19,200 sq m net gain: 1.0m sq m loss and 1.18m sq m gain). This suggests a more efficient use of sites in town centre in general. Again there is evidence of consolidation / polarisation as the data indicates that there are far more sites

that experienced a loss than those that experienced a gain: 3,691 sites with a loss compared with 1,157 sites with a gain despite an overall floorspace gain.

- While there is an overall gain in employment floorspace from the change of use sites, there are some use classes that had an overall loss – retail (A1) and Industrial (B1c, B2 and B8).
- Change of use sites resulted in an overall loss of floorspace. Offices (B1a and B1b) and Other use class floorspace grew at the expense of these. On 56% of these sites (328 of 589) there was not only a floorspace gain, there was also a residential gain of 12,264 dwellings.
- Data from the London Development Database shows that between April 2008 and March 2013 there were just over 54,900 dwellings delivered in London’s town centres and edge of town centres. This equates to approximately 50% of all homes delivered in London with an annual average of 11,000 homes per annum over this five year period.
- Almost 23,000 of the 54,900 homes delivered (41%) were in or on the edge of District centres. A further 16,000 were delivered in or on the edge of Major town centres (29% of the total). International centres and CAZ only accommodated 1% and 4% respectively of the number of homes brought forward in this period.
- 2008 was the peak year of delivery over this five year period with 13,200 new dwellings completed in town centres compared with only 7,600 in 2012. In the whole of London there were less than 17,000 homes delivered in 2012 compared to 27,800 in 2008. The recession had an adverse impact on London’s housing market. Past completions support this premise: in 2006, at the height of the housing boom, there were over 31,400 dwellings completed in the whole of London, which was above the SHLAA capacity target at the time as shown in the table below. Completions, even at the peak of the housing boom are however well below the current target of 49,000 dwellings per annum (2006 completions are 36% below the current target).

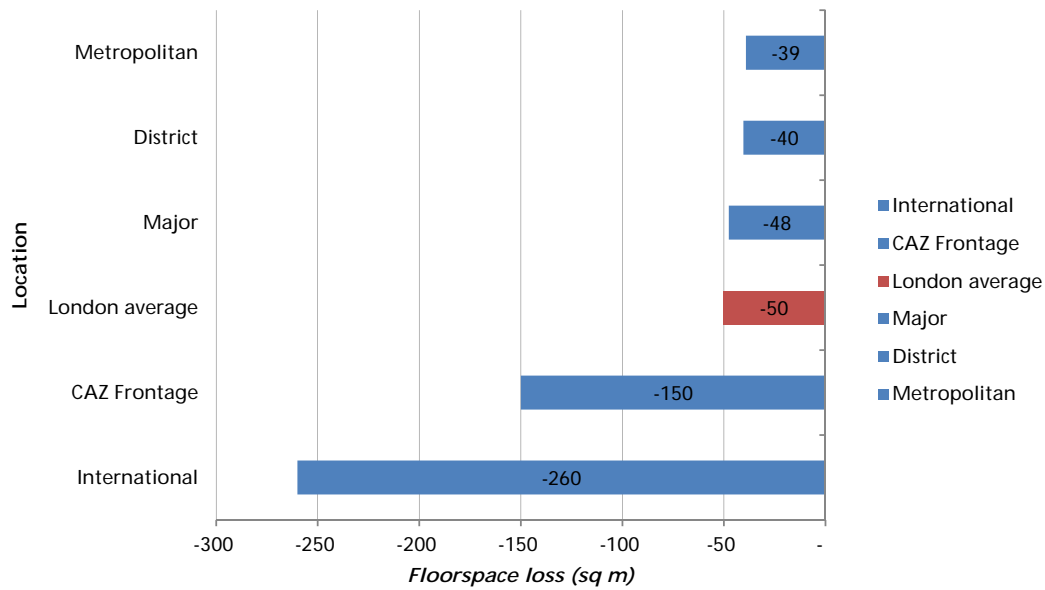
Table 3.3 - Residential completions

	FY 2004 (sq m)	FY 2005 (sq m)	FY 2006 (sq m)	FY 2007 (sq m)	FY 2008 (sq m)	FY 2009 (sq m)	FY 2010 (sq m)	FY 2011 (sq m)	FY 2012 (sq m)	Total (sq m)
In or edge of town centre	-	-	-	-	13,209	12,936	11,816	9,409	7,552	54,922
Not in Town centre	-	-	-	-	14,616	14,371	7,478	9,083	9,042	54,590
Grand Total	27,364	28,309	31,432	28,199	27,825	27,307	19,294	18,492	16,594	
SHLAA Capacity Target	22,930	22,930	22,930	30,500	30,500	33,380	33,380	33,380	33,380	

Source: 2009 SHLAA, 2013 SHLAA, PBA

3.1.16 Of the 54,900 homes in town centres, 55% or 30,400 homes were on sites which reported an overall loss of employment space totalling 1.5m sq m. Overall the District centres reported the largest overall employment floorspace loss from such sites at just under 500,000 sq m but also the highest gains of 12,000 homes. Major centres also lost over 400,000 sq m of employment floorspace and gained just below 9,000 new homes. In the figure below the average employment floorspace losses per residential unit gained are presented. This shows that in the International centres and CAZ frontages a much higher ratio was required in comparison with the London average. The Metropolitan and District centres had a lower ratio of ca. 40 sq m lost for each additional dwelling.

Figure 3.12 - Employment floorspace loss per unit



Source: LDD

3.1.17 Angel, Croydon, Canary Wharf, Elephant and Castle, Dalston, Wembley and Wandsworth delivered the most dwellings with over 1000 dwellings over the 5 year period between 2008-2013. Edgware Road, Hampstead, Fulham road and Blackheath actually had a small reduction in the number of homes in the same period.

Table 3.4 - Town centre residential gains

Town centre	Net dwellings (2008-2013)
Angel	2800
Croydon	2000
Canary Wharf	1800
Elephant and Castle	1400
Dalston	1200
Wembley	1100
Wandsworth	1000
Romford	900
Greenwich West	800
Ilford	800
Stoke Newington	700
Ealing	700
Woolwich	600
Nags Head	600
Lewisham	600
Leytonstone	600
Hayes	600
South Woodford	600
Charing Cross Road East	500
Crossharbour	500
Peckham	500
Deptford	500
Gants Hill	500

Source: LDD

3.2 Retail Trends

Retail Trends in Town Centres

3.2.1 The London Development Database completions data shows that between April 2008 and March 2013 there has been an overall gain in retail (A1) floorspace of 445,600 sq m in the whole of London. The majority of the retail floorspace completions were for two major retail developments – Westfield London (in Shepherd’s Bush) and Westfield Stratford City. Excluding these two developments, the overall gain in retail floorspace in London is 213,500 sq metres. The majority of this is in, or in close proximity to, town centres (155,200 sq m).

3.2.2 The annual retail floorspace completions in town centres (less the two Westfield developments) have a (lagged) cyclical trend peaking in 2010 with a gain of 50,300 sq m and falling to their lowest annual completions in 2012 (15,100 sq m).

Table 3.5 - Retail floorspace completions over time (financial years)

	2008	2009	2010	2011	2012	Total
In or near Town Centre	29,339	40,207	50,335	20,278	15,056	155,215
Not in Town Centre	14,262	4,181	11,421	29,858	-1,478	58,244
Westfields (Stratford and Shepherds Bush)	29,100	81,675		121,330		232,105
Total	72,701	126,063	61,756	171,466	13,578	445,564
London Total less Westfields	43,601	44,388	61,756	50,136	13,578	213,459

Source: LDD

3.2.3 There were 1,216 sites with recorded retail floorspace gains and losses in / on the edge of London’s town centres between 2008 and 2013 (net gain of 285,400 sq m). Of these 700 sites (58%) recorded retail losses of 147,800 sq m and the remaining 516 recorded retail floorspace gains of 433, 200 sq m and only 11 sites gained more than 5,000 sq m of retail floorspace.

3.2.4 On 92% of the sites with recorded retail floorspace losses, there was a residential gain. In total, there were 3,920 net additional dwellings in or on the edge of town centres on sites with a retail floorspace loss – a total A1 loss of 80,000 sq m.

3.2.5 The GLA Town Centre Health Checks report identifies the following changes in the composition of ‘occupied’ floorspace in London’s town centres between 2007 and 2012:

- total ‘occupied’ floorspace in the 185 assessed centres increased by 370,000 sq m (+4%);
- of this, total retail floorspace increased by 140,000 sq m, and total leisure floorspace increased by 230,000 sq m;
- within the retail floorspace, convenience goods retail floorspace increased by 175,000 sq m (+14%) but comparison goods floorspace decreased by 13,000 sq m and service retail floorspace decreased by 22,000 sq m; and
- total vacant retail floorspace increased by 170,000 sq m (+24%).

Factors influencing Retail Floorspace

3.2.6 The key factors underpinning the current and future trends in the retail and leisure sectors are considered to be:

- the **downturn in the UK economy**, which has resulted in the growth of ‘value’ retail, a greater reluctance to spend amongst consumers, and investors being more cautious in their financial decisions;
- the **‘polarisation trend’**, which has resulted in many retailers concentrating their activity in larger, higher-order shopping destinations;
- changes in the **convenience goods sector**, with a move by retailers away from larger, ‘hypermarket’-format developments, towards smaller stores with a greater emphasis on convenience goods, as well heavy investment in ‘local’ / ‘express’-format stores;
- the continued growth of **internet retailing**, which acts as a ‘claim’ on the total amount of expenditure available to support new retail floorspace within town and city centres – although the increasing popularity of ‘click & collect’ services suggests potential for synergy between the two retailing formats; and
- the increasing role and function of **commercial leisure**¹ in supporting the role and function of town centres, enabling them to become ‘destinations’ rather than just places for shopping and services.

3.2.7 Each of these major, and inter-related, trends are discussed in detail below.

The Downturn in the Economy

3.2.8 The downturn in the economy has had a number of significant changes on the retail landscape in the UK. Several high-profile retailers have entered administration, and there is a general trend (particularly in suburban and smaller town centres) towards discount retailers increasing their representation. This has occurred in both the comparison goods sector (for example, Poundland, 99p Stores and Wilkinson) and the convenience goods sector (for example, the continued expansion of Aldi and Lidl). The downturn has also affected consumer spending, with a greater reluctance to spend amongst consumers on non-essential goods.

3.2.9 Although there are indications of consumer and investor confidence beginning to return, the overall economic sentiment within the retail sector continues to err towards one of caution, and forecast rates of expenditure growth are still lower than those forecast prior to the economic downturn.

The Polarisation Trend

3.2.10 The ‘polarisation trend’ refers to the preference of retailers to concentrate trading activities in larger schemes in larger centres. Retailers recognise that greater efficiency can be achieved by having a strategic network of large stores offering a full range of their products, rather than an extensive network of smaller-format stores which are only able to offer a limited range of products. Increasingly therefore, retailers are seeking to serve larger population catchments from larger stores – and this explains why demand for space at recent major shopping centre openings (for example Westfield Stratford City and Westfield London) has been high, whilst demand for premises in small and medium-sized town centre locations has been weaker.

1 Often referred to as ‘food & beverage’ or ‘family entertainment’

3.2.11 The recently permitted application for and extension to Westfield at Shepherd's Bush, and the planned comprehensive redevelopment of Croydon's two main shopping centres, are further evidence that in the higher-order centres, investor confidence remains strong. Indeed, in recent years Westfield have sought to dispose of their developments in a number of regional shopping destinations (for example, Nottingham, Derby and Royal Tunbridge Wells), solely to focus on the London market. The 'polarisation trend' is also in part driven by customers, who have become more discerning and are increasingly prepared to travel further afield.

3.2.12 Combined, these factors mean that there is a concentration of comparison goods expenditure in a smaller number of larger centres. This concentration of retailing activity is likely to pose a challenge to smaller and medium-sized centres, and require them to potentially refocus their role and function away from primarily comparison retail and concentrate on establishing a better (more diverse) convenience and leisure offer in a high quality environment that people are likely to want to spend time.

3.2.13 Although 2013 saw a general upturn in the performance of many retailers, there is no indication this polarisation trend will change. As Capital Economics note², ***“until the problem of excess capacity on high streets is tackled, the main beneficiaries will be retail landlords in London and the dominant regional shopping locations.”*** Capital add that in the six months to March 2013, average high street yields have risen, and that ***“such patterns seem consistent with the trend amongst retailers to release less profitable sites and focus instead on maintaining or acquiring a presence in dominant regional shopping locations”***. Capital express concern that ***“the lowest quality tranche of the retail property stock will be surplus to requirements for years to come”***.

3.2.14 London has therefore, to an extent, been resilient to these changes, but is not entirely immune: Experian state that ***“[w]hile London benefits from a scale, a dynamism and substantial tourism and international visitor spending power, this pattern of concentration on fewer larger and stronger centres can also be seen and should be expected to continue”***³. These conclusions are equally expected to be applicable to suburban, lower-order centres across greater London as they are on the wider national scale.

3.2.15 The polarisation trend is intrinsically linked with the other key changes described in this chapter, in particular the economic downturn and the growth in online shopping. The result of this, according to Deloitte⁴, is that retailers are beginning to reassess their store portfolios:

“Retailers are beginning to reassess and reset their store portfolios in light of the changes in the economy and consumer behaviours. The increasing costs of operating stores, changes in consumer behaviours, and the growing online opportunity, coupled with the rise of shopping centres with larger catchment areas and improvements in infrastructure facilitating travel suggest that retailers will need fewer stores in the future”.

2 Capital Economics, UK Commercial Property Update, March 2013

3 Experian, 'Consumer Expenditure and Comparison Goods Floorspace Need in London', 2013

4 Deloitte, 'The Changing Face of Retail', 2011

3.2.16 The implications for this on town centres is that many retailers will, in the medium to longer term, seek to downsize their portfolios, particularly in smaller centres. Deloitte consider that this will have three impacts on retail property:

- **increased availability** of property as vacancy rates increase
- **decreasing prime retail rents** (with the exception of central London)
- **increased flexibility in rental terms**, with retailers demanding better terms, including shorter leases, rent-free periods, earlier break clauses, and monthly rental arrangements

3.2.17 Experian conclude that, in the case of London, the polarisation trend means that:

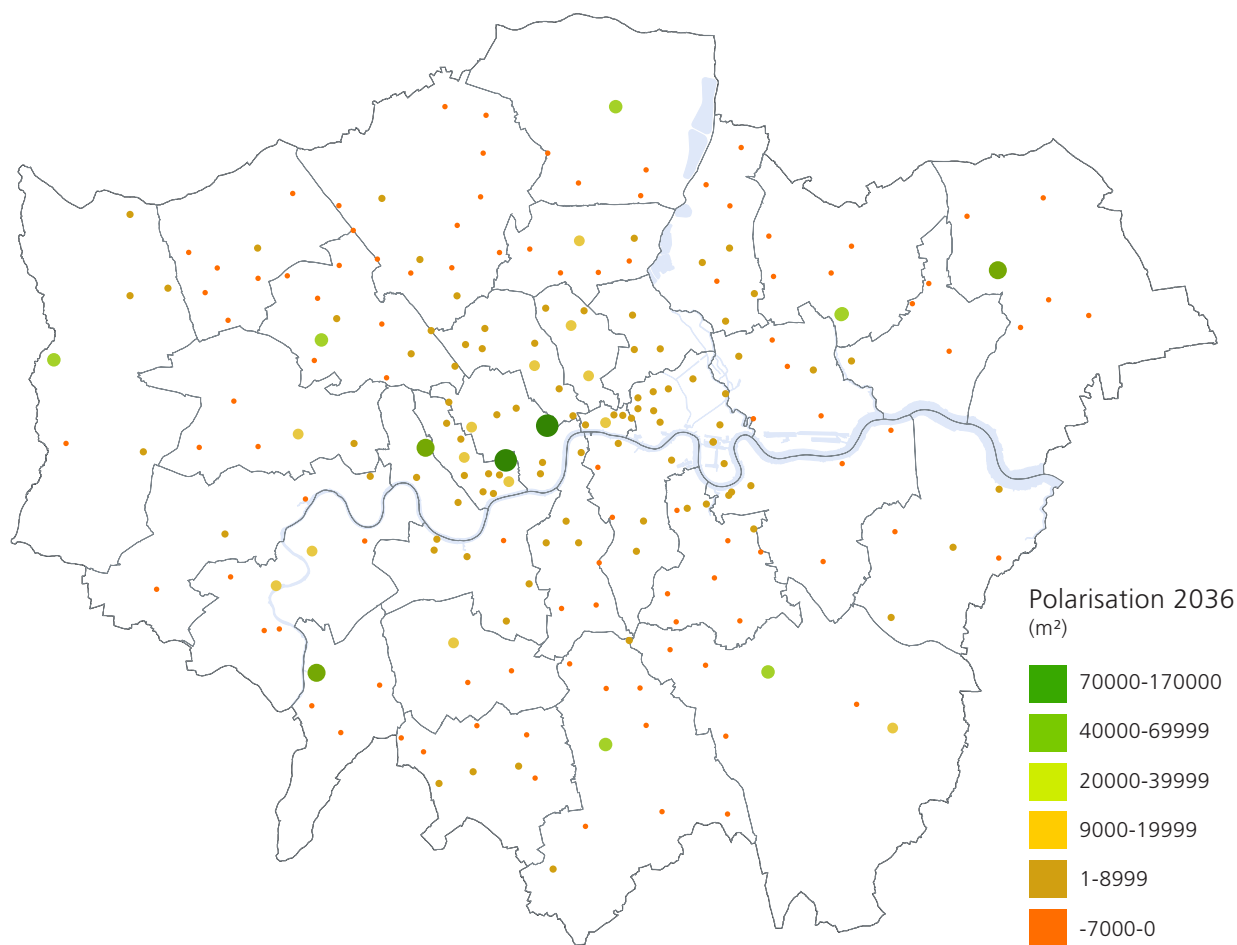
“Some centres will require substantial extra retail space and others will need to plan for a more static scenario and in some cases require policies to ameliorate the possible decline in retail space. In short, the current location and type of retail comparison goods floorspace is adapted to the past levels and types of demand and supply methods. London will need to adapt to the present and probable future demand and to the changes in supply methods to reflect them more accurately”.⁵

3.2.18 The authors of the report agree with this conclusion and anticipate the polarisation trend to have the most significant impact on the weaker-performing smaller and middle-ranking centres across London, which have historically relied on multiple representation as the backbone of their offer. The polarisation trend may have implications for larger, suburban centres such as Sutton, which could lose out to a strengthened retail offer in Croydon, for example.

3.2.19 The concentration of future retailing activity will therefore be focussed on central London and the largest and strongest town centres, such as Croydon, Bromley and Kingston. At the same time, London is experiencing the emergence of what might be called Mega-destinations, which do not necessarily correlate to conventional centres, even though they may be located adjacent to one. These are the high-performing shopping locations of the West End and the four largest satellite shopping centre destinations: the Westfield developments at Shepherd’s Bush and Stratford City; Croydon (where the existing shopping centres will be redeveloped and amalgamated to form a third Westfield development), and Brent Cross. The Experian forecasts confirm this polarisation to some extent.

5 Experian, 2013

Figure 3.13 - Polarisation of Comparison Goods Floorspace



Changes in the Convenience Goods Sector

3.2.20 Large foodstores (i.e. typically those with a net retail area of at least 25,000 sq.ft / 2,300 sq m) have historically been the primary driver of growth in the convenience goods sector. Growth in floorspace of these large foodstores continued up to and throughout the economic downturn, with a typical 3-4% increase in floorspace per year. Floorspace in smaller stores (smaller-format supermarkets / convenience stores) has historically declined, whilst floorspace in food specialists (i.e. independent bakers, greengrocers and so on) has also typically reduced. Publications by the New Economics Foundation have highlighted the decline in small, specialist retailers – identifying that between 1994 and 2002, the number of independent businesses selling food, tobacco and beverages fell by almost 30,000, for example.

3.2.21 The convenience goods sector is dominated by the ‘big four’ grocery retailers of Asda, Morrisons, Tesco and Sainsbury’s. Tesco has for some time been the largest foodstore operator in the UK by market share, followed by Asda and then Sainsbury’s – the latter two of which have very similar market shares, albeit these are significantly smaller market shares in comparison to Tesco. Increasingly, other retailers such as Waitrose, Aldi and Lidl are making inroads in the market shares of the ‘big four’ operators.

3.2.22 For the most part, the convenience goods sector has been unaffected by the economic downturn – indeed it has often been the beneficiary of floorspace becoming available in town and city centres as a result of comparison goods retailers entering administration. For example, Iceland acquired 57 former Woolworths stores in early 2009, and recently Morrisons acquired a number of stores formerly operated by Blockbuster as part of their ‘M Local’ network of smaller-format stores.

3.2.23 These acquisitions are reflective of a recent move by convenience goods operators away from opening larger-format stores towards smaller supermarkets and establishing a network of ‘top up’ convenience goods shopping facilities, often located in town centres. The recently published GLA Town Centre Health Checks report identifies that convenience goods floorspace increased by 175,000 sq m (a 14% increase) across London’s town centres between 2007 and 2012. Morrisons, Sainsbury’s and Tesco are all significantly investing in developing their network of ‘c-store’ format across London, through their M-Local, Sainsbury’s Local and Tesco Express-format stores respectively. Asda are yet to enter the market.

3.2.24 Verdict Research comment that:

“The second dip of the double-dip recession in 2012 has knocked consumer confidence and shoppers are sticking more tightly than ever to their budgets. Increasing fuel prices, deterring out-of-town trips, and the move towards online food shopping each feed into this trend towards top-up shopping. Out-of-town space is increasingly difficult for grocers to make profitable”⁶.

3.2.25 Verdict add that:

“The convenience sector is growing ahead of the overall food & grocery market, and small stores are benefiting. The trend towards local shopping is keeping shoppers closer to home and in smaller stores for their food & grocery spend. Multiples have responded by rolling out further c-stores in the case of Tesco, Sainsbury’s and Waitrose, or by introducing new formats in Morrisons’ case”⁷.

3.2.26 Verdict consider that the proportion of convenience goods floorspace which will be accounted for by ‘smaller stores’ will increase from 37.6% in 2007 to 41.6% by 2017. The majority of floorspace will continue to be accounted for by ‘superstores’ (53% of floorspace by 2017), with ‘food specialists’ and off-licences continuing to have their market share reduced.

3.2.27 Industry body IGD predicts that the convenience goods market will grow by 29% between 2012 and 2017, from £33.9bn to £43.6bn, and the main retail operators are responding quickly by opening new stores. The discount retail operators – led by Aldi and Lidl – also have substantial expansion plans over the next few years, and, as noted above, it is expected that these retailers will continue to take market share from the ‘big four’ supermarket operators.

3.2.28 The implication of these trends is an increasing representation of small-format convenience goods foodstores across London’s town centres and high streets, reflecting the increased focus of foodstore operators to remain close to their customers.

6 Verdict Research, ‘Food & Grocery Retailing in the UK’ Market Report, 2014

7 Ibid.

The Continued Growth of Online Retail and the Development of Multi-Channel Retailing

3.2.29 There is extensive evidence that suggests e-commerce (i.e. online shopping) has increased at a rapid pace in recent years – particularly in the comparison goods sector. Online shopping is perceived to offer a number of significant advantages over ‘traditional’, high street-format shopping – including lower prices (as there are lower operating ‘overheads’ for online retailers compared with those in a town centre), a wider variety of choice, and the ability for customers to easily search out bargains – including second hand goods. Whilst unfavourable economic conditions are forcing many retailers to scale back on physical retail space, their online operations allow them to reach a much wider customer base than has ever previously been possible.

3.2.30 Internet sales have been rising much more rapidly than general retail sales in recent years. The proportion of retail sales made online has increased year-on-year for every month since 2007 – although the rate of increased slowed in 2009, and has subsequently remained erratic⁸. The ONS forecast that online sales accounted for 9.4% of all retail sales in October 2012, which increased to 10.5% in October 2013 (equivalent to a year-on-year increase of 1.1 percentage points). The ONS stated in January 2014 that online sales increased 11.8% by value between December 2012 and December 2013. Average weekly online spending was valued at £675.4m⁹.

3.2.31 Experian consider that this pattern is likely to remain the case for the foreseeable future, commenting in their Retail Planner Briefing Note (October 2013) that:

“We retain our assumption that non-store retailing will increase at a faster pace than total retail sales well into the long term. There were 52.7 million internet users in the UK (representing 84.1% of the population) in mid-year 2012... growth momentum will be sustained as new technology such as browsing and purchasing through mobile phones and the development of interactive TV shopping boost internet retailing”.

3.2.32 However, Experian consider that at the turn of the next decade, growth in online shopping is expected to begins to plateau:

“We expect that the SFT¹⁰ market share will continue to increase over the forecast period¹¹ although the pace of e-commerce growth will moderate markedly after about 2020”.

3.2.33 Figure 3.8 shows the projected growth in online comparison and convenience goods shopping over the course of the study period to 2026, based on the forecasts provided by Experian in their Retail Planner Briefing Note. The figures shown are Experian’s ‘adjusted’ comparison (non-food) and convenience (food) goods forecasts, which make a deduction on Experian’s ‘baseline’ figures in order to take account of internet goods sales from store space (such as through ‘Click & Collect’, as discussed below)¹².

8 ONS, Retail Sales, October 2013

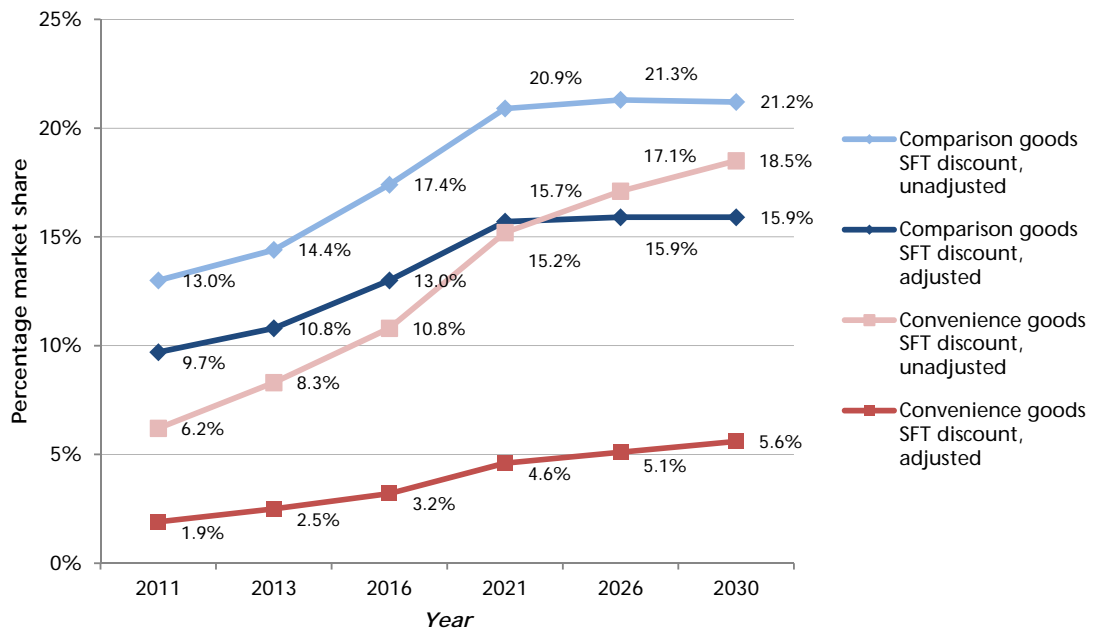
9 ONS, January 2014

10 ‘Special Forms of Trading’, which includes online shopping as well as sales from markets and mail order.

11 Experian currently project up to 2030

12 For comparison goods, Experian apply a discount of 25% to calculate the ‘adjusted’ figure, and for convenience goods this

Figure 3.14 - Forecast of non-store retailing ('Special Forms of Trading') market share to 2030



Source: Experian Retail Planner Briefing Note 11, October 2013, Appendix 3. SFT includes spending on online shopping, mail order / catalogue shopping, and markets. 'Adjusted' figures include a reduction for store-picked online transactions.

3.2.34 The growth in online retail does not equate to a redundant future for 'bricks and mortar' stores. There is a role for physical outlets to act as 'showrooms' for online retailers. A physical presence on the high street improves the visibility of businesses, and it is noteworthy that 12 out of the top 20 e-commerce businesses in the UK have a physical presence on the high street (Figure 3.9). However, it does mean that the role and function of high streets – particularly those outside the higher-order town centres – are likely to need to consider uses beyond that of traditional retail activity in order to remain vital and viable.

Figure 3.15 - Top 20 e-commerce websites in the UK, 2013



Source: IMRG Experian Hitwise Hot Shops List, 2013

The figure is 70%. The latter figure is particularly high because many online food shopping transactions placed with Sainsbury's, Tesco, Asda and Waitrose are 'picked' from the shelves of the nearest large store of the retailer. Convenience goods retailers are increasingly choosing to instead fulfil orders from warehouses known as 'dark stores' – although this trend remains in its infancy.

3.2.35 Within this growth in online spending, there are sub-trends that have implications for the demand for retail floorspace. In particular, the growth in the ‘click & collect’ method of online shopping is a relatively new trend, but one which looks set to play an increasing role over future years. The ‘click & collect’ concept is such that a customer orders and pays for the desired product online, and then collects the product from the nearest large branch of the retailer in question. This approach is being rolled out by an increasing number of retailers. For example, it is used by supermarket operators such as Sainsbury’s and Tesco to allow customers to order an extensive range of non-food products, and collect from local c-store branches which may be close to a customer’s home or place of work. In many cases, the size of such stores prevents a comparable range of products being stocked within the store itself.

3.2.36 John Lewis’ ‘Click & Collect’ sales increased by 60% between 2012 and 2013¹³. Their service allows customers to pick up products from their nearest branch of Waitrose, bringing the service within reach of a much wider range of customers (there are over 300 Waitrose stores in the UK, compared to 40 John Lewis stores). Other retailers that have embraced the ‘Click & Collect’ model include Next, House of Fraser, Currys / PC World and Argos. Some online-only retailers like ASOS offer a click and collect service using the infrastructure of existing newsagents, to act as collection points, which also benefits newsagents with footfall.

3.2.37 Experian consider that ‘Click & Collect’ will be **“the key driver of current and future internet growth”**, but notes that **“since this requires a bricks-and-mortar presence in easily accessible locations, this is largely space demand neutral”**.

3.2.38 There has also been considerable discussion of the concept of High Street retail stores increasingly acting as ‘showrooms’ where customers visit ‘bricks and mortar’ stores to look at / try on a product, before using technology such as smartphones to check whether the product is available elsewhere (in another store, or online) for a cheaper price. Research undertaken by design agency Foolproof over Christmas 2012 found that 24% of all shoppers ‘showroomed’, and 40% of these ‘showroomers’ subsequently bought items from a competitor (either instore or online) having compared prices. The proportion of people who undertake ‘showrooming’ increases significantly in the 18-39 age range. At least 20% of respondents to Foolproof’s survey indicated that they visited a store solely to look at something they planned to buy online.

3.2.39 ‘Showrooming’ has, until relatively recently, been seen as a threat to traditional High Street retailers, and when considered as part of the wider move towards internet shopping it can arguably be considered as such. However recent trends indicate that major retailers are becoming more willing to embrace the challenge, putting into place technology such as better mobile websites, offering free instore wi-fi, or in-store technology points where a customer can order a product online which may be sold out or not available within the store.

13 John Lewis Partnership press release, January 2014



Amazon Locker, Shepherd's Bush Library, Hammersmith & Fulham

The Increasing Role and Function of Commercial Leisure

3.2.40 Most commentators predict that commercial leisure, such as cafes, bars, restaurants and cinemas, will constitute a growing share of town centre floorspace. This is partly a replacement activity for reduced demand for space for traditional retail, and partly driven by the shift in demand to leisure expenditure as discretionary household expenditure rises.

3.2.41 When considering leisure expenditure available to households, spending on food and drink typically accounts for upwards of 50% of total leisure spending, compared to around 15% on 'cultural services' (e.g. going to the cinema, theatre, art galleries or live music) and under 10% on hotels, 'games of chance' (such as bingo) and recreation / sporting services. There is scope for town centres to capitalise on this, redefining their function as 'destinations' in their own right.

3.2.42 This, in turn, can have wider positive implications on the performance of the town centres in question: residents and visitors spend longer in the centre, undertake 'linked trips' between retail, leisure and other uses, and increase their dwell-time in the centre. The development of a strong commercial leisure offer can also help to increase footfall outside of retail hours, for example in early evenings, particularly if the leisure offer also includes facilities such as cinemas.

3.2.43 The recently published GLA Town Centre Health Checks report confirms the increasing trend for town centres to look towards the commercial leisure sector to help diversify their retail offer. The report found that there is almost 2.9million sq m of leisure floorspace in London's town centres, an increase in 230,000 sq m (+9%) since 2007. The report notes that growth was particularly strong in restaurants and cafes, with a 21% increase in outlets between 2007 and 2013, although traditional public houses declined by 9%.

3.2.44 The GLA report concludes that: ***“Despite rising levels of vacancy 2007-2012, London’s town centres are beginning to adapt to these challenges [of reduced consumer expenditure growth and an increase in online shopping] with a pronounced shift towards more-leisure oriented functions, particularly cafes and restaurants, alongside retailing, offices, housing and civic and community functions. The challenge going forward will be to facilitate their evolution, diversification and intensification (including for higher density housing), reduce vacancy rates, improve quality and accessibility, and realise their potential as thriving, liveable centres at the hub of their communities.”***

3.2.45 The indications are that leisure-led regeneration strategies may become increasingly commonplace. Construction is underway on St Mark's Square in Bromley, to regenerate the southern end of the town centre. The development will be a leisure and residential-led quarter, delivering a Vue cinema, 2,500 sq m of family dining restaurants such as Prezzo, Las Iguanas and Nando's, a Premier Inn hotel, and 200 apartments. The scheme is scheduled for completion in 2015. A cinema and restaurant-led regeneration scheme in Hounslow town centre, to be developed by Barratt, has also recently been confirmed. Smaller / boutique cinema developments can also play an important role in diversifying the offer of smaller town centres – the presence of Picturehouse cinemas in suburban centres such as Clapham (High Street), Hackney (Mare Street) and Greenwich being examples of this.

3.2.46 The food and drink / commercial leisure offer is therefore a key component in establishing attractive town centres where residents, workers and visitors wish to meet and spend time. It is also, with some imagination, a relatively low cost way to help curate a sense of identity for a town centre.

Implications for Future Demand for Retail Floorspace

3.2.47 There is no doubt that retail in general is going through a time of fundamental transition. Shopping patterns are changing as customers learn to embrace new technology, both online and through mobile devices, and in terms of food shopping, switch to shopping little and often, in smaller-format foodstores. Retailers are being forced to adapt to these changing shopping patterns. Comparison goods retailers are reducing their store numbers, concentrating their activities in 'flagship' stores in high-profile locations, and embracing technology such as 'click & collect'. Convenience goods retailers are focussing on increasing the number of smaller-outlet stores whilst finding ways to improve the efficiency of their older, larger-format stores. There is no doubt that centres at all levels of the retail hierarchy across London need to adapt in order to ensure their long-term survival.

3.2.48 However, this does not mean that there is no longer a requirement to plan for additional retail floorspace. The growth in physical retail spending remains substantial. In October 2013

the GLA published the Consumer Expenditure and Comparison Goods Retail study, which was prepared by Experian on behalf of the GLA. The purpose of the study is to estimate the future comparison retail floorspace requirement in London over the course of the London Plan period to 2031 (and onwards to 2036), including providing recommendations by town centre and Borough. The study is a high-level estimate of the total amount of comparison goods retail floorspace that could potentially be supported across Greater London. The study tests five different scenarios for growth, based on different assumptions in respect of comparison goods expenditure growth in London.

3.2.49 In addition, the forecasts tested three different estimates of retail space productivity. The Base assumption was retail productivity growth of 1.9% p.a. This is broadly in line with what other commentators are projecting. Experian also produced the forecasts using a Low productivity assumption of 1.5% p.a. and a High productivity assumption of 2.5% p.a. Again this is a reasonable range but the Baseline productivity assumption is the most likely.

3.2.50 Based on the information of future trends described in the section above within London, demand for new comparison goods retail floorspace is likely to be focussed primarily on an increasingly narrow number of centres – the International, Metropolitan and strong-performing Major centres. In the Experian scenarios there are two scenarios that take this likely trend into account.

3.2.51 Demand for other centres for this type of floorspace is likely to be more constrained, and restricted (for the most part) to lower-order comparison goods retail, as well as the convenience and service retail sectors – all of which typically have lower space requirements for in-centre locations than many comparison goods operators. This is borne out by the GLA Town Centre Health Check data, which shows that the poorest-performing District centres have, as a rule, higher vacancy rates than the poorest-performing higher-order centres.

3.2.52 The study sets out comparison goods floorspace requirements both in terms of gross and net floorspace under three of the scenarios: the Baseline Scenario; the Pipeline Scenario and the Quality Adjustment Scenario. Broadly speaking, the Experian report forecasts a substantial positive requirement for additional floorspace in central London, but this is tempered by an oversupply of floorspace in the outer London areas (see Table 3.4. The gross requirement includes vacant retail floorspace while the net excludes vacant retail floorspace and can therefore be seen as the minimum comparison goods retail requirement that is likely to arise.

Table 3.6 - Experian Comparison Goods Floorspace forecasts to 2036

Gross requirement	CAZ	Inner (incl. CAZ)	Inner (excl. CAZ)	Outer	Total
Baseline	974,900	1,418,700	443,800	748,700	2,167,400
Pipeline	929,600	1,148,500	218,900	447,600	1,596,000
Quality Adjustment	995,000	1,218,500	223,600	485,900	1,704,400
Net requirement	CAZ	Inner (incl. CAZ)	Inner (excl. CAZ)	Outer	Total
Baseline	766,300	884,700	118,400	57,400	942,100
Pipeline	721,000	614,500	-106,500	-243,800	370,700
Quality Adjustment	786,400	684,600	-101,800	-205,500	479,100

Source: Experian, 2013, Figure 57

3.2.53 Table 3.5 provides a more detailed breakdown of the comparison goods floorspace requirements in the Baseline scenario, disaggregated by Borough. It confirms that the central London boroughs account for the majority of the positive floorspace requirements, notably Westminster (+691,800 sq m net), Kensington and Chelsea (+242,800 sq m net) and Hammersmith & Fulham (+85,300 sq m net). In terms of gross requirements, all London boroughs have positive requirements. However, in terms of net requirements a number of boroughs have an oversupply of comparison goods floorspace over the course of the Plan period. Croydon is forecast to have an over-supply of comparison goods floorspace in the region of 50,000 sq m net; Brent, Lambeth, Greenwich, Lewisham and Barking and Dagenham are all forecast to have an over-supply of between 16,000 to 19,000 sq m net.

3.2.54 It is in these locations therefore where Experian forecast that demand for net additional comparison goods retail floorspace is likely to be limited. This is because retailing becomes concentrated in a smaller number of locations across the city and the growth in demand that does occur at these centres is not sufficient to exceed existing over-capacity. Centres in these areas will not necessarily see their comparison goods shopping functions cease or substantially diminish. Rather, the retail offer may move away from a comparison goods function, to a broader but more localised shopping function, which subsequently commands a contraction in the amount of comparison goods retail floorspace which is required to be delivered. The net additional space requirement is also dependent on the extent to which existing vacant space is suitable to retailers' needs.

Table 3.7 - Experian comparison goods floorspace forecasts by borough – baseline scenario

Borough	Gross Floorspace Requirement (M2)	Net Floorspace Requirement (M2)
Total	2,167,390	942,056
Westminster	691,804	569,279
Kensington and Chelsea	242,809	202,730
Hammersmith and Fulham	85,262	48,249
Barnet	72,281	3,963
Newham	72,014	30,605
City of London	69,165	38,202
Croydon	59,997	-52,449
Southwark	26,032	-4,585
Wandsworth	31,173	-14,799
Hillingdon	85,554	54,527
Camden	80,760	52,601
Kingston upon Thames	75,325	54,858
Hounslow	15,543	-8,645
Bromley	41,141	3,982
Tower Hamlets	62,598	24,933
Ealing	30,376	44
Merton	13,073	-1,519
Greenwich	12,521	-16,419
Sutton	19,132	-4,637
Richmond upon Thames	33,901	11,764
Islington	67,148	28,081
Lewisham	10,934	-16,488

Lambeth	20,903	-18,720
Harrow	11,930	-9,925
Enfield	18,205	-12,986
Brent	30,955	-18,935
Havering	42,017	11,335
Redbridge	30,181	-5,872
Bexley	27,353	-1,773
Haringey	31,671	7,685
Waltham Forest	19,298	-5,010
Hackney	30,816	9,286
Barking and Dagenham	5,518	-17,306

Source: Experian

3.2.55 The London Development Database (LDD) data on retail floorspace losses between 2008 and 2012 (financial years) has been used as a sensitivity test to examine what the predicted losses of retail floorspace from Experian could result in:

- According to the Experian baseline data there are predicted losses in town centres in the region of 31,700 gross in 60 of London's town centres or a loss of 289,500 net in 128 town centres. Note the net requirement is the minimum forecast requirement if vacant floorspace is excluded.
- The LDD shows that between 2008 and 2012 there was a total loss of 80,000 sq metres of retail A1 floorspace on sites with a residential gain in or on the edge of town centres. There were 3,920 residential units gained on these sites with an equivalent retail loss of 20 sq m per unit.
- If the LDD average A1 loss per residential unit to the Experian data, we expect an additional 1,600 dwellings in the gross requirement scenario or 14,200 in the net requirement scenario can be expected.

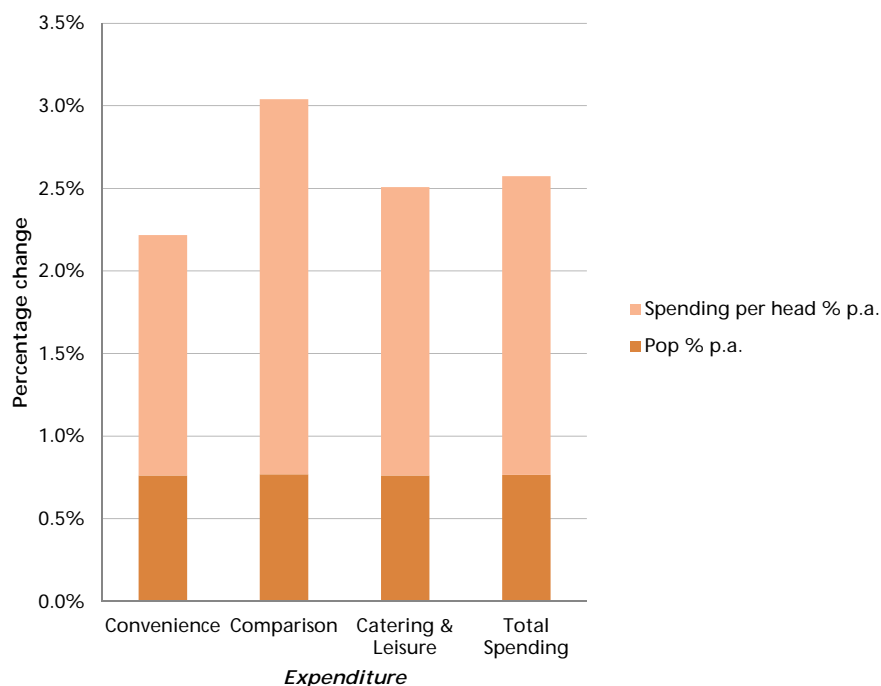
Experian forecasts

3.2.56 The Experian retail capacity forecasts were published in October 2013. The Experian forecasts are based on projected population growth of 0.8% p.a. over the period 2011-36, an increase in the total population of 1.7m (lower than the Draft FALP projections of 1.9m). With expenditure per head also projected to rise by 1.8% p.a., total household expenditure over the period is projected to rise by £110bn a rate of 2.6% p.a.

3.2.57 Total comparison goods expenditure is projected to more than double increasing by £25.6bn, an average rate of 3.0% pa (compared to 4.3% in the 2011 London Plan) Convenience goods expenditure is projected to grow at an average rate of 2.2% (compared to 1.5% in the 2011 London Plan).¹⁴

14 On top of the retail spend of residents Experian add Commuter Spend and Tourist spend at a centre level. This accounts for about one-third of total growth in Comparison Goods Expenditure

Figure 3.16 - Annual Percentage change in Household Expenditure of London Residents 2011-36



Source Experian

3.2.58 After addition of commuter and tourist expenditure the Experian forecasts translates into a floorspace demand for an additional 2.17m sq m of comparison goods floorspace.

3.2.59 Figure 3 of the Experian report¹⁵ projects that total comparison goods spending will increase from £18,566,000 in 2011 to £39,202,000 in 2031. To forecast these total spending amounts, Experian have applied a series of annual comparison goods expenditure growth rates to the base-year total of comparison goods expenditure. Figure 3 of the Experian study shows that Experian adopt a relatively conservative annual average comparison goods expenditure growth rate of 2.35% up to 2016. Beyond this point, Experian consider that personal spending on comparison goods will increase at a faster rate of 3.53% per annum to 2021, which could be considered a post-economic downturn ‘bounce back’, before settling back to a growth rate of 3.38% over the period to 2031. Experian caution that forecasts for the last five years of the study period (2031 to 2036) **“must be treated with caution due to the inherent uncertainties of the economy in the longer term”**.

3.2.60 The comparison goods expenditure growth forecasts which Experian adopt are set at the London-wide level. Paragraph 2.10 of Experian’s report¹⁶ states that growth rates are based on **“data from household spending from the Regional Accounts, GLA demographic projections and forecasts for total household spending produced by Experian for GLA Economics. There are no official estimates of spending below the London level, but these small area estimates are an essential component of modelling expenditure at retail centre level. Therefore, the total expenditure has been , using the socio-demographic make-up of small areas [Experian Mosaic]to infer local spending levels”**.

15 Experian, 2013

16 Experian, 2013

3.2.61 To put the growth rates used by Experian into context, Experian's 'Retail Planner Briefing Note' (October 2013) sets out national average 'central case' comparison goods expenditure growth projections of 3.0% per annum for the period 2016-21, and 2.9% per annum for 2021-30. Experian therefore consider that growth in comparison goods spending in London will exceed that of the UK as a whole over the duration of the study period. This is considered likely to be a broadly realistic scenario, given London's international status as a retail centre, and would expect centres at all levels of the retail hierarchy to experience an increase in turnover over and above their current levels over the course of the study period.

3.2.62 As noted above, Experian also test a range of floorspace efficiency growth scenarios (of between 1.5% and 2.5% per annum) and it is agreed that these can be considered robust.

3.2.63 It is this high level of comparison goods expenditure growth, which, with the projected growth of the population in London over the period to 2036, results in the significant comparison goods floorspace requirements identified by Experian. As shown in Table 3.5, under the 'baseline' scenario, this generates a gross floorspace requirement of 2,167,390 sq m, and a net floorspace requirement of 942,056 sq m. Experian principally allocate this quantitative need based on the boroughs which contain strong-performing comparison goods shopping destinations (such as Westminster, which includes the West End, and Kensington & Chelsea, which includes Knightsbridge).

3.2.64 The calculation of need is inherently informed by existing turnover of centres, and so centres with high comparison goods turnovers will generate high levels of quantitative need. Clearly, the principal drawback of adopting such an approach is it fails to take an 'on the ground' view of whether the identified levels of floorspace need can practically be accommodated within the centres in question – for example, it is hard to envisage where almost 600,000 sq m net additional comparison goods floorspace could be accommodated within LB Westminster. Experian's projections are derived from a 'gravity model' approach. However, their spatial distribution recommendations have not been tested against the ability of the centres where a high demand for additional retail floorspace is forecast to physically accommodate the requirements identified. This means that there will have to be some re-balancing of the capacity requirements identified towards other centres in the network. Where capacity is physically constrained, it may in part be met by some further increase in sales densities. Experian's forecast are also, for the most part, identified at Borough-wide level rather than for specific centres, which ensures that in large boroughs with one or more comparison goods shopping destinations, disaggregating the Experian requirement between centres is not a straightforward exercise.

3.2.65 In overall terms, the projections made by Experian are considered reasonable at the London level and, in respect of the key inputs into the gravity model that can be observed, broadly in line with the projections of other forecasting bodies. However, the spatial distribution of the Experian forecasts should be used with caution. The forecasts suggest in broad terms that the larger, more commercially attractive of these centres will have the highest levels of additional comparison goods retail floorspace demand to 2036, whereas the Districts and some Majors tend to have lower levels of demand. The authors of the report agree with this assessment, however, the Experian results for individual centres should be treated with caution. In particular, the forecasts are difficult to interpret from a 'practical' perspective because they do not have regard to the physical ability of the centres to accommodate the requirements identified and should therefore be tested in local assessments of retail need / capacity. Therefore, a degree of caution should also be applied to the Experian forecasts at the borough level.

Planning Control

3.2.66 The Town and Country Planning (General Permitted Development) (Amendment and Consequential Provisions) (England) Order 2014 came in to force on 6 April 2014. Amongst other things, this establishes a permitted development right to enable retail use (A1) or a professional / financial services use (A2) to change to residential (C3 'dwelling house') and creates a right to carry out associated building works. There are a number of exceptions where development is not permitted, including where the cumulative floorspace of the existing building changing use exceeds 150 sq m, where development would result in the building getting larger and where the building is in a conservation area or is a listed building.

3.2.67 The above permitted change of use is subject to the 'prior approval' of the boroughs before development can be carried out. The boroughs have 8 weeks to determine 'prior approval' applications. The procedure can be summarised as follows:

- A. if the borough confirms that the proposed development would meet the conditions of the General Permitted Development Order (GPDO), or fails to issue a decision, the change of use / works could go ahead;
- B. if the borough considers that one or more of the following impacts / risks applies, it can require the submission of a 'prior approval application':
 - a. transport and highways impacts of the development;
 - b. contamination risks in relation to the building;
 - c. flooding risks in relation to the building; and
 - d. whether it is undesirable for the building to change to a C3 use because of the impact of the change of use on adequate provision of services of the sort that may be provided by a building falling within A1 or A2 but only where there is a reasonable prospect of the building being used to provide such services, or where the building is located in a key shopping area, on the sustainability of that shopping area.
- C. If 'prior approval' is required, the borough will require the developer to submit such information regarding the above impacts / risks as may be reasonably required in order for it to determine the application. The information may include assessments of impacts or risks and statements setting out how the impacts or risks are to be mitigated. LPAs have 8 weeks to determine such applications. The can either grant or refuse prior approval (but only on the grounds of unacceptable impacts / risks in relation to (i) to (iv) above.

3.2.68 Key objectives set out in the Government's August 2013 consultation document that proposed the above amendments can be summarised as follows:

- there is a real opportunity to support both the high streets and housing agendas by allowing change of use to housing of shops that are no longer viable;
- the online retail offer may well complement rather than replace shops. Therefore, we want to support the retail offer that will continue to exist on the high street. This means finding new uses for shops that no longer have a future - likely to be in secondary locations away from the main retail area;
- the town centre first policy set out in the NPPF recognises that residential development can play an important role in ensuring the vitality of centres, and asks LPAs to set out policies to encourage residential development on appropriate sites;
- the amendments aim to strike a balance between allowing change and safeguarding economic health of the town centre, the need to maintain an adequate provision of essential local services such as post offices, and the potential impact of the change of use on the

- character of the local area; and
- whilst the prior approval criteria should provide LPAs with some discretion, and give a sufficiently robust protection for the main town centre, it should also allow for change of use to proceed in the more marginal locations.

3.2.69 The above amendments mean that, where residential values are higher than existing use values, small shops, banks, building societies, estate agents, employment agencies and betting shops (no more than 150 sq m) could change use to residential use and necessary building works could be undertaken, subject to the ‘prior approval’ of the boroughs. This could have significant unintended consequences for town centres and their intensification, including:

- the fragmentation of shopping frontages that reduce the attractiveness of town centres as places to shop; and
- the fragmentation of ownership (if leases are created), making it more difficult to assemble sites and bring forward comprehensive change and higher residential densities.

3.2.70 Put simply, there is a real risk that the ad hoc conversion of small shops would result in the delivery of a relatively small number of additional homes and frustrate the co-ordinated intensification of centres, which would deliver significantly more and better additional homes.

3.2.71 The amendments to the General Development Procedure Order (GDPO) refer to ‘key shopping areas’, rather than Primary Shopping Areas, Primary or Secondary Frontages as referred to in the NPPF and the Draft FALP Policy 2.15. Boroughs will need to interpret and apply this. There is a likelihood, therefore, that, in the absence of guidance, this will be interpreted and applied inconsistently by different boroughs. The same goes for the interpretation and application of the other undefined terms (e.g. what constitutes an “adequate provision of services” and what constitutes a “reasonable prospect of the building being used”?). It is recommended that Draft FALP Policy 2.15 be further amended and that the final Town Centre SPG provides guidance on these issues (see Chapter 11 for detailed recommendations).

3.2.72 It is possible for boroughs to seek to ‘disapply’ these changes by using Article 4 Directions to reintroduce a requirement for planning permission which would have previously been given automatically (subject to ‘prior approval’). However, it should be noted that the Planning Minister has made a Written Statement to Parliament (06-02-14) on the prior approval process in relation to these earlier amendments that makes clear that the Government is minded to cancel Article 4 directions which seek to re-impose unjustified or blanket regulation, given the clearly stated public policy goal of liberalising the planning rules and helping provide more homes. Notwithstanding this, it is recommended that the Mayor supports boroughs that seek to use Article 4 Directions to disapply the new changes for specific town centre locations where there is evidence that the permitted development rights could frustrate the objectives of securing higher density housing (see Chapter 11 for detailed recommendations).

3.2.73 The 2014 Budget makes clear that the Government will consult on specific change of use measures. Including those relating to industrial and warehousing uses (discussed in 3.5 below). It has subsequently been announced that the Government intends to consult over the summer of 2014 on a proposal to place betting shops (currently in Class A2) into a smaller uses class so that an application would be required to convert a bank, building society or estate agent into a bookmaker. There is speculation that the proposal will keep betting shops in Class A2, while moving all other current A2 uses into Class A1.

3.3 Office

Trends in Office Floorspace

3.3.1 Analysis of office development activity suggests similar polarisation trends to that seen in retail with large new office developments coupled with smaller losses on numerous sites. Consequently, the LDD records a net gain of only 775 sq m though gross new completions are in excess of 1.1m sq m.

3.3.2 The data in the table below shows that the office floorspace trends are cyclical. In 2008 and 2009 town centres gained office floorspace, however since 2009 office floorspace in town centres has declined significantly.

Table 3.8 - B1a (Office) floorspace completions by financial year in and out of town centres

	FY2008	FY2009	FY2010	FY2011	FY2012	Grand Total
Not in town centre	88,832	93,042	2,766	6,632	-17,005	174,267
In / Edge of Town centre	179,884	139,089	-23,900	-135,637	-158,661	775
Grand Total	268,716	232,131	-21,134	-129,005	-175,666	175,042

Source LDD¹

3.3.3 The data in the table above confirms the office trends identified in the London Office Policy Review 2012:

The credit crunch and recession brought “a long sustained period of growth to a shuddering halt”.... “But, and this is critical, even before the credit crunch, the rapid expansion of the office economy was almost certainly reaching its mature phase. As a result, it is likely that the office property market is entering – indeed is already in – an era of consolidation, organisation and product evolution. This does not discount further growth, but suggests a different pattern of growth.”²

3.3.4 The largest gains and losses between 2008 and 2013 by London Plan town centre are presented in the table below. This shows that the floorspace gains show great variability even with in the top 10 town centres (175,100 sq m at Liverpool Street compared with just over 5,400 sq m in Woolwich and Ealing). Many of the town centres listed here are CAZ / Canary Wharf and hence may not reflect what is happening in town centres in outer London.

1 Note the data differs from the Town Centre Health Check (TCHC) data as different data sources are used. The TCHC is based on data from individual boroughs and the GLA.

2 London Office Policy Review (2012), Ramidus Consulting Limited and Roger Tym & Partners

Table 3.9 - B1a (Office) floorspace completions by financial year in town centres

Largest gains	FY2008	FY2009	FY2010	FY2011	FY2012	Grand Total
Liverpool Street	118,525		52,758		3,805	175,088
Cheapside	50,275	21,860	4,587	24,865	-1,062	100,525
London Bridge	19,246	61,543		0		80,789
Moorgate		47,899		-10,846		37,053
Stratford	0	14,497	299	14,990	-4,000	25,786
Angel	-2,548	-118	11,951	-191	-533	8,561
West End	10,142	3,399	-8,156	-3,568	6,078	7,895
Hackney Central	278	6,763	-98	-820	-140	5,983
Ealing	-897	7,841	-1,839	-809	1,173	5,469
Woolwich	220	1,711	0	4,483	-964	5,450
Largest Losses	FY2008	FY2009	FY2010	FY2011	FY2012	Grand Total
The Strand			-47,421	-676	-381	-48,478
Victoria Street	-3,586	180	-10,427	-6,470	-24,641	-44,944
Knightsbridge	5,014	0	-39,827	-930	-3,641	-39,384
Lower Marsh / The Cut	0	415	-25,718	0	-1,473	-26,776
Leadenhall Market	0	-631	-17,419	-7,455	-277	-25,782
Uxbridge	-2,078	-14,438	0	0	-2,500	-19,016
Canary Wharf		-11,103	-3,529	-836		-15,468
South Harrow	560	-7,730	0	-1,744	-755	-9,669
Gants Hill	-6,888	0	0	-1,150	0	-8,038
Wallington	-150	-650	-445	-6,693	-46	-7,984

Factors Influencing Office Floorspace

The Recession and Recovery

3.3.5 The evidence above shows that London’s office market came to a halt as a result to the economic recession. By 2010 signs of a recovery were underway “2010 displayed all the signs of a classic turning point – rising confidence, strong take-up, limited new supply and rising rents. If there had been development finance available, there is no doubt that today, there would be a queue of buildings lining up to enter the market in 2012-2013.”³

3.3.6 By 2011 the fears of a double dip recession generated further caution in the office market and some of the larger office schemes remained in the pipeline awaiting funding. By 2012, a recovery was in sight and the larger office schemes were underway but the severity of the economic events left their mark on London. In the short-term, they undermined business confidence and caused a downturn in demand for office space but at the same time, starved the market of debt finance, thereby, inadvertently protecting the market from overbuilding.

3.3.7 The London Office Policy review estimates that there will be demand for 377,000 new jobs in office sectors over the period 2011-31, which will generate demand for an additional 4.1 million sq m Net Internal Area (NIA), equating to 5.2m sq m Gross Internal Area (GIA), of office stock in London. For the 25 year period 2011-36 the forecast number of office jobs is 480,000 generating a demand for an additional 6.6 million sq m GIA of office floorspace.

The Spatial Distribution of Office Floorspace

3.3.8 The spatial distribution of office space is consolidating round the Central Activities Zone. The London Office Policy Review (LOPR) 2012 reported that outer London experienced very little change in total office stock and office employment was virtually static (falling marginally). However, gross new office completions continued at a rate of 1% a year of total stock. This left the ratio of completions to stock change high at 12:1. The new stock being built was either lying vacant or there were redevelopments of existing stock to other uses.

3.3.9 Inner London (including CAZ fringe and Canary Wharf) saw a net increase in office stock of 1.4 million sq m. It also accounted for all the net increase in office employment. Most of the office completions represented net additions to the office stock. Office activity has expanded beyond the central core to colonise new locations.

3.3.10 Central London (defined here as City and Westminster) experienced a net loss of office employment and only a small addition to office stock. However, gross completions over this period totalled 3.3 million sq m and represented an annual average of 4.4% of stock.

Changing Working Practices

3.3.11 LOPR examined the effects of changing working practices on office employment densities. The evidence suggests that businesses are changing the way they work and occupy space. “The twin forces of corporate change and enabling technologies have begun to radically alter the way in which space is occupied. In short, higher densities are being employed (to reduce inefficient use of space), and utilisation rates are increasing (as work styles change).”⁴

3.3.12 LOPR also reviews evidence of flexible working practices such as open plan working and desk sharing that are having a influence on the need for space and demand for office floorspace. “The notion of every worker “owns” a desk, is beginning to break down as the norm.”

3.3.13 The effect of these trends in working practices is to increase floorspace density ratios, so for the same number of office workers less floorspace is required.

4 London Office Policy Review (2012), Ramidus Consulting Limited and Roger Tym & Partners

Planning Control

3.3.14 In May 2013 the Government amended the General Permitted Development Order (GDPO) to allow the conversion of offices (B1(a)) to dwellings (C3) subject to 'prior approval'. The prior approval process is as explained in 3.3 above in relation to permitted development rights for retail, but in this case the grounds that the boroughs could refuse prior approval related to flooding, highways and transport issues and contamination. The amendments to the GDPO are time-limited up to the end of May 2016.

3.3.15 In London, the Central Activities Zone and Tech City has been granted exemption from the permitted development rights, covering areas of the City of London, Westminster, Islington, Hackney, Tower Hamlets, Southwark, Lambeth, Wandsworth & Camden. The whole of Kensington & Chelsea and the City of London is exempt. In addition, the Government has also granted exemption for the Royal Docks Enterprise Zone in Newham and areas of the Isle of Dogs, including Canary Wharf in Tower Hamlets.

3.3.16 Emerging results from office to residential permitted development prior approval monitoring suggest that since commencement in 2013 there have been 1,168 applications affecting at least 400,000 sq m B1a office floorspace (based on 571 applications) potentially yielding at least 8,254 residential units (based on 871 applications). Where data is available, around 60% of the B1a floorspace affected and residential units gained are in town centres and a further 16% in edge of centre locations. Of the 419 prior approval applications where the occupancy status is known, two-fifths are currently occupied and a further one-fifth part occupied.

3.3.17 The majority of the 1,168 prior approval applications are in Richmond (27%), Barnet (8%), Camden (8%), Merton (7%), Lambeth (6%) and Islington (6%).

3.3.18 In the 2014 Budget it was announced that the Government would review the General Permitted Development Order to introduce a three-tier system to decide the appropriate level of permission. There would be permitted development rights for small-scale changes, prior approval rights for development requiring consideration of specific issues, and planning permission for the largest scale development. No further details have yet been issued.

3.3.19 The evidence presented above suggests that the amendments to the GPDO has had and is expected to continue to have a significant impact on office floorspace in and out of town centres. The recent increases in residential values in London will continue to raise the pressure for conversion of office floorspace to housing. If the amendments to the GPDO is extended beyond the 3 year time period it can be expected to have a large impact on office floorspace in town centres.

Implications for Future Demand for Office Floorspace

3.3.20 Office floorspace in London is likely to continue to grow in the future however but at a slower pace than in the past and with a different spatial distribution. The structural changes from the economic recession coupled with changing technology and competitive pressures, are impelling organisations to change the way they occupy office buildings. Higher employment densities are being employed (to reduce inefficient use of space), and utilisation rates are increasing (as work styles change). This has implications on the space requirements now and in the future.

3.3.21 A recent study by the British Council for Offices (BCO 2013) saw average densities increase to 10.9 sq m from 11.8 sq m in BCO (2009). When the benchmark ratio of 1.2 workers per desk is applied, an overall ratio of 9.0 sq m NIA is derived. This converts to a gross figure of 11.3 sq m GIA.

3.3.22 The study also noted that the rate of increase in densities appears to be slowing. Evidence from the mid-1990s suggests that offices then were around half as dense as many offices being planned today. However, there is growing evidence that the rate of increase in densities is levelling out. This is to be expected, given the physical limitations of buildings.

3.3.23 The full impact of the amendments to the GPDO is not yet known. However, the recently published Town Centres Health Check data suggests that the impact is significant and potentially resulting in large losses of office floorspace. The Communities and Local Government Select Committee is to investigate the operation of the temporary permitted development rights and their impact on town centres as part of its broader review of the impact of the National Planning Policy Framework. If the permitted development rights are extended beyond May 2016, it is expected to continue to show a large decline in office floorspace in town centres.

3.4 Other Town Centre Uses

Industrial and Sui Generis Floorspace

3.4.1 The data presented in Figure 3.1 shows that sui generis floorspace and Industrial and warehousing (B1c, B2 and B8) floorspace has declined in town centres between 2008 and 2013. The largest gains and losses of floorspace by town centre are presented in the table below. In general, the floorspace gains are small with the exception of the sui generis floorspace gains in Hayes.

Table 3.10 - Floorspace gains and losses between 2008 and 2013 (sq m) in town centres

	Largest gains	B1c		B2		B8		SG
1	Willesden	2,604	London Bridge	2,230	Balham	3,602	Hayes	12,140
2	Kentish Town	2,021	Rainham	1,350	Bromley	3,486	Leadenhall Market	7,830
3	Rainham	1,350	Forest Hill	1,088	Burnt Oak	1,967	Canary Wharf	5,833
4	Whitechapel	1,278	Chipping Barnet	980	Camden Town	1,494	Stratford	4,825
5	Camden Town	667	Nags Head	369	Roman Road East	1,471	High Holborn / Kingsway	3,208
6	High Holborn / Kingsway	395	Bromley	56	Mitcham	1,354	Brick Lane	2,900
7	Elephant and Castle	276			West Norwood	1,071	Kentish Town	2,243
8	West End	64			Twickenham	640	Fulham	1,858
9	South Chingford	50			Nags Head	450	Enfield Town	1,833
10					Woolwich	260	Leyton	1,609
	Largest losses	B1c		B2		B8		SG
1	Mitcham	-7,989	Yiewsley and West Dray	-13,485	Stockwell	-27,762	Woolwich	-108,602
2	Hanwell	-6,875	Woolwich	-7,574	Wood Street	-20,000	Cheapside	-21,028
3	Dalston	-5,162	Southall	-6,789	Canary Wharf	-12,767	Orpington	-19,420
4	Purley	-2,971	Greenford	-5,782	Rainham	-5,310	King's Road (East)	-16,343
5	Chrip Street	-2,956	Leyton	-4,137	Coulsdon	-5,213	Liverpool Street	-10,722
6	Chipping Barnet	-2,753	Walthamstow	-3,760	Willesden	-4,440	Gants Hill	-10,500
7	South Norwood	-2,670	Forest Gate	-3,500	Crossharbour	-4,421	Elephant and Castle	-9,469
8	Barking	-2,396	South Norwood	-3,490	Hackney Central	-4,023	Kilburn	-8,344
9	Sidcup	-1,859	Wembley Park	-3,200	Roman Road West	-3,713	West End	-8,002
10	Canning Town	-1,750	Dalston	-2,783	Kentish Town	-3,500	Croydon	-7,647

Source LDD / PBA

Planning Control

3.4.2 The 2014 Budget makes clear that the Government will consult of specific change of use measures, including greater flexibilities for change to residential use, for example from warehouses and light industrial structures, and allowing businesses greater flexibilities to expand facilities such as car parks and loading bays within existing boundaries, where there is little impact on local communities. If such further amendments to the GDPO does go ahead, it is likely have a significant impact on industrial and warehousing floorspace. The scale of this is unknown at this stage but it is highly likely to augment existing trends.

Assembly, Leisure and Non-Residential Institution Floorspace

3.4.3 The London Development Database shows that there have been significant gains in leisure (D2) and non-residential institutional (D1) floorspace. The former (D2) refers to space such as cinemas, sports halls, skating rinks, gymnasiums and other indoor and outdoor leisure facilities. The latter (D1) refers to spaces such as health centres, schools, museums, libraries, places of worship amongst others.

3.4.4 Between 2008 and 2012 there was an overall net gain of 1.2 m sq m of D1 and D2 space in the whole of London. Of this 415,600 sq m or 34% was in or on the edge of town centres.

Table 3.11 - D1 and D2 space in town centres

	Floorspace Sq m	Sites	average loss / gain per site
Loss?	(268,095)	292	-918
Gain?	683,673	426	1,605
Net floorspace	415,578	718	
Town centres	Largest Gains	Largest Losses	
Hayes	18,964	Stratford	-21,679
Church Street / Edgware	17,828	Nags Head	-6,319
Wembley Park	16,419	Brick Lane	-3,755
Elephant and Castle	13,953	Peckham	-3,500
Fulham Road	11,733	East Ham	-2,200
Clapham High Street	11,495	Ruislip	-2,100
Swiss Cottage / Finchley	11,396	Euston Road (part)	-2,016
High Holborn / Kingsway	11,395	Harlesden	-1,682
Tottenham Court Road	10,208	Crouch End	-1,557
Barking	9,628	London Bridge	-1,480

Source LDD / PBA

3.4.5 The London Town Centre Health Check Study finds that during the recession town centres have adapted with “a pronounced shift towards more-leisure oriented functions, particularly cafes and restaurants, alongside retailing, offices, housing and civic and community functions. The challenge going forward will be to facilitate their evolution, diversification and intensification (including for higher density housing), reduce vacancy rates, improve quality and accessibility, and realise their potential as thriving, liveable centres at the hub of their communities.”

3.5 Conclusions

3.5.1 There are fundamental structural factors at play that are affecting the nature and scale of demand for commercial floorspace in London's town centres. These changes are, however taking place in the context of a strong and growing economy. This presents London with very real opportunities. Restructuring in circumstances of economic decline can be a very painful process. Here London has the opportunity to adapt to the new demand equilibrium through town centre growth, albeit growth that may take a different form to that in the past.

3.5.2 The retail sector in London will continue to experience a strong period of growth driven by rising population and rising consumer expenditure per head. Comparison goods expenditure is projected to run ahead of total household expenditure and create demand for an additional 0.4m-1.6m sq m of comparison goods floorspace over the London Plan period. (This compares with 2.2m in the previous London Plan forecast). However, this new demand for floorspace will not be distributed evenly across all London's town centres.

3.5.3 Structural change in the retail sector driven by the continued growth in e-commerce is producing a polarising effect with retailers concentrating their activity in larger, higher order shopping destinations. As retail portfolio reductions occur, (as leases fall in), this trend will accelerate. However, this will not always lead to higher vacancies, as lower quality occupiers often take up the space. However, this in turn will lead to a worsening retail offer and put further pressure on the town centre's experience.

3.5.4 The re-structuring of local retail economies is unlikely to lead to net areas of vacant property that can be redeveloped for housing or other uses. The issues town centres face are about a struggle to adapt; they are increasingly structural.

3.5.5 The retail experience is thus changing, supported by a growing scale of commercial leisure, mainly food and beverage, which in turn reinforces the destination role of town centres and the importance of creating attractive places and a positive visitor experience.

3.5.6 The effects of e-commerce and polarisation are likely to see demand concentrated in the stronger performing, higher-order, International and Metropolitan centres. Smaller centres dependent on predominantly convenience goods expenditure should remain largely unaffected but some of the middle ranking Major centres and District centres that currently have a high proportion of comparison goods retail but lack much in the way of a wider leisure or cultural offer and provide a poor overall experience may struggle to attract investment.

3.5.7 Not only is the retail sector facing restructuring but there has been significant structural change in the office sectors driven by a combination of:

- a shift of functions in the office sector in London away from secondary activity;
- technological change such as wireless technology and cloud computing; and
- changes in working practices enabled by technology that have permitted more efficient utilisation of space.

3.5.8 These changes have been underway for some time but their impact has been accelerated by the recession as occupiers have become more cost conscious and sought to rationalise space.

3.5.9 The result has been a significant increase in the efficiency of offices in terms of the number of workers per sq m. So even with growing employment in office based sectors this does not translate into such high demand for office floorspace. There has also been a spatial concentration of this floorspace in and around central London as occupiers seek to take advantage of agglomeration benefits such as access to skilled workers.

3.5.10 If new investment is not coming in to town centres from retail or office sectors then residential-led mixed-use development offers one route to re-shape town centres whilst at the same time providing opportunities for further residential accommodation. There are already examples where existing town centres have experienced significant levels of new housing developments, for example Woolwich and Canning Town.

3.5.11 There will be further centres where opportunities for residential led mixed-use development present themselves as the effects of the structural trends outlined in this chapter bite. Town centres liable to be impacted by these trends, or where there are other opportunities to accommodate growth, need to prepare a town centre strategy and policy response. Given the constraints on delivering complex developments of this type, not least site assembly, the response is likely to have to include a greater degree of public intervention than in the past.

3.5.12 Indicators of where preparation of town centre strategies might be particularly appropriate include:

- Major or District Centre
- persistently high vacancy rates for retail floorspace
- a worsening retail offer
- a high proportion of comparison goods floorspace relative to size of centre
- retail rents that are low by sub-regional standards and are stagnant or declining
- a poor qualitative experience
- high levels of secondary office space
- high levels of public transport accessibility, that make it a sustainable location for intensification
- future transport improvements that may add to future capacity

3.5.13 These indicators are developed further in Chapter 9.

4 Enterprise Space in Town Centres

This chapter focuses on what is termed 'Low Threshold Enterprise Space' (LTES). This is the lower value non-residential space found in and around town centres. The concern is that this type of space is vulnerable to conversion or re-development to higher value uses but that it plays an important role in London's economy ecosystem.

The value of such space over and above its market use value is that it provides:

- jobs and creates growth**
- opportunity space – to exploit opportunities for slotting into wider London ecosystem**
- access to goods and services**
- variety and positive contribution to character**

This chapter looks at the strategic significance of LTES; its potential value to the London economy; and whether there is a market failure rationale for public intervention in this type of business space.

4.1 The Strategic Significance of Low Threshold Enterprise Space

4.1.1 One underlying question examined in this chapter is whether Low Threshold Enterprise Space and the businesses that occupy this space add value to the London economy over and above their commercial value. In other words are there “positive externalities” – unpriced benefits of these types of occupiers?

4.1.2 By viewing London’s economy as an ecosystem of economic activities the question is what impact does displacing / removing low level activities have on the chain of value creation that supports economic development and growth?

4.1.3 In the text below, four arguments as to why LTES may add value to the economy are examined. These are:

- LTES provides opportunities for growth – the growth firms of tomorrow need space that provides the opportunities for start-ups
- LTES supports servicing of the wider economy – larger, more productive enterprises are dependent on a supply chain of businesses to service them
- LTES servicing the local economy – occupiers inject income into the local economy through local multiplier effects
- LTES adding value locally and regenerative benefits – injecting employment and income into otherwise deprived neighbourhoods

4.1.4 The nature and function of LTES will vary by town centre and the value of LTES will therefore need to be assessed locally. It is also dynamic as previously prime uses move into secondary activity over time.



Brentford High Street, Hounslow

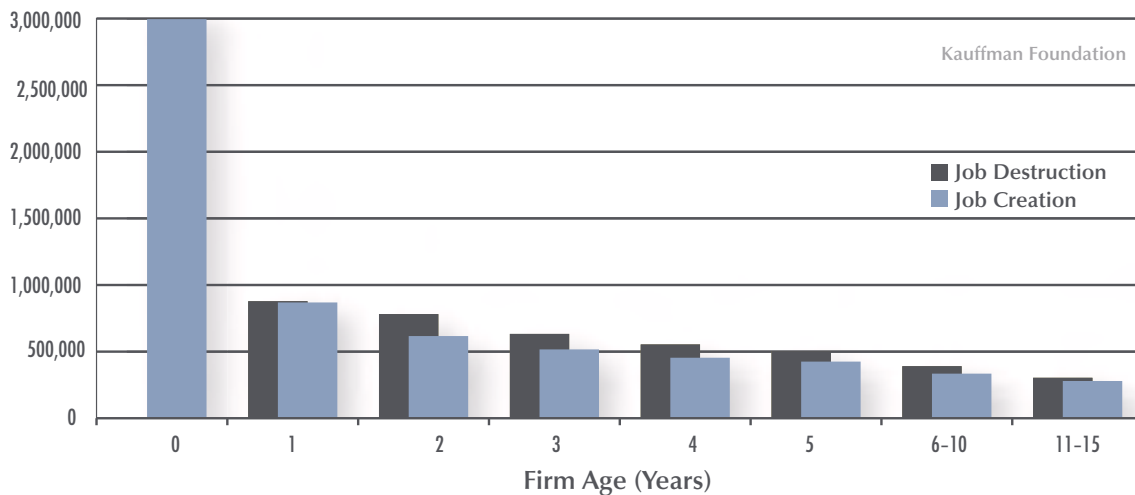
LTES Provide Opportunities for Growth?

4.1.5 The London SME study noted that, “The key reason why small and (especially) new firms are believed to be especially valuable is their potential future performance, including value added, employment growth and innovation. It is generally believed that the market undervalues this future potential, for two main reasons. Firstly, the private sector tends to be short-sighted, undervaluing the future against the present. Second, and more important, the private sector tends to be risk-averse, undervaluing benefits, which are surrounded by a wide margin of risk and uncertainty. This risk aversion is especially unfavourable to new firms, because not all start-ups can look ahead to a dynamic future. On the contrary, many new firms fail in their early months and years, and many others soon settle down into stagnant middle age.”¹

4.1.6 Many SMEs will need LTES, particularly in the early phases of their development in order to establish themselves in the first place or to make the transition from a home based business to something potentially larger.

4.1.7 In modern cities there is a constant churn of businesses simultaneously creating and destroying jobs. This is a sign of a dynamic economy. New firms and start-ups, create net additional jobs. In a study of job creation by new firms in the US, the evidence showed that job growth is driven, by start-up firms that develop organically. (This study does not include firms older than 15 years and so is likely to be biased, but still demonstrates the importance of new firms to the economy.)

Figure 4.17 - Job creation and loss by firm age (average per year, by year-group 1992–2006)



Source: Kauffman Foundation http://www.usinnovation.org/files/Firm_Formation-importance_of_startups_to_job_creation.pdf

4.1.8 The first proposition is therefore that the value of LTES space lies in the extent to which it provides new and start-up firms with low value space to grow and expand their business. The corollary is that the loss of LTES will reduce the opportunities for growth and in this way have an adverse impact on economic growth. In addition the value of LTES space under this proposition lies in the extent to which new and start-up businesses occupy LTES, grow and move from these spaces.

1 London SME study, LDA (2006), Roger Tym & Partners

4.1.9 However, case study evidence shows that the value of LTES as a space for growth may not, by itself, be a robust argument for the following reasons:

- Many LTES occupiers are small businesses with no or low aspirations for growth. These are subsistence businesses and micro businesses with a primary objective of providing employment for the business owner and / or few employees.
- Many LTES occupiers are in their current location due to legacy as the business space is inherited. For example a family run business that has existed for a significant period of time. In many cases the businesses do not have high growth aspirations and have no market pressures to relocate.

4.1.10 For this proposition to hold true, LTES assessments need to demonstrate evidence that start-ups and new businesses occupy this space, there is churn and that the LTES occupiers include businesses in growth sectors.

4.1.11 Protecting LTES to enable start-ups may be a valuable policy objective. Protecting LTES to enable inefficient firms to survive is not. The Incubator, Accelerator and Co-Working Space study² explores further the different markets for start-up space.

LTES Supports Servicing of the Wider Economy

4.1.12 ***“Camden has strong trading links with London’s Central Activities Zone (CAZ) and the borough’s industrial and warehousing businesses provide it with a range of vital goods and support services. To make sure Camden’s new and existing businesses support, and benefit from, the Central London economy, they need to ensure that sites and premises of adequate quality are provided. If suitable premises are not available in Camden these types of services will increasingly be located further away from Central London, with increases in travel and congestion and a potentially negative economic effect on important Central London functions.”***³

4.1.13 This example from Camden refers to overall business space, some of which includes LTES. Under this proposition, the value of LTES lies in the extent to which businesses in this space service the wider economy and contribute to the value creation chain of London’s economy.

4.1.14 The London SME study found that the main reason why businesses are located where they are, is access to customers and suppliers. The corollary is that the displacement of LTES occupiers or outright loss of LTES occupiers will have an adverse effect on the wider economy due to the economic inefficiencies resulting from increased distances to customers and suppliers. This will have a cost implication as well as impact on the competitiveness of London as a business location.

2 Incubator, Accelerator and Co-Working Space in London – URS (2014)

3 Camden Policy CS8, supported by Camden Planning Guidance (CPG) 5

4.1.15 This proposition will need to be assessed at the local town centre under the following criteria:

- Where are the product markets for the LTES occupiers? Do they supply goods and services to the wider London economy or are their markets localised? The answer to this question is likely to vary by town centre as well as by LTES occupier.
- Can LTES occupiers service their markets equally as efficiently from alternative locations (local or wider afield). Premises may be occupied for legacy / historical reasons, despite the occupier's product markets having changed over time. There may be constraints or barriers to relocation. LTES occupiers may, much like the space they occupy, have reached the end of their product / process lifecycles and are not competitive in today's markets. While they may continue to operate in the wider economy, this operation is not efficient and in its current form will not be in the future. From this perspective, LTES occupiers do need to re-invent themselves and / or relocate. The decline of manufacturing in London is a good example of this.

LTES Servicing the Local Economy

4.1.16 LTES occupiers, like other occupiers of non-residential space, provide jobs including jobs for local residents. These jobs generate incomes. Past research for the LDA has suggested that outside of the centre, more than half of London's jobs are on high streets.⁴ These incomes generate secondary income impacts as a result of employees spending locally and LTES customers' and suppliers' local spending. This income supports further jobs in the local economy.

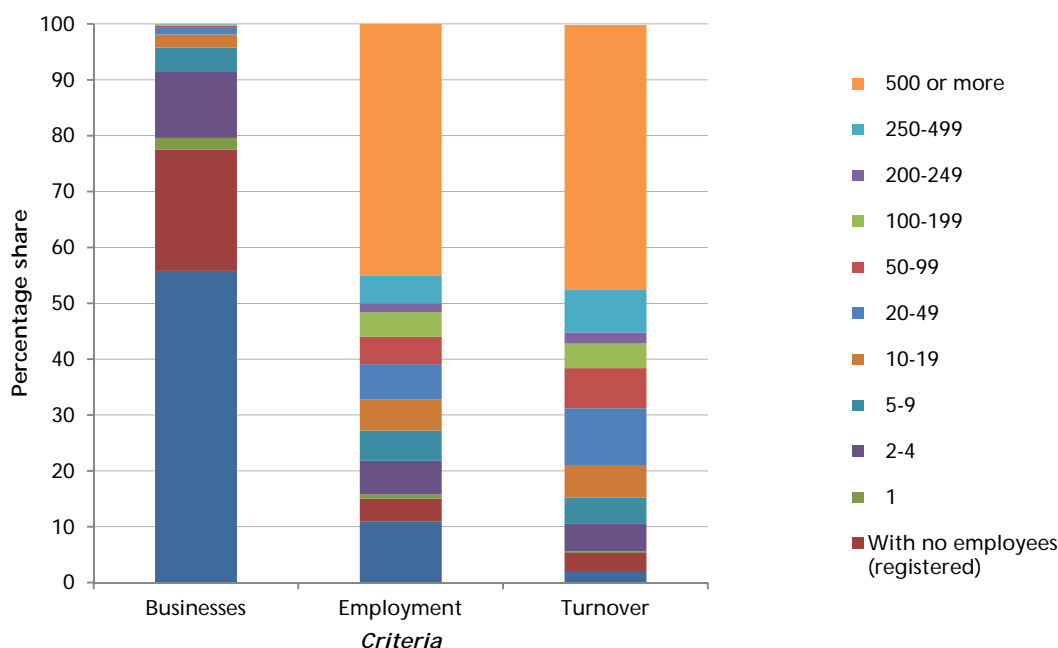
4.1.17 Individually LTES occupiers are unlikely to generate large job numbers however jointly LTES occupiers are likely to provide a significant number of jobs. It is however not possible to estimate the scale of this employment as employment statistics collected do not differentiate jobs by the quality of space. Size does not equate to value but for London as a whole, firms of fewer than 5 employees account for 93% of businesses, 22% of employment and 11% of turnover.

4.1.18 In order to assess the value of LTES under this proposition the following criteria will need to be examined:

- location of LTES occupiers customers and suppliers
- LTES employment
- LTES and suppliers / customers local expenditure

4 London Councils, What can London local government do about vacant shops 10 September 2012 Jane Harrison – London Councils Principal Policy Officer - Economy, Culture and Tourism. UCL Gort Scott for LDA 2010

Figure 4.18 - London Businesses by Size Band



Source: Annual Business Inquiry

LTES Adding Value Locally and Regenerative Benefits

4.1.19 The value of LTES may exceed the local economic development impacts presented above. There are further regenerative benefits that influence the quality of life and local character.

“Independent retailers provide added value which goes much wider than the purely economic. For example, small local shops allow many people to shop locally on foot, reducing carbon emissions created by driving to distant out-of-town stores; the services they provide are crucial to their local communities, often allowing the elderly to remain in their own homes rather than having to move to residential accommodation”.⁵

4.1.20 The availability of jobs locally is important for environmental sustainability reasons as environmental costs are reduced from shorter commuting distances. In addition the availability of local goods and service providers increases social cohesion and community engagement:

- Research shows that citizens who frequent high streets with locally rooted stores engage with community life more and are more likely to vote.⁶
- Places with high social cohesion often see better economic resilience as public spaces (such as high streets) become utilised and spend remains in the local economy.⁷

4.1.21 It is important to have a diverse business base and diverse economy with low to high value added activities providing employment and income opportunities for London’s diverse population. LTES are likely to contribute to that diversity and are more likely to provide low

5 London Small Shops study, 2010, RTP

6 Ibid.

7 Op cit

value jobs. Premises suitable for industrial, manufacturing and warehousing businesses may provide jobs for people who would otherwise be at high risk of being unemployed or workless.

4.1.22 The availability of LTES locally and associated jobs is particularly important in regeneration terms since evidence shows that people with lower level skills are less likely to commute further for jobs. The concern is therefore that the loss of LTES will reduce employment opportunities for this population.

4.1.23 Diversity is important in retaining and attracting customers. The British Consortium of Shopping Centres (BCSC) states that niche retailers, from premium to local value shops “add real colour to the retail landscape benefiting entire shopping places... Retail formats will have to evolve to provide more of this sort of variety and the independent sector has a key role to play in this because the things that make shopping places different cover the whole mix of smaller, larger, more specialised and more wide-ranging offers”⁸

Market Failure Rationale

4.1.24 In perfectly free markets the price mechanism should equate supply and demand and hence ensures an ‘efficient’ allocation of scarce resources. In cases of market failure the price mechanism does not work effectively to equate supply and demand. As a result, supply may not be adequate and demand may be unmet. The public sector should only intervene when there is evidence of market failure. Market failures are undesirable outcomes that would emerge without public sector intervention.

4.1.25 Market failure results in:

- **Productive inefficiency:** Economic factors will not maximise output from given factor inputs. This is a problem because the lost output from inefficient production could have been used to satisfy more wants and needs.
- **Allocative inefficiency:** Resources are misallocated and producing goods and services not wanted by consumers. This is a problem because resources can be put to a better use making products that consumers value more highly.

4.1.26 The 2006 LDA study of SME space in London set out a need to distinguish between wish fulfilment and correction of market failure as alternative principles for public intervention. It identified three factors:

- aspiration is what the user (in this case, an SME looking for premises) would like. Failure to meet aspiration is not a rationale for public intervention
- demand (sometimes called effective demand) is what the user would like and can afford (is willing to pay). There is market failure where supply falls short of effective demand
- need is what the user would like and ought to have. There is also market failure where demand falls short of need

4.1.27 The report concluded that, ***“To make a case for intervention, we need to set aside aspiration and consider (effective) demand and need. There is market failure where supply falls short of effective demand: a firm wishes to secure***

a given property and is willing to pay the price of providing it, but there are blockages that prevent landowners and developers from supplying it.”

4.1.28 There may also be equity arguments, for example if providing business space creates economic opportunities in deprived areas whose residents are at high risk of unemployment. As shown above LTES can have regenerative benefits that the public sector wishes to support.

4.1.29 Public intervention based on market failure rationale should have a minimal impact on the private investment, i.e. public intervention will not displace or ‘crowd out’ private investment. There is evidence from a recent publication that suggests that public sector intervention through the planning system may be part of the problem:

“[P]lanning policies encouraging mixed-use development (which include the provision of affordable workspaces within a broadly residential development) were actually crowding out low value business space. In practice, they favoured certain types of activity such, as creative businesses, and did not meet the needs of start-ups, young businesses, low-value manufacturers and small family-run retail and service businesses ”⁹

4.1.30 What this point illustrates is that planning requirements are often too general and need to be more specific and better implemented in order to secure the policy objective.

Defining Market Failure for LTES

4.1.31 The LDA 2006 SME report generally indicates that SMEs operating from industrial and warehousing premises, particularly those of lower quality, are at a greater disadvantage than other London SMEs. A large proportion of these types of premises would fall into the current working definition of LTES. This does not itself constitute evidence of market failure. The value of occupiers of this type of space for the wider economy will have an impact on whether or not a case for public sector intervention exists.

4.1.32 The LDA study finds that accessibility to labour and customers creates trade-offs. It is likely the accessibility is the main positive externality of LTES: being close to workers and markets reduces the need for travel and in turn the congestion and environmental costs of provision. Where positive externalities are identified it is necessary to examine the extent to which the continued loss of LTES will have seriously adverse effects on the wider economy. The assumption here is that the economy operates as an ecosystem with economic activities higher and lower in the chain equally as dependent on the goods and services produced.

4.1.33 The market failure for LTES is likely to be based on that of positive externalities – i.e. the market undervalues this space in the wider context of the economy. Diversity of employment space; availability of employment space; opportunities for growth at cheap rents; sustainability etc. all these are potential positive externalities of LTES. The risk is that the continued loss of this space will result in an overall adverse impact on the economy including the higher value uses currently squeezing out this type of space.

9 Yvonne Ryding, 2013, The future of planning, http://books.google.co.uk/books?id=fEMbAgAAQBAJ&pg=PA150&lpg=PA150&dq=low+value+business+space&source=bl&ots=wGlX138s5I&sig=SzHTJBY1ByCnEAMuo-_KbDJlwU0&hl=en&sa=X&ei=OVDyUqD6H4mw7QbtxIHQCg&ved=0CEYQ6AEwAg#v=onepage&q=low%20value%20business%20space&f=false

4.1.34 In order to produce evidence of market failure in a town centre the evidence base should include:

- Information and data of the local property market and potential LTES premises;
- A qualitative assessment of town centre premises to identify LTES (see next section);
- Qualitative data of LTES requirements and needs

The demand for premises of London's SMES, LDA / RTP, 2006

To investigate the premises requirements of SMEs, the LDA commissioned an interview survey of a stratified random sample of 1,600 business units (sites) which have at least one employee and are part of firms whose employment, including any other sites, is 250 or less. The main findings of the survey are presented below:

Although the market does not fail in general, it may fail in particular areas or particular types of occupier business, as follows:

Small units generally cost more to build (per square foot / metre) than larger units. This in itself does not constitute market failure, but it could lead to market failure if it prices out of the market new and young firms whose ability to pay for property belies their future potential and who particularly need modern space or expensive specialist facilities.

While many SMEs prefer short or flexible tenure, developers and investors traditionally have been reluctant to provide such space, because of risk aversion and institutional factors. However, this problem may be diminishing: the business surveys do not provide any evidence of it, and recent years have seen a general shortening of leases growth of innovative property solutions, including flexible tenure products specifically targeting SMEs.

Demand for freehold property exceeds supply, possibly a result of market failure from elements of monopoly or other institutional factors.

In many parts of London, competition from residential and higher-value uses is pushing out or pricing out industrial and commercial activities, beginning with the lower-value ones. This in general constitutes a species of market failure, which is property corrected both by regulatory land-use planning and proactive intervention to safeguard land through public ownership and financial support.

Another area of provision which generally is not commercially viable, and relies on public sector support or cross-subsidy, is start-up premises to support young people from disadvantaged areas who operate their own businesses. The rationale for this provision is based on equity, or social inclusion: it supports opportunities for disadvantaged people who otherwise would be at high risk of unemployment.

Summary

4.1.35 Low Threshold Enterprise Space is an important component on the London economy. It provides opportunities for jobs, growth and services that would not otherwise be supplied or would be provided from outside of London's boundaries. There are justified reasons to intervene to support the retention of such space, but it should not be provided universal protection.

4.1.36 Once this space is gone, it is lost to the property stock for good. The same type of product will not be re-provided in any new development. LTES should not be protected to save inefficient businesses from market realities but policy interventions to protect it are appropriate where the loss of such stock can be demonstrated as harming the wider town centre economy.

4.2 Barriers to Low Threshold Enterprise Space Provision

Availability

4.2.1 By definition, Low Threshold Enterprise Space (LTES) is low value, low quality space often moving towards obsolescence. As this space reaches the end of its economic life it is most often, and logically, redeveloped. However, the evidence suggests that it is not viable to re-provide LTES space of a similar specification at the same / similar costs. Developers will redevelop the space to attract higher value users – be it residential or non-residential. The end game is the same – a loss of LTES without targeted re-provision for LTES occupiers.

4.2.2 Evidence shows that developers' and workspace providers' priorities and working practices mean that both have an interest in attracting higher value creative industries to occupy the affordable workspace, and this can accelerate the process of industrial gentrification¹. Industrial gentrification here refers to the displacement of lower-value manufacturing businesses, artists, and creative workers by higher-value knowledge and creative businesses.

4.2.3 Property market indicators show that take-up of the lowest value space is high and vacancy levels low. This suggests high demand for space like LTES. Equally, this could suggest a mature market operating efficiently with prices of built stock adjusting to market clearing levels.

4.2.4 By definition, the supply of LTES cannot be increased and hence increasing the supply of new stock in response to high demand is not an option. This probably means that businesses compromise on the type of stock they occupy as there is limited choice. This explains the mismatch noted in the London Industrial and Warehousing Demand study² between the Use Class premises firms occupy and their industrial classification. Business occupy the premises that are available, rather than those that are tailored to their needs.

4.2.5 The London SME study shows that many of London's small businesses are willing to sacrifice quality of the space they occupy in return for accessibility. The corollary is that as the stock of LTES reduces, LTES occupiers are either being displaced geographically and / or are occupying the existing LTES space that is not fit for purpose and in this way potentially reducing economic efficiencies.

1 Ferm, J.A.-M.; (2011) Affordable workspace: a critical evaluation of planning policy and implementation in London, Doctoral thesis, UCL (University College London).

2 Roger Tym & Partners with JLL, Industrial Land Demand and Release Benchmarks in London, 2011

Costs and Affordability

4.2.6 Affordability does not only refer in this case to rent, but also rates, fit-out costs and taxes. According to the Federation of Small Businesses and London First, London is the second most expensive city compared with 23 other global cities in terms of workspace rentals, taxes wages, and redundancies³.

4.2.7 Competition from higher value uses and the lack of new supply also increases the barriers to LTES occupiers.

4.2.8 Property costs as a proportion of total costs will vary between types of business, but typically, a service sector SME may have around one-third of its costs in the form of overheads of which property will be the largest single component. Property costs are typically around 10-15% of total costs. Everything else being equal, higher property costs push up this proportion and hence threaten the viability of businesses.



Light industrial units - Balham, Wandsworth

3 Federation of Small Businesses, Small Business Cities Index, 2013

Leases

4.2.9 However, it is not only costs but also flexibility over leases that impact upon SMEs business viability. There is an inherent tension between occupiers and landlords.

4.2.10 SME's by their nature require short-term flexible occupation arrangements. These companies tend to have unproven financial track records and are often in a state of flux regarding the amount and type of accommodation required. Traditional leases with medium to long term commitments are therefore far from ideal. SME's therefore prefer to occupy space on short-term business contracts for renting desk space, through to licences for semi private business rooms and easy in easy out tenancy arrangements. From an owner's perspective, this space let on such arrangements traditionally commands a premium over Internal Repairing (IR)⁴ leases to reflect the greater risk to the landlord on surety of income and the higher management costs in the operating of shorter term leasing arrangements.

4.2.11 The market for such space is well developed in the UK. It includes international operators such as Regus through to independent trusts and other high net worth companies. Hands on management of such facilities is perhaps the key to success focussing on the need to be flexible to occupier requirements, dealing with short term vacancy issues and ensuring that management and maintenance of the services is provided to a high level.

4.2.12 LTES service providers often target vacant, underused and secondary commercial stock where the potential for attracting a single occupier on a long-term lease is limited. LTES providers can tap into the SME market by subdividing existing accommodation and providing the flexible occupancy arrangements SME's require. New build LTES space is much more difficult to deliver and often requires large amounts of accommodation to generate the economies of scale required to make the provision of support services viable.

Approaches to intervention

4.2.13 The economic success of London's various local centres and high streets will be reliant on different factors in different locations. This makes creating an all-encompassing policy response to the challenges being faced by high streets difficult to achieve. However, providing boroughs and local stakeholders with the tools they require to respond to the differing circumstances of their local town centres will bring about positive outcomes for the capital.⁵

4.2.14 The London SME reports conclusions of public intervention for SMEs directly applies to the case for intervention in LTES. There is weak evidence for a case for general public intervention. There may however be a case for selective and targeted intervention for LTES space occupied by new and start-up businesses; LTES space in regeneration areas and some LTES space in town centres that is assessed to fundamentally need to be located in the town centre. This is discussed in more detail below.

4 The tenant pays for all repairs apart from structure, which is the responsibility of the landlord

5 London Councils, Streets Ahead? Putting high streets at the heart of local economic growth

The Demand for Premises of London's SMES, LDA / RTP, 2006

The case for general, or blanket, public intervention, to provide subsidised accommodation for SMEs in general, is weak. Most of the time, the market appears to work well to provide space for SMEs

Public intervention should be selective and carefully designed.

The analysis points to three main areas of provision where such selective intervention perhaps should concentrate:

Specialist client groups, which comprise science and technology parks, incubator / move-on space for new and young businesses, and innovation provision. These forms of provision typically do not create enough commercial value to support the cost of providing them, and therefore typically are not financially viable without intervention, especially where business support services are provided as well as accommodation. However, if specialist provision is to meet the market failure test, it should remain specialist and not be allowed to degenerate into a free-for-all. This requires stringent and carefully thought out entry and exit criteria. If the public sector were to support some firms indefinitely, irrespective of age, it would run the risk of wasting public money on subsidising uncompetitive firms. Time-limited support avoids this risk, because it gives firms time to prove themselves, so that those who are uncompetitive for reasons unrelated to premises will fail, while those who are competitive should grow out of the need for support. Another practical argument for focusing support on new and young firms is that, according to the survey, they are an especially dynamic section of the SME population, much more likely to need space for relocation and expansion than their older counterparts.

The second area for specialist provision is business space in deprived areas, supporting members of disadvantaged groups to operate their own businesses. Intervention here will be on grounds of equity and wider social cohesion, rather than the traditional economic efficiency arguments.

Thirdly, there is a strong case for intervention in areas where employment is being pushed out or priced out by higher-value uses such as housing. Depending on the circumstances, this displacement qualifies as an important kind of market failure, though one not yet properly recognised in textbooks. The appropriate public response is intervention in land markets, to protect employment land from the encroachment of higher-value uses and from the resulting high land values, which threaten to make development for employment uses unviable.



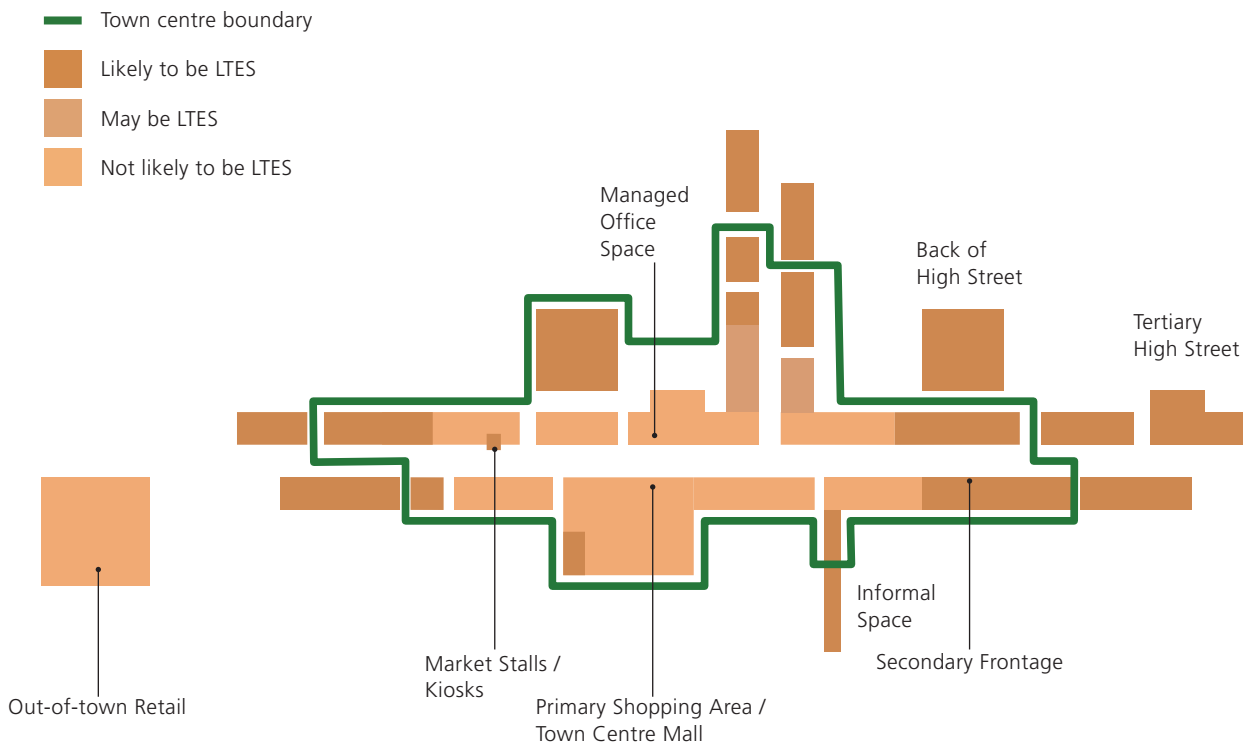
LTES adjoining the rear of Brentford High Street, Hounslow

4.3 Defining Low Threshold Enterprise Space Provision

4.3.1 There is no pre-existing definition of LTES, but a common understanding derived for the purposes of this study is that:

“Low Threshold Enterprise Space is defined as the lower value, non-prime, secondary and tertiary non-residential space. It is the part of the property stock in any centre with lower initial cost of entry for businesses and lower ongoing cost of doing business The space is found in and around high streets and town centres (see diagram below). Very often, this is poorer quality, older, or more compromised, compared to the rest of the town centre. In planning terms LTES does not relate neatly to particular use classes (i.e. the type of space), but rather to the type of occupier. It does not just include Business space, but incorporates enterprises that fall within A1, to A5 use classes, (shops, cafes, restaurant / cafes, bars, take-ways), Non-residential / community uses (D1), Assembly and Leisure (D2) and sui generis occupiers.”

LTES in Town Centres



Towards a Criteria Based Definition of LTES

4.3.2 The definition of LTES is relative and requires a qualitative assessment of the space. In the text below, two different matrices to capture the essence of LTES have been examined. The first tries to identify space in terms of premises type. The second identifies it by quality and cost criteria.

Premises Types

4.3.3 The following table presents a typology of LTES developed from a recent study of premises in the London Borough of Richmond¹. The categories of space should be viewed as a continuum as it is likely that space straddles more than one typology. Equally, LTES is unlikely to fit neatly into one use class category.

Table 4.12 - Premises typology of Low Threshold Enterprise Space

	Premises Type	Premises Characteristics			
		Location	Specification	Occupiers	Typical Use Class
Not likely to be LTES	1 Grade A office	CAZ, Canary Wharf, other business parks, within some larger town centres	Institutional and high quality, growing influence of BREEAM ratings	Corporate businesses, often operating internationally	B1
	2 Primary Shopping Area / most Town Centre Malls	Highly accessible High Street location	Larger units, with higher spec, air conditioned, often in shopping centres	Predominantly multiple retailers, comparison goods	A use classes, D1
	3 Out-of-town Retail	Out-of-town, often with highway access	Large units, with high specification, either self contained site, or retail park	National multiple convenience and comparison retailers	A use classes
May be LTES	4 Managed Office Space (likely to be LTES if specialist IAC)	Town centre often close to rail stations and public transport	Reasonable spec with good quality third party service provision	Predominantly SMEs and micro businesses more reliant on non-local trade.	B1 and D1 uses
	5 Secondary Frontage and small units	High streets and streets radiating from high streets, outside PSAs	Non-air conditioned and basic spec, normally aging brick stock	Independent and local retailers, SME's, local professional services	A use classes, D2 uses
Likely to be LTES	6 Tertiary High Street	Between designated town centres, with reasonable footfall often served by bus	Basic, sometimes poor stock, tending towards obsolescence, often large storage areas	Local retailers, independent furniture retailers, builders merchants, car dealers, petrol stations, other local services	A use classes, B1a,c, D2, SG
	7 Market Stalls / Kiosks	Kiosks, stalls, pitches, and niches in areas of high footfall	Basic compact trading opportunities, sometimes on a timeshare basis	Small traders, retail and retail services	A use classes
	8 Back of High Street	Backland and edge of town centre sites, limited footfall, but close to public transport	More basic, providing for a mix of uses. with flexibility for changes and upgrade	SMEs with a blend of office, service, support activities, suppliers, 'trade' retailers, artists	B1a,b,c, B2, B8, D2, SG
	9 Informal Spaces	Niches in the urban fabric such as railway arches, shacks	Very basic, normally with external storage / trade area	Typically small businesses in "dirty" trades - car repair, builders scaffolders	B1c, B2, B8, SG

1 Richmond Employment Sites and Premises, 2013

4.3.4 The premises typology above is useful as a starting point for defining what may or may not constitute LTES space. Each town centre and high street will have a large and diverse stock of space that fits in each of these categories, each with very different characteristics and of different quality and price. The premises typologies provide a reference against which individual premises can be benchmarked and compared.

4.3.5 However, LTES is a relative concept and will not be the same thing in all town centres. It cannot be defined by rental levels alone.

Quality and cost

4.3.6 The definition of LTES is relative. In order to understand whether a site is of “lower quality” and “more affordable” a qualitative assessment of premises is necessary within the context of the local and wider property market. The table below captures the key elements of quality and affordability that may distinguish LTES space from non-LTES space within the premises typology.

Table 4.13 - Threshold typology

	Not likely to be LTES	May be LTES	Likely to be LTES
Quality of care	High	Medium	Low
Last refurb / upgrade	< 3 years	3 - 10 years	>10 years
Premises constraints	Low	Medium	High
Overall quality	High	Medium	Low
Rent and rates	High	Medium	Low
Entry cost (fit-out)	High	Medium	Low
Entry cost (deposit)	High	Medium	Low
Terms of lease	Secure		Flexible

4.3.7 The above matrix when applied to potential LTES premises provides a clearer definition of what space may or may not be defined as LTES space. Sites that are more likely to be considered as LTES are those assessed to fall into the last category of the table above on all or most of the criteria. However, it could be found within any of the premises types set out in Table 4.1.

4.3.8 It is important to note that LTES is not the same as “affordable workspace”. Affordable workspace is a term often used to describe something that is a very different type of space; a product that is generally new, modern, “clean” and does not meet the needs of LTES occupiers. In the matrix above “affordable” space is more likely to fall predominantly into the first category of high quality space. In this context LTES is broadly what the planning system should seek to protect and retain, rather than what it could seek to re-provide in new development. That is an issue explored in Chapter 5.

4.3.9 There are a number of key issues that the matrix above presents:

- Defining LTES must be done in the context of the local property market. A space that is defined as LTES in one location may not be in another.
- In other words, the definition of LTES is relative and subjective and requires knowledge of the local property market.
- Local property market indicators such as rents and land values are required to define LTES in a particular location.
- LTES is dynamic, as prime stock becomes old and obsolete it creates the LTES of tomorrow.

4.3.10 There are no existing data or statistics that identify “lower value and lower quality space” in a meaningful way. Overall, a qualitative approach is required to assess the stock of LTES in and around town centres. This in turn requires a high level of local information and data. For this reason Local Planning Authorities, with their site-specific knowledge, are best placed to evaluate the availability of LTES in a town centre. However, it is acknowledge gathering LTES data for each town centre would be likely to require significant resources and for the reasons discussed above, may not be directly comparable – what is considered LTES in Kensington may be different to what is considered LTES in Lewisham.

4.4 Conclusions

4.4.1 There are a range of activities that occupy Low Threshold Enterprise Space and there are a number of arguments that are put forward to justify its retention (or provision). These include:

- ‘Lowcost space’ is needed for start-ups – this is a valid argument because new firms add value; however, the issue is how to ensure such space is available for these entrants.
- Important part of London supply chain – whilst there is a supply chain effect, if the product or service is essential the market should provide this space at the right price.
- Negative externality costs of travel if uses driven out of town – this is a valid argument but it is difficult to price this effect.
- Provides jobs in areas of high unemployment – there is an equity argument for intervening in regeneration areas, but there is also a risk of locking in low value growth.
- Creates diversity within town centres – there is a legitimate argument for curating the town centre to create a desirable environment as an attractor.
- Businesses can’t afford higher rents – rents should be set at an appropriate level for the use. There is a rationale for protecting land uses from being forced out by higher value land uses. However, development should be viable within this land use and inefficient firms replaced by more productive ones.

4.4.2 There are three main areas for selective intervention in terms of business space:

- to support specialist client groups in early phases of their development
- to provide business space in areas of deprivation based on an equity rationale
- in land use planning terms where employment is being priced out by higher value uses

4.4.3 A detailed definition of LTES for incorporation within planning policy is deliberately not given, as its form and function will vary both temporally and spatially. However, local authorities should recognise and take account of the role it plays when preparing town centre strategies and considering town centre development proposals.

4.4.4 It would be useful for local authorities to add LTES as a category when undertaking town centre Health Checks, thus enabling the loss of such space over time to be monitored. However, it is recognised that identifying such properties is not always straightforward.

4.4.5 In drawing up town centre strategies, LPAs should have regard to retention of such space in the same way that Industrial Land may be offered protection. There is no universal quantity or percentage of such space that should be retained. (it is also not possible to say how much should be retained at the London level).

4.4.6 Its retention should be assessed and justified on a case by case basis; based on analysis for the role of a given centre and the likely opportunities to evolve, diversify and intensify going forward. This recognises that there may be a tension between the objectives of protecting LTES and housing intensification, which is likely, in part, to require its redevelopment.

5 Delivering Non-Residential Space in Town Centre Development

This chapter explores the issues associated with the delivery of non-residential space as part of housing-led redevelopment within town centres. The development market for non-residential space is squeezed out in value terms by residential development.

Non-residential space can be an important part of town centre development both in terms of the employment it creates and the vitality it brings to the high street.

Specialist workspace providers are a good route for getting the right type of premises developed to meet occupiers needs.

5.1 Developing Non-Residential Space

5.1.1 Chapter 3 set out the loss of non-residential space in town centres over the past five years. The last chapter sought to establish where the planning system should seek to protect or stem this loss of certain types of non-residential employment space. This chapter seeks to establish what type of non-residential space should be provided in future development.

5.1.2 To identify how boroughs are currently approaching this issues, adopted and emerging policies for selected boroughs in relation to affordable workspace and small / affordable shops have been reviewed. The review focused on adopted / emerging policies in the London Boroughs of Camden, Hackney, Lambeth, Lewisham, Wandsworth and Westminster. Examples of how boroughs are using planning conditions or planning obligations to implement these policies have been identified - though it should be noted that some policies are emerging only, with limited weight, so cannot necessarily be expected to be being implemented. Appendix A1 sets out details of the review.

5.1.3 However, the starting point is to try and understand the market from the property development perspective.

Understand the Value Differential

5.1.4 In order to illustrate how different uses generate different values, a series of notional development appraisals for different use types have been undertaken. The appraisals were undertaken for eight town centre locations across London, selected to reflect a range of town centre geographies, scale and values. The eight selected town centres are:

- Balham
- Brentford
- Canning Town
- Edgware
- Sutton
- West Norwood
- Wood Green
- Woolwich

5.1.5 For each town centre have calculated the capital value (£ per sq m to purchase a unit) for a range of different uses, namely:

- Residential
- Affordable Housing
- Grade A Retail
- Grade B Retail
- Grade A Office
- Grade B Office

5.1.6 The calculations are based on published data for recent transactions¹.

5.1.7 The graphs in Figure 5.1 show the relationship between the prime values (grade A retail and private residential space), affordable housing capital value transfer rates, together with values for primary offices and secondary retail and office accommodation. The latter two categories arguably include much of the LTES accommodation described in detail from previous chapters. Although the ratio of values varies from location to location, secondary office space (and much primary outside the main commercial centres) commands lower values compared to residential and retail.

5.1.8 The consequence is therefore that the re-provision of such space is a capital cost to the developer and will have an impact on the viability equation of schemes, including those proposing an intensification of housing.

5.1.9 The value created from a development scheme is subject to calls from three parties:

- developers' return
- landowners' return
- planning obligations / community infrastructure levy

5.1.10 There is always an argument to be had as to what is the appropriate return to both developer and landowner. However, once that position has been fixed then any additional planning obligations would have a negative impact on viability (e.g. either reducing values or increasing costs or affecting phasing). Additional obligations would, therefore, need to be at the expense of a planning obligation that is already proposed. It is a zero-sum game, where LPAs have to prioritise their aspirations for mitigation and meeting often competing policy objectives. For example, if affordable workspace is identified as a priority to be secured by planning obligations then this may either reduce the value of the scheme or need to be delivered at the expense of some other policy objective, such as affordable housing. Draft FALP Policy 8.2 (Planning obligations) makes clear that affordable housing; supporting the funding of Crossrail and other public transport improvements should be given the highest importance when negotiating planning obligations. It goes on to state that importance should also be given to tackling climate change and air quality, social infrastructure, learning and skills, health facilities and services, childcare provisions and the provision of small shops.

¹ Sources include rightmove, nethouseprice, CoStar, EGI, Land Registry. For commercial premises rentals levels have been capitalised at prevailing yields to establish the comparable capital value

Brentford High Street

The southern part of the town centre is due for re-development by Ballymore, which will lead to:

- a re-configuration of the retail offer - less and better shops [positive]
- a significant increase in housing [positive]
- a loss of cheap business space and a significant net loss of floorspace [negative]



Brentford High Street, Hounslow

The borough owns much of the northern side of the High Street. There is a major opportunity for the retail components of the two parties to be merged, to enable a significantly improved (managed and curated) offer. This would have a significant effect on the attractiveness of the centre, for residents and businesses. However, this solution may not suit each party's individual interests.

The extent of the employment (non-residential / retail) space in the redevelopment scheme was a matter of negotiation with the local planning authority, who have had to balance a whole range of other factors that needed resolving, such as affordable housing. In the long term, the developer is likely to hold on to the retail space and manage it as an investment. However, the long-term holding position on the employment space is less clear.

The development illustrates how significant intensification can be achieved, but at a price in terms of losses in cheap space for non-retail businesses. It also shows how difficult it is to achieve a step change in the retail offer, even when the opportunity is there.

5.1.11 In recognition of pressing housing need and Draft FALP Policy 8.2, where adopted and emerging borough Local plans and guidance (e.g. Planning Obligations Supplementary Planning Documents) state a priority for securing policy objectives via conditions / obligations, they invariably establish affordable housing as the single biggest priority.

5.1.12 However, it is not an either / or situation. The review provides examples of where boroughs are using adopted or emerging policies to actively promote 'affordable' non-residential ground floor space. In all of the implementation examples set out in Appendix 1, this has been in addition to securing the provision of affordable housing. The provision of 'affordable' non-residential space clearly comes at a cost and for major schemes that are supported by financial viability appraisal, this will reveal these costs. Following negotiation, boroughs would need to forego some affordable housing or other desirable costs of the scheme if they are to secure 'affordable' non-residential space. A further example (not identified in Appendix 1) is Brentford High Street (see box).

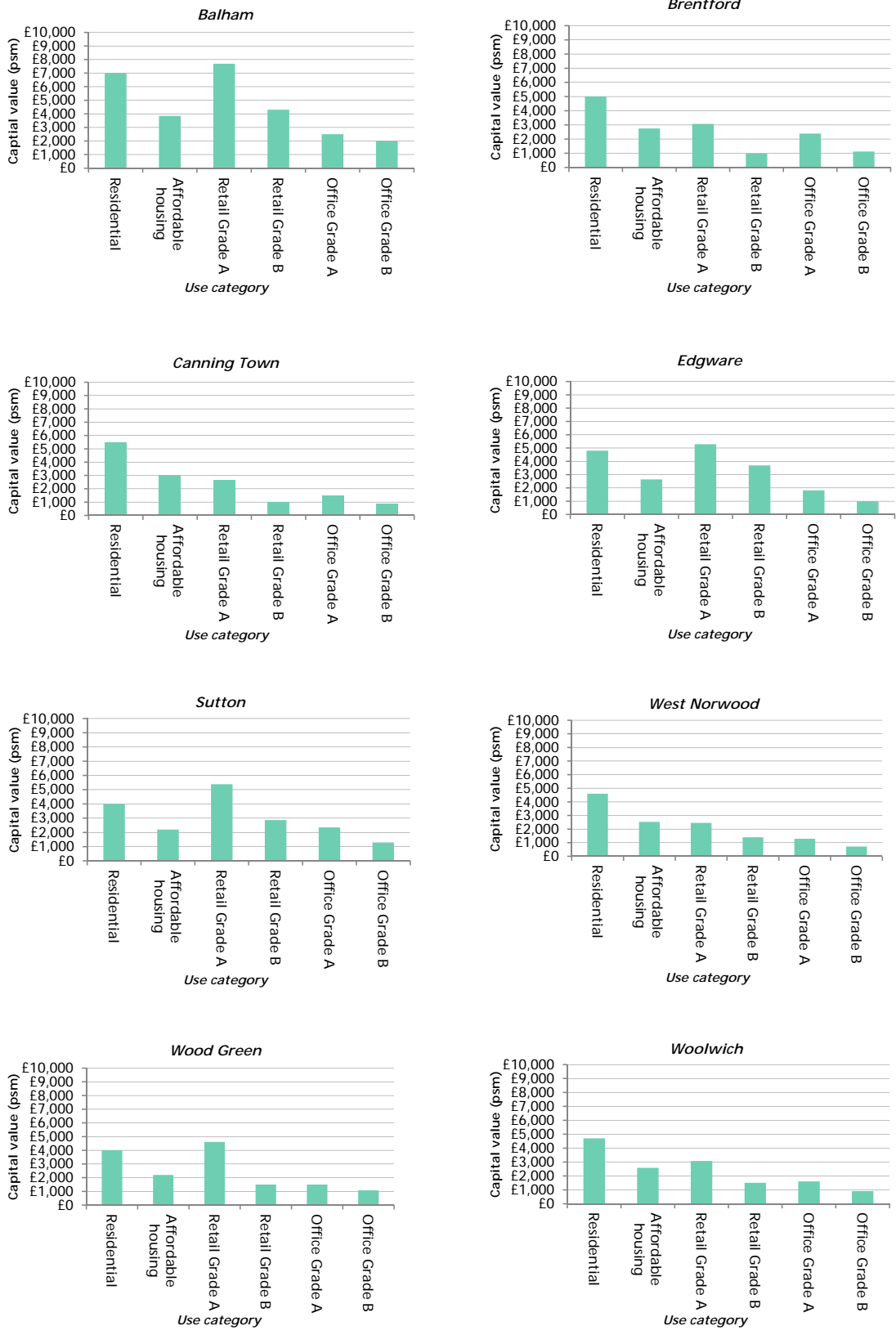
5.1.13 In practice this balancing of objectives is likely to be made on a case-by-case basis, taking account of (amongst other things):

- the borough's vision for the area where the site is located (e.g. the relative importance of affordable workspaces and / or independent shops as part of wider place-making);
- borough-wide and local demonstrable need for 'affordable' non-residential space;
- extent of local support for affordable non-residential space (e.g. the existence of a local lobby group);
- local housing needs and make-up; and
- the attitude of the prospective developer (e.g. maximising value and political risk).

5.1.14 Chapter 10 sets out detailed recommendations for further altering London Plan Policy 8.2 and its justifying text to refer to the provision of affordable enterprise space. It calls for responsive development management that takes a balanced approach to securing 'affordable' space within major schemes, recognising that in some cases the priority may be to secure the provision of on-site affordable enterprise space.

5.1.15 The Graphs below illustrate the comparative values for the case study areas.

Figure 5.19 - Case Study Comparative Values



5.2 Understanding The Market for Non-Residential Space

5.2.1 Each Town Centre will have its own unique mix of activity and each will have its own demand profile for non-residential space. The types of non-residential space will fall in to broadly one of four categories:

- business
- retail
- civic or community
- cultural or leisure

5.2.2 Depending on their size, location and (future) function, some town centres may require investment in all these forms of space – but not all will.

5.2.3 Demand for Business space should be addressed through borough Employment Land Reviews (ELRs) which should give some indication of the overall quantum of floorspace required by land use class and also, at least some, indication of its spatial location. However, they are rarely town centre specific and more detailed work is required to understand what form of business space development is deliverable in market terms.

5.2.4 Demand for retail space should be addressed through retail studies and Town Centre Health Checks.

5.2.5 It should be possible to calculate both the cost of providing such space and also the market rent for such uses in that location. If cost exceeds market rents then development for this use is not viable and some form of cross subsidy from a higher value use would be required.

5.2.6 Town Centre policies should not seek to encourage the generalised provision of subsidised business space. There will be justified reasons where subsidised space should be provided but policy should spell out what these justifications are and ensure that any subsidised space provided meets those specified policy objectives. For example to facilitate start-up businesses which would not otherwise have opportunities.

5.2.7 Appendix A1 sets out some examples of policies from London boroughs that seek to provide workspace for SMEs in their early phase of development to enable business to grow and become self-sufficient at prevailing market rents over time.

5.2.8 It is important to note that the type of workspace that might be provided in new developments is not the same product as the LTES outlined in the previous chapter. With even a basic specification and fit out new low cost space would start from around £17.50 psf even without a developer profit. This compares with rents of around £10 psf for poor quality secondary accommodation (though this will vary by value area). Unless there is an identified market for occupiers at breakeven rents it is not good planning policy to insist such space is

provided. This is an important consideration in the context of the re-provision of such space when set against the wider planning agenda of providing affordable housing or other planning payments. There is little point in providing new LTES if there is already a significant supply in the immediate vicinity, although this may change if assessments show a limited supply of such space. Without a need in the market, new LTES provision is likely to be converted to other uses.

Models of Business Space for Town Centres

5.2.9 Offices remain one of the principal employers in town centres. The London Office Policy Review 2012 sets out trends in office demand and prospects for individual centres. It is one of the principal monitoring tools to guide provision of office space in town centres. However, for many town centres in London this form of office development is no longer viable and there is not the demand for it. So other models of less traditional floorspace provision have emerged which are more suitable to many of London's centres.

5.2.10 There has been a growth in new forms of Co-Working Space. This is covered in a parallel research report commissioned by the GLA, which details the different models of provision and maps out the location of these premises¹.

5.2.11 Mapping of the location of these premises has shown a very distinctive locational pattern with a strong clustering around the City fringe. There are a few such workspace developments that have been established in outer London, but the clustering tends to suggest the benefits of central London locations for accessibility and agglomeration benefits such as tacit information exchange. The rental levels being paid by the occupiers suggest that these firms are prepared to offset the higher accommodation costs against the locational advantages.

5.2.12 It is not clear how transferable such models are to outer London locations. What does seem clear is that in order for co-working, accelerator space and similar models to succeed in these locations it is necessary to first create the type of attractive environment that encourages entrepreneurs to locate there.

5.2.13 There are also a number of different business models for provision of this type of space.

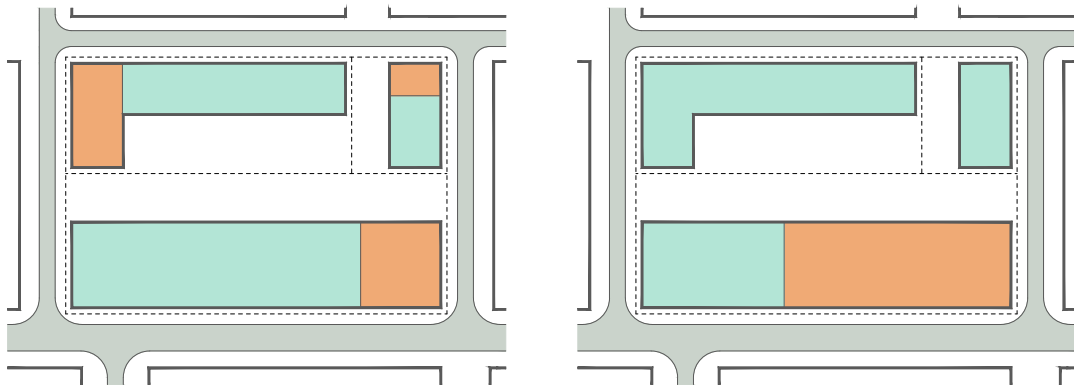
Non-Residential Demand for Town Centre as a Whole

5.2.14 When considering town centre redevelopment proposals policies should seek to address demand for the town centre (or town centre and hinterland) as an entity, as articulated in a town centre strategy. Policies should not necessarily seek to achieve a standard package of affordable workspace provision for each development parcel.

5.2.15 For example if there are four separate development parcels, all things being equal, it would probably be better to secure one good workspace development on one of the parcels rather than seeking such provision from the developer of all four parcels. This would, of course, involve negotiations and policy trade-offs with the different developers, securing the provision of workspace on one parcel and prioritising other objectives (such as affordable housing) on others. Such a flexible approach to 'affordable space' is discussed further in Chapter 7.

1 Incubators, Accelerators and Co-Working Space – URS for GLA 2014

Figure 5.20 - Blocks of three development parcels each providing same non-residential offer



5.2.16 It is also important that workspace development is designed to meet the market needs of businesses rather than being a subsidiary obligation to a residential scheme. In many schemes delivered by residential developers the non-residential part of the scheme is often not designed in a way the best meets the needs of the market. The result is space that is, at best sub-optimal, at worst unlet.

5.2.17 There is some concern that new premises are not fitted out and hence not instantly lettable in order to avoid business rates. Generally, business rates will only apply if the premises are fit for trading – if it does not have basic facilities then it would not be eligible for business rates. London Councils have expressed the view that if there is demand for the premises, developers will fit these out; if not, it probably makes sense for them to wait. More important than worrying about whether premises are fitted-out or not is to ensure the right space is provided in the right location.

Providing the Best Workspace

5.2.18 If a local authority is seeking to get new good quality business space in its town centre it will probably achieve something more suited to local business need through provision by a specialist commercial provider or developer. Such developers understand their market and the product businesses require as it is their core activity. They make money out of successfully letting businesses space to commercial occupiers.

5.2.19 The end result is more likely to be buildings occupied and creating jobs and economic activity than with a residential developer whose business model is designed around selling flats or houses and for whom letting of the commercial premises is a residual function. Recommendation DM1 in Chapter 10 therefore recommends that appropriate non-residential space be transferred to an appropriate space provider / manager.

Providing Workspace for SMEs

LB Hackney have been actively investing in provision of SME workspace in their borough. This includes buying up some secondary retail premises and making use of the Borough's own rationalisation of its property requirements. However, LBH is also currently investing in new build space within mixed-use schemes as well as retail / shop units and workspace within the borough.

Investment in SME workspace is seen as a commercial investment and provides a future revenue stream for the Borough. Commercial market rents are charged though the Borough commercial terms may be less demanding than some developers whose business models require faster payback of finance. LBH also benefit financially from new policy around the uplift achieved in Business Rates as well as rental income. For LBH success is measured in terms of local jobs created as well as just income receipts.

LBH insist on fit out for employment space must go beyond shell and core. They require developers to put in the basic fittings in order to enable occupation by tenants who don't have the resources to full fit out premises themselves. This reduces the threshold to entry. LBH also normally requires double height on ground floor both to give greater flexibility to occupiers and also act as a further disincentive to residential conversion. For retail premises LBH always insist on the delivery of shopfronts, but insist that retail units are double height, thus enabling their use as SME space should retail prove unviable.

Workspace is provided both directly by the Borough and also through Section 106 agreements with developers to provide a percentage of affordable workspace. In all new major developments LBH insists that a proportion of the scheme provides affordable workspace. LBH has procured an approved list of workspace providers, which the developer must use to deliver the affordable workspace element of the scheme.

The space is targeted at small and emerging companies. LBH maintain a database of SME's seeking space, which they direct developers to in conjunction with their approved list of workspace providers. Whilst there is no direct mechanism to prevent successful companies from continuing to occupy this space once they have grown LBH believe the design of the affordable space as desk space militates against this as it is not suited to the accommodations needs of larger companies.

Delivering habitable ground floor space:

5.2.20 Planning policy at all levels seeks to deliver active ground floors and mixed-use buildings. However, developers invariably have a skill set honed towards the delivery of particular uses, making mixed-use development more difficult. A residential-led scheme with a proposed retail ground floor will frequently result in the 'retail' space being left empty for a period of time. This space is created without a fit-out in order to avoid paying rates, leaving a façade of boarded up frontages. This urban condition is detrimental to the image of the street, and to the perceived quality of the town centre.

5.2.21 A more positive effect would be created by producing a habitable space that is partially fitted-out (e.g. heating, a finished ceiling, electrical switches and outlets, toilets, walls prepped for painting, and a concrete slab floor). Delivering such space reduces dramatically the eventual full fit-out costs, providing an opportunity for SMEs, as opposed to only proving attractive to established retailers.

5.2.22 Forcing developers to invest in ground floor retail space allows for a shift of interest from purely residential value, to ground floor retail values also. As large retailers will often become involved early in the design process, providing smaller retail spaces can be a burden. However, providing a partial fit-out offers the possibility to seed SMEs which can then be propagated. This can be used to bolster character, and create a benchmark for further uses, creating a more philanthropic version of anchor stores in large developments. Chapter 10 includes a recommendation (DM1(d)) that the Mayor and boroughs should manage proposals to develop in town centres in a positive way.

5.2.23 An active ground floor can also include residential. Where redevelopment is in an area unsuited to new retail, such as low footfall, residential ground floors are a more realistic / viable ground floor use. The structure of the town centre as a whole should be considered. Over-provision of ground floor residential can also be detrimental to future development. If prescribed, residential can create a positive ground floor condition without denying the opportunity to civilise the street and offer perceived overlooking.

Frameworks for Promoting Change

5.2.24 A requirement to transfer enterprise / entrepreneurial space to a new provider / manager would help develop a market in such providers and begin to set forecastable rents and costs, for assessment and bidding purposes, much as with affordable housing. To achieve this, the Mayor would need to work with a range of stakeholders to develop a group of providers. Some providers exist in certain sectors already, such as: Acme, Workspace group. Examples of some of these products are set out in the case study boxes below. Chapter 9 therefore, recommends that the Mayor helps establish a register of approved non-residential space providers / managers. This is picked up in Chapter 10 as Recommendation MR3.

The Empty Shops Network

The Empty Shops Network is a project from Revolutionary Arts, and has encouraged prototyping, testing and reinvention of the redundant spaces in the UK's town centres. It's done that by providing:

Advice; delivering workshops, seminars and masterclasses across the UK on pop up shops and other temporary projects. Helping organisations like Spacemakers and the Meanwhile Project get started.

Advocacy; in the national media, with specialist organisations and to government; producing reports like Pop Up People; and delivering keynote speeches at conferences. Contributing case studies and ideas to the Portas Review.

Easing administration; by giving away free resources, planning guidance and documents to make the empty shops movement 'open source' and by authoring the Empty Shops Toolkit and Pop Up Business For Dummies.

The Empty Shops Network has been involved in planning, producing and managing pop up shops and other projects across the UK, bringing together a range of partners for pop up projects lasting from a few days to a couple of years.

Acme

Founded in 1972, Acme Studios is a London-based charity which provides affordable studio space and residencies and awards for non-commercial fine artists. Through this provision it continues to make a vital contribution to the development of art and artists' careers

Acme supports over 600 artists and manages 546 studios in 14 buildings in Greater London, offering a wide range of high-quality, long-term and professionally-managed space including permanent new-build studios. In 2013 we opened High House Artists' Studios, a purpose-built stand-alone studio building including work/live units in Purfleet, and The Glassyard Building in Stockwell which contains a large 'transitional studio' space for recent graduates from Central Saint Martins. Another new studio project, Warton House in Stratford, will open in 2014.

The current average cost of an Acme studio is £10.33f² per year or £258 per month for a 300f² (28m²) studio. This is one third the price of a comparable commercial space and less than most other London studio providers. The rent is fully inclusive of business rates, insurance and service charges - the only extra cost is electricity.

Since its inception Acme has taken the lead in developing affordable, high-quality, secure and accessible space for artists in England. It has developed pioneering projects for permanent studio space working in partnership with local government and commercial and social housing developers.

Increasingly Acme is working in partnership with art colleges to create programmes that meet the needs of recent graduates. Acme have established new-build studios through schemes with commercial developers such as Barratt Homes at the Galleria and Telford Homes at Matchmakers Wharf and housing associations such as Swan Housing Group at Leven Road and Catalyst Housing Group at Harrow Road.

2006. The Galleria studios was established as a 'planning gain' development in partnership with Barratt Homes and the purchase part-funded by Arts Council England's Grants for the arts - capital programme.

2012 Matchmakers Wharf studios were developed in partnership with Telford Homes Plc and the purchase was part-funded by Arts Council England's Grants for the arts - capital programme

2010. The Harrow Road studios were developed in partnership with Catalyst Housing Group and the purchase part-funded by Arts Council England's Grants for the arts - capital programme

Lenta Case Study

Lenta Business Space was first formed by The London Enterprise Agency in 1981 as a joint venture by various shareholders. Since then they have grown and now operate as an independent organisation. With over 25 years' experience and currently providing office space in 19 business centres, in London, Swindon, Swanley, Norwich and Watford, Lenta are one of the largest serviced office providers in the UK. Early in 2002 they changed the name from Lenta Business Space to Lenta Business Centres.

Business centres have come of age in the UK during the past decade and can now offer businesses and individuals a range of location, quality and cost solutions to meet every scenario their business may encounter. There are a number of benefits for occupiers in taking space at business centres which include:

Flexibility

- the ability to adjust the size of the space used and to reconfigure it to suit the exact needs of your business
- the ability to vary the length of time it is needed for without incurring any financial penalties
- the ability to relocate to different offices or even different buildings without any hassle

Benefits

- speed of entry
- simple user-friendly contracts
- no legal fees

Technical Ability

- access to the latest specification IT and telecoms equipment and services, which can be rented by the week with no major capital outlay
- access to state-of-the-art office equipment, including photocopying, laminating and binding machines

Quality Buildings

- prestigious locations include city centres and business parks with many business centres being close to major transportation hubs
- business centres are fitted out to the highest quality standards which make a good impression on clients and their visitors
- high-quality office environments help with staff retention and motivation

Fully Serviced

- reception services included – saving clients the cost of hiring staff
- menu of secretarial and support services available on a cost-per-use basis.

Cost Savings

- proven cost savings of up to 50%
- one simple monthly bill for ease of accounting – no hidden extras and no nasty surprises
- no long term financial commitments

Planning Tools

5.2.25 The draft FALP could be further altered and the Town Centres SPG finalised in ways that recognise the difficulties faced in developing mixed-use schemes, where there are demands to meet a range of non-residential requirements. In cases where a proposed scheme cannot viably provide all requirements - especially affordable housing, an 'active frontage' and SME space - there should be recognition of the need to negotiate an appropriate balance.

5.2.26 Chapter 10 sets out detailed recommendations for achieving the following:

- developing local plan policies that seek the provision of 'affordable' flexible B1 offices / workshops / other non-residential floorspace, where viable, as part of major mixed-use schemes, similar to the policies developed by Camden, Hackney and Lambeth, but including shopfront provisions (see Appendix 1) (Recommendation PP8);
- using Town Centre Health Checks to understand and define the character and context of town centres (including existing LTES) and inform the preparation of a town centre strategy which, amongst other things, sets out objectives and delivery mechanisms for retaining LTES, where viable, having regard to the need for intensification, regeneration or change management and in the context of the future of some centres being less about retail (Recommendations PG1 and PG2);
- taking a balanced approach to securing 'affordable space' within major schemes, recognising that in some cases the priority may be to secure the provision of on-site appropriate 'affordable' non-residential space at the expense of maximising affordable housing provision. There is also a need to work with prospective developers to use viability appraisals, including the Mayor's Development Control Toolkit, to identify options for the inclusion of 'affordable space' to help decision-makers make informed choices / decisions about what is financially viable and what type of 'affordable space' is a priority in each particular case (Recommendation DM1);
- transferring such space to an approved provider / manager at a specific trigger point (such as prior to commencement) in order to secure a long-term management solution by organisations that have relevant skills and experience. This could be delivered through the use of planning obligations similar to those used by LB Hackney and discussed in Appendix 1 (Recommendation DM1);
- using regeneration funding to help establish a register of approved non-residential space providers / managers, so that they can be partnered up with prospective developers to help ensure that the proposed space is let and used, in a similar way that Registered providers are partnered-up with prospective developers to deliver / manage affordable housing. Again, this draws on the good practice of LB Hackney that is discussed in Appendix 1 (Recommendation MR3); and
- introducing a requirement that the partial internal fit-out of appropriate non-residential space, including SME business space and, where such space is at street level, a shopfront, is secured as an integral part of the development, so as to avoid boarded up premises that become too expensive for some users / entrepreneurs to occupy. This could be delivered through the use of planning obligations similar to those used by LB Lewisham and discussed in Appendix 1. In doing so, there is a need to recognise that such additional costs would impact on the financial viability of the scheme and, depending on the scope of works, may render the non-residential space 'lettable' for business rates purposes (Recommendation DM1).

5.3 Managing SME and Other Non-Residential Space

5.3.1 For housing developers the main drivers of town centre intensification, delivering SME or similar space is not part of their main function and its ongoing letting and management presents a problem. For developers the inclusion of such space can be particularly unwelcome. Thus it can become quickly vulnerable to vacancy, with future planning applications for further housing; or, in the case of ground floor space, being boarded up. So, while the residual interests (common parts, landscaping, shared space) in a residential development is either transferred to the residents (in a private, jointly-owned, management company) or retained by the Registered Provider (in the case of social housing), the non-residential space can find itself with a less-than-satisfactory management solution.

5.3.2 For this reason, Chapter 10 includes a recommendation that planning conditions / obligations are used to secure the transfer of such space to a responsible long-term owner or manager, especially where take-up is likely to take time. This is a similar approach to securing affordable housing, using planning obligations: typically, the private segment of a housing development cannot be commenced (or built beyond a certain trigger – usually a specified number of dwellings) until the land for affordable housing has been transferred to a Registered Provider. Section 10 of this reports recommends that the Mayor’s Land and Housing and Regeneration budgets be used to help establish a register of approved enterprise space providers / managers, so that they can be partnered-up with prospective developers to help ensure that proposed enterprise space is let and used.

5.4 Conclusions

5.4.1 London boroughs have a strong desire to see non-residential space delivered alongside residential development in order to provide job opportunities. This can be for a combination of motives including the wish to provide local jobs, the desire for greater diversity of activity in the town centre and the potential for business rate income.

5.4.2 Delivering non-residential space in almost all cases in London is at the expense of potentially higher use values that could be achieved through delivery of residential space. It may therefore represent other planning obligations, such as delivery of affordable housing that are potentially foregone.

5.4.3 There is also a development cost to non-residential floorspace, which in some centres in London is likely to exceed market rents for that use. There would then need to be a clear rationale for why such development should be provided and subsidised and at the expense of other planning obligations and priorities.

5.4.4 In seeking non-residential space as part of town centre development boroughs should:

- understand Market for Non-Residential Space. Town centre developments should seek to provide the type of space in that location for which there is effective demand at market rents. It is not about subsidising businesses;
- use specialist providers. Organisations that provide workspace as their core activity are likely to better understand the market and the product that occupiers want. Business space provision should start from the perspective of the users of that space not provided as the residual element of a residential scheme;
- town Centre Policies need to justify where non-residential space should be provided. It may not always be necessary nor desirable to provide non-residential space as part of the mix. Policies for each town centre should articulate a clear rationale why non-residential space is required and the role that it plays in the development of the particular town centre. This may be, for example, its role in curating the high street or creating a sense of place;
- identify the market failure. If a non-market solution is required then this should be clearly justified and evidenced to demonstrate why the market will not deliver the best outcome;
- think Town Centre, not development parcels. It is best to identify how much of what type of non-residential space is required and where this is best located. A series of development parcels each requiring the same planning obligation is likely to produce a product that is at best sub-optimal, at worst unwanted; and
- provide more specificity on role of 'active frontages'. Be clear on what the active frontage policy is trying to deliver in each location and whether it needs to be applied uniformly.

6 Pro-Active Mechanisms for Housing Intensification in Town Centres

This chapter examines the background to the residential market, analyses the SHLAA to identify constraints on town centre development opportunities, tests assumptions associated with the SHLAA, and discusses development mechanisms to deliver town centre intensification.

6.1 Residential Development – Market Background

6.1.1 The resilience of London’s residential property market in recent years has led to a rapid increase in development activity in the capital.

6.1.2 London’s property market has far outperformed that in the rest of the UK. Prices and activity, especially in prime central London, have bounced back much more quickly from the fall-out of the financial crisis with prices in prime central London climbing nearly 60% since the post-crisis trough. This performance, as well as London’s position as a global hub, has attracted attention from buyers and developers alike.

6.1.3 However, as set out at the beginning of this report, dwelling completions are running at less than half the 49,000 annual need Draft FALP target. There is a need for new entrants to the residential development market if anything like these figures are to be achieved. This section reviews some potential new delivery options.

Town Centre Housing Delivery

6.1.4 The consultant team met with representatives of St. Georges, Ballymore and British Land and reviewed some major residential-led town centres schemes that have recently been developed or are currently of being developed. These included schemes such as:

- King Street, Hammersmith (St Georges)
- Ealing Broadway (St Georges)
- Brentford High Street (Ballymore)
- Kingston (British Land)
- Canada Water (British Land)

6.1.5 From the consultations the key characteristics which developers are seeking from these types of town centre developments are:

- critical mass – schemes of 200 units are more that enable a distinct market to be created
- control of publicly accessible open space to enable place-making to take place
- support from borough’s Compulsory Purchase Order (CPO) powers in respect of land assembly, acquiring rights of way and rights of light that may hinder project delivery in legally complex urban environments
- the provision of appropriate retail space suitable for modern user requirements
- an avoidance of smaller infill developments which lack the economies of scale of larger projects
- local authority commitment and political stability to deliver projects that may take 10 years or more to complete a land assembly exercise, as even if there are changes in political administration there is a need for cross-party consensus to secure a stable investment climate against an ever-changing planning policy background

Dickens Yard Case Study

Dickens Yard had been a vacant site for about 25 years. 2004 Design note issued by the Borough. Planning process in 2008, started on site August 2010.

Dickens Yard, Ealing



LB Ealing adopted a strong will to see the process through and ensure that it got something delivered. There was cross-party support, which was necessary for such a long-term project. There was continuity in the development process with one officer who saw it all the way through.

The Borough recognised it was dealing with a publicly owned asset and saw the outcomes it achieved as more important than capital receipts. It was not just seeking to maximise the financial return on its asset. In trying to achieve its desired objective for this town centre site the Borough was willing to make trade-offs against other planning requirements. The Borough went out to market for a developer for the site but did not try to influence the criteria too much.

There are a lot of stakeholders in the town centre and therefore there was a need for widespread consultation and the understanding that there will be a lot of objections. The process therefore needs strong leadership. Legal interests and CPO were the biggest barriers. LB Ealing issued CPO process, rights of way to extinguish and S123 process. Berkley underwrote the legal bills, including a Judicial Review to the process.

There is a need to think about the legal structures at outset. For Dickens Yard LB Ealing own the freehold and Berkley has a 250 year lease. Interested in long-term management. All privately run on the estate.

LB Ealing did not want to fill the development with traditional social housing so instead targeted the elderly population who were under-occupying and would give up bedrooms in order to have a safe well-managed town centre environment. One block in Dickens Yard is maintained for elderly social rent.

In pursuing this approach the developers found the 'hand holding' process of working closely with the tenants to be more important than the financial incentives.

A key lesson is that where there is disparate ownerships boroughs needs to take control of the process. CPO's are important to assemble sites in complex urban environments.

6.1.6 In looking for the type of town centres that might provide opportunities for investment in housing led regeneration one developer identified the search criteria as including:

- needs to be fair degree of untapped wealth in area
- high accessibility needed
- in town centre that have lost their way but deserve better
- in an area where local authority has strong will and vision and a positive ‘development team’ approach to development management (e.g. Planning Performance Agreement securing a dedicated case officer, regular meetings etc.)

6.1.7 This suggests there are opportunities for town centre development that developers will look at and a number of projects may proceed without much Mayoral intervention. However, the number of such projects are likely to make a relatively small dent in the housing targets and hence more active policy intervention is required to enhance this process. The next section looks at the number of residential units that could potentially be delivered in town centres.

6.2 Town Centre Capacity – SHLAA

6.2.1 The London Strategic Housing Land Availability Assessment (SHLAA) identifies 9,210 large sites over 0.25 ha. SHLAA large sites have an estimated capacity to deliver 287,917 dwellings over a 10 year period (2015-25) or 28,800 homes per annum. In addition to the large sites the SHLAA estimates the scale of dwellings coming forward from sites under 0.25 ha based on past completions from the London Development Database; non-self-contained accommodation and supply from vacant stock being brought back to use. Overall, the SHLAA estimates that there is a capacity of 42,000 dwellings per annum in London.

6.2.2 In town centres and edge of town centres (a 300 metre buffer around the town centre boundary), the SHLAA identifies over 3,369 large sites with a capacity to deliver 155,137 dwellings over a 10 year period or 15,500 homes per annum. This is 54% of the overall London large site capacity for this period.

6.2.3 The large site SHLAA capacity is a ‘constrained capacity’ that takes into account site conditions and borough consultations on the probability of identified sites coming forward for development. Each site’s housing capacity is estimated based on a number of key variables including:

- **Net housing site area in hectares:** For mixed-use, boroughs estimate a housing element of a site. 43.7% of the sites with SHLAA capacity are mixed-use sites.
- **Housing density:** Uses the London Plan Sustainable Residential Quality Matrix (SQR) (rooms per unit per ha) applied densities depend on PTAL rating and setting or character of a site - Central Urban or Suburban.

6.2.4 The table below shows the distribution by town centre of the London SHLAA. The largest housing capacity is found in Canary Wharf, Stratford, Croydon, Woolwich and Canning Town.

Table 6.1 - SHLAA Net capacity in town centres

Town Centre and edge of centre (Largest capacity)	SHLAA Capacity (2015-25) dwellings	No of sites	Town Centre and edge of centre (Lowest capacity)	SHLAA Capacity (2015-25) dwellings	No of sites
Canary Wharf	8,800	57	Edgware Road (South)	-3	5
Stratford	6,200	26	Baker Street (South)	0	2
Croydon	5,600	88	Blackheath	0	2
Woolwich	5,500	30	Carshalton	0	3
Canning Town	5,100	24	Charing Cross Road East	0	1
Cricklewood	4,200	14	Cheam Village	0	2
Ilford	4,000	40	Edmonton Green	0	4
Elephant and Castle	3,800	52	Fleet Street	0	18
Romford	3,700	47	Herne Hill	0	2

Wood Green	3,500	25	Marylebone High Street	0	6
Brick Lane	3,400	41	Moorgate	0	34
Bromley-by-Bow	3,300	23	North Chingford	0	3
Canada Water	2,900	30	North Harrow	0	2
Crossharbour	2,800	20	Plumstead	0	12
Total town centre	160,000	3,400			
Out of town centre	130,000	6,000			
Grand Total	290,000	9,400			
TC % of total	54%	36%			

Source: PBA analysis of the SHALAA

6.2.5 There are a number of town centres with no identified housing capacity as seen in the table above. While there are sites identified in all centres many are excluded from the final SHLAA large site capacity estimate depending on their probability of coming forward for development between 2015 and 2025. Large sites are classified according to their probability of coming forward. Site categories include: excluded sites, unsuitable sites, approved sites with planning permission, allocated sites, so called low probability sites and potential development sites.

6.2.6 Sites that are excluded or found unsuitable have no probability of coming forward. On the other hand approved sites have a 100% probability of coming forward for development. The table below briefly describes the classification.

Table 6.2 - SHLAA site classification

Types of sites over 0.25ha	Description
Approved (100% probability)	With planning permission
Allocated (varying probability –see constraints below)	Allocated in development plan
Potential (Varying probability – see constraints below)	All other sites not allocated or with PP that may come forward for housing
Excluded (0% probability)	Sites with new build housing since 2003
	Sites completed in last 10 years with high value retail, office or leisure;
	Listed building or scheduled monument site
	Strategic operational use sites (airports, sewerage etc.)
Unsuitable (0% probability)	Identified as having a constraint
Unsuitable (selected) (0% probability)	Includes local open space; but mainly local constraints (e.g. multiple ownership sites)
Low probability (8%probability)	School or hospital with no planned redevelopment
	Site is an area of private / mixed tenure housing in multiple ownership no planned redevelopment
	Social housing estate with no planned intensification programme up to 2036.
	New build housing completed before 2003
	A high value retail / leisure / office development completed before 2003
	Boroughs own low probability reasons

Source: GLA

6.2.7 Allocated and potential sites have a variable probability based on various constraints of the sites. These can be policy constraints e.g. open spaces are given a 0% probability as are Strategic Industrial Locations (SILs); Environmental constraints or Local constraints. The following table presents the probabilities of constrained sites coming forward for development.

Table 6.3 - Probabilities of allocated and potential sites

A Policy constraints		Probability
	i) Open space (greenbelt; metropolitan open land; AoONB, SoSNCl; Local Plan Public / Private open space)	
	ii) Protected wharves	0%
	iii) SILs,	0%
	iv) LSILs,	
	- Restricted transfer Borough (a reduction of 60% relative to the notional capacity)	40%
	- Limited	50%
	- Managed	60%
	v) LP Protected non designated industrial sites	
	- Restricted transfer Borough (a reduction of 55% relative to the notional capacity)	45%
	- Limited	55%
	- Managed	60%
B Environmental constraints		
	vi) Environmental constraints (5 variables classified as Low, Medium, Unsuitable)	
	- if 1 medium	90%
	- if 2 medium	75%
	- if 3 medium	66%
	- if 4 medium	50%
	- Any Unsuitable	0%
	NB: except flood risk which has 2 further categorisations Low-Medium, Medium, High-Medium = probability reduced by a further 7% (Medium) and 10% (High-M)	
C Local Constraints		
	vii) Local Constraint (4 variables)	
	- if 1 medium	90%
	- if 2 medium	80%
	- if 3 medium	70%
	- if 4 medium	60%
	- Any Unsuitable	0%
A,B & C generate a probability by site		
D= final probability = Lowest of A, B or C		

Source: GLA

Sensitivity Testing the SHLAA

6.2.8 The SHLAA housing capacity estimates are based on the assumptions presented above. In this section, the results of a number of sensitivity tests that have been undertaken to check the potential and the scale of change that can be accommodated in town centres should a different approach be pursued are presented. The tests are applied generically to all sites greater than 0.25ha in the SHLAA for testing purposes.

Excluded Strategic Sites

6.2.9 The SHLAA notes that there are a significantly large number of sites that are excluded from the SHLAA due to their status as strategic sites. These are sites that contain strategic infrastructure such as airports, railways, sewerage treatment works, waste sites and associated depots that are in operational use and have no potential of becoming redundant over the plan period.

6.2.10 A large number of schools and hospitals are also excluded from the SHLAA by boroughs on the grounds of strategic operational use. However schools and hospitals are not classified as strategic infrastructure rather they constitute an element of the so called Low probability sites that are known to have an 8% probability of coming forward for development in the future. In chapter 8 opportunities to intensify such sites are presented.

6.2.11 As part of this sensitivity test, excluded or unsuitable school and hospital sites are re-classified as Low Probability sites and are given an 8% probability of coming forward for housing development in the future. There are 568 sites re-classified under this sensitivity test.

Excluded Employment Sites

6.2.12 There are also a number of sites that are excluded from the SHLAA due to a recent high value retail, leisure or office completion on site. In light of recent national planning policy changes it is expected that planning can potentially be attained on sites with existing high value employment. As part of this sensitivity test, excluded sites were re-classified as Low Probability sites with an 8% probability of coming forward in the future. In total there are 146 sites tested.

Ownership

6.2.13 A key constraint in the SHLAA is ownership. Site ownership is a local constraint that influences the probability of sites coming forward in the future. In many cases in the SHLAA sites with multiple ownerships are classified as unsuitable for housing development on the grounds of the difficulties bringing forward sites in multiple ownership. In the text below and in Chapter 7 of this report tools and mechanisms that can be employed to overcome this constraint in the future in London are presented.

6.2.14 In this sensitivity test, the impact on capacity in town centres if these tools are employed for sites in multiple ownerships was examined:

- Each SHLAA site is evaluated according to the constraint of multiple ownership. Sites are classified as having a low constraint, a medium constraint or as unsuitable purely due to multiple ownerships.
- In this sensitivity test sites identified as having medium ownership constraints are re-classified as low ownership constraint. There are 363 sites tested.
- Equally, sites identified as unsuitable purely due to multiple ownership are re-classified as low constrained sites. There are 398 sites tested.

6.2.15 These sensitivity tests also have an impact on the probabilities of allocated sites and sites with potential as they influence the local constraint assumptions applied to these.

6.2.16 As noted above the sensitivity tests are only applied to SHLAA large sites and does not include potential large sites made up of many individual fragmented ownerships. If these small sites in fragmented ownerships could be brought forward there would be even more capacity.

A High Value Retail / Leisure / Office Development Completed Before 2003

6.2.17 One of the reasons sites are classified as low probability sites is due to the existing employment uses. Planning policy changes have had an impact on the ability to change uses of existing employment premises. Evidence from the GLA Town Centre Health Check shows that since 2013 there have been just under 1,700 applications affecting ca. 400,000 sq m of B1 office space and potentially yielding 8,300 residential units.

6.2.18 In this sensitivity test, sites classified as Low Probability sites due to the existing employment uses are given a higher probability of coming forward for development. Instead of an 8% chance of coming forward, a 16% chance of coming forward for development has been assumed. There are 432 sites tested with this assumption.

Density Tests

6.2.19 The original SHLAA densities are estimated based on the PTAL rating of the site and the character of a site. As part of the consultation process boroughs could amend the estimated SHLAA densities to take into account local sensitivities, which could either reduce or raise densities. In this sensitivity test, sites with densities below the London Plan Sustainable Residential Quality Matrix (SQR) are checked to determine what they could achieve using the maximum SQR density by character and PTAL. Exception is made for approved sites and LLDC sites which retain their SHLAA density.

Table 6.4 - Probabilities of allocated and potential sites

Types of sites over 0.25ha	Original SHLAA probability	Sensitivity tested probability
Approved	100%	100%
Allocated	Varying probabilities	
Ownership constraint = unsuitable or medium constraint	Varying probabilities	
Ownership constraint = low constraint		
Potential		
Excluded (0% probability)	0%	
	8% (Schools and Hospital sites and sites with high value retail, leisure or office)	
Unsuitable		
Unsuitable (selected)		
Low probability	8%	16% (sites with existing employment uses)

Source: GLA

The Results of the Sensitivity Tests

6.2.20 The applied sensitivity tests have an impact on the capacity of sites in London as a whole and in town centres and edge of town centres.

6.2.21 Prior to the sensitivity tests the 10-year housing capacity of London is estimated as 290,000 homes or 29,000 homes per annum.¹ In town centres the SHLAA capacity is 154,000 homes or 15,400 homes per annum.

6.2.22 After the sensitivity tests are applied to the SHLAA data, there is a 10 year capacity of 362,000 dwellings over 10 years or 36,200 dwellings per annum. This is an increase of 75,000 dwellings over 10 years. The town centre sites capture a vast majority of that capacity increasing from 154,000 homes to 218,000 dwellings a change of 63,800 dwellings or 6,400 dwellings per annum. The distribution of this change by town centre is shown in the table below.

6.2.23 The largest changes in capacity occur due to the ownership sensitivity test and the density sensitivity test.

¹ PBA calculated notional capacity of the SHLAA using the GLA data supplied gives a different capacity estimate. It is unclear why there are differences at this stage. The data presented here is the PBA estimated capacity which is based on the PBA notional capacity between 2015-25. GLA Notional capacity is 1,545,509; PBA estimated notional capacity is 1,601,158 i.e. a difference of 55,649 dwellings.

Table 6.5 - Sensitivity tested SHLAA (largest absolute change by town centre)

	Sensitivity tested SHLAA	Original SHLAA	Difference	% dif.
London	362,000	287,000	75,000	26%
Richmond	4540	90	4450	4817%
West End	4510	340	4170	1229%
Barking	4250	1670	2580	155%
Orpington	2480	130	2350	1858%
Hounslow	4430	2260	2170	96%
Bromley	2750	1130	1620	143%
High Holborn / Kingsway	1680	130	1550	1211%
Coulsdon	1940	650	1290	200%
Barkingside	1970	710	1250	176%
Walworth Road	4690	3550	1140	32%
Romford	4760	3690	1070	29%
The Strand	1150	150	1000	661%
Victoria Street	1110	120	990	821%
Wembley	4810	3820	990	26%
Hendon Central	980	10	960	7243%
Catford	1660	720	940	132%
Queensway / Westbourne Grove	940	0	940	
Whetstone	1890	980	910	93%
Kingston	2590	1710	870	51%
East Sheen	1030	220	820	376%
Feltham	1250	430	820	193%
Sutton	1490	690	810	118%
Ilford	4820	4030	800	20%
Hackbridge	1230	480	750	158%
Brentford	1780	1070	710	67%
Lewisham	2450	1760	690	39%
West Norwood	820	180	640	358%
Shepherds Bush	2610	1990	620	31%
Canary Wharf	9380	8790	590	7%

Source: PBA

6.3 New Mechanisms for Housing Delivery

6.3.1 As already noted dwelling completions are running at less than half the 49,000 annual need Draft FALP target. Given the long history of housing delivery rates set out earlier it does not seem plausible that the target delivery rates can be met in the absence of significant new entrants to the market. This either means new private sector housing developers, and there are substantial barriers to entry for the scale of entry required, or more realistically it requires new models or mechanisms for housing delivery. Set out below is a review of potential mechanisms concentrating primarily on the potential for the Private Rental Sector (PRS) as this seems to offer one the greatest areas of potential. The sector is being actively promoted and researched by public and private bodies as a way of increasing housing supply and providing a residential product which is more complementary to commercial investment objectives relating to retail development.

6.3.2 Other mechanisms are then covered, namely:

- Real Estate Investment Trusts (REITs)
- Tax Increment Financing (TIF)
- Local Asset Backed Vehicles (LABV)
- Direct Funding
- Housing Zones

6.3.3 Many of these proposed mechanisms are set out in the recently published Mayor's London Housing Strategy¹, however, they are addressed here with specific reference to their role in Town Centre housing delivery.

New Forms of Residential Investment – the Emergence of PRS

6.3.4 A model that is particularly suited to town centre redevelopment is the Private Rental Sector model. It allows developers to retain control of the residential elements of a mixed-use scheme and operate the whole building as an investment. By letting units on assured shorthold tenancies many of the complications around residential leaseholders' rights can be avoided.

6.3.5 Private rented housing is a growing part of the housing market. It comprises almost 16.5% of all households, or nearly 3.8 million homes in England. The private rented sector offers a flexible form of tenure and meets a wide range of housing needs. It contributes to greater labour market mobility and is increasingly the most common form of tenure for young people.

6.3.6 Large-scale institutional investment in private rental housing could provide a source of new funding for the housing sector and could provide greater choice for consumers. This is on the basis that the supply of private sector housing for sale remains relatively fixed (Figure 1.1, p.4) and if the supply of housing is to be increased, other entrants into the market are required.

1 Homes For London: The London Housing Strategy (April 2014)

The use of institutional funding has been identified as a potential source and much effort is being put into developing practical business models for this emerging sector.

6.3.7 The Government has introduced a number of financial measures aimed at encouraging the sector. The 2011 Budget introduced changes to Stamp Duty Land Tax which will mean that large-scale investors pay a typical 1% instead of 5% on bulk purchases, as Stamp Duty will be assessed on the average value of individual properties rather than on the overall value of the portfolio.

6.3.8 Also in 2010, the Homes and Communities Agency (HCA) launched its Private Rental Sector Initiative (PRSI) in order to encourage more institutional investors to take an interest in the residential housing market, with a specific focus on encouraging those investors who would commission and purchase new-build housing.

6.3.9 The HCA signed their first deal for new rented homes with the Berkeley Group in 2010 using the Agency's Kickstart programme to provide support. A number of institutional investors, including Aviva, are continuing to look toward the creation of residential investment funds.

6.3.10 PRSI has ceased as an HCA initiative but they are now supporting local authorities to bring forward private rental funds within their areas and are helping broker relations between public landowners and private rental investors. This brokerage role has helped the ODA with its marketing of the Olympic Village to investors.

6.3.11 Despite these initiatives, it is arguable whether the PRS has yet to gain substantial traction in the market place. The barriers to this sector are outlined below:

- **Viability:** Although rents have risen in recent years, the PRS has always been viewed by investors as a way of holding properties in anticipation of capital value increases rather than an increase on rents. Developers have reported that in the current market, to a developer the capital value of a PRS product is on average 10% less than a unit designed and built for private sale.
- **Occupier churn:** One of the problems with the PRS is the lack of continuity of occupiers and therefore the ongoing problems of rental voids. Most of the sector operates on an assured shorthold tenancy, which only guarantees the landlord a period of between 6 and 12 months guaranteed income. Developers are seeking to overcome this issue through design and making the developments themselves more attractive to live.
- **Rental enforcement:** Residential occupiers have more protection than commercial tenants when it comes to occupation rights and protection from eviction.
- **Management costs:** Tend to be higher, institutions need to work through RSLs who have the skills and in house expertise for the management functions. On average these are much higher than the equivalent fees for commercial premises such as retail or offices.

6.3.12 Nevertheless PRS has the potential to create additional supply and is particularly suited to town centre locations because of the high PTAL ratings of many of these areas (essential to attracting and keeping residential tenants in London) and the synergy with commercial ground floor investments.

PRS and the Private Sector – Delivery without Public Involvement

6.3.13 Properties owned for private rent have always been a significant proportion of the housing stock in London. The majority of the stock has historically been controlled by private individuals either for investment purposes or as a temporary let if that home is not required for a period of time. As a proportion of housing stock, the sector declined over the 20th century. From 2001 to 2011 however the sector in the UK has reportedly almost doubled.

6.3.14 The legislation around the private rental sector governing security of tenure, management and maintenance and rental increases and control has evolved around private individual ownership. It would also be true to say that much of the legislation has not been particularly helpful to institutional investment in the sector on a large scale.

6.3.15 As a consequence the wider investment in this sector has been extremely limited over the past 10 years despite the support and enthusiasm of public and private developers to make the sector work. Nevertheless, the recession of the past 5 years has shown how reliant the housing sector is on the financial institutions providing purchasers with affordable mortgages to acquire properties. The upturn in London housing prices may rapidly change if access to mortgages dries up. PRS theoretically allows housebuilders to maintain supply as income is less reliant on the lending institutions.

6.3.16 Fundamentally the PRS sector cannot compete directly with private sale schemes on site acquisitions because of the initial viability gap.

6.3.17 The appraisal summaries below illustrate the initial market gap on an identical residential development between a PRS scheme and one for private sale, both with 40% affordable housing.

Table 6.6 - Residual land value comparison private sales and private rental of 208-unit scheme at 400 units per hectare (u/ha)

£ psm	Residual value private sales £per ha	Residual value PRS £per ha	Gap
£7,000	£57,099,087	£36,757,239	£20,341,848

6.3.18 The residual value is the theoretical figure available to a developer to acquire the site. The implication is that a developer looking to develop a private sale scheme will always be able to outbid a developer looking to create a PRS project.

6.3.19 The difference in residual value is due to:

- the value of the capitalised rent being less than the price that a private occupier would pay, primarily because the value for owner occupation is more than the worth of a housing unit being created for investment purposes;
- the PRS developer needing to factor in a void of around 10-15% for unoccupied units, where the private sale scheme does not; and
- management costs taking a significant proportion of potential income, potentially up to 25% of gross income.

6.3.20 There is no simple way to overcome the differential in viability. The potential movement lies with the level of planning obligations that both products have to provide (in this example at least 40% affordable housing).

6.3.21 Therefore it is unlikely that in the current market that PRS will be the primary tool for increasing housing delivery on 'traditional' housing sites. It is more likely to be used in more exceptional circumstances for example:

- when a site owner wishes to create an income stream rather than a capital receipt;
- where the primary operation is commercial but residential provides an opportunity to increase income through intensifying the use of the building or site but the owner does not want to either dilute ownership or lose elements of control of the commercial management of the property;
- where there has yet to be a residential market established and sale values are unproven; and
- where the scale and nature of the development means that a large number of units need to be brought forwards simultaneously and demand and capital values in that area are not sufficient to sustain the funding costs of a letting and sales void.

6.3.22 Town centres that have the potential for residential development display many of the characteristics listed in the bullet points above. PRS is a natural tool for town centre residential development in London, nevertheless, the conclusion of this report and others is that this sector needs to be financially incentivised to encourage institutional investment in the market around PRS development in town centres. Planning obligations are primarily designed to tax private housing schemes and not other forms of housing. The simplest approach is therefore a reduction in the level of planning obligations for affordable housing until the market has had an opportunity to establish itself. Recommendation DM1, set out in Chapter 10, calls for sufficient weight to be given to deliverability and viability considerations and for boroughs and the Mayor to be flexible in the interpretation and implementation of affordable housing policies (particularly in relation to PRS).

6.3.23 PRS would therefore need to demonstrate that it is creating additionality by bringing forward housing units that would not otherwise be built. By altering planning policy specifically for town centre development this could be achieved.

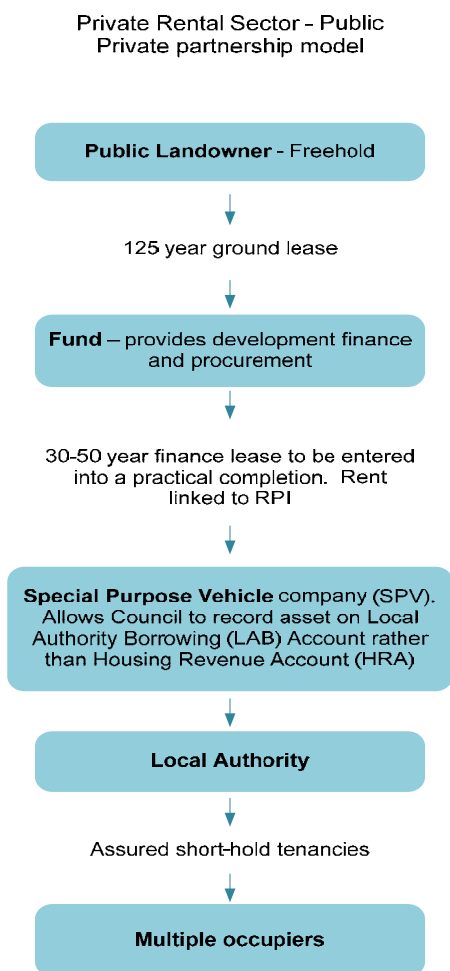
6.3.24 In summary:

- Housebuilders will only build as fast as they can sell. The market has been stable for many years in this respect.
- PRS allows product to be developed rapidly – it is not dependent on sales and the private rental market is very strong in London.
- The sector needs institutional investors not conventional housebuilders though the latter's skills are essential to delivery.
- Traditional returns have been based around increases in capital value not rental income.
- Churn is an issue. 10-15% regular voids can hurt investor returns. Good design and management can reduce these issues.

Barking and Dagenham Case Study- Public Sector and PRS

LB Barking & Dagenham and Long Harbour with advice from Pinsent Masons have signed a development agreement to deliver 477 units most of which are set at 80% of affordable rents. The form of this model is set out overleaf and is applicable to delivering either an affordable rent or a PRS model.

Figure 6.1 – Barking and Dagenham Model



The financial structure allows a public sector body to invest its land asset rather than sell it to deliver development. This has the advantage of creating a long-term income stream as well as delivering either affordable or private rental housing.

The model relies on the public sector taking a long-term view on the realisation of income from the land asset and being prepared to actively manage and maintain the completed development.

Procuring a partner can be simplified by the use of the GLA contractor panel, which is OJEU compliant. It is down to the contractor to source and deliver the investment fund.

The asset needs to be held through an SPV to avoid the investment appearing on a Local Authorities Housing Revenue Account (HRA). This is tightly capped and even a single scheme of any size would breach the cap. If the asset is classed on the Local Authority Borrowing Account along with commercial assets then the cap is much more flexible.

State aid can arise where a public body gives a fiscal advantage to a commercial company – including an SPV even if its 100% owned by a public body. The European Union offers Block exemptions to for certain sectors for example SME's and housing. The local authority therefore needs to satisfy the Market Economy Lend Principle – arguably affordable and private housing serves a general economic interest and is not caught by state aid.

The 30-50 year lease between the investor and the local authority cannot become a finance lease. This could potentially create issues with the local authority balance sheet in respect of borrowing.

TIF or Business Rate Retention

6.3.25 Tax increment financing, or TIF, is a public financing method that is used to fund development and infrastructure. It is a mechanism that allows future income from business rates to subsidise current improvements, which are used to create the conditions for future income.

6.3.26 The system was first developed in the US where it has proved to be very successful. In the UK its use has yet to be properly tested with the UK treasury imposing strict limits on the type and scale of developments that TIF can be used to fund.

6.3.27 TIF may have a role to play when large infrastructure payments are required to allow high street locations to be intensified. For example, the huge investment required to redevelop Earls Court or White City in the LB of Hammersmith and Fulham.

6.3.28 Overall TIF applies to specific situations rather than generic conditions. It would be difficult to devise a London-wide TIF policy for high street intensification.

Local Asset Backed Vehicles

6.3.29 Local Asset Backed Vehicles (LABV) emerged in the early 2000s as a way of allowing the private and public sector to partner in regeneration schemes. Their introduction was against a backdrop of tightening regulations on state aid subsidy for commercial regeneration projects which effectively prevented the City Grant and English Partnerships investment programme from investing with the freedom it previously had in the 1980s and 1990s. The financial crash of 2008 further compounded the problem by limiting the ability of the public sector to invest and needing to rely on the creative use of existing assets to achieve regeneration and development goals.

6.3.30 In a basic LABV model, a public sector body will create a Special Purpose Vehicle (SPV) with a private sector partner. The public body transfers real estate to this company at market value, and the private sector partner at least matches the value of those assets with investment capital. These two investments form the equity of the SPV.

6.3.31 The private partner then undertakes development, while the public sector as landowner gains a share of the profit in return for investing its land in the venture. The potential advantage to the public sector is that it is able to share in any future uplifts in property values as the market improves. The downside of course is that it is also prone to suffering a future loss if the market declines

6.3.32 An equal share is also assumed on the basis that the future development is financially viable. In many cases this is not the situation and the public sector has to also inject development capital alongside the private investment.

6.3.33 LABV's are not in themselves a solution to market failure. They allow risks to be shared but are still subject to the criteria of private sector investment funding and the need for the private sector to gain a reasonable return from their investment. Potential conflict also exists in that the aspirations of public and private partnership are often very different. The former's agenda for social and economic benefits can conflict with the latter's motivation for maximizing commercial returns. Changes in the political and investment landscape can lead to a partnership unravelling.

6.3.34 They are also currently expensive and time consuming to set up with the need to satisfy the Official Journal of the European Union (OJEU) procurement rules meaning that these vehicles need to be of a significant size in order that the private development partner can gain from economies of scale.

6.3.35 As a delivery mechanism for high street intensification, they do have a role to play in areas where the public sector has a significant ownership to offer a private developer. They need to be considered on a case by case basis and the risks and rewards of the public sector as landowner carefully appraised.

REITs

6.3.36 In simple terms, Real Estate Investment Trusts (REITs) are property companies that allow investors to gain in the risks and rewards of property investment without the need to physically own or develop properties themselves.

6.3.37 REITs are exempt from Corporation tax and investors are essentially subject to the same regime as if they obtained rent directly from the property.

6.3.38 They have a potential role in increasing the availability of finance to fund residential development for rent (both public and private). One of the most active REIT's in London is British Land who are playing an active and positive role in the redevelopment of key retail developments at Surrey Quays and in Kingston upon Thames.

6.3.39 The issues facing a REIT investing in residential development concern corporate governance and how residential returns compare with commercial. PRS could provide a complementary portfolio offer to commercial properties within a REIT but issues around taxation, VAT and the relative performance of the sector compared to commercial assets need to be addressed.

6.3.40 REITs could potentially be a much greater player in the residential market because of their ownership of town centre sites (and in particular shopping centres), access to corporate funding and willingness to take a long-term view on property ownership and management.

6.3.41 Developments above existing shopping centres owned by REITs are also more feasible in the short to medium term due to sites being within a single ownership and management structure.

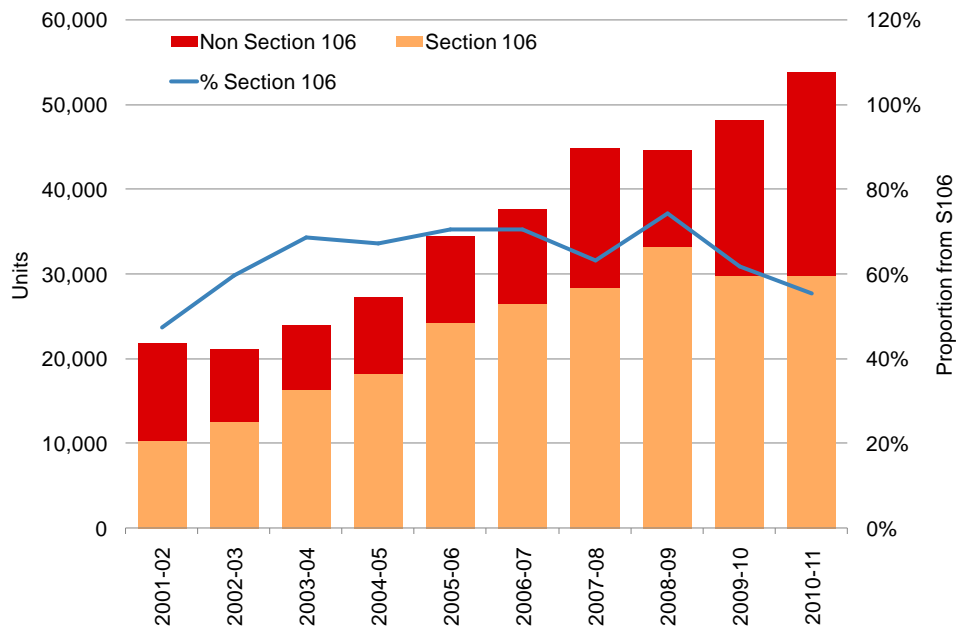
Direct Funding

6.3.42 Essentially this is around the provision of new council housing whereby the public sector acquires, develops and manages affordable housing without the intervention of private investment. Recent data from DCLG shows that there has been a steady decline in the provision of affordable housing through 106 agreements and a rise in other delivery methods.

6.3.43 The increase in non-S106 affordable housing provision has been achieved against a backdrop of restricted local authority funding for new council housing. Restrictions are being eased, but the key question is whether in and around town centres are the most suitable locations for directly funded affordable housing provision.

6.3.44 As the development in town centres would presumably in most cases come with a need for ground floor retail space direct funding may not be the most appropriate delivery mechanism on a wide scale. With the pressures for new affordable housing being so immediate and pressing, sites in existing residential areas already in public control would contribute quicker to the supply chain.

Figure 6.2 – Section 106 affordable housing delivery



Source: Additionality of Affordable Housing (January 2013), Savills Research

Housing Zones

6.3.45 The Mayor's draft Housing Strategy 'Homes for London – The London Housing Strategy' (Draft for Consultation, November 2013) introduced the concept of Housing Zones. The final Strategy (April 2014) makes clear that Housing Zones will be a partnership between the Mayor and boroughs. It goes on to state that the rationale is to accelerate new housing delivery in tightly defined locations, with a targeted focus on measures that would enable new homes to come forward much more quickly than would otherwise be the case. Paragraph 4.11 of the strategy sets out that the Mayor, working with boroughs, will establish a bespoke set of local policies in each Zone and will align both its own, the boroughs' and other partners' resources to optimise output and that this might involve targeted tax incentives, in a similar way to enterprise zones, lighter touch planning and effective land assembly. The Draft FALP Policy 8.1 (Implementation), drafted before the Housing Strategy was finalised, refers to Zones being focused on Opportunity Areas. To be consistent with the final Housing Strategy and to maximise the potential use of Housing Zones to help intensify town centres, Draft FALP Policy 8.1 should no longer refer to Opportunity Areas. This is picked up in Recommendation PP5.

6.3.46 Housing Zones have the potential to help bring forward housing intensification in town centres that are within Opportunity Areas. It is recommended that the Mayor develop this model to sit alongside other delivery mechanisms to help deliver significant change in town centres (see Recommendation INT1).

6.3.47 Housing Zones should be tasked with helping to deliver a holistic town centre strategy. They should establish a streamlined development management process by putting in place a one-stop-shop 'combined authority' approach and good process to ensure speedy / good quality decision making, as in the Royal Docks and Birmingham City Centre Enterprise Zones, or, where appropriate, preparing a Local Development Order that grants permission for certain types of development. The Mayor is due to publish a prospectus on Housing Zones later in 2014 that will set out in more detail what planning regime and financial incentives might apply.

6.3.48 One of the key drawbacks of previous commercial enterprise zones was displacement of existing investment. It may therefore be prudent to aim the incentives at new sectors (such as PRS) or types of development (low and medium rise) to achieve parity with larger high-rise schemes. The overall aim would therefore be to bring new players into the housing market rather than shift existing investment round the capital.

6.3.49 The true test for Housing Zones is whether they create net additional housing, or merely displace investment activity from elsewhere. Net additionality is more likely where new entrants are attracted in to the market and hence trialling the PRS model may be one option.

6.4 Town Centre Residential Projects

6.4.1 To illustrate the issues around viability in town centre developments, a number of high-level appraisals have been undertaken. These are based on development appraisals of hypothetical schemes, using the residual valuation method. This approach is in line with accepted practice and as recommended by the Royal Institute of Chartered Surveyors (RICS) guidance¹ and the Harman report.²

6.4.2 The development is said to be viable if a balance can be achieved between the developers required return, an appropriate sum for the landowner(s) and holders of other interests and that planning obligations can be satisfied. This is illustrated below:

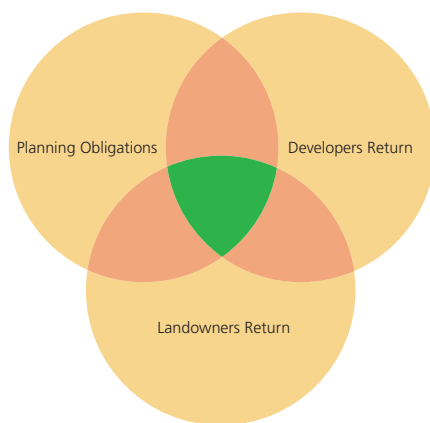


Figure 6.3 – Development viability balance

6.4.3 A residual valuation approach was applied to different locations around London assuming typical planning obligations, developers’ returns and benchmark land values. They aim to show typical values for each. It is based on the following formula:

$$\begin{aligned} &\text{Value of completed development scheme} \\ &\quad \textit{minus} \\ &\text{Development costs - including build costs, fees, finance costs etc.} \\ &\quad \textit{minus} \\ &\text{Developers return (profit) – the minimum profit acceptable in the market to undertake the scheme} \\ &\quad \textit{minus} \\ &\text{Policy costs – building in (for example) Section 106 costs and other policy requirements} \\ &\quad \textit{equals} \\ &\text{Residual land value} \end{aligned}$$

6.4.4 Which in a well-functioning market should equal the value of the site with planning permission.

6.4.5 For each of the hypothetical schemes tested, this formula is used to estimate typical residual land values, which is what the site should be worth once it has full planning permission.

1 RICS (2012), Financial Viability in Planning, RICS First Edition Guidance Note

2 Local Housing Delivery Group Chaired by Sir John Harman (2012) Viability Testing Local Plans

The residual value calculation requires a wide range of inputs, or assumptions, including the costs of development and the required developer's return.

6.4.6 The arithmetic of residual appraisal is straightforward; a bespoke spreadsheet model for residential appraisals is used. The difficulties grow when calculations that represent a typical or average site are required to be undertaken. Therefore, the viability assessments are necessarily broad approximations, subject to a margin of uncertainty and should serve only as a proxy for viability rather than a definitive answer.

6.4.7 Having estimated the residual value, this is compared with the 'benchmark land value' or 'land cost', which is the minimum land value the landowner is likely to accept to release their land for the development specified.

6.4.8 In complex urban environments such as high street locations land is subject to a variety of different interests, easements and rights, assessing a land value is difficult. Therefore, the approach has been to focus on retail values in high street locations as the primary driver of value and assume sites have little or no value in the upper floors. We accept that this is not the case in every location.

6.4.9 Within the benchmark land value, a 30% uplift from the existing use value has been assumed. This is broadly based on public intervention to assemble sites with a 10% for loss payment and 20% for disturbance to reflect the possible need for CPO to assemble the sites for development.

6.4.10 The RICS guidance does distinguish between Existing Use Value (the calculation of which is outlined above) and Site Value. However, this distinction is considered to be limited in the case of land which is already intensively used and accordingly that EUV based on retail values as an appropriate benchmark for the viability testing.

Viability Results

6.4.11 The viability testing has looked at eight different case studies areas across London. The purpose of the testing is to establish three primary core drivers of viability (viability criteria) and the impact these have on providing employment space and policy obligations. Testing only three elements of viability allows for a comparative approach between different locations and value zones within London. For the reasons outlined above they are high level and represent a broad indicator of viability. Site specific schemes will always be more relevant and could show different results to the appraisals within this report.

6.4.12 The viability criteria assessed are:

- the relationship between existing use secondary retail (existing site values) and residential capital values;
- variations in scheme density; and
- variations in policy obligations and planning condition costs (affordable housing and Community Infrastructure Levy (CIL)).

6.4.13 For each of the eight case study areas five different development scenarios have been assumed. These five scenarios are set in Table 6.7. Analysis was undertaken of current development in London to establish a suitable mix of retail and office space as part of the development mix.

Table 6.7 - Development Scenarios Tested

	Net developable hectares	No. of residential units	Office GIA sq m	Retail GIA sq m	Units per Ha
Low density	0.125	25	317	210	200
Low / Med. density	0.250	75	600	630	300
Medium density	0.520	208	987	2101	400
Med / High density	0.520	234	987	2101	450
High density	0.520	260	987	2101	500

Source: PBA

6.4.14 The five density scenarios reflect a range of schemes in outer London. The scale and quantum of development is driven by both local and Greater London planning policies as to what is permitted and is appropriate to individual sites. Typically they could be illustrated as:

- low density – 2 storey buildings
- low – medium density 2-5 storey buildings
- medium 3-5 storeys
- medium high – 6 storeys plus
- high density 6 storeys plus

Figure 6.4 – Illustrative densities



PTAL: 2-3
Category: Urban
Density: 185u/ha

Consort Road,
Walter Menteth
Architects



PTAL: 4-6
Category: Urban
Density: 200u/ha

Seven Sisters
Road, Sergiston
Bates



PTAL: 2-3
Category: Central
Density: 157u/ha

Peabody Avenue,
Howarth Tompkins



PTAL: 4-6
Category: Urban
Density: 320 u/
ha

St. Andrews
Block B,
Maccreanor
Lavington



Source: Housing Density Study, 2012

6.4.15 Assumptions have been made for the site value for the proposed development, this has been based on secondary retail values with adjustments outlined in par. 6.4.6 - 6.4.8.

6.4.16 For the proposed development scenarios, appropriate residential capital values are based on market evidence of new build prices in the eight study areas. Affordable values are based on 55% of residential capital values and reflect the lower income from social housing to a developer.

6.4.17 Market rents and yields have been applied for the retail and office space in the eight study areas. A 10% running letting void has been assumed in the office space to reflect that the space will be let to SMEs on short-term leases.

Table 6.8 - Key value assumptions

	Residential capital values £ psm	Existing use capital values £psm	New build retail values		New build office values	
			Rent £psm	Yield	Rent £psm	Yield
Balham	£7,000	£4,306	£500	7%	£200	10%
Brentford	£5,000	£979	£215	8%	£215	9%
Canning Town	£5,500	£1,000	£323	8%	£150	10%
Sutton	£4,000	£2,440	£350	7%	£200	9%
West Norwood	£4,600	£1,400	£172	7%	£129	10%
Wood Green	£4,000	£1,500	£323	7%	£188	12%
Woolwich	£4,700	£1,507	£215	7%	£161	10%
Edgware	£4,800	£1,800	£370	7%	£200	11%

Source: Rightmove, nethouseprice, Land Registry, CoStar and EGi

6.4.18 Build costs have been based on data published by Build Cost Information Service (BCIS) which is an industry recognised source of build cost data as at April 2014. The following rates have been used:

- flats - £1,739 psm
- office space - £1,407 psm
- retail space - £874 psm

6.4.19 BCIS build costs assumes standard build specification with no site abnormalities. The build cost for offices includes fit-out to modern specification including suspended ceiling, recessed lighting, and raised floors but excludes air conditioning. The build costs for retail space is to shell only as these occupiers in the market undertake their own fit-out. As previously recommended in this report all non-residential space should be partially fitted-out, and that this is unlikely to significantly affect the approximate nature of these appraisals.

6.4.20 In addition to the build costs, a further 5% of construction costs has been allowed for external works, 10% for professional fees and a further 5% for a contingency. A debit interest rate of 7% has been applied in the cashflow.

6.4.21 A developer profit of 20% of build cost has been applied. This is in line with current market conditions for the type of development proposed.

Key Findings from Viability Testing

6.4.22 The key outputs of the viability testing are summarised as follows:

Mixed-Use - Residential, Retail and Office

- The viability testing shows that when development density is increased viability improves. This is because additional floorspace is created when increasing the development density. This additional floorspace increases the schemes development value, which directly improves the amount a developer can bid for a site. Should development density be reduced (and hence the quantity of floorspace created reduced) to below the lower density tested of 200 dph then the scheme viability will reduce.
- The viability testing has established that affordable housing has a significant impact on viability as a result if this element is reduced in quantum viability improves.
- If residential sale values are £4,800 psm or higher and development density is at least 400 dph then development is marginally viable with an affordable housing rate of 40%. This can be achieved where existing retail capital values on high street frontages are no higher than £1,800 psm. Example locations include Woolwich, Canning Town and Balham.
- If sale values are below £4,800 psm then development is unviable with 40% affordable housing across all density scenarios. Therefore, sale values of £4,800, development density of 400 dph and existing use value of £1,800 psm appears to be the tipping point to support 40% affordable housing.
- To enable development with sale values of less than £4,800 psm but no lower than £4,600 psm then affordable housing policy needs to be reduced to 20% and the development density cannot be any lower than 400 dph. Even then existing retail values cannot be any higher than £1,400 psm.
- Once residential values fall below £4,600 psm development is typically unviable even with 10% affordable housing. Sutton town centre is an example where town centre schemes achieved circa 10-15% affordable housing.
- In areas where secondary retail capital values are high (£4,300 psm) then residential values need to be much higher to enable viable development. In this scenario a sale value of between £6,000 psm to £7,000 psm would enable viable development at a density of 400 dph with 40% affordable housing. A sale value £7,000 psm would also enable viable development at lower densities of 300 dph.
- In areas where the retail capital values are relatively high (£1,500 psm) in relation to the residential capital values (£4,000 psm) such as Wood Green then development is not viable even with 10% affordable housing.
- On smaller schemes of 25 units and 75 units increasing the development density from 200 dph and 300 dph respectively to 400 dph significantly improves viability. However, as viability in these scenarios is relatively poor due to the low quantum of residential accommodation affordable housing still needs to be reduced to further improve viability. A combination of increasing the density to 400 dph and reducing the affordable housing to 20% starts to make the majority of scenarios viable expect were residential sale values are £4,600 psm or below.

Mixed-use - Residential and Retail, Office Element Removed and Replaced with Residential

- Once the office element is removed and replaced with residential, lower density development (200 dph) is then viable with 40% affordable housing. However, residential capital values need to be £5,000 psm or above and the existing use value of retail needs to be no higher than £1,000 psm. In areas where retail values are much higher (£4,300 psm) then development density can only be reduced to a minimum of 300 dph but residential capital values need to be £7,000 psm or above. Therefore, removing the office element has a marginal impact on viability but does not move those particular unviable scenarios to one of viability.
- In areas where the retail capital values are relatively high (£1,500 psm) in relation to the residential capital values (£4,000 psm), such as Wood Green, removing the office element from the scheme improved viability in this scenario, however it is still not sufficient to enable viable development. Therefore, a further increase in density would be required to facilitate viable development.

Single use - Residential

- Removing the retail element on the scenarios tested is unlikely to be a feasible solution. In the areas tested retail capital values are typically higher than that of residential whereas offices are lower. Therefore, the retail element is important to create scheme value.
- Furthermore, ground floor residential is generally unattractive for residents and is likely to achieve lower capital values. This is because there are issues surrounding noise and security when apartments directly face onto the high street. As a result this scenario has not been tested in the viability scenarios.

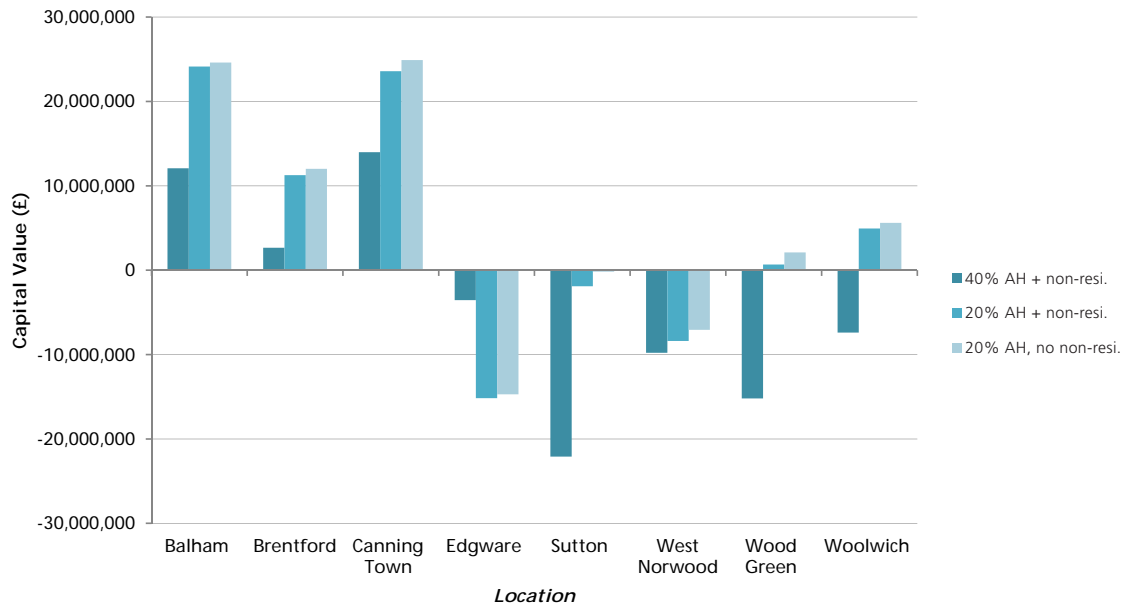
6.4.23 The viability testing has shown that size and density are key drivers to enable a viable scheme whilst not compromising on affordable housing or other planning contributions. Existing use values in high streets are such that substantial development is required to enable intensification to be financially viable in the prime areas and to a lesser extent on more peripheral sites.

6.4.24 Medium rise schemes are unlikely to come forward unless the retail value in that location is extremely low.

6.4.25 The appraisals stress the importance of achieving a balance between non-residential accommodation and other Section 106 obligations. Both can only be achieved in high density good value areas.

6.4.26 The figure overleaf illustrates the difference in terms of the viability of the scheme proposals under two scenarios: a) 40% Affordable Housing and inclusion of an office component; b) 20% Affordable Housing and an office component and c) 20% Affordable Housing and no office component. In some cases scenario C simply makes a viable scheme more profitable. In other cases, it still does not produce a viable scheme. However, in some locations it makes the difference between a scheme being viable or not.

Figure 6.5 – Difference between capital value and benchmark value under three medium density scenarios



6.4.27 It is stressed that these are illustrative appraisals of notional schemes. Every scheme will have its own particular mix of costs and values.

6.5 Housing Suitable for Town Centres

6.5.1 Urban housing close to high streets has traditionally focussed on non-family accommodation. The reasons are numerous and include:

- relative lack of facilities for children
- remoteness from schools
- lack of private garden / outdoor space
- greater noise levels than suburban locations
- restricted access to private parking
- perceptions of security and privacy for children

6.5.2 Mid-rise and high-rise residential housing has therefore been focussed at smaller households of 1-2 persons that can be accommodated in 1-2 bed properties. Arguably these people are slightly more transient in long-term housing needs and perhaps see the benefit of central urban locations with good access to shops and leisure facilities outweighing the negatives. From a viability perspective demand from these households for urban locations is greater than family households and therefore values for 1-2 bed properties outweighs in comparative terms the values for 3 bedroom properties.

6.5.3 Draft FALP Policy 2.72F acknowledges, “... **higher density developments will be particularly suitable in addressing the growing housing requirements of different types of smaller households including some older Londoners, as well as specialist needs such as those of students.**”¹ Students bring vitality and activity to town centres, and are suited to places with a rich night-time economy. Students also provide footfall at non-peak times, further activating the public realm. Old people seeking to downsize and take advantage of in-house supportive facilities and resources can also find benefit from the proximity offered from town centre densities.

6.5.4 Family housing is excluded from this ‘particularly suitable’ list. Generally family housing in the UK is delivered as a house, not an apartment. A CABE report, ‘What Home Buyers Want’, provides an insight into current thinking, and reinforces the notion of desirability of semi-detached housing. As such, family-sized apartments in town centres would be competing with, arguably, more appropriate and attractive family-sized houses elsewhere (sometimes very close to the town centre).

6.5.5 Family sized units are difficult to deliver in high-density schemes, due in part to their requirements for private amenity space. Another factor is the morphology of higher density buildings, and commentaries exist on the suitability of high-rise living for children. The ability to see the children at play in a communal play area from the apartment is critical, and this ability is largely removed with a separation of five floors or more.²

1 FALP Policy 2.72F

2 <http://www.nytimes.com/1987/09/10/garden/a-high-rise-is-not-a-home-for-children-the-experts-say.html> 09-05-14

6.5.6 The problems of excessive numbers of children living on social housing estates and associated anti-social behaviour were analysed in JRF's seminal 'Building for Communities: a Study of New Housing Estates' (1993) (David Page). One of the lessons of social sustainability that this report drew was the importance of 'child density'. In the general population there is approximately one child to every four adults, whereas in new social housing estates this study found that there were often fewer adults than children. Even in an affluent middle-class neighbourhood this would cause problems. In vulnerable social housing estates, such a situation contributes towards challenging behaviour by children and young adults.

6.5.7 East Thames Housing Association's Toolkit for 'Delivering Successful Higher-Density Housing' (Second Edition, 2007) makes clear that higher-density living can be successful for all types of housing. However, it stresses that this is only if it is high-quality living, facilitated by high quality design and more intensive management, supported by appropriate occupancy levels procured through sensitive lettings procedures. Whilst Section 6 of the Toolkit states that it is not the number of children living in a given scheme that matters, but how services, lettings and levels of occupancy have been planned to take account of the impact of numbers of children, it goes on to say that 25% of the total number of residents is probably the maximum child density level for high density housing developments and 45% is probably the maximum for all housing scheme types.

6.5.8 In market housing there is often an element of under-occupation, where people who can afford to buy a home that is greater than the needs of their household and effectively choose to buy more space than they need. This is not the case for Social / Affordable Rented housing (and increasingly Private Sector Rent), which is allocated on the basis of housing need – with priority usually given to families with children. The East Thames Toolkit (Section 6) states that to be successful, schemes should, amongst other things, seek to ensure that families with children are limited to 40% of lettings.

6.5.9 The issues relating to child yield and the creation of successful housing are not peculiar to high density housing in town centres and should be addressed, where possible, as a general issue via London Plan Policies 3.4 (Optimising Housing Potential), 3.8 (Housing Choice) and / or 3.9 (Mixed and Balanced Communities) and the Housing SPG that supports these policies.

6.5.10 Planning by itself is a fairly blunt instrument and could not seek to manage the occupancy of homes and any changes to policy / guidance would need to be based on those elements of housing that influence child density that planning can manage i.e. type, size and tenure of homes. There are no readily available multipliers for 'adults' for different housing (type, size and tenure) and planning cannot be expected to predict the number of children relative to the number of adults in any given housing scheme and require / encourage a particular ratio. Planning would sit alongside Registered Providers' allocations and management policies for affordable housing. Chapter 11 includes a detailed recommendation for further revising Draft FALP Policy 3.8 and its justifying text.

6.5.11 The vast majority of London's town centres sit within areas where their hinterlands are defined by existing family housing stock. Highlighting the particular opportunity for family housing to be included in town centres around their edges could probably best be done by including appropriate guidance in a final Town Centres SPG. Chapter 11 includes a detailed recommendation for doing this. Proposed housing schemes in town centres are often driven

by borough-wide policy to include family-sized units, and in areas demanding higher densities these will invariably be delivered as apartments. Given the current market trend for private market family units to be less popular they are often shifted to affordable tenures. This trend can lead to an unintended ghettoization of families. A better solution would be to realistically assess the demand and desirability of family sized apartments, and create a bespoke planning policy for housing mix in particular town centres. Chapter 11 includes detailed recommendations to help ensure the flexible interpretation and implementation of policy in relation to housing in town centres.

6.6 Development Management

6.6.1 Whilst pre-application discussions are a key ingredient to effective development management, at the end of the day it involves prospective developers making planning applications, which are determined by reference to the development plan and other material considerations (which can include Supplementary Planning Guidance / Documents). In order to successfully deliver intensification, having up-to-date policies that will guide an appropriate outcome is essential. It is also very helpful for there to be the necessary open-for-business culture and resources to attract development activity in the first place.

6.6.2 Assuming a positive and appropriate planning policy context, the main role of development management is to run an effective process (through early engagement, responsive pre-application discussions, use of Planning Performance Agreements etc., where appropriate) which means making the necessary resources available (across different service areas) and at the right time. An important dimension of the process is managing developer expectations, using the planning policy context and officer (and member) contact, so that the right outcomes can be anticipated at the very earliest stages.

6.6.3 In terms of the process itself, a key role for development management is the resolution of conflicting requirements. As has been highlighted earlier, this typically revolves around viability and the inability to secure the level of affordable housing and / or other planning obligations such as SME space. The use of an approach is recommended, whereby the viability assessment throws up a value that the proposed scheme could reasonably support and still be financially viable and that the boroughs negotiate what is most appropriate use to provide on the site – affordable housing, SME space, retail, or some other use.

6.6.4 This requires taking a balanced approach to securing 'affordable' uses within major schemes, recognising that in some cases the priority may be to secure the provision of on-site 'affordable' non-residential space at the expense of maximising affordable housing provision. There is also a need to work with prospective developers to use viability appraisals, including the Mayor's Development Control Toolkit, to help decision-makers make informed choices / decisions about what is financially viable and what type of 'affordable' space is a priority in each particular case. Recommendations PP4 and PP6 recommend changes to Draft FALP Policies 4.12 (Improving opportunities for all) and 8.2 (Planning obligations) to support and prioritise the provision of affordable non-residential space in town centres, where appropriate, and Recommendation DM1 recommends responsive development management approach to securing such space.

6.7 Delivery Mechanism Conclusions / Recommendations

6.7.1 The findings would suggest the following:

- Large-scale residential development (200 units plus) is financially viable in most areas of the capital. Economies of scale allow new markets and residential values to be achieved with significant place making opportunities.
- Low-density housing struggles to deliver the same benefits. Compromises have to be made on the levels of affordable housing and other Section 106 contributions to enable delivery. There are numerous examples around the capital where headline policies have been reduced to enable delivery.
- The impact of including new office and other appropriate non-residential space results in many cases in a loss of affordable housing provision unless the density of the development can be increased to generate value to cross subsidise this space.
- Neither the private sale sector nor RSL's sector are sufficient to meet the shortfall in residential supply either in high streets or elsewhere. New intervention models are required.
- PRS is the most likely sector to deliver more housing. In many respects it is more compatible for high street intensification because investors can control the commercial and residential elements in synergy. Nevertheless the initial viability gap between private sale and PRS values is a barrier. Planning policy will need to be altered to allow the sector to grow. The use of specific Housing Zones for PRS development could be considered. This would avoid displacement of existing investment in housing.

7 Delivering Town Centre Intensification

This chapter brings three main strands of delivery together - housing, retail and enterprise space. In the majority of cases housing development will be the driver, while retail and other non-residential space could be provided as part of redevelopment, and retained as part of town centre asset management initiatives to create a diverse high street.

7.1 Introduction

7.1.1 This chapter is concerned with reviewing the main ways housing intensification can be delivered. The main ways outlined are: development management, town centre redevelopment and town centre investment management. Then the issue of town centre governance and the planning tools available to the mayor and boroughs is reviewed. Finally, conclusions and recommendations are drawn together.

7.1.2 The key to successful delivery is a positive planning policy context, at both London Plan and borough level. A range of planning tools is discussed in this chapter. In earlier chapters, the importance of appropriate planning policy was reviewed; and the final chapter of this report recommends detailed changes to the London Plan and issues for inclusion in a final Town Centres SPG.

7.1.3 The delivery of high density housing in town centres presents specific challenges; it raises different issues to development elsewhere in London. First, it is not just about housing; it will typically involve redevelopment (and often re-provision) of non-residential accommodation. In many cases it is a by-product of the reconstruction of the town centre of which it forms part.

7.1.4 Second, it is more complex. It can involve difficult land assembly and tricky physical sites, often with sensitive heritage or neighbour issues. It also involves resolving a wider range of planning requirements than non-town-centre sites, typically active frontages, SME space as well as affordable housing obligations.

7.1.5 As discussed in Chapter 3, the recent permitted development freedom to move from a shop to a residence will make the process of delivery harder: it will create new fragmentation of retail frontages that will require resolving; and it can introduce homes into locations that will increase sensitivities for land assembly.

7.2 Town Centre Redevelopment

7.2.1 Town centre redevelopment (TCR) involves the focus on a defined area or site, which is promoted by the borough for redevelopment. In the post-war era this has been primarily used to deliver retail schemes; but has increasingly been used to deliver mixed-use developments.

7.2.2 Chapter 8 identifies Loampit Vale in Lewisham town centre where the LB Lewisham in partnership with Barratt Homes (under the name of 'Renaissance') and Quadrant Housing Association has brought forward a high density residential led mixed-use development, including a new leisure centre, retail and business space. The development delivers a significant increase in density on housing that used to occupy the site whilst increasing the amount of affordable housing and successfully integrates affordable family-sized houses with gardens with apartments. The new leisure centre replaces the former Ladywell Leisure Centre, which is a potential mixed-use development site, with the potential to accommodate a further significant amount of new housing. Other examples of where boroughs have used their land ownership to bring about significant change in town centres include Clapham One in Clapham High Street (where the LB Lambeth in partnership with Cathedral Group, United House and the Notting Hill Housing Group) has developed a high density residential led mixed-use development, including a new leisure centre, library and health centre). A further example is Tabernor House in Croydon town centre, where the LB Croydon through its Croydon Council Urban Regeneration Vehicle with infrastructure investor John Laing is bringing forward a high density residential scheme.

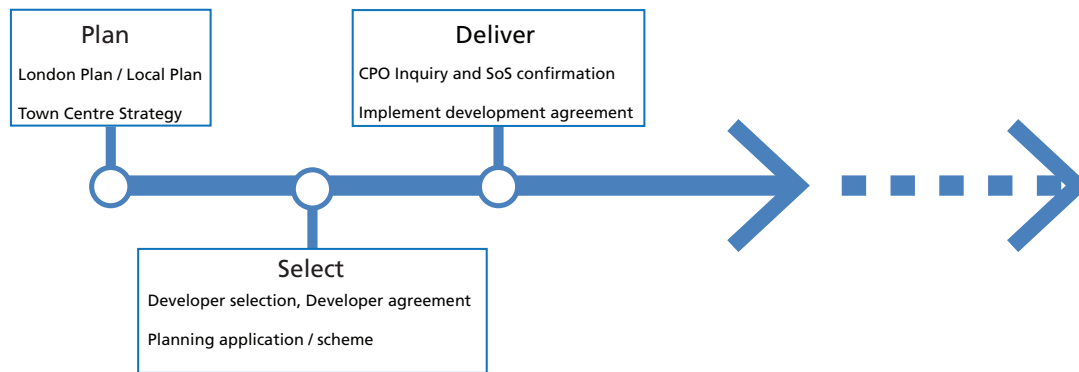
7.2.3 The Mayor and the boroughs should prioritise the use of land that they own, working in partnership with others, to bring forward high quality mixed-use development in town centres. Such schemes should be designed to be exemplars of high quality sustainable development, act as a catalyst for further significant change and help bring forward social infrastructure that is needed to support housing intensification. The development of public land in this way also provides the potential to support specific types of housing, such as housing for students, older people or the Private Rented Sector. This is included as Recommendation INT2 in Chapter 10.

7.2.4 To help use their assets in ways that helps deliver local outcomes, including delivering additional housing, and generate efficiencies, boroughs are currently able to take advantage of the 'One Estate Programme'. This programme is funded by the Cabinet Office Government Property Unit (GPU) and delivered by the Local Government Association (LGA). It was launched in June 2013 and 12 pilot local authorities have so far benefitted. The programme has been extended to 2014 / 15 for up to a further 15 local authorities.

7.2.5 Land ownership in town centres can be fragmented and provide an obstacle to site assembly; comprehensive change has the greatest prospect of helping to re-shape centres and deliver housing intensification. The use of compulsory purchase powers to assemble sites where private purchase of all necessary land proved impossible has been widely used in the past in town centres to deliver major shopping and other schemes. Compulsory purchase is,

rightly seen as the last resort where ownership is the only barrier to a development happening. As such, its use needs to be justified by planning policy and / or a town centre strategy, with the broad process summarised in Figure 7.1 below.

Figure 7.1 - Town centre regeneration process diagram



7.2.6 The number of such schemes in the last 10 years has fallen sharply due to the combination of recession, changing risk appetites (they can take 10 years from conception to completion), scarce capital and weak tenant demand. They are unlikely to be a major source of change in the life of the London Plan unless significant encouragement can be given to their use as an effective tool. They can be an extremely effective tool in overcoming land assembly for housing schemes (and multiple ownership of retail property). They are best used where they are implemented as part of a wider plan to avoid potential unintended consequences of TCR, where remaining parts of the town centre suffer, as there is insufficient demand to re-occupy spaces vacated by users who have moved into the new scheme.

7.2.7 The Greater London Authority Act 1999 grants to the GLA the power to acquire land compulsorily for the purposes of housing or regeneration. In addition, the Draft FALP Policy 2.15 (Town Centres) encourages boroughs to ‘proactively manage declining centres’, including by the use of the Compulsory Purchase process. Supporting text 2.72G acknowledges that, in relation to Policy 2.15 as a whole... **“Site assembly could well be a challenge and require use of the Compulsory Purchase process.”** The draft Town Centres SPG (Paragraph 7.5.5) makes clear that where it is not possible to assemble sites for town centre schemes through partnership engagement with local landowners, there may be a case for using CPO as a development tool.

7.2.8 The Mayor, as he is doing in relation to the Southall gas works site in the Southall Opportunity Area, should, where necessary, use his powers in partnership with other partners to help assemble sites and bring them forward for development. Similarly, the boroughs should, as Ealing has in relation to the Dicken’s Yard scheme discussed in Chapter 6, use their compulsory purchase powers to bring forward high quality housing schemes in town. Chapter 10 identifies this as Recommendation INT₃.

7.2.9 The Mayor is well placed to support boroughs that want to and need to use their compulsory purchase powers to help bring forward high quality housing in town centres, either as stand-alone housing schemes or part of mixed-use development. This could be by sharing GLA officer expertise and / or using his land and regeneration budgets to fund legal and property advice. This is discussed further in Chapter 9.

7.3 Town Centre Investment Management

7.3.1 In the London Assembly’s Planning Committee Report – The Future of London’s Town centres (May 2013) – Recommendation 1 was to **“encourage the reconfiguration of town centres.”** The report saw a revised Mayoral SPG on Town Centres as encouraging boroughs to consider concentrating essential town centre functions in smaller but more vibrant core.

7.3.2 One of the main constraints to the adaption of town centres is their fragmented ownership. This is an issue more fully explored in PBA’s Thought Leadership paper¹. The primary focus of this kind of intervention is securing investment back in the centre, through positive asset management by means of control of the core assets of the town centre (or part of it). The aim is to enable the town centre to improve its performance and experience; and adapt to change.

7.3.3 The TCIM process has many similarities in the procedures used to deliver change through TCR but with one fundamental difference that the stock of property acquired is retained. A core stock of assets is pooled, to enable an asset management / investor partner to re-mix the tenant line up, to reconfigure the stock where necessary and to ‘curate’ the offer generally. PRS, contained as part of the residential mix, will also facilitate the retention of residential elements instead of build-to-sell.

7.3.4 There may be two main phases to this process: the first phase could be the task of re-shaping the town centre itself, involving its re-configuration and concentration into a managed core. This means tackling the peripheral areas as part of a planned response to the re-construction of the local retail economy, taking sites or streets out of shop-based stock and making the available to other uses, often housing. Alternatively, the re-shaping could involve new facilities such as open space, parking, or other uses.

1

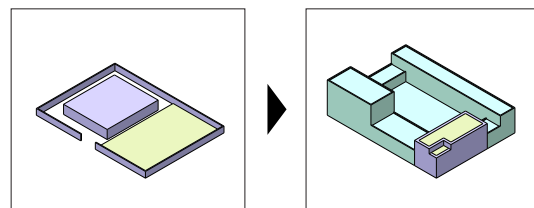
PBA, ‘Investing in the High Street: Town Centre Investment Management (TCIM)’, 2013

Figure 7.2 - Re-shaping the town centre - concept

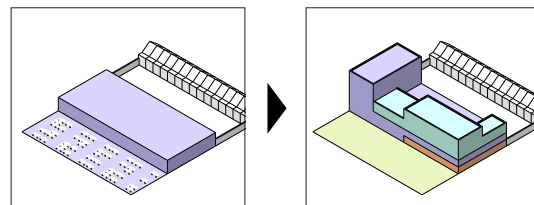
7.3.5 The second, or only phase, focuses on the town centre core. The task here is to resolve the fragmented ownerships that are preventing the centre from adapting to change. The aim is to transform the poor occupier mix, stock configuration and public realm to a more successful line up and so transpose on the town centre’s performance and experience. This is illustrated in Figure 7.3, which is Fig 2 in the recent Policy Exchange Report: 21st Century Retail Policy.

- residential
- retail
- SME space
- large-scale retail
- social infrastructure

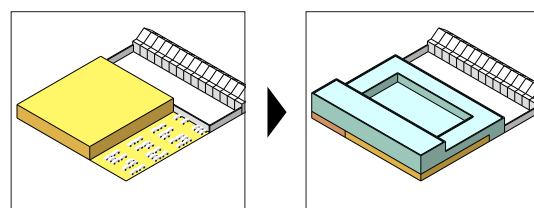
Schools and play areas can be stacked using raised play decks, giving room for residential intensification



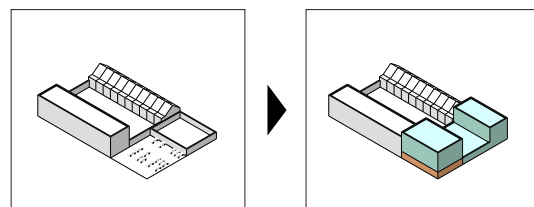
Surface parking and unstacked social infrastructure can be stacked with residential and retail whilst providing public open space



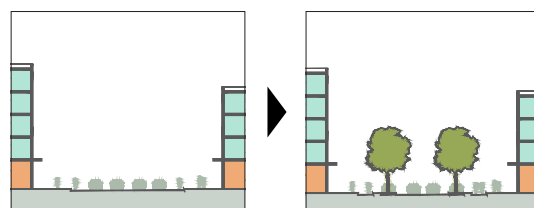
Surface parking and unstacked large-scale retail can be stacked with residential and wrapped at ground level with residential, smaller retail and SME space

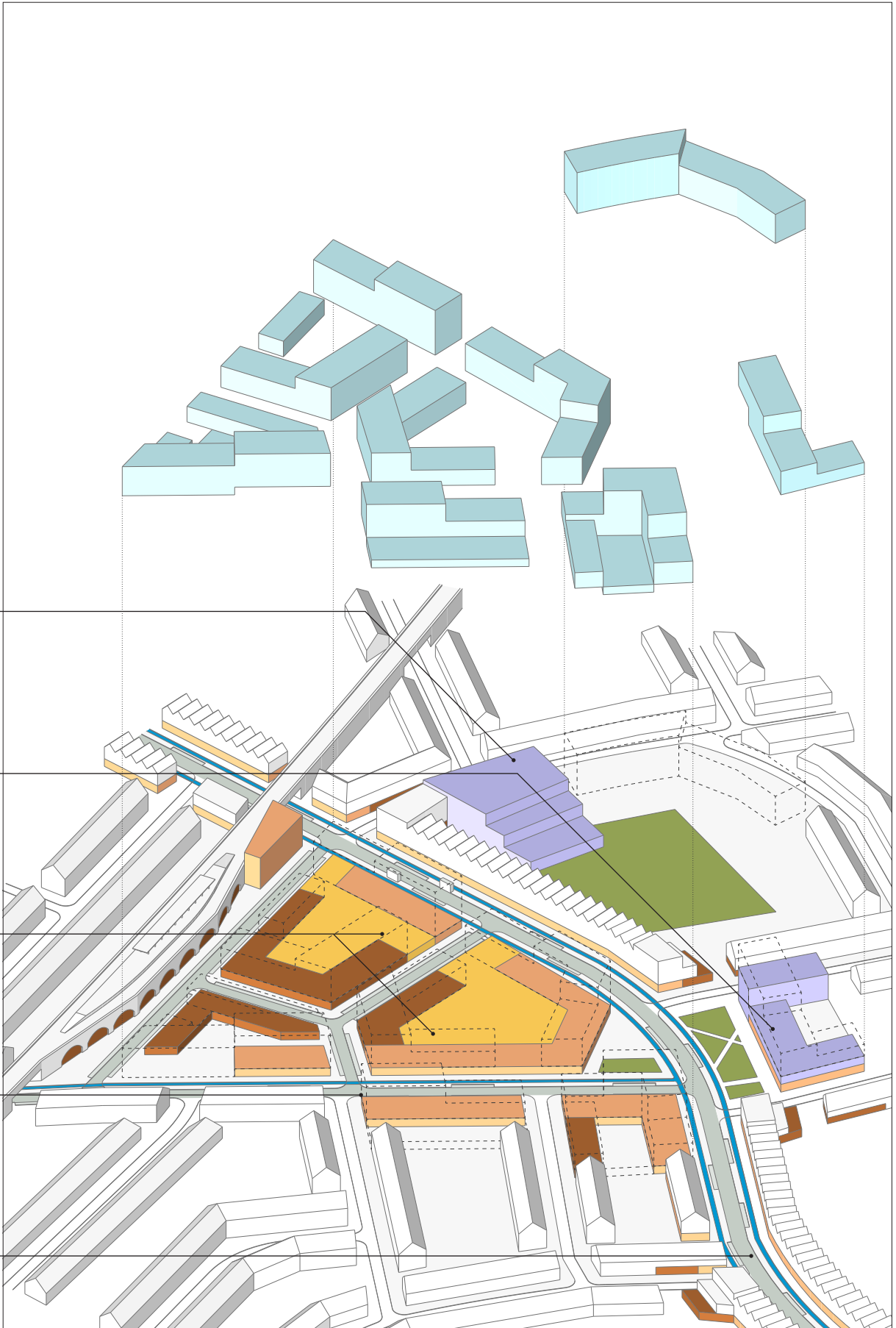


Mixed-use residential and retail schemes can be built on brownfield sites and surface car parking to improve the urban realm and complete urban blocks



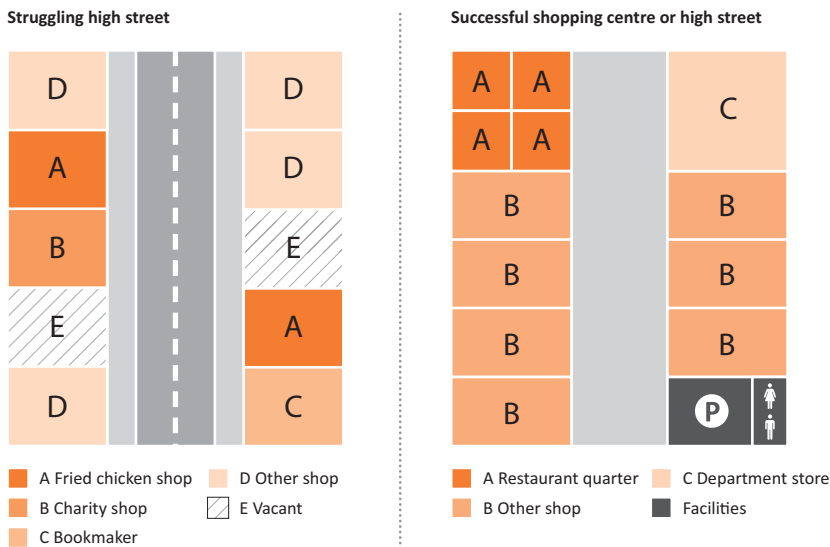
Existing street sections can be upgraded from vehicular dominance to a more inclusive section, accommodating cyclists in dedicated lanes, and extra giving space to pedestrians rather than to traffic





Indicative intensified town centre

Figure 7.3 - Adapting the high street

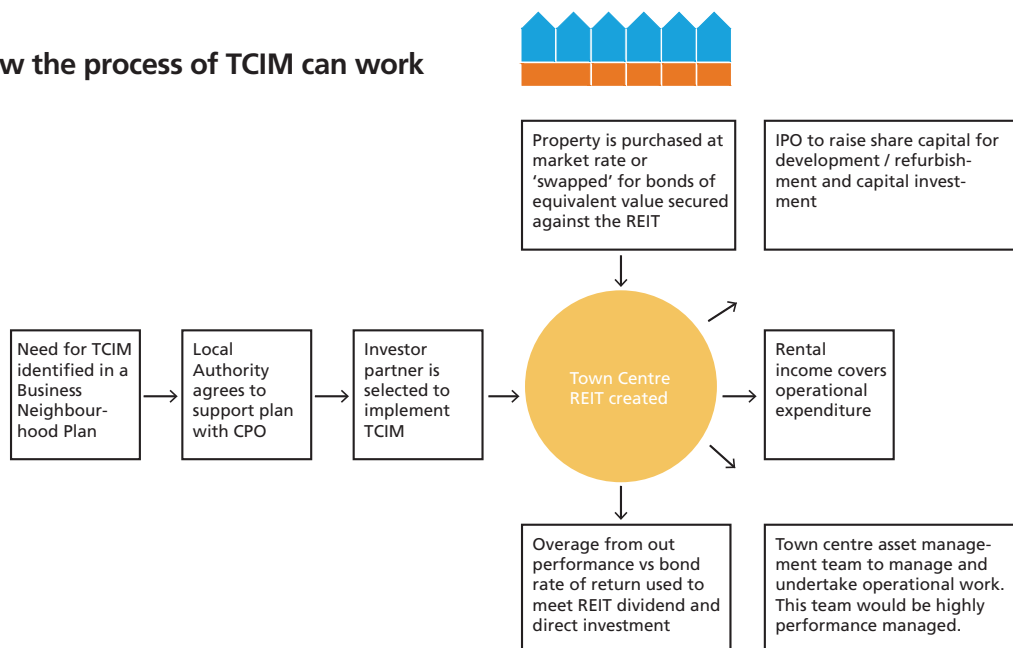


Source: 21st Century Retail Policy, Policy Exchange (2013) - Figure 2, p. 36

7.3.6 The TCIM process is best deployed from the ‘bottom’ up; and is well suited to the use of Business Neighbourhood Plans – see ‘planning tools’, later. This is because it can tap local energy, engage local businesses as well as residents and – due to the requirement for a referendum – can deliver a mandate for change. In addition, given that CPO will ultimately be necessary to pool the core assets, it reduces the adversarial nature of the compulsory purchase process. The pooling of standing investment also enables local players / investors to remain involved in the new joint venture.

7.3.7 The CPO process will vest the core assets in the borough, as freeholder, thus securing the public interest. The borough will have entered into some form of development / management agreement with investors, to secure a home for the assets that have been pooled. The holding vehicle could be a Real Estate Investment Trust (REIT), partnership, company or other structure. That body will appoint experienced asset managers, to take forward agreed investment and marketing plans, working to clear Key Performance Indicators (KPIs).

Figure 7.4 - How the process of TCIM can work



7.4 Governance

7.4.1 Successful delivery will often depend on effective local leadership: both political and at executive level. This is because typically no one ‘runs’ the town centre. In most cases, the range of borough services that impinge on achieving a successful town centre – planning, economic development, highways, parking charges, business rates, cleansing, environmental health and so on - are not well joined up. At a London level, Mayoral activity – policing, transport and housing investment plans – can also be less joined-up in terms of focus on town centres than they could be.

7.4.2 The issue of town centre governance is a significant one. Town centre reconstruction requires strong leadership and it is often missing, leaving the planning service to come up with paper plans that may or may not lead to action. For centres that need to adapt to reduced demand for retail and / or realise the potential for additional housing, boroughs should establish town centre partnerships and Boards (comprising officers, representatives of other key service providers, councillors, business and resident representatives and representatives) to prepare a town centre strategy and oversee and drive forward change. There are a number of examples of successful Boards in London, including those for Clapham Junction and Eltham town centres.

7.4.3 The Mayor could have a role in facilitating the creation of appropriate governance structures by helping to fund the establishment of Town Centre Boards and the preparation of town centre strategies (see below) and this is picked up as Recommendations MR₁ and MR₃ in Chapter 10.

The Role of Town Centre Management (TCM)

7.4.4 It is important for policy-makers and civic leaders to distinguish facilities management - such as town centre management, town teams and similar approaches – from asset management, as described under Town Centre Asset Management. TCM operates at the ‘operational’ level in the main and cannot deal with the structural problems – and opportunities – in town centres that will require direct intervention and asset management solutions.

7.4.5 London has some 32 Business Improvement Districts (BIDS), most of which are focussed on town centres or destinations with a significant retail / leisure function. Most are effectively forms of town centre management and operate well, given the scope of their remit. The Draft FALP Policies 2.7 (Outer London Economy) and 2.15 (Town Centres) support BIDS and the Mayor could give encouragement to extending this approach to more town centres; and without any expectation that they could solve the structural problems of those centres. However, they are an excellent first step; and the Government’s plans to involve property owners and investors in BIDS as a way of boosting high streets is to be supported.

7.4.6 It should be noted that the purpose of a BID is not necessarily for property development or intensification but more to ensure an established town centre is more cohesive and better

managed. In theory a BID which is comprised mainly of owners as opposed to occupiers would have a different agenda. BIDS of this nature could start to focus on wider strategic issues around occupier mix in a town centre location and help guide public interventions on infrastructure investment, management of the public realm, transportation and in theory future site assembly and development.



Marylebone High Street, Westminster - a managed retail core

7.5 Management of Town Centres as a Whole

Town Centre Management

7.5.1 Draft FALP Policy 2.15 (Town Centres) makes clear that, amongst other things, boroughs should: support and encourage town centre management, partnerships and strategies including Business Improvement Districts (BIDs) to promote safety, security and environmental quality.

7.5.2 Town centre management techniques, as practised by members of the Association of Town and City Management (ATCM), are facilities management functions, usually focussed on 'crime and grime.' It is sometimes a service provided direct by the borough (e.g. Brentford and Walthamstow town centres) or a BID. The ATCM recommends Detailed Action Plans, to identify how a strategy is to be delivered and the partnership acts, as the driving force in ensuring that delivery takes place. The combination of vision, strategy and action plan, the wide-ranging partnerships and the effective support and involvement of key interests through working and project groups means that town and city centre management can:

- create environments that are clean and safe by investing in maintenance and security;
- improve transport, parking, orientation and accessibility;
- add vitality through professional marketing and events programmes;
- stimulate growth by inward investment and development and through work with existing businesses;
- develop branding that stresses distinctiveness and changes perceptions;
- celebrate local heritage through tourism and destination management;
- expand opportunities through developing training and employment programmes;
- increase choice and diversity by promoting and integrating new amenities, residential development and the night-time economy;
- enhance quality through public art and major infrastructure improvements to the public realm; and
- ensure that the town or city centre is welcoming to all and an experience worth having.

7.5.3 Town centre management is a valuable and positive means of promoting good town centres. As discussed in Chapter 8, town centres are often lively and exciting places that are relatively noisy, polluted and congested and that these characteristics raise challenges for 'growing' housing markets and introducing more and different types of housing. For successful residential intensification to take place, town centres have to be managed in a holistic way to ensure that they provide a safe and attractive residential environment. However, it should not, however, be confused with asset management (in the property sense) or development management, discussed below.

Management of Development

7.5.4 Development managers deliver buildings and places on behalf of others (typically investors) though they may also co-invest in the project. They manage the whole development process, from beginning to end - from site identification, feasibility and purchase, to delivery and final handover. They tend not to carry out long-term property management. However, they are important players in the intensification process.

7.5.5 Successful development management requires partnership with the public sector to deal with issues around site assembly and the creation of long term property and asset management strategies. Highlighted above, BIDS can act as a focus for a first step to identify opportunities for intensification in town centres. Delivery often depends upon the public sector's ability to enact CPO procedures to enable development to take place. This is not just in terms of sites but also the acquisition of rights of way and rights of light that can act as a barrier to intensification.

7.5.6 CPO is a regulated tool and is strictly governed by both statute and case law and eventual granting is with the relevant government minister following a public inquiry. It's use is limited to ensure acquisitions of interests in land which are essentially in the wider public interest and its use in town centre redevelopment has been heavily scaled back since the 1960s and 1970s.

7.5.7 It's use in London has been more recently focussed on transport and infrastructure projects and it remains a relatively controversial tool to enable redevelopment of individual sites. It is however difficult to envisage how wide ranging and comprehensive development in town centres can occur without at least the threat of such powers despite it being a time consuming and expensive process.

7.5.8 By way of an example Croydon Borough have recently elected to use CPO powers to help enable delivery of Westfield and Hammerson's proposed development of the Whitgift Centre.

Property Management

7.5.9 Property management is the operation, control, and oversight of real estate as used in its most broad terms. Management indicates a need to be cared for, monitored and accountability given for its useful life and condition. This is much akin to the role of management in any business. One important role of a 'property manager' is that of liaison between the ownership or asset manager and the actual tenant / leasee tenant, providing a buffer for those owners who are desiring to distance themselves from their tenant constituency. Duties of property management generally will include a minimum of these basic primary tasks:

- the full and proper screening or testing of an applicant's credit, criminal history, rental history and ability to pay;
- lease contracting or accepting rent using legal documents approved for the area in which the property is located; and
- mitigation and remediation regarding any maintenance issues, generally within a budget, with prior or conveyed consent via a Limited Power of Attorney legally agreed to by the property owner.

7.5.10 This function will be carried out either in-house by investors; or more commonly, contracted out to specialist property management firms.

Asset Management

7.5.11 ISO5000 defines Asset management as the **“coordinated activity of an organisation to realise value from assets”**. In turn, Assets are defined as, **“an asset is an item, thing or entity that has potential or actual value to an organization”**. This is deliberately wider than physical assets but these form an important focus for more organizations. Source: Institute of Asset Management.

7.5.12 Asset Management involves the balancing of costs, opportunities and risks against the desired performance of assets, to achieve the organisational objectives. This balancing might need to be considered over different timeframes. Asset Management is the art and science of making the right decisions and optimising the delivery of value. A common objective is to minimise the whole life cost of assets but there may be other critical factors such as risk or business continuity to be considered objectively in this decision making. In town centre terms it involves the management of the whole set of assets in order to improve customer / visitor experience and so enhance the centre’s performance and returns.

7.5.13 This type of active management is often undertaken in house by large corporate pension institutions who seek to enhance and create value from land holdings form investments.

Town Centre Redevelopment (TCR)

7.5.14 TCR is an established approach to town centre renewal and does not raise any particular issues for management and maintenance, as there is much experience of operating it. There are a wide range of consultants, development managers (in the property scene) and developers / investors in the market to be able to tackle those town centres requiring such treatment; e.g. Hounslow, Ealing, or Walthamstow, in recent times. Most (if not all) such schemes are driven by an agenda that is focussed on town centre regeneration or improvement, rather than intensification, but there is no reason why the intensification agenda could not be given higher priority for example in Catford (in Lewisham) where the borough is using land that it owns to reshape and intensify the town centre.

7.5.15 In these TCR cases, the commercial content is often managed in-house by the investor, or contracted out to specialist asset managers or management surveyors. Again, there are a wide variety of firms to choose from. Investors are very concerned to obtain high quality advice.

Town Centre Investment Management (TCIM)

7.5.16 TCIM would operate on a similar basis as TCR, but retains the majority of the physical stock from the outset, rather than clears the site for redevelopment; it is asset managed rather than redeveloped. As such there are no precedents of pooling such assets by CPO; though the techniques of asset management are well developed. There are - albeit fewer - firms in the market to undertake the management and maintenance functions of pooled assets in a town centre.

The Public Realm and Public Facilities

7.5.17 In the majority of town centres, the public realm and publicly accessible facilities are managed and maintained by the borough. However, some complex places are in fact privately owned, managed and maintained; like Broadgate and More London, for example. In such places the management regime might involve:

- public access;
- enlivenment of public spaces;
- high standards of cleaning maintenance;
- security for owner, occupier and visitors;
- overseeing world-class public art;
- management of events programmes, e.g. ice-rinks, concerts etc.;
- commercialisation; and
- Section 106 compliance management.

London Plan References to 'Manage'

7.5.18 The word 'manage' is used in number of contexts in the body and supporting text of Draft FALP Policy 2.15. For example, LDF Preparation part (c) refers to **“proactively managing the changing roles of centres...”** and part (c2) refers to **“actively plan and manage the consolidation and redevelopment of other, mainly medium sized centres...”**, whilst justifying text states that **“... it is therefore important that the whole town centre network as a whole is managed in ways which enable its different components to address these challenges...”**. It is not immediately clear what is meant by this and Chapter 11 recommends that the supporting text explained the degrees of activity - from passively, via development management system, though to direct intervention.

Hackney Central – Re-Shaping Town Centres

LB Hackney have taken an active role in trying to re-shape their town centres. This has included buying up sites and properties in order to give greater control over the shaping of the centre in a way that is not possible through planning policy alone. The starting point is a very clear vision of what they want the town centre to be. Provided a private sector partner shares this vision then ownership by the Borough is not essential. Ownership can rest with the private sector development partner but assembling as much of the centre in to single ownership is key to delivering success.

Hackney Central is one such area being developed following this approach. The Fashion Hub forms the basis of the development but part of the rationale for the Fashion Hub is to improve the existing Mare Street town centre. There are approximately 800,000 visitors a year to the Burberry fashion outlet, but at present, there is nothing to capture the expenditure of these visitors in the local area. The plan therefore is to convert some of Mare Street in to bars, cafes and restaurants. However, at the same time LBH wish to maintain the retail staples in the town centre and even to curate a better offer where they have known gaps in the existing retail provision.

Building on the existing brands and fashion infrastructure the aim is to create retail outlet space as well as design studios where up-and-coming local designers can showcase and sell their products to bring design to the heart of the proposals. LBH are also seeking to attract a major higher education provider the University of the Arts to take a presence at the Fashion Hub. To ensure the fashion hub supports the wider local fashion industry a stitch academy that will manufacture locally will be brought forward early in the plans.

A Hackney Central Town Centre Board has been established by the Chief Executive which includes including Members and Senior Officers to provide direction and leadership to the project governance. There is a Hackney Central Area Action Plan but this does not closely reflect what has ultimately happened in practice. LBH found that too much being codified does not enable flexibility and rapid reaction to the market. Policy is too slow as a tool to guide development of town centres.

The role of the Town Centre Manager is seen as crucial within the organisation. They are embedded locally and it is the Town Centre Manager that feeds trends, independent interest and brand interest / needs up to the inward investment team. The Town Centre Manager is also tasked with delivering LBH objectives and coordinating departments to ensure optimum service delivery, supporting and managing events and activities etc.. A key focus of the role is to maximise business involvement and ensure the business community is fully engaged with their location and working towards a shared set of aspirations and objectives.

LBH also engage actively with the principal retail agents to ensure they get the agents out to Hackney and take them round to sell them their vision for the area. The agents then understand what type of retail occupier it is the Borough are seeking and are able to direct appropriate enquiries. The Borough seek to actively curate the high street by getting in the brands that will meet their vision for that area and create interesting, relevant and vibrant streets. LBH maintains a database of known interested businesses, retailers etc. which it uses to direct towards suitable opportunities / developments.

LBH seek to curate the overall area to foster desired urban character and the role and quality of public realm quality is an important feature to refine and complement the offer and provide a desirable setting for the town centre.



Mare Street, Hackney

7.6 Planning Tools

7.6.1 There are a number of planning tools that can be used to deliver town centre regeneration. These are discussed below, along with recommended changes to help them to be more effective.

Health Checks

7.6.2 The Draft FALP (justifying text 2.74 to Policy 2.15) states that the current role of town centres should be tested through regular town centre ‘health checks’. These are best carried out across all centres and to a common format. Such checks could play an important role in understanding character, as an important element of preparing a strategy, and their scope could be usefully extended to cover more dynamic data, to help a move towards asset management solutions. Chapter 10 includes the recommendation (PG2) that the final Town Centre SPG should make clear that boroughs should monitor the performance of their principal centres, by regularly collecting data on the factors set out below, so that the indicators can be analysed over time and that the Mayor will continue to collate, analyse and publish London-wide results. The key factors are:

- diversity of uses (including existing LTES);
- vacancy rates;
- commercial property yields;
- customer view and behaviour [significant surveys might be undertaken 5 yearly];
- retailer representation and intentions to change;
- commercial rents and Business Rates];
- pedestrian flows [on defined streets];
- accessibility (based on objective criteria) and car parking;
- perception of safety and occurrence of crime; and
- state of environmental quality (based on objective criteria).

Town Centre Strategies

7.6.3 A clear and effective vision and objectives for delivering the vision is an important prerequisite for proactively managing town centres. Boroughs should carry out local assessments, including health checks, and prepare a vision and objectives for each of its principal town centres – as encouraged by the NPPG. This should include their future role, composition and boundaries. Strategies should identify the actions necessary to achieve the centre’s role, recognising the need for improved governance and intervention where appropriate and the viability challenges of developing town centre sites and responding to the three-way challenge of retail economy re-construction, the need for housing intensification and providing non-residential and LTES space where viable.

7.6.4 The choice of planning tool for expressing the identified vision and objectives for the town centre should be proportionate. Development plan policies have the greatest weight in

when determining planning applications and supporting the use of compulsory purchase, where necessary. However, formal local plans (including Town Centre Area Action Plans and the like) can take a long time to prepare and are resource hungry. Whilst the planning status of strategies is an important consideration, there is the need for relatively quick and flexible preparation and it is recommended that the focus be on preparing strategies quickly and embedding them into local plans where ever practicable, or otherwise develop them as SPDs (to supplement a development plan policy).

7.6.5 The borough (and GLA where appropriate) should adopt a proactive partnership approach to identifying a clear and effective vision and objectives for town centres and bringing forward capacity for different types of town centre related uses within or on the edges of centres whilst restraining inappropriate out of centre development (see Policy 4.7). This is the essential complement to Policy 2.15, helping to reinvigorate town centres, widening their roles and offers, developing their identities, enhancing agglomeration benefits and encouraging more sustainable modes of travel. Boroughs should develop and implement strategies in ways that proactively manage the evolution, diversification and intensification of town centres, prioritising those that are most in need of restructuring. Strategies should be prepared in partnership with local businesses, residents, BIDS etc.

7.6.6 Town centre strategies should build on a thorough assessment of the place and include:

- an assessment of the evidence of the current, and likely future state of the centre without change;
- a strategic, well-articulated, vision for the centre;
- a defined, appropriate and realistic role and function for the centre; together with its relevant place in the borough hierarchy;
- a view of the appropriate mix of uses, having regard to the need for intensification, regeneration or change management -and in the context of the future of some centres being less about retail;
- defined site / location opportunities for development, asset management and other initiatives;
- enhancement measures, including public realm, environmental improvements, parking and access and other means that will improve visitor experience;
- an outline action plan including defined agencies or partnerships for implementation; and
- a monitoring regime, including regular health checks (see Recommendation PG3).

7.6.7 Town centre strategies represent a fundamental building block for delivering change (including the use of compulsory purchase powers) and the Mayor should consider using his land and regeneration budget to help fund their preparation where boroughs have insufficient resources. This is discussed further in Chapter 10.

Planning Policy

7.6.8 The ‘development plan’ (which in London comprises the published London Plan, adopted local plans and any future adopted neighbourhood plans) enables the Mayor, boroughs and local communities to plan for growth and is the primary consideration for determining planning applications. There is a hierarchy of compliance, in that all local plans and neighbourhood plans must be in ‘general conformity’ with the London Plan and all neighbourhood plans must be in ‘general conformity’ with local plans. The Draft FALP generally already satisfactorily address the need for additional housing in the capital and the role that town centres could play in delivering additional homes. However, Chapter 10 recommends a number of further detailed changes to Draft FALP Policies 2.15 (Town Centres) and 3.8 (Housing choice) and their justifying text (Recommendations PP1 and PP2). These are summarised below:

- **Permitted development changes (A1 / A2 to C3):** Making reference to the recent changes to the GDPO in relation to permitted development rights to convert small shops / estate agents etc. to dwellings (C3).
- **Town centre strategies:** Introducing a requirement in Policy 2.15 (town centres) to establish town centre strategies for principal town centres and prioritising those centres that need to restructure their retail offer and / or have the greatest opportunity to accommodate housing and encouraging boroughs to prepare such strategies.
- **High-density non-family housing:** Elevating justifying text for Policy 2.15 on high-density non-family housing to the policy itself, to give it additional weight in the decision-making process. Whilst justifying text 2.72F already stresses that higher density developments will be particularly suitable in addressing the needs of smaller households including older people and students, it may be desirable to reflect this guidance in the policy itself.
- **Flexible interpretation of policy:** Amending justifying text for Policy 2.15 to stress the need to interpret and apply policies flexibly in relation to proposed housing in town centres. Assembling town centre sites for mixed-use development poses particular challenges (fragmented land-ownership, complicated ownership / lease arrangements, investor inertia etc.) and makes developing housing relatively less attractive, at least for as long as there are ‘easier sites’ to develop.
- **Car parking and servicing:** Expanding justifying text for Policy 2.15 to explain how new housing can best relate with parking and servicing areas and stressing the development potential of existing surface car parking for housing and resisting any further stand-alone parking areas.
- **Business-led neighbourhood plans:** These have the potential to harness entrepreneurial energy and promote change. Introducing support for business-led neighbourhood plans in Policy 2.15 as part of a suite of initiatives to promote safety, security and environmental quality.
- **Meaning of ‘manage’:** Adding to justifying text to Policy 2.15 to clarify the different use of the word ‘manage, to explain the degrees of expected activity - from passively, via development management system, though to direct intervention.
- **Child density and housing:** Changing justifying text for Policy 3.8 to ensure that the likely number of children that live in new housing (including high density housing in town centres) is taken more fully in to account.8.1 (Implementation).
- **Housing zones:** Amending Policy 8.1 (Implementation) to clarify that Housing Zones (which are discussed in Chapter 6) are not to be restricted to Opportunity Areas.
- **Community infrastructure levy:** Changing justifying text to Policy 8.3 (CIL) in order to allow for CIL Regulation 123 Lists to include infrastructure that is particularly relevant for town centres, including their intensification for housing.

Planning Guidance

7.6.9 The Mayor's Town Centres SPG (July 2014) generally provides comprehensive and good quality guidance to prospective developers, their advisors, businesses and local people about the implementation of relevant London Plan policies. However, Chapter 10 recommends a number of relevant changes to the SPG as part of finalising the document (Recommendations PG1 to PG7). These are summarised below:

- **Town centre strategies:** Provide guidance on the preparation of such strategies which reflects the discussion above on the scope and nature of these documents.
- **Health checks:** Make clear that boroughs should monitor the performance of their principal centres, by regularly collecting data on the factors discussed above.
- **Town centre boundaries:** Provide more extensive advice on the definition of town centres for policy purposes and identify a common set of criteria that boroughs should use in defining them in their Local Plans.
- **Permitted development changes (A1 / A2 to C3):** Provide guidance to ensure a consistent interpretation of a number of terms that are not defined in the amendments to the GDPO.
- **Child density and housing:** Provide further guidance on managing and catering for children in high-density housing in town centres.
- **Family housing around edges of town centres:** Following discussion in Chapter 8, highlight the opportunity to encourage family-sized housing around the edges of existing Centres, in the interface with the surrounding hinterland, where there is often greater opportunity for new homes to 'hit the ground' and have front doors onto the back edge of footways.
- **Car parking and servicing:** Provide guidance how new housing can best relate with parking and servicing areas.

Development Management

7.6.10 Proactive and effective development management will be key to delivering more housing in town centres, including close working between GLA and borough officers on referable schemes. As discussed in Chapter 3, the recent changes to the GDPO that provide permitted development rights to convert small shops/estate agents etc. to dwellings (C3), could, where residential values are higher than for existing use, lead to the fragmentation of ownership, making it more difficult to assemble sites and bring forward comprehensive change and higher residential densities. In other words, there is a risk that the ad hoc conversion of small shops etc. could frustrate co-ordinated intensification. Chapter 10 makes a number of recommendations for managing proposals to develop in town centres in a positive way (Recommendation DM1) and for preventing the potential negative effects of the recent changes to the GDPO (Recommendation D2). These are summarised below:

- **Prioritisation:** Where resources are scarce or stretched, the Mayor and boroughs should prioritise having pro-active pre-application discussions with prospective developers of major town centre sites, enter into PPAs (including securing resources where necessary) and aim to determine planning applications in a speedy and flexible way.
- **Flexible interpretation of policy:** When determining such applications, the Mayor and boroughs should give sufficient weight to deliverability and viability considerations and be flexible in the implementation of policies on affordable housing (particularly in relation to PRS) and dwelling mix (particularly in relation to requirements for family-sized housing).
- **Article 4 directions:** The Mayor supports boroughs that seek to use Article 4 Directions to disapply the new changes for specific town centre locations where there is evidence that the permitted development rights could frustrate the objectives of positively re-shaping town centres, including securing higher density housing.

7.7 Conclusions and Recommendations

7.7.1 The previous chapters have outlined a number of structural changes that are taking place in the London economy that will have an impact on the future demand for town centre floorspace.

Governance

7.7.2 It is recommended that the Mayor works with boroughs to develop strong delivery models that focus on the reconstruction of key centres, in order to simultaneously restructure their retail offer and release sites for housing intensification.

Town Centre Strategies

7.7.3 The structural changes will not impact upon all town centres in the same way and some will see a renaissance whilst others may suffer decline. At the same time boroughs need to examine all available development opportunities in their boundaries to see where they are able to identify the potential for more dwellings.

7.7.4 It is suggested that all boroughs undertake assessments of each of their town centres to understand which have the potential for achieving greater intensification and then establish an appropriate town centre strategy for those centres to bring forward the development that they need.

Planning and Other Tools

7.7.5 Chapter 10 sets out detailed recommendations for the use of planning and other tools to bring about change.

8 Designing Successful Intensification

This chapter gives design guidance for town centre intensification. Examples and references are explained and evaluated to provide an interpretation of the findings of this study.

8.1 Town Centre Design

Positive Intensification for Town Centres

8.1.1 The potential opportunities brought about by the restructuring of the retail market and the intensification of housing should have regard to the character of town centres and bring about positive change.

8.1.2 Chapter 5 of this study recommends that Draft FALP Policy 2.15 (Town Centres) should be further altered to require boroughs to establish town centre strategies that establish a clear and effective vision and objectives for each of its principal town centres. Such strategies should establish the role that housing intensification should play in the future of the centre and help create the right conditions for achieving this.

8.1.3 Mixed-use town centres providing a range of facilities and uses in addition to residential are encouraged through the recommendations in this study.

8.1.4 Intensification must not destroy what positive character and maturity exists now. There must be regeneration rather than redevelopment, resulting in positive physical change.



Chiswick High Road, Hounslow

Maturity and positive town centre character

8.2 Liveability

Investing in Public Life

8.2.1 ***“..the essence of London [is] people moving and interacting in space; sharing stories and ideas; trading, creating and innovating; a social and economic network, played out in streets and public spaces.”***¹ Intensification of London’s town centres can take the opportunity to embrace and enhance this notion. The context of public space changed significantly over the twentieth century. At the beginning of the century public space was largely utilitarian, with activities filling it by necessity. By the latter part of the century goods moved inside or over to other forms of transport than the streets, and public space became a place for recreational and leisure activities.

8.2.2 There are spaces that clearly demonstrate their intention to be places of social interaction, such as town squares, but there are also more fragmented areas of space, sometimes considered residual, which are also due attention. In order to maximise the potential of all public spaces they should be areas of democratisation and be socially focused. They should also form part of wider pedestrian and cycle route networks.

8.2.3 When providing intensification of town centres there is an obligation to provide positive public spaces to create an accessible, attractive and shared part of every town centre.

1 Gehl et al, ‘How to Study Public Life’, 2013, p.76



Exhibition Road, Kensington & Chelsea

A carefully arranged shared surface with priority for pedestrians

Liveable Density

8.2.4 Draft FALP Policy 7.1 states that ***“in their neighbourhoods, people should have a good quality environment in an active and supportive local community based on lifetime neighbourhood principles.”*** A liveable density is one that can accommodate such Lifetime Neighbourhoods.

8.2.5 Intensification of town centres can accommodate the requirements of Lifetime Neighbourhoods, providing sufficiently dense residential as well as resources and infrastructure. The nature of this intensification is key. Indicative residential density ranges are set out in Draft FALP Policy 3.4 (Optimising Housing Potential) and these ranges can be interpreted to create a range of morphologies. There is a danger that these figures could be used aggressively to support opportunistic developments of focused density that have an adverse effect on liveability. The interpretation and application of all other relevant policies is therefore critical.

8.2.6 New schemes should not dismantle or ignore the essence of the existing community construct when intensifying. Intensification done improperly could change the character of a community dramatically, potentially for the worse. Intensifying over large sites can often prove easier to design and manage efficiently without the need for excessive height or disruptive urbanism. Communities can be bolstered and enhanced by intensification done well.

8.2.7 The overriding features of a liveable density are a mix of residential tenures and typologies, and a provision of suitable resources and infrastructure that supports a Lifetime Neighbourhood. The opportunity to move to more suitable accommodation at any stage of life should be possible within a community, whilst still having access to the same resources. People need to have a choice within their physical and social infrastructure.

Optimising Density

8.2.8 The Housing SPG (2012) (1.3.1) states that the ‘optimisation’ of density can be defined as **“...developing land to the fullest amount, consistent with all relevant planning objectives.”** Optimisation is a prime objective given London’s housing demand and lack of available space. This needn’t result in clusters of towers, or communities so dense that transport infrastructure overloads. Creating suitable planning objectives for each town centre will safeguard this.

8.2.9 When applying London Plan Policy 3.4, it is important to note that ‘Central’, ‘Urban’ and ‘Suburban’ settings will vary from town centre to town centre within and between boroughs. Also, the 800m walking distance around town centres referred to in the notes to Table 3.2 of the London Plan is not ‘as the crow flies’, but is based on a 10 minute walk distance. In other words, the application of the indicative density ranges for areas around town centres set out in Table 3.2 are based on interpretation of setting and allow for local variation. Boroughs should seek to define the extent of these settings in relation to particular conditions on the ground, as part of town centre strategies.



St. Andrews, Tower Hamlets

High density residential including family units

Measuring Density

8.2.10 Density is relevant from two main perspectives: people density; and built density. Density measured using residential units or habitable rooms per hectare will reflect likely activity and the impact on services and scale. However, if density is measured in units or habitable rooms per hectare without taking account of proposed non-residential floorspace in a mixed-use scheme it can underestimate the impact of scale and massing, activity and demand for services.

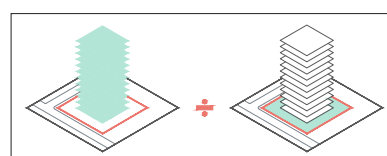
8.2.11 The Housing SPG (2012) (1.3.47) states that in calculating density in vertically-mixed schemes (i.e. where housing is on top of non-residential uses), the size of the site area should be reduced by an amount that is equivalent to the proportion of total floorspace allocated to non-residential uses (both below and above ground, measured as GIA) before calculating residential in the normal way. It goes on to say that where schemes have a substantial proportion of non-residential uses e.g. more than 35%, the density matrix can usefully be complemented by plot ratio in addition to calculating residential density. This, however, may act as a disincentive to providing non-residential space as it will raise the habitable rooms per hectare count.

8.2.12 In order to better take account of mixed use schemes in town centres, plot ratio and Floor Space Index (FSI) are useful alternatives for measuring density, as they are not affected by types of uses. Both take account of scale and massing.

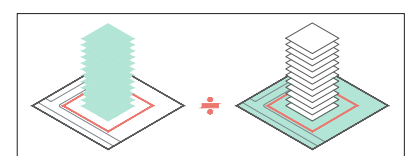
8.2.13 Plot Ratio can help explain the massing impact of a scheme. It is a net calculation, for these purposes using the proposed floorspace (GIA) and the site's 'red line' area.

8.2.14 FSI is a gross calculation using gross floorspace and gross site area. This is not referred to in London Plan Policy 3.4 or the Housing SPG (2012). However, it gives an indication of the built intensity of an area. FSI densities for different sites are immediately comparable with one another, whereas residential density or plot ratios are a product of the restrictions of a particular site, disregarding as they do widths of adjacent roads etc., and are thus harder to compare.

8.2.15 A range of methods are available for measuring density, and there are a range of reasons for needing to measure density. The correct method(s) must be chosen to best explain a scheme.



Plot Ratio: total building floorspace (GIA) divided by the net site area



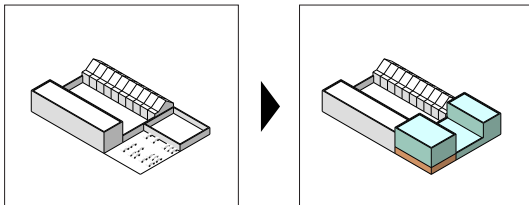
Floor Space Index: total building floorspace (GEA) divided by the gross site area (exclusive of open space, arterial roads, rivers etc.)

8.3 Opportunities for Intervention

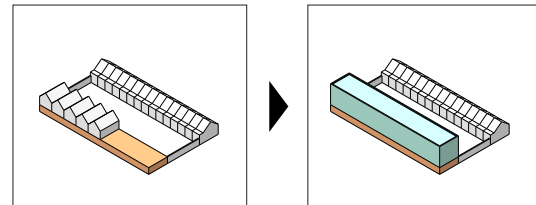
Urban Typologies – Identifying Sites

8.3.1 Each town centre is likely to include a number of situations where intensification may prove attractive and suitable. With space at a premium, large single-ownership sites provide a prime opportunity for integration of uses and intensification.

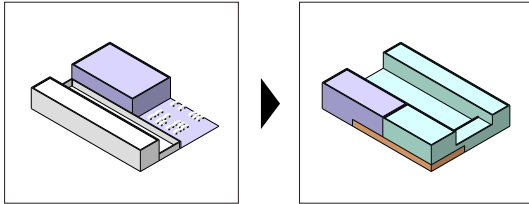
- residential
- retail
- large-scale retail
- social infrastructure
- office / light industry



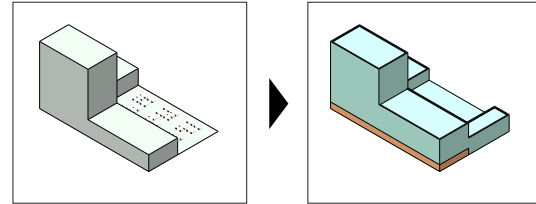
Brownfield land or surface car parking



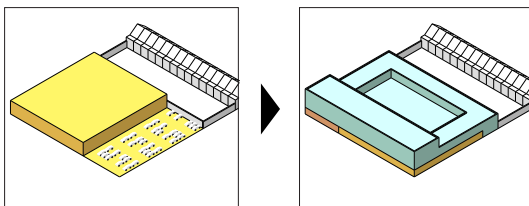
On top of small-scale retail



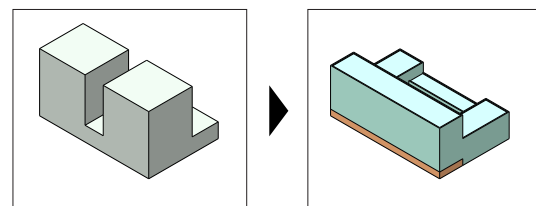
Reproviding and building above social infrastructure



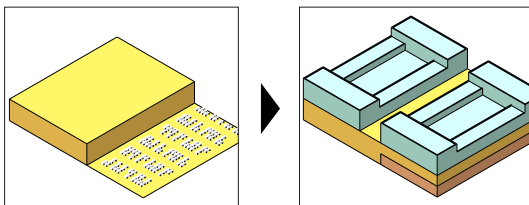
Conversion of office space



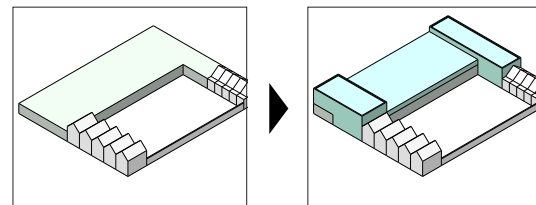
On top of large-scale retail



Redevelopment of office buildings



On top of shopping malls



On top of non-retail large-scale uses



London Road, Barking & Dagenham

Development comprising a large-scale retail unit, multiple small-scale retail units and residential above

Surface Car Parking

8.3.2 Utilising brownfield land and surface car parking for new developments gives an opportunity to improve the urban condition of town centres, whilst also providing intensification.

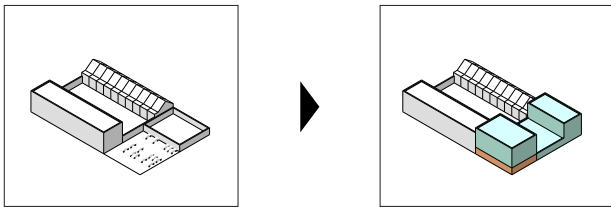
8.3.3 Surface car parking in town centre is a space hungry use which presents a negative urban condition. Reprovision of car parking will likely be necessary, and a built parking solution can be incorporated into a new build scheme.



Bedford Hill, Wandsworth
Existing surface car parking providing developable potential



Dickens Yard, Ealing
Surface car parking converted to residential

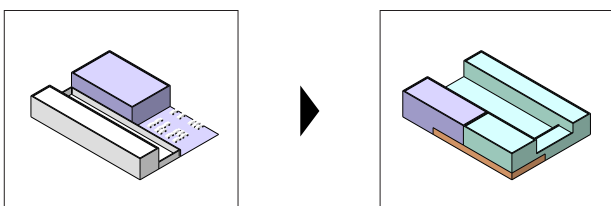


Social Infrastructure

8.3.4 Existing social infrastructure can incorporate renovation, or even relocating, with development of new residential. Ground floor or first floor social infrastructure can be stacked beneath residential, and potentially alongside or on top of other uses such as retail.



Chiswick Health Centre, Hounslow
Existing health centre stacked above a car park

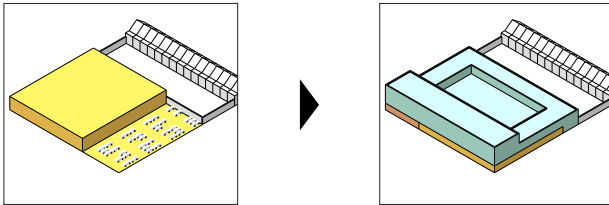


Barking Child & Family Centre
Health services with stacked residential

Large-Scale Retail

8.3.5 If not already stacked, existing large-scale retail provides an opportunity for residential to be located above in potentially high volumes. Issues of services and structure affecting the sales space below can be resolved, though will still produce restrictions, but should not provide cause to disregard the opportunity.

8.3.6 A new build large-scale retail unit should be stacked beneath residential.



Balham High Road, Wandsworth
Existing large-scale retail

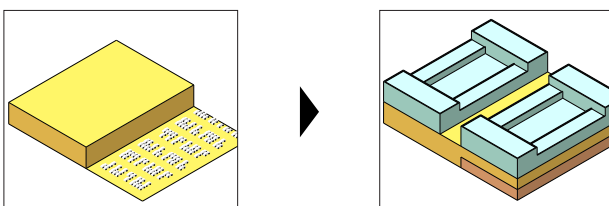


Tottenham High Road, Haringey
Residential developed above large-scale retail and car parking

Shopping Centres

8.3.7 As with large-scale retail, if not already stacked, shopping malls provides an opportunity for residential to be located above in potentially high volumes. Again, issues of services and structure affecting the sales space below can be resolved, though will still produce restrictions, but should not provide cause to disregard the opportunity.

8.3.8 A new build shopping centre should be stacked beneath residential.



Surrey Quays, Southwark
Existing shopping centre



De Karel Doorman, Rotterdam
Residential built on top of an existing shopping centre

Small-Scale Retail

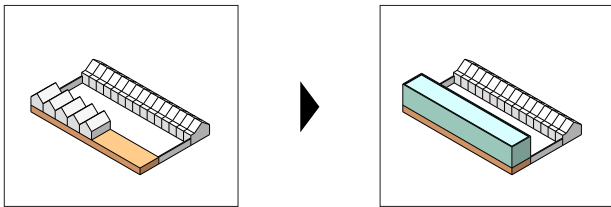
8.3.9 New residential can be stacked above new small-scale retail with facilities such as car parking integrated into the design. Sites currently with multiple small site owners will be difficult to develop are likely to be a last resort for intensification, though nonetheless still possible.



Ponders End, Enfield
Existing retail and SME Space



Ponders End, Enfield, Maccreanor Lavington Architects
Reprovided retail beneath new residential

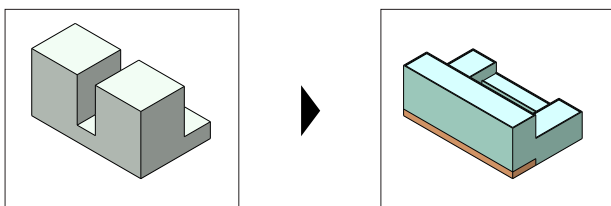


Redevelopment of Office Buildings

8.3.10 Large, often single ownership, sites that can be demolished and replaced with residential and other uses. The existing building envelope of offices is often large and offers scope for high density residential.



Blackfriars Road, Southwark
Existing vacant offices proposed for mixed-use redevelopment



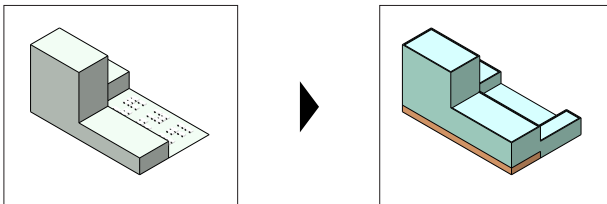
Goodman's Fields, Tower Hamlets, Lifschutz Davidson
Sandilands Architects, Berkeley Homes
Replacement of office buildings with mixed-use residential

Conversion of Office Space

8.3.11 Large, often single ownership, buildings that can be converted to residential, and also potentially extended. Complications exist with depth of floorplates exceeding residential maximums, though this offers an opportunity to introduce atria.



Colman Parade, Enfield
Office space above retail



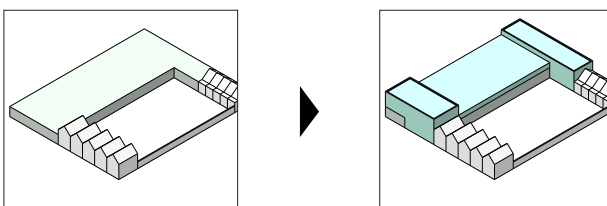
Colman Parade, Enfield
Office space converted to residential, retail retained

Non-Retail Large-Scale Uses

8.3.12 Large shed spaces, such as bus garages, often take up locations suitable for residential development. Rather than relocating the existing space new uses can be stacked above.



Hounslow Bus Garage, Hounslow
Existing bus garage



Warwick Road, Kensington & Chelsea
Waste depot with residential above

8.4 Good Practice Guidance

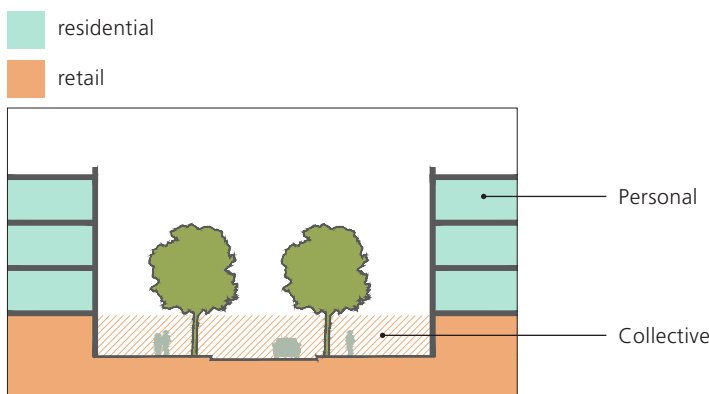
8.4.1 Having outlined where there is the greatest opportunity for intensification of town centres to occur, the following pages provide good practice guidance for more specific elements of town centres.

8.4.2 Existing policy and policy guidance documents are referenced, and in places interpretation is suggested in order to make the most of policy potential.

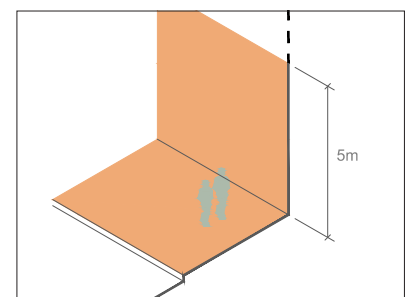
8.4.3 Many of the points made here use a section to aid their description, and this iterates the importance of the interface between different uses. This interface can be within a building, but also refers to the interface between outside and inside.

8.4.4 In town centres there is an increased importance to create habitable ground floors. These may be retail, leisure uses, other social infrastructure, and in some cases residential, and therefore there are degrees of privacy for ground floors, but for the most part these create part of the collective aspect to a street section, with personal space above. How this collective zone is treated defines the nature of the street, and clear design intentions result in attractiveness and usability, culminating in liveability - part of a Lifetime Neighbourhood.

8.4.5 Good urban design must be employed in order for the elements within a town centre to perform to their full potential. These elements should be arranged in a coherent and attractive way, defining streets positively, taking account of street hierarchy, and the need for overlooking of public spaces.



Indicative street section



Interior / exterior interface



Overschie, Rotterdam

Ground floor retail spilling out onto a tidy street section including a dedicated bike lane, parking, and trees, with residential above

Creating Active Frontages

8.4.6 Active frontages at their most effective provide internal spaces from which people overlook the public space outside at the ground floor. Blank facades and service access in facades should be kept to a minimum.

8.4.7 Active frontages can be created on a range of uses. Broadly speaking these can be categorised as non-residential and residential. A convincing urban layout will determine where best to locate the non-residential frontages. To inform this a robust understanding of direct routes and attractors should lead to an understanding of likely levels of footfall. Non-residential active frontages can be consolidated to maximise their impact. However, a blanket requirement for non-residential active frontages in places where footfall will not support it should be avoided.

8.4.8 Residential ground floors can be considered active by utilising certain design features. A mix of windows and front doors is better than purely windows. The urban design should accommodate space for features such as defensible zones to encourage the facade to be as active as possible. These features can create a perception that the street is overlooked, increasing security and having a civilising effect on the public realm.

8.4.9 Architectural solutions to resolve blank or inactive facades should be a last resort, but may still be able to offer a civilising effect on the public realm.

8.4.10 Large uses, such as large-scale retail, will offer some active frontage but often not enough to fill their entire elevation. The active element of their frontage must therefore be given priority, and the rest set behind other active frontages such as smaller retail and residential. This will generate a continuous active elevation.

Key objectives:

- Activate all ground floor facades as much as possible through the use of public entrances, windows, and private front doors, and maximise their civilising effect on the public realm.
- Use an urban design to distribute publicly accessible uses such as retail in locations with maximum impact on the public realm.
- Minimise the impact of servicing, car park entrances, and blank facades on the public realm.



IJburg, Amsterdam

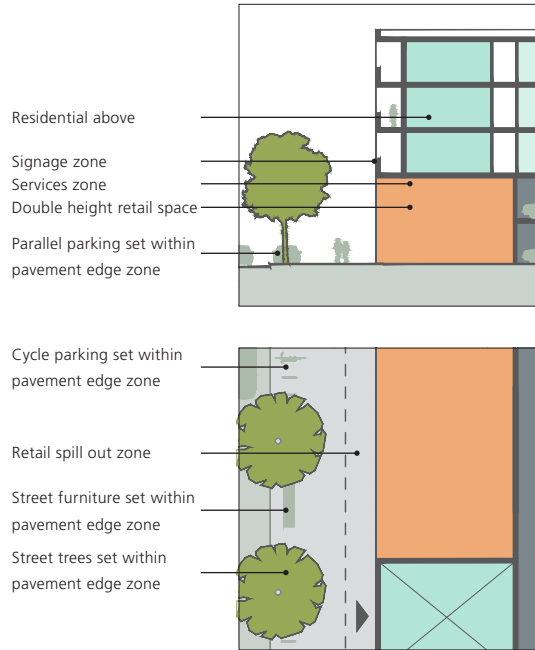
Permeable facade and ground floor cafe spill out creates an active frontage



Westfield Stratford, Newham

Retail Active Frontage

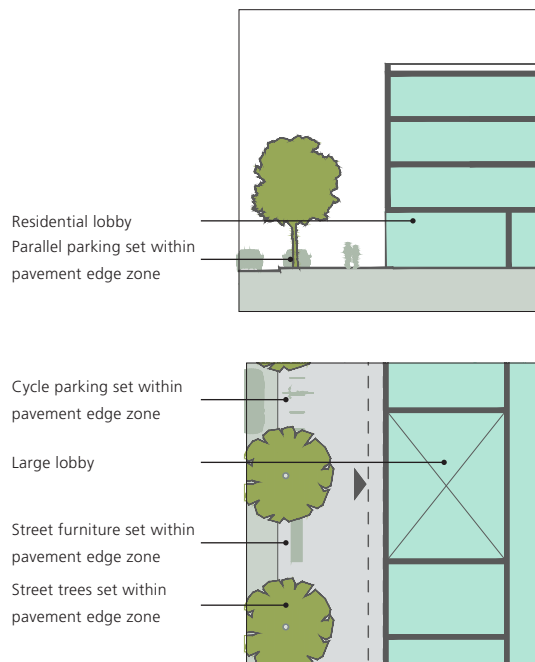
Large retail facades providing active frontage, and offering a civilising effect on the public realm through attractive displays and overlooking.



Saxon Court, Camden

Residential Entrance

Lobby elevation maximised to increase impact on the public realm, whilst minimising the size of bike stores and bin stores in the elevation



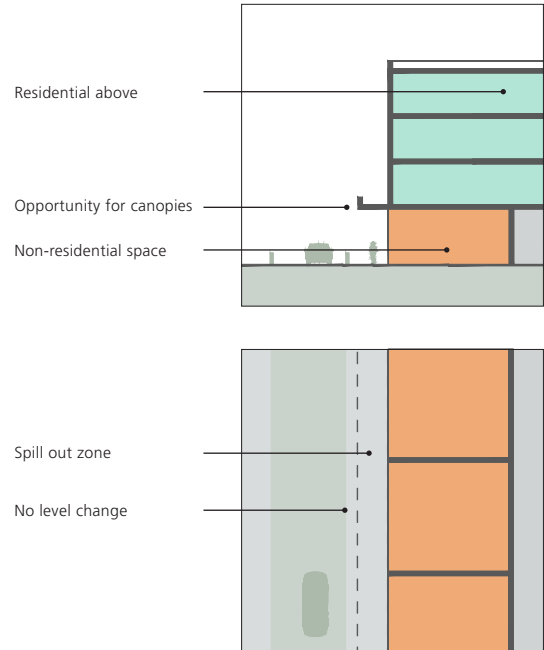
- residential
- retail



Lambs Conduit Street, Camden

Non-Residential Active Frontage

Non-residential active frontages of smaller retail, cafes, with residential entrances interspersed, providing a degree of overlooking. A spill out zone allows uses to inhabit the pavement.



St Andrews, Tower Hamlets

Residential Frontage

Residential active frontage with a mix of front doors and windows. The defensible zone provides a degree of privacy



Mitigating Main Roads

8.4.11 Main roads passing through town centres should be positive features despite possible noise, poor air quality, and traffic. They should be positively faced, and maintain active frontages where possible along their length within the town centre. High quality design can make desirable retail and housing, improve public realm, and improve the character of main roads to become attractive corridors, unlocking higher private investment.

Key objectives:

- High quality facades that give a civilising effect.
- High quality public realm with sufficiently wide pavements, proportional street furniture, and planting.
- Rethink the configuration of problematic traffic corridors.
- Strategic use of greenery (trees, green facades, green roofs).
- Harnessing break-out of ground floor uses to activate the public realm.
- Manage air quality through planting, screens, and architectural articulation.
- De-clutter and remove unnecessary street signage.



Jamaica Road, Southwark

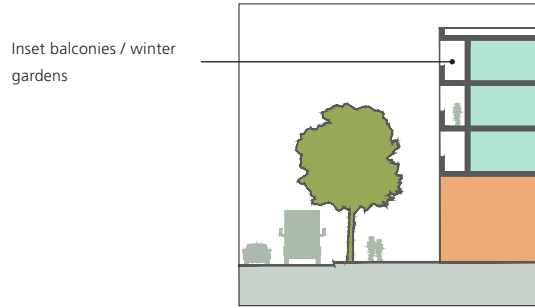
Ground floor arcade creates a separation between traffic and pedestrians



Oosterdokseiland, Amsterdam

Inset Balconies

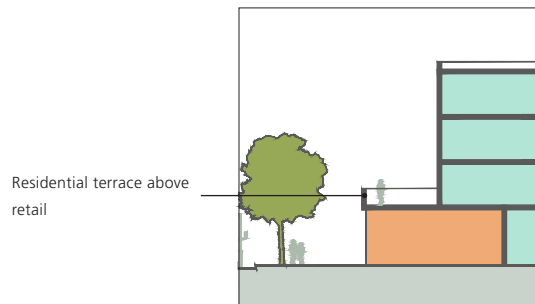
Inset balconies provide private amenity space with a degree of protection from noise. Winter gardens can provide usable private amenity space in places where there are unacceptable levels of noise or air quality.



Dalston Lane, Hackney

Setback Residential

Set-back upper floors, a classic typology, provides a private terrace for the residential above. The balustrade can double as a zone for shop signage, and stepping back the shopfronts slightly allows ground floor lighting to not disturb residents above.



residential

retail



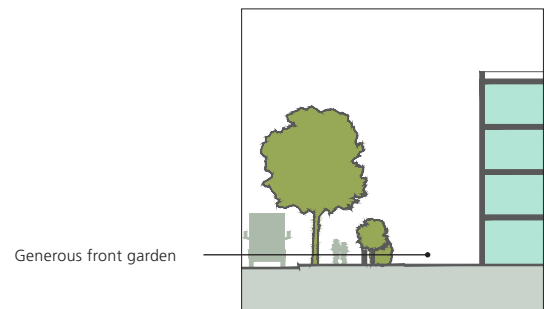
Mile End Road, Tower Hamlets



Jamaica Road, Southwark

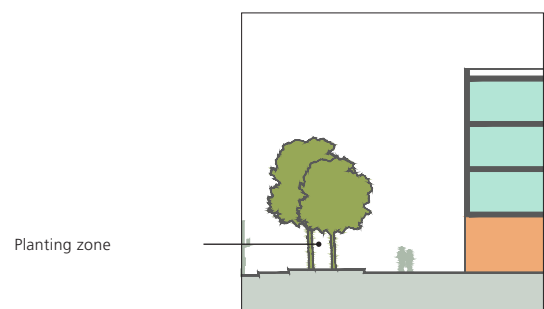
Urban Residential

Desirable housing can survive along a main road condition through use of generous pavements, front gardens, and suitable planting.



Setback Building

A substantial tree planting zone in the pavement gives an acoustic buffer between road and buildings, and creates a more intimate pedestrian route adjacent to the shop fronts. A rationalisation and holistic refurbishment of the shop fronts has also created a more inviting pedestrian environment.



Mitigating Breakout Noise

8.4.12 Breakout noise from road traffic and other transports can be mitigated to create positive environments for shop fronts, cafes and other pedestrian friendly uses.

8.4.13 Noise levels can be reduced through the use of planting, canopies, arcades and set-back facades. Creating a physical separation and a sense of shelter for pedestrians from the road or noise source creates a more hospitable environment even if the noise levels are only reduced slightly.

Key objectives:

- Maximise the attractiveness of the public realm by reducing noise levels and creating a protected environment for pedestrians.



Golden Lane Estate, City of London

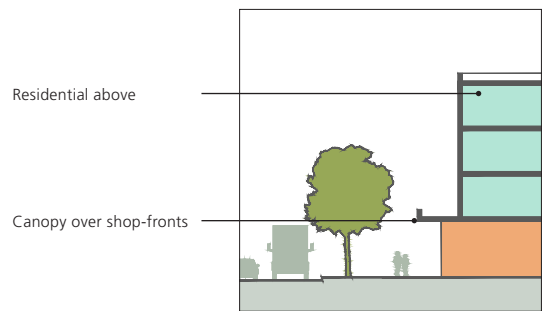
- residential
- retail



Nieuwe Binnenweg, Rotterdam

Canopy

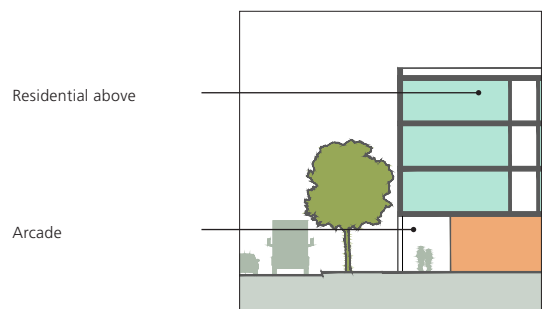
A canopy over the shopping street articulates the separation between retail and residential, providing visual privacy, and an acoustic buffer



The Ritz, City of Westminster

Arcade

A set-back ground floor with a colonnade, separating pedestrians from busy traffic



Integrating Residential Access

8.4.14 The opportunity to stack residential above non-residential uses should be taken wherever possible.

8.4.15 Residential can be accessed from a podium or integrated into the street frontage, such as shop-front design.

8.4.16 The impact of residential development on the non-residential space below should be minimised and the non-residential space and all common space should be designed to ensure clearly defined structures / ownership boundaries and adequate residential amenity.

8.4.17 There should be careful mediation of spaces from shopping street to podium to front door. Private areas and entrances should be clearly recognisable as such.

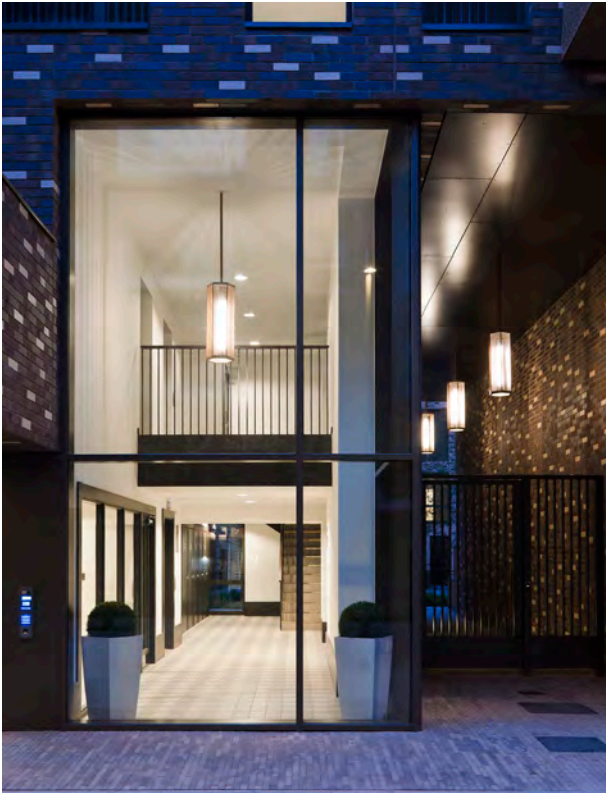
Key objectives:

- Minimise the impact of small residential entrances on non-residential frontages.
- Integrate small residential entrances into shop-front design.
- Utilise large residential entrances as active facades amongst other uses.
- Define public and private entrances as such, making them clearly recognisable.



Luycksterrein, Amsterdam

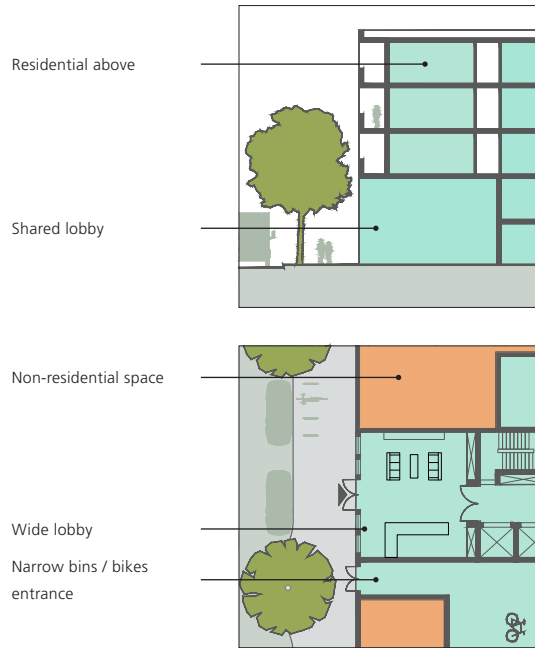
Ground floor commercial space and communal residential lobby, with residential above



St Andrews, Tower Hamlet

Communal Lobby

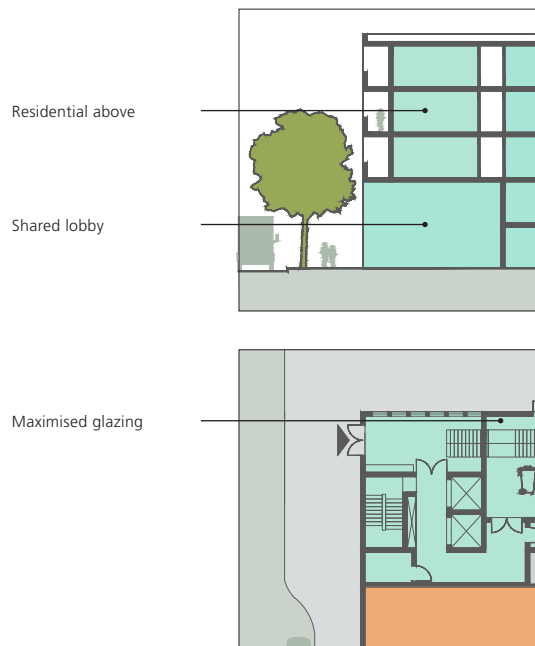
The elevation of communal lobbies can be used to activate the public realm. These elevations can be maximised to increase their civilising effect on the public realm.



Beekpoort, Weert

Corner Lobby

Communal lobbies can be positioned at corners to activate elevations that may otherwise be blank, and also encourage footfall on secondary streets whilst retaining an address on a primary street.



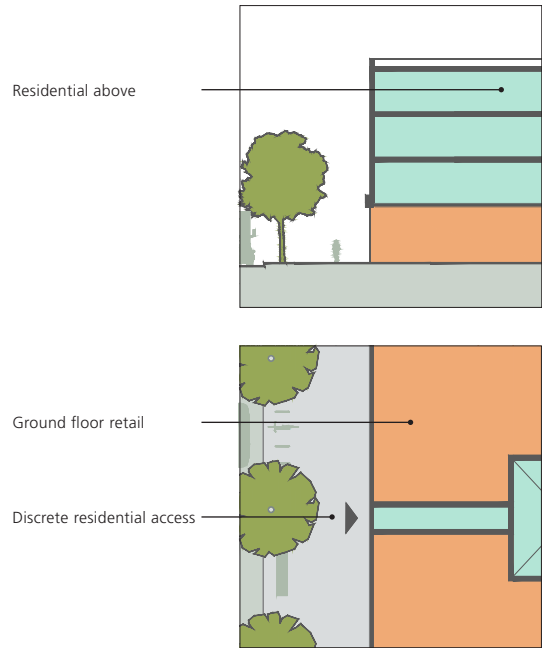
- residential
- retail



Morning Lane, Hackney

Small Residential

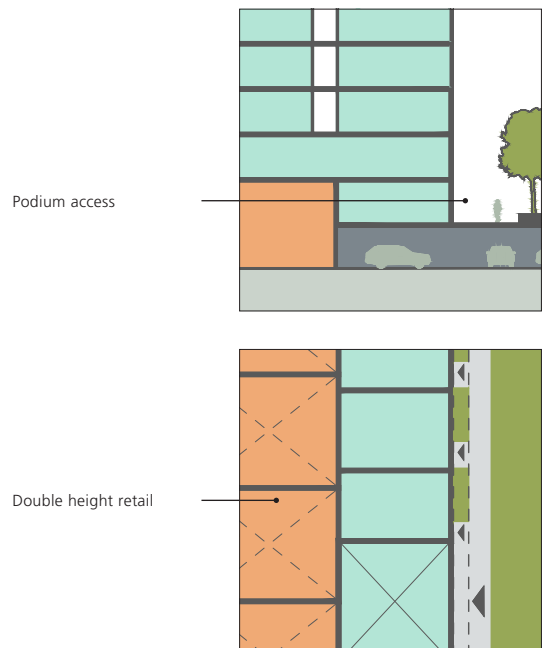
Small residential entrances can be integrated into shop-front facades and positioned discretely between shop-fronts so as to increase privacy.



Barrier Park Phase 2, Newham

Podium Access

Residential entrances from first floor podium allow for a consolidation of entrances at ground level that lead to separate entrances above.



Integrating Large-Scale Retail

8.4.18 All new large-scale retail should be wrapped in other uses. This should be sought for existing cases also. They can be incorporated into high density residential development, wrapped with smaller shops and / or housing, and have parking incorporated into the block design.

8.4.19 Stand-alone 'big-box' retail sites create adjacency problems, and were built in a context of low-density car-driven development. They are however important economic anchors with high land values. Incorporating them into urban blocks improves the urban condition whilst retaining the economic anchor.

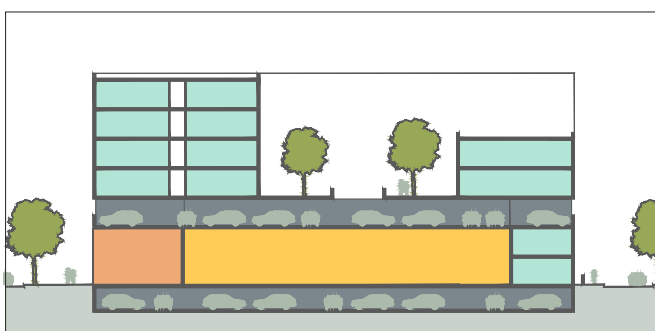
8.4.20 Residential amenity space can be provided by means of a courtyard which may be on top of the retail unit. Servicing can be achieved without the need for service courtyards taking up many metres of façade, and can instead be enclosed within the block. A clear access strategy is necessary to neither compromise use of retail, nor security for the dwellings.

8.4.21 Cycle and car parking for retail should be separated from residential parking. Efficiency of land take should preclude surface car parking, but on-street, basement, courtyard, and upper floor bike and car parking are all suitable options. Built parking should have separate entrances for retail and residential uses. It may prove more desirable to provide a holistic and consolidated retail parking solution across a town centre within one or more large-scale mixed-use schemes rather than dealing with a site-by-site approach. Plant design must be considered, including potential ducting through residential uses above.

Key objectives:

- Wrap large-scale retail with other uses.
- Where suitable, integrate large-scale retail with small-scale retail, residential, car parking, and servicing to form hybrid urban blocks.
- Minimise the elevation of car parking and service entrances.

Large-scale retail can be wrapped in other uses to minimise its frontage to just its customer access and service access. This maximises the potential for active façades. In this example the large-scale retail is wrapped in residential and retail, and has an internal service courtyard. Residential parking is at first floor with ramped access, and retail parking is provided in the basement.





Finchley Road, Camden

- residential
- retail
- large-scale retail
- service courtyard
- parking access

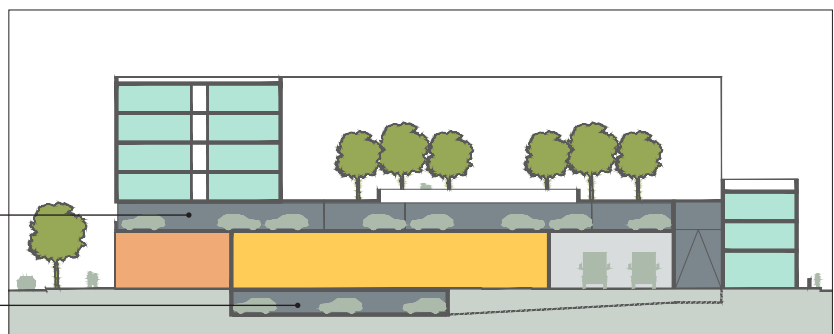
Elevation of large-scale retail sits between small-scale retail units

Minimised servicing and car park entrance elevations



Residential car parking

Retail car parking



SME Space

8.4.22 The report has already identified the importance of existing LTES, which should be fully considered in town centre strategies. Boroughs should also consider securing the provision of suitable space for SMEs within new developments, where appropriate. Such space can be an asset to the character and diversity of a town centre and form a large part of its distinctive appeal.

8.4.23 Creating new developments in close proximity to existing LTES can maintain a degree of vitality in the urban environment, while the character of new developments mature over time. Space for SMEs can work well on secondary streets and small difficult corners which may not be attractive for larger uses, while providing an opportunity to define and improve the urban environment.

Key objectives:

- Utilise the potential of SME space to maintain and enhance town centre vibrancy.
- Integrate space for SMEs with new retail and residential.



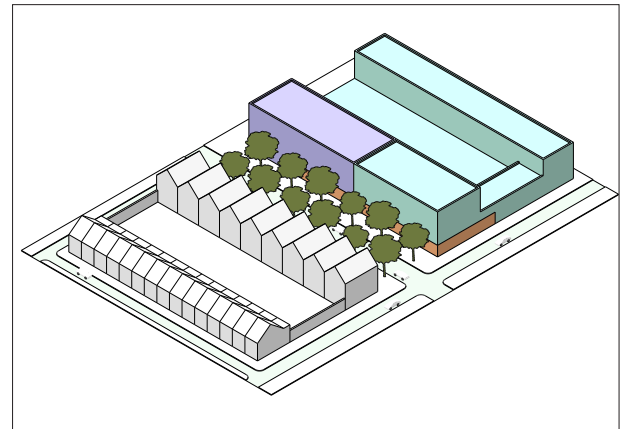
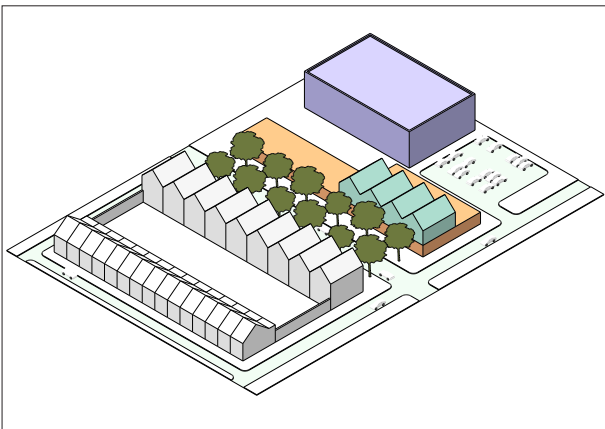
Morocco Street, Southwark

Existing LTES utilising a difficult corner condition on a secondary street, providing part of a mature local context

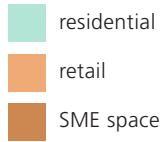
- residential
- retail
- social infrastructure



Ponders End, Enfield, Maccreanor Lavington Architects

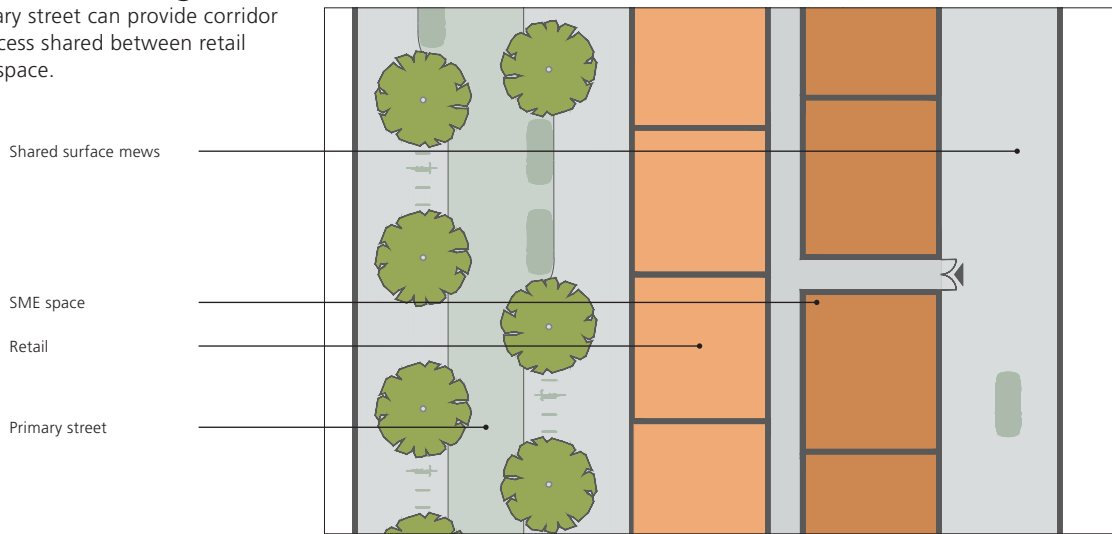


Re-providing SME space: an undervalued retail strip, filled with SME space and underused social infrastructure, can be consolidated to reprovide both, whilst intensifying with residential.



SME space servicing

A secondary street can provide corridor service access shared between retail and SME space.



SME space at rear

SME space at ground level on a secondary street can create active elevations and provide space for businesses that benefit from high street proximity and transport accessibility, but do not require high levels of footfall to operate successfully



SME space at front

Dedicated space for SMEs at the front may include shared offices and Incubator Accelerator, Co-working (IAC) space





iQ London Shoreditch Student Accommodation, Hackney

Affordable workspace delivered via planning gain, and managed by the Shoreditch Trust

Integrating Social Infrastructure

8.4.24 Social infrastructure includes schools, libraries, health facilities, leisure centres, child playspace, and public open space. These are all important town centre uses that help provide services and a reason to visit the town centre, helping to underpin vitality and viability. Public open space, child playspace and schools require a large land take and are dealt with separately. The other elements can be stacked on top of retail and below residential.

8.4.25 Delivering social infrastructure is an important aspect for creating Lifetime Neighbourhoods, as set out in Policy 7.1 of the Draft FALP.

8.4.26 Facilities are usually owned by boroughs and health authorities and represent a good opportunity for boroughs to use its ownership to help intensify town centres, deliver additional housing, (as well as often cross-subsidising re-provision of facilities) and act as a catalyst for change. Social infrastructure is a positive aspect of town centres, and can be integrated into residential design.

8.4.27 Tired or under used social infrastructure can be reprovided freeing up developable land, whilst allowing themselves to become new mixed-use schemes in the process and increasing the efficiency of land use.

8.4.28 Careful rearrangement of social infrastructure and SME space, such as in Ponders End, (see ‘SME Space’), can result in a more positive urban environment, encouraging footfall.

Key objectives:

- Utilise the potential of social infrastructure to bolster town centre character.
- Integrate social infrastructure with other retail and residential.



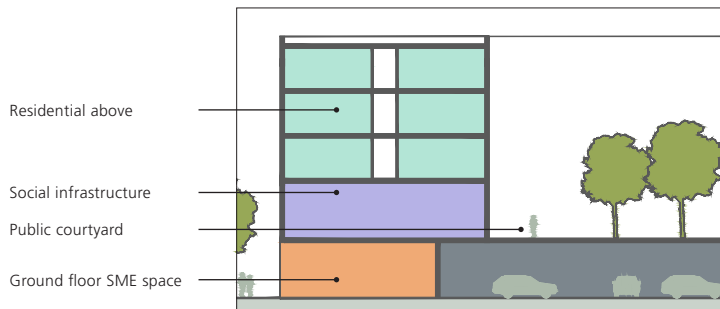
Loampit Vale Leisure, Lewisham

Residential stacked above leisure centre and other ground floor uses

- residential
- retail
- social infrastructure

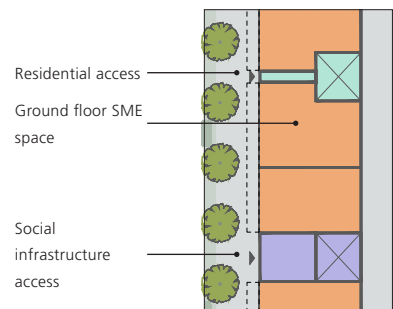


Deptford Lounge -Tidemill Academy, Lewisham

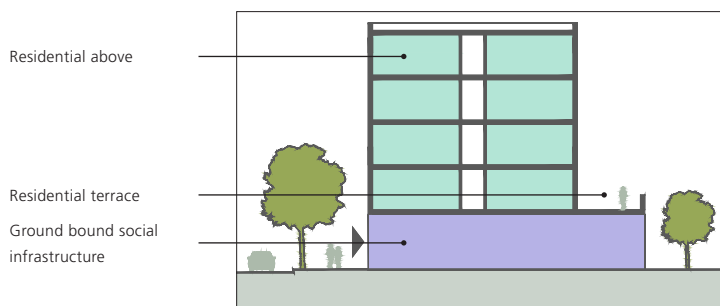


Elevated social infrastructure

A collection of social infrastructure uses, including an academy, public library, study areas, and computer labs, stacked below residential



Barking Central, Barking & Dagenham



Ground bound social infrastructure

The central block of the Barking Central development is a residential scheme developed on top of an existing public library. The library is refurbished and becomes a Learning Centre.

Integrating Schools

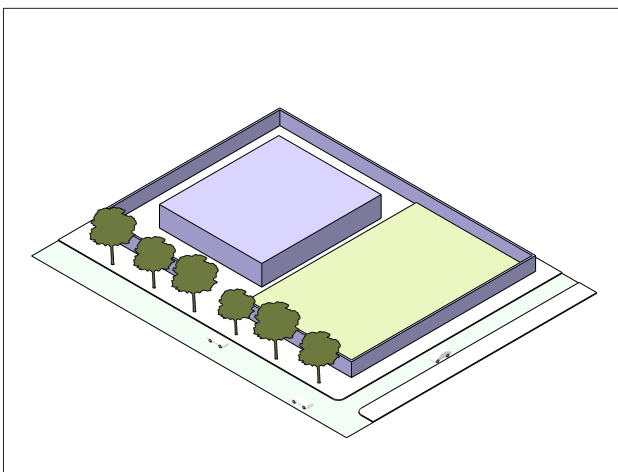
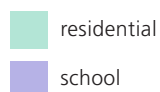
8.4.29 Schools can form part of a rich urban fabric in town centres, and can form part of urban blocks that help define streets.

8.4.30 Many elements of social infrastructure can be stacked beneath residential relatively easily. Schools can also be stacked but there are further steps to overcome. As space is at more of a premium in town centres, primary and secondary school playing fields can be off-sited to nearby locations, and often shared as public open space.

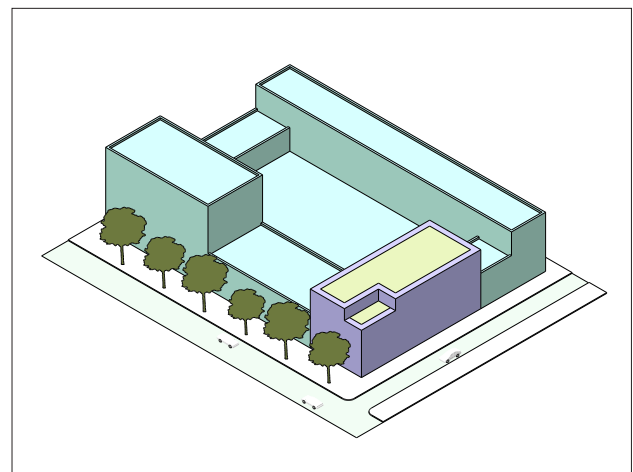
8.4.31 Play areas in primary schools also take a large land take but these can be located on roof terraces, or as play decks, dramatically reducing the land take of the school and offering space for development of other uses.

Key objectives:

- Minimise land take of schools through stacking.
- Position large playing fields off site to maximise efficiency of town centre land use.



Primary school with on-site playing fields within a fenced block

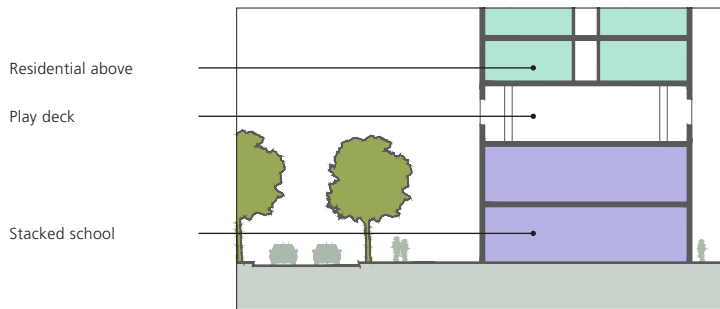


Stacked primary school with rooftop and terrace play decks, with off-site playing fields. The rest of the site is residential and together they form an urban block

- residential
- retail
- school



Holy Trinity Primary School, Hackney, Rock Townsend Architects

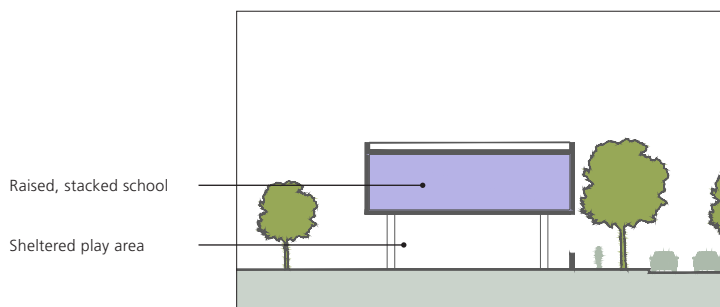


Stacked school

School stacked beneath residential, optimising efficiency of land use. Play decks sit above the school in an open section, below the residential.



Lauriston Primary School, Hackney



School intensification

Primary schools on restricted sites can also stack accommodation above play areas, doubling as shelter, and reducing the land take of the school

Public Space

8.4.32 Open space in town centres is necessary for housing and as a shared amenity. Public open space should be accessible to all, shared, and overlooked. They are useful in town centres as places to pause, eat, and enjoy, offering necessary breaks within intense town centres.

8.4.33 It is important to make all available public space as attractive as possible to use. Public spaces range in scale between small breaks in urban blocks to urban pocket parks, and may contain hard and soft landscaping, a variety of furniture, and planting. If well planned each can add a civilising effect to the town centre. Excessively large parks may detract from the vibrancy of a town centre, but smaller spaces can create necessary breaks in intensified centres.

8.4.34 Public open spaces can offer flexibility of use by using a combination of hard paving and soft landscaping. Spill out spaces from retail and other uses can activate the edges of public spaces, whilst attractive seating, pavilions and suitable landscaping can encourage use away from these edges.

8.4.35 Provision of pedestrian and cycle routes across these spaces adds dynamism. Clear differentiation of pedestrian and cycle routes is necessary to encourage use.

Key objectives:

- Maximise overlooking of public spaces.
- Capitalise on spill out spaces activating edges of public spaces.
- Ensure well conceived and arranged public spaces create attractive places to visit.
- Clearly differentiate pedestrian and cycle routes.



Canada Water, Southwark,
Maccreevor Lavington Architects,
David Chipperfield Architects, Vogt
Landscape Architects, Sellar Design &
Development

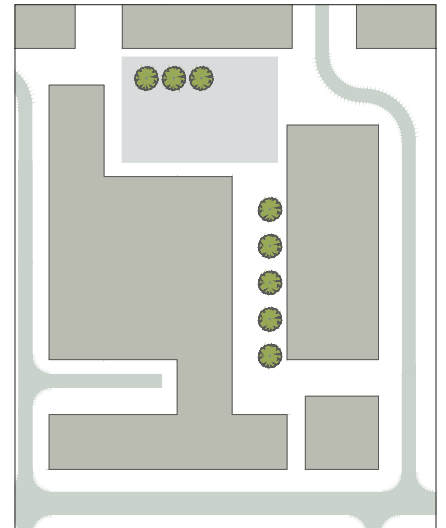
Public town centre gardens. Accessible to all and managed publicly there are buildings framing its edge, routes across it, and at its fringe is the spill out zone for retail

Town square

Accessible to all and managed publicly, a town square provides a formalised open space. A fully pedestrianised square can have all building entrances facing an interrupted space.



Barking Town Square, Barking & Dagenham

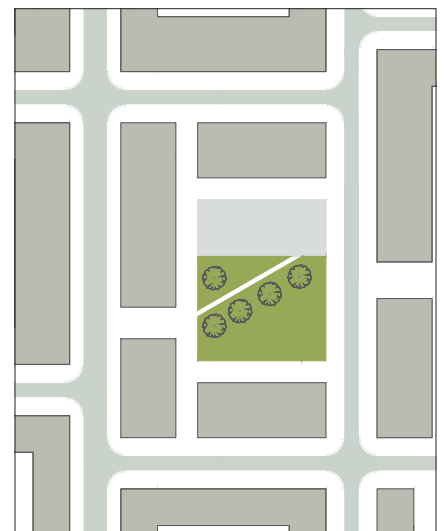


Public pocket park

Accessible to all and managed publicly, pocket parks provide an open space infill within urban blocks. A combination of hard paving and soft landscaping offers flexibility of uses.



Canada Square Park, Tower Hamlets



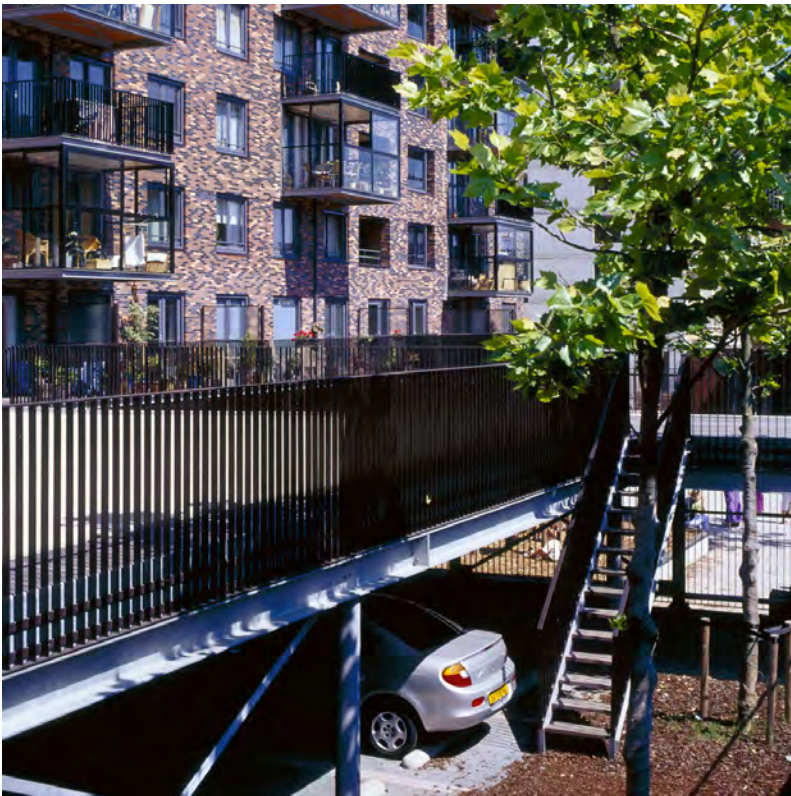
Residential Amenity Space

8.4.36 Shared residential amenity space can be semi-public or semi-private. It should be attractive to use and be overlooked by residences to encourage use and offer security.

8.4.37 Private amenity spaces, such as balconies and gardens, are spoken for elsewhere in this document. The distinction between semi-public and semi-private open space is made through degrees of accessibility, and management. These spaces can be useful for contributing child play space necessary for family housing as they afford proximity and security.

Key objectives:

- Maximise overlooking of open spaces.
- Create easily accessible and attractive spaces, with suitable degrees of privacy.



Stadstuinen, Rotterdam

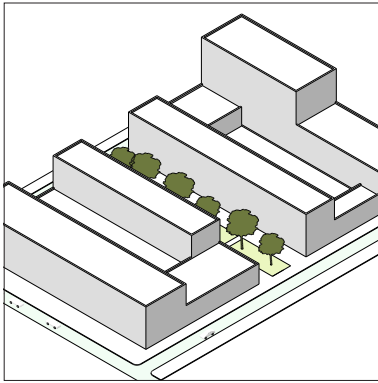


Raised courtyards can accommodate space for roots of trees through mounded landscapes, planting boxes, or cutaways

Semi-public open space

Semi-public open space. It is privately managed but open to the public as a thoroughfare. A clear line of sight through the scheme indicates a route, yet the change in floor material signifies a change in route hierarchy to the adjacent street. The space has a series of play spaces integrate, and a number of cafes spilling out.

The space is accessible to the public but is under private ownership. The space is managed privately.

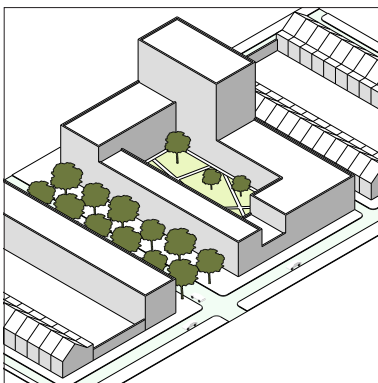


Dalston Square, Hackney

Semi-private open space

Semi-private open space. The shared courtyard is at first floor level and is accessible through each of the residential cores. It is privately managed and accessible only to those with access to the cores. Private amenity space occupies its fringe, and is separated using planting.

Access is shared between residents of the building, and is not immediately accessible to the public. The space is managed privately.



Barrier Park, Newham

Servicing

8.4.38 The objective should be to minimise the negative impact of servicing on town centres, including visual, noise and disturbance issues, whilst maintaining efficient and workable servicing strategies for business to operate. The width of the shuttered access to an internal or integrated service courtyard is essentially all that should be visible from the street.

8.4.39 In town centres service courtyards produce huge desirability issues for adjacent developments, and highlight a lack of incentive for optimising density. Integrated, covered servicing can happen inside urban blocks. Servicing can also occur at the interface with the street. These involve careful management, as adjacent dwellings will be affected by disturbances. Timing is critical also to avoid disturbance to busy traffic. A subsequent impact of this is the danger to cyclists avoiding parked lorries in busy traffic.

8.4.40 Servicing from back-streets is possible, but the back-street should be private and used solely for servicing. Where these back-streets also provide access to dwellings the servicing will likely have a degrading effect on the desirability of the street.

8.4.41 The architecture of service access in the facade should seek to minimise its impact on the public realm.

Key objectives:

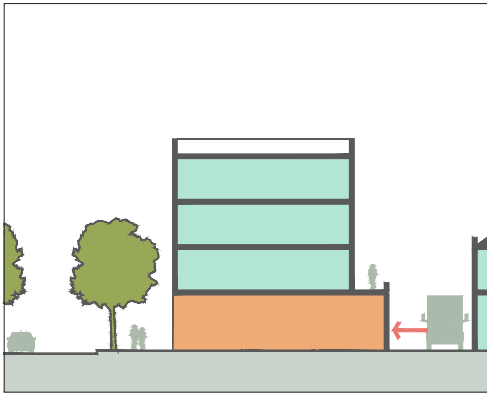
— Minimise the negative impact of servicing on the public realm.



Kensington High Street, Kensington & Chelsea

Servicing on the street is given room to occur on a busy main road, and occurs at suitable times so as to not disrupt traffic

- residential
- retail
- large-scale retail
- servicing



Back-of-house servicing

Servicing can occur discretely from a secondary street, minimising the impact of deliveries on residential units above. Residential above can be given a terrace to create further separation.



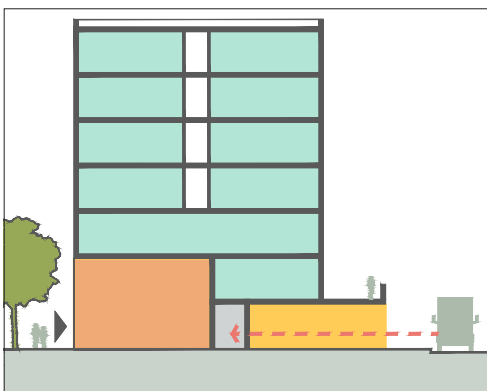
Internal servicing

Servicing can occur within the footprint of a hybrid block, and be consolidated.



Front-of-house servicing

Servicing can occur front-of-house during suitable times, potentially eliminating the requirement for rear access completely.



Shared servicing

Shared service access through one consolidated entrance into a servicing corridor to avoid excessive elevation of individual service entrances.

Parking

8.4.42 Town centre parking should be provided in easily accessible locations. It should be integrated into urban blocks, and be not distinctly visible. Large-scale retail car parking should double as town centre parking.

8.4.43 Public and private car parking will have to be provided to some degree in a town centre. On-street parking will provide good proximity for wheelchair parking. This can incorporate landscaping to improve its quality. On-street parking should not devour the public realm, nor detract from parking densities for nearby residents however, and other solutions will often need to be sought in addition. Mixed-use developments must meet the shortfall, using integrated parking solutions. In town centres non-integrated or surface parking can never be a viable solution to meet necessary density demands.

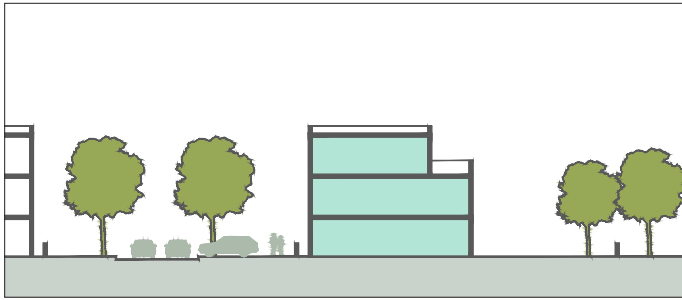
8.4.44 Incorporating parking into built schemes is possible principally in three ways: basement; undercroft; or at higher levels. If surface car parking is the base point, then basement parking is five to six times more expensive, and undercroft is two to three times more expensive. They all offer opportunity to be architecturally hidden, but to choose a solution a balance must be struck between using up valuable floor area, and build cost.

8.4.45 Residential parking demand in town centres is likely to be lower than elsewhere, but a key consideration is DDA compliant parking. This needs to be covered, and there are maximum travel distances to consider. Providing car parking within the footprint of the residential above allows DDA compliant parking to simultaneously be covered and offer proximity to cores. This also offers the potential to keep the courtyard footprint free from parking if desired.

Key objectives:

- Incorporate car parking into hybrid urban blocks.
- Minimise the impact of car parking entrances on the public realm.
- Separate public and private car parking and their entrances.

- residential
- retail
- parking



Low density: on-street parking



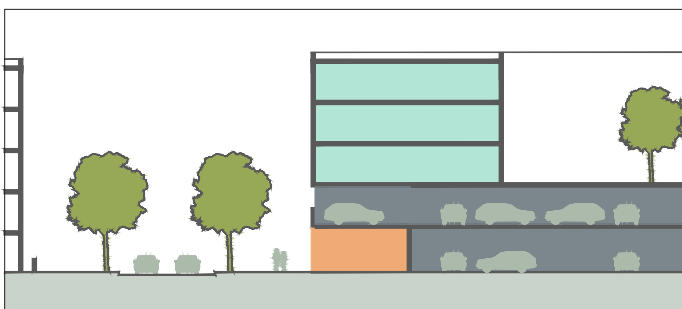
Dichterswijk, Utrecht



Mid-density: undercroft / courtyard parking



Kop van Zuid, Rotterdam



Mid-density mixed-use: retail parking can be at ground level or basement, with residential parking at first floor to provide easier access to flats above



De Hofdame, Rotterdam



High density: basement parking

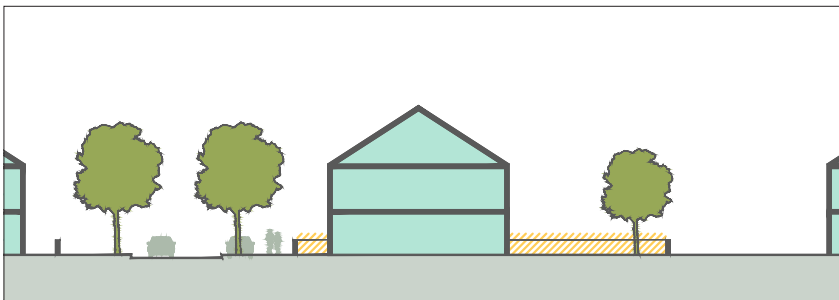


Visserdijk, Rotterdam

High Density Town Centre Housing

8.4.46 Creating higher densities does not necessarily require taller buildings. There are other ways of achieving higher densities through efficient use of space, and by interpreting guidelines such as overlooking distances, leaving building height to become an architectural expression rather than a default decision. Some example densities are shown below, with densities taken from the Housing Density Study¹:

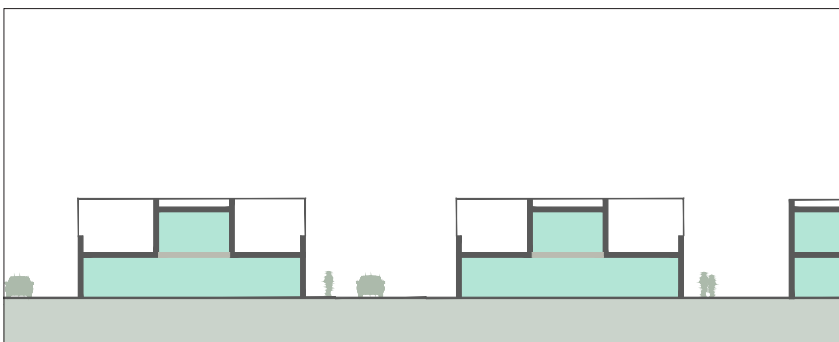
- residential
- non-family residential



Terraced housing

Approximately 275hr / ha (gross)

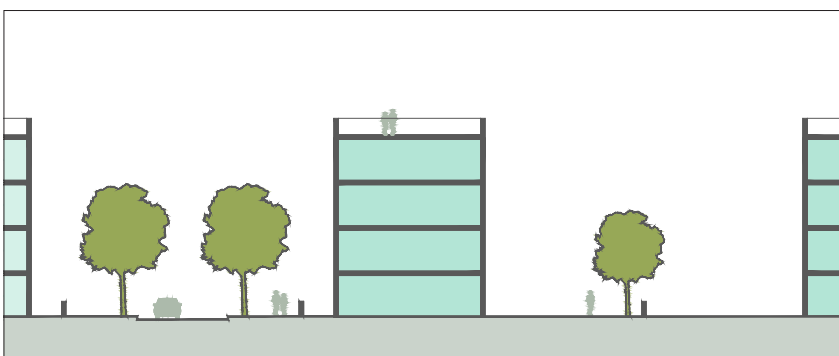
Suitable for family housing



Patio housing & mews

Approximately 240hr / ha (gross)

Suitable for family housing



Walk-up maisonettes, stacked (4 storeys)

Approximately 350hr / ha (gross)

Suitable for family housing

1 Housing Density Study, 2012, p.. 146

8.4.47 It is important for housing at higher densities to achieve high quality housing requirements, as explained in the Housing Design Guide, and supplementary material such as the Housing Density Study. Private amenity space forms a greater constraint for family dwellings, lowering the percentages of family dwellings that can be provided when delivering higher densities.



Corridor apartments stacked between walk-up maisonettes (5 storeys+)

Approximately 500hr / ha (gross)

Maisonettes suitable for family housing



Corridor apartments (3 storeys+)

Approximately 500hr / ha (gross)

Not suitable for family housing

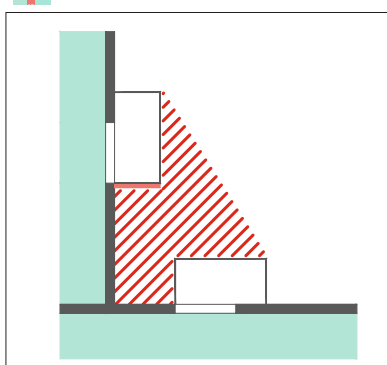
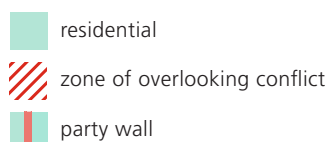
8.4.48 Privacy is a huge factor to consider with people living so close to one another. Visual and acoustic separation of units and amenity space, and creating private internal domains are all important. Adhering to indicative overlooking distances will force building heights up, and there are ways to reduce this distance by offsetting otherwise overlooking habitable rooms, and by using suitable trees and planting as a screen. Outset balconies are not included in the distance calculation, but are vulnerable to privacy issues at internal corners, and at lower levels. The best solution is to avoid these situations.

8.4.49 The Design for Homes, Perceptions of Privacy and Density report concluded that, contrary to current regulation, **“households perceive privacy to be about getting away from each other through having private internal domains [more so] than they are about the spaces between them and their neighbours.”** It also concludes that acoustic privacy is of primary importance to residents: **“sound transfer between adjoining properties is the most common privacy problem within the home”**. There must be enough space in the thickness of walls between acoustically sensitive spaces to include sufficient acoustic insulation.

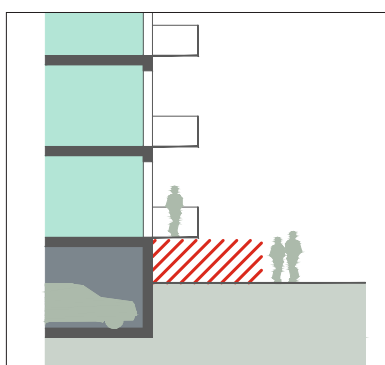
8.4.50 If a ground floor use is converted to residential it can be considered a very long term change of use, as conversion back to a non-residential use will be extremely difficult.

Key objectives:

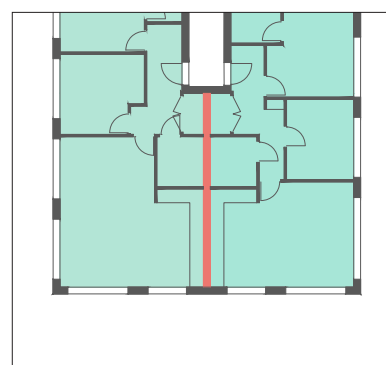
- High density is achievable through intensification and does not necessarily mean taller buildings.
- Privacy is important both acoustically and visually.
- Delineation of private and public space must be clearly legible.



Balcony overlooking must be considered. A screen offers privacy but the condition is best avoided

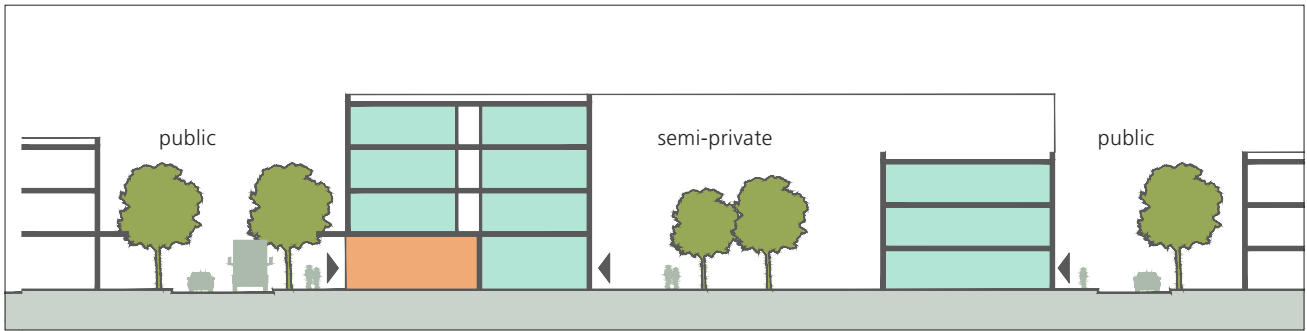


Ground floor privacy can be achieved using a raised ground floor, but balconies may create unusable spaces

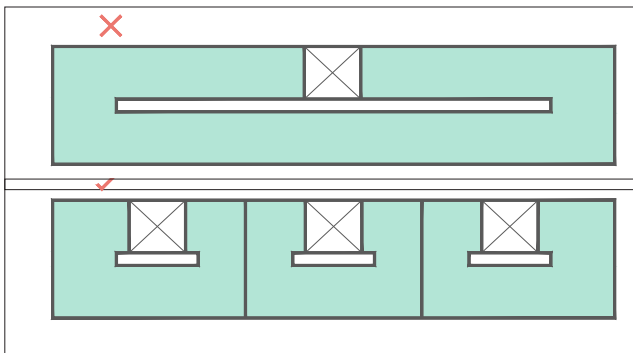


Sound insulation can be achieved by using non sound-sensitive spaces (kitchens / hallways) to share party walls

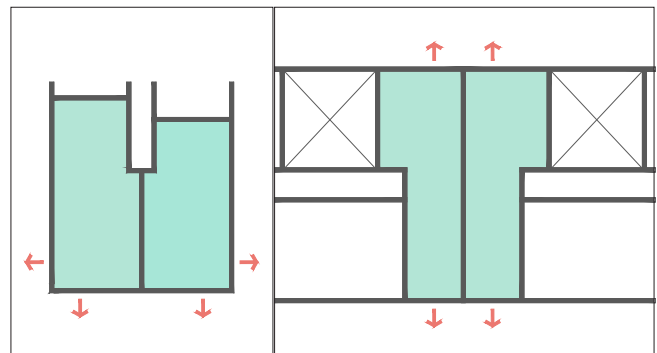
residential
retail



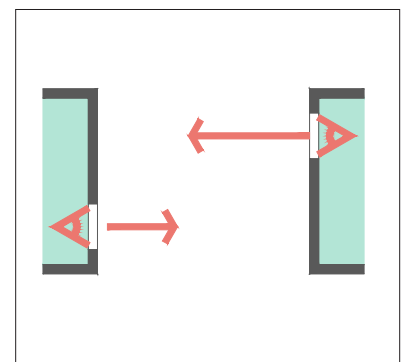
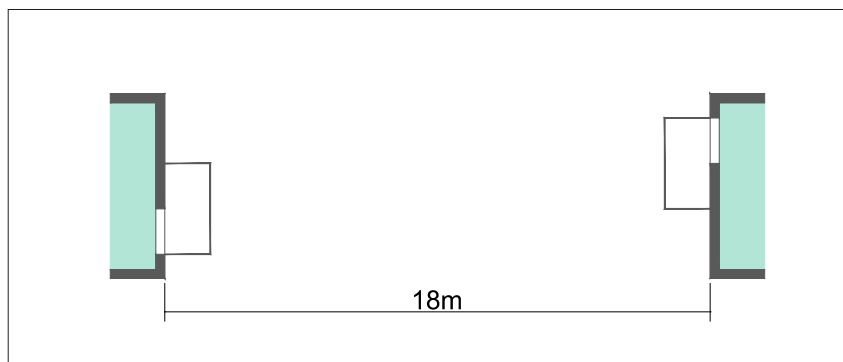
Delineation of public / private space must be clearly legible. Fronts and backs must also be clear. Distinct urban blocks and robust architectural definition will help achieve this.



With higher density residential schemes the London Housing Design Guide offers sensible limitations of units per core.



Dual aspect units should be sought wherever possible. Creating 100% dual aspect units is not always possible, but should form the starting point for design considerations.



The well-documented indicative overlooking distance is a guide only. Importantly it does not concern balconies, and is only relevant for habitable rooms.

Family-Sized Dwellings

8.4.51 Town centres will need family dwellings in order to meet demands even if suburban housing, such as semi-detached housing, holds more market value. High density family housing should be liveable and attractive for the social rental, shared ownership and private markets.

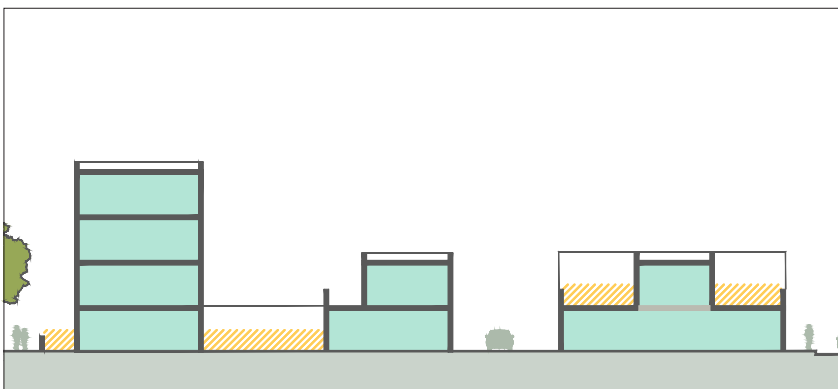
8.4.52 Family dwellings require larger private amenity space than other dwellings, and thus are more restricted in higher densities. The highest possible density of family dwellings is more finite than with other dwellings as balconies will not provide enough private amenity space without causing overshadowing issues.

8.4.53 Terraced, patio, and mews housing all provide family dwellings with fixed maximum densities due to size constraints and the fact they cannot be stacked. Split-level maisonettes offer a stacked family dwellings solution, as the roof terrace and ground floor can be used for private amenity space. Other units can also occupy the intermediate floors. These are limited to two family units stacked on top of one another.

8.4.54 Providing town centre family dwellings is attractive for proximity to public transport and other services. Provision of suburban housing is not at question, but as intensification is necessary, providing family dwellings in town centres at higher densities for all tenure types is also necessary to sustain a healthy mix of typologies.

Key objectives:

- Provide high density town centre family dwellings.
- Ensure private amenity space is not compromised.



Patio housing (left) and mews housing (right) can provide higher density, non-stacked housing. Amenity space for the patio housing is within the plot, between two bodies of accommodation. The mews houses have first floor terraces



Accordia, Cambridge

7m mews street between mews houses (right) and patio houses (left)



St Andrews, Tower Hamlets

Family dwellings occupy the bottom two- and top two floors, with private amenity space in the courtyard and roof terraces respectively. A mix of one and two bed units occupy the floors between.

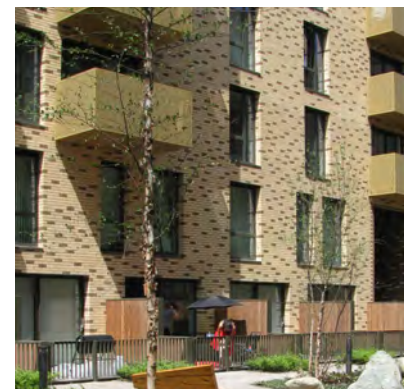


St Andrews, Tower Hamlets

- residential
- private amenity space



Ground floor and top floor split-level maisonettes can have ground floor and roof terrace private amenity space, with the intermediate floors providing other typologies to increase density



St Andrews, Tower Hamlets

Housing for Students and Old People

8.4.55 Housing for students and old people should be used to take advantage of increased footfall at irregular times of day.

8.4.56 Separating cores for students, old people and other residents have benefits such as stacking same-sized units, and offering specific lobby requirements. Ideally they should be accommodated in separate buildings. Housing for students and old people can be stacked with other uses, as with regular residential accommodation.

8.4.57 The Homes and Communities Agency report 'Housing our Ageing Population: Panel for Innovation' (HAPPI) expresses that, ***“UK housing provision widely assumes that as we age we will wish to stay put in family homes...[and] as a result, there is little housing choice for those who do wish to move.”***

8.4.58 Another factor is the balance of a desire to be with and near others and a need for help at home, whilst retaining independence. Town centre housing for older people can therefore be a relevant typology for those wishing to downsize, and gain proximity to services and amenities, whilst affording access to home help.

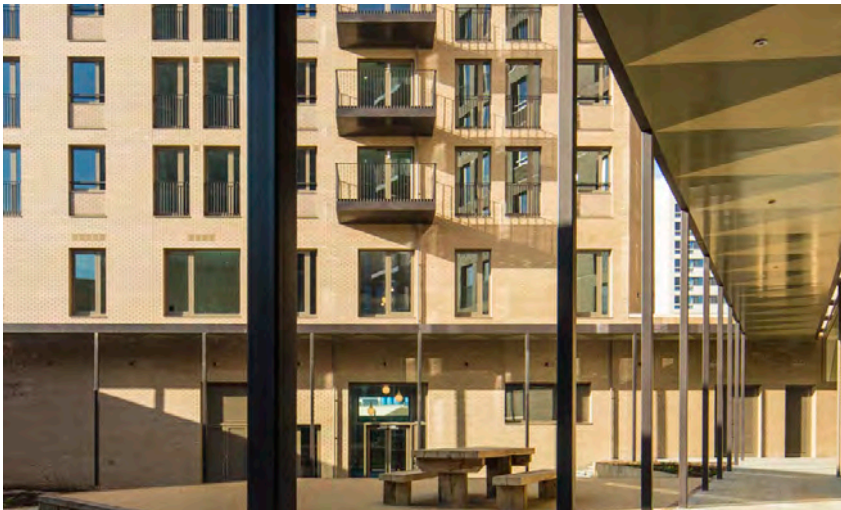
Key objectives:

- Provide town centre accommodation for old people to give choice within the market.
- Separate entrances for students, old people and other residential accommodation.



Urbanest, Hackney

Student housing stacked above retail. There is only student housing on the site, yet the housing behaves in a similar way to regular residential accommodation stacked above retail.



Roseberry Mansions, Camden

Roseberry Mansions provides 40 apartments designed for the active elderly. These homes allow older people to live independently while also having access to the care and support services which they may need over time. Roseberry Mansions forms part of a complete urban block alongside Saxon Court which houses social rented and affordable shared ownership housing.



Humanitas-Bergweg, Rotterdam

City centre accommodation for people over 55. The building houses a range of uses such as shops, cafes, offices, as well as services for the elderly such as day-care facilities and a Memory Museum.



Dickens Yard, Ealing

Elderly people are actively encouraged to leave their underoccupied social housing to move into a town centre flat with good transport access and proximity to amenities, whilst also providing home help if needed. The vacated housing can then be used for families.

Ground Floor Residential

8.4.59 Dwellings should have a positive and civilising effect on the public realm. They can have ground floor access integrated into streets filled with other uses, and also occupy the ground floor themselves.

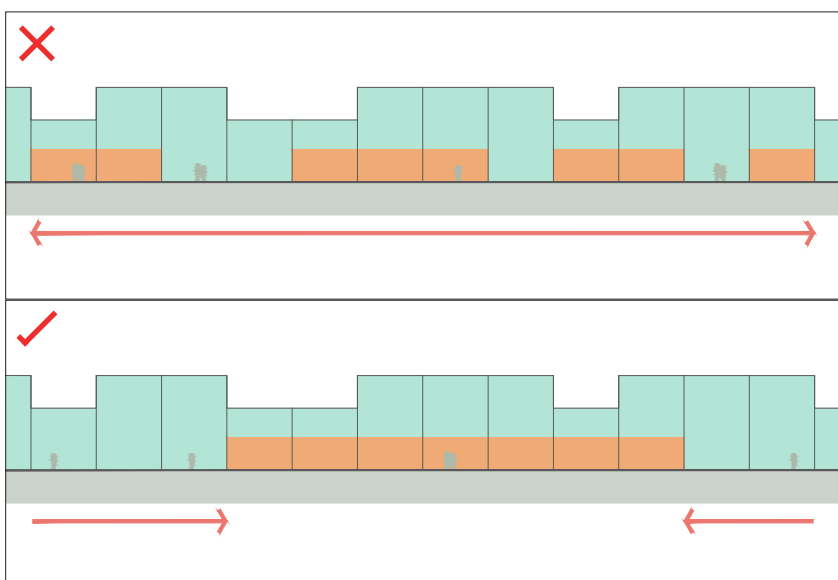
8.4.60 Where ground floor retail is replaced with residential along a high street the retail should remain consolidated to avoid its presence becoming diluted. This does not preclude residential entrances between retail units.

8.4.61 Integrating residential entrances into shop fronts can produce a disguised and private front door that does not interfere with the shop facade.

8.4.62 The transition from retail to residential can be accommodated using defensible zones and spill out spaces. Sometimes the retail spill out zone is only inferred, but in instances such as cafes it becomes more defined. The defensible zone for residential should include a physical feature such as planting, that provides a degree of privacy, encouraging overlooking onto the street. It is important that sufficient private amenity space be provided for residential where defensible zones at the front may be tight. The housing can also be set back from the pavement to increase the defensible zone to become a front garden.

Key objectives:

- Consolidate retail frontages to increase their impact.
- Utilise residential defensible zones and retail spill out spaces to aid transitions between uses.



Ground floor residential interspersed across the high street dilutes the retail presence

Consolidated ground floor retail. Using up unwanted retail space at the fringes intensifies the remaining retail on the high street

residential
retail
private amenity space



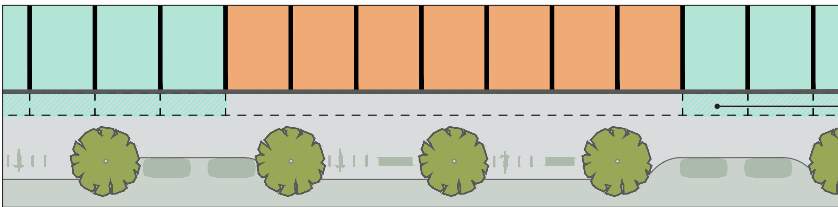
Bermondsey Street, Southwark

Residential front doors are integrated into the shop front. They do not distract the shop front, and therefore create a degree of privacy

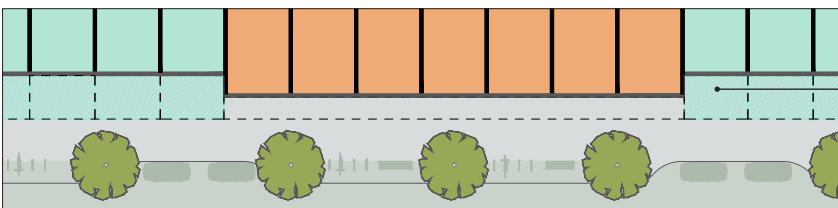


Ramsden Road, Wandsworth

The transition between ground floor retail and residential can be articulated with raised ground floors, defensible zones, and suitable fencing, though raised ground floors provide a challenge for meeting the Lifetime Homes level access requirements



The defensible zone of residential and spill out zone of retail uses can help sculpt the transition between the two



The residential can step back at the ground floor to increase the defensible zone, before joining the building line at the first floor and above



Ground floor residential requires amenity space and must be accounted for in street sections to allow adequate privacy. Tight defensible zones at the front will mean generous amenity space required elsewhere

Housing around Town Centres / Edge Conditions

8.4.63 Intensification can add positive character to town centres. Intensification may cause conflict with existing context, but can be managed in a variety of ways to create a progressive, yet sympathetic, urban condition. This may involve creating a transition to a suburban context or engaging with an existing town centre scale and massing.

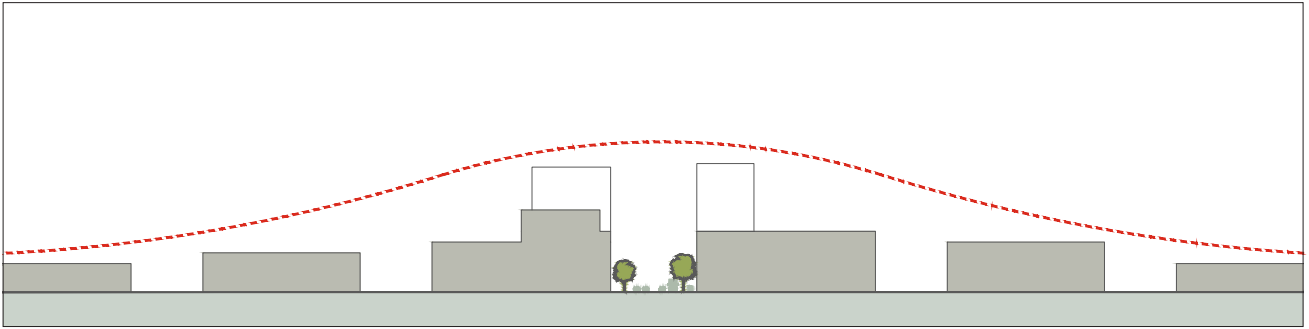
8.4.64 Scale transitions should occur within the town centre 300m boundary in order to avoid abrupt massing changes at its edge. The Housing SPG 1.3.37 explains the importance of avoiding high density developments spreading uncontrollably into lower density areas.

8.4.65 Place shielding offers solutions to massing conflicts in specific situations. Place shaping offers a solution to sculpt the overall massing of a wider area.

Key objectives:

— Minimise dramatic massing changes.

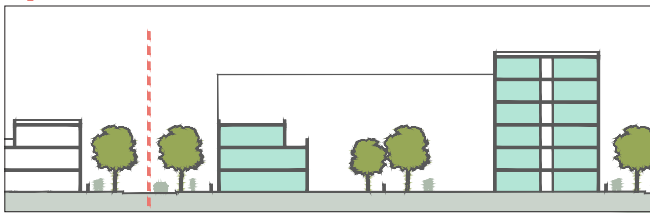
Place shaping



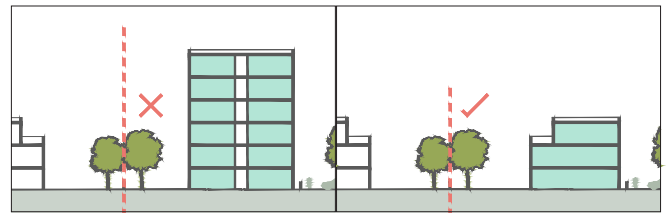
Sculpt the massing of new developments to respect London's low-rise context and provide higher densities and intensifications in town centres

Place shielding

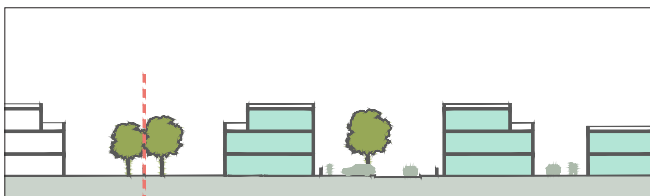
- residential
- site boundary



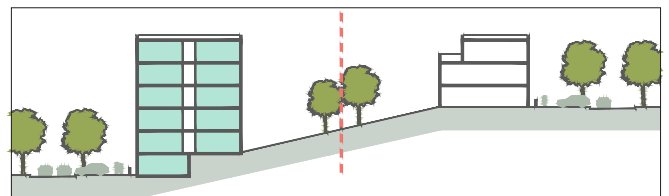
A smaller building can be used at the edge of a large scheme as a shield from taller buildings for the existing context



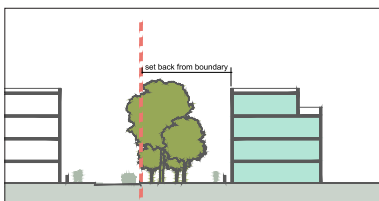
Reflecting the scale of existing buildings across private space avoids imposition on the existing buildings. Failing to reflect the scale of existing buildings across private space will likely create problems with daylighting and rights to light.



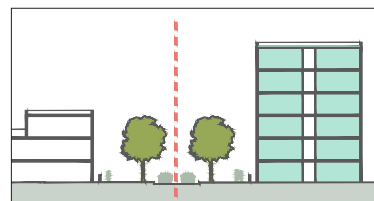
Overlooking distances to existing properties should respect the indicative 18m habitable room separation, but proposed buildings within a new scheme can propose other solutions to overcome overlooking issues



Topography can create an opportunity for a change in scale



New buildings across a street from an existing building will have to accommodate the 18m habitable room separation within their own site



Separation across a street allows for a change in scale and massing in a less imposing way than across private space

Bicycle Parking

8.4.66 Bicycle storage solutions should be attractive to use and be easily accessible. They should not be an imposition on urban and architectural quality.

8.4.67 Bicycle parking will take up much more space than it does currently under proposed new regulations (Further Alterations to the London Plan, 2014). Thus bicycle parking will have to be considered early in the design process, as with car parking.

8.4.68 Private and public solutions are necessary. Private, usually longer stay, parking is necessary for housing and those at work. Public, usually shorter stay, parking is necessary for those visiting amenities, services, residents etc. in a town centre.

8.4.69 Private bicycle parking in high density schemes should be integrated, covered, secure easily accessible and attractive to use. Solutions include specific bicycle parking rooms, or using up space on parking floors. Issues that befall car parking affect bicycle parking as well. A solution integrated into an urban block will be far less visually intrusive, and a standalone bicycle parking garage will be hard to incorporate into a desirable street scene. Bicycle parking must be easily accessible to encourage its use. Anything other than direct access at street level is a hindrance to cyclists. However, if necessary, bicycles can be wheeled up or down single flights of shallow stairs, or share car parking ramps.

8.4.70 Public bicycle parking must be instantly accessible. Either covered or uncovered these must maintain direct access to the street. Providing consistent parking options will encourage their use. Cyclists will expect to be able to park outside, or very near, to their destination.

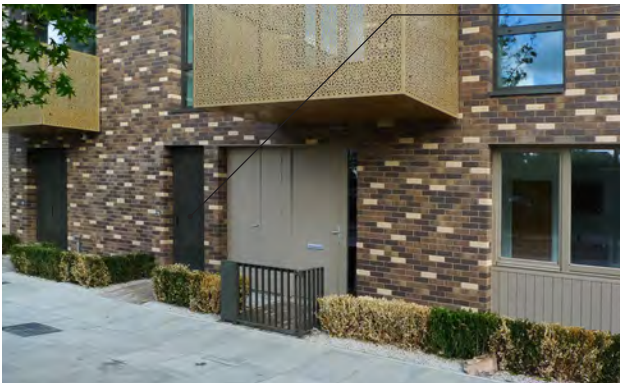
Key objectives:

- Create discrete private bicycle storage entrances.
- Create attractive and easily accessible private bicycle storage.
- Create attractive and immediately accessible public bicycle storage.



Nieuwe Binnenweg, Rotterdam

Public bike parking sits within a zone of the street section used for street furniture, trees, bike parking and car parking. The frequency of bike parking provision encourages use and allows easy access to shops and amenities.



St Andrews, Tower Hamlets

High density private residential with sheltered bicycle storage within the urban block. The entrance is tasteful and discrete, positioned next to residential ground floor entrances.



residential bike storage
retail

Retail ground floor, with residential above, accessed by a core on the main street, next to bicycle storage entrance.

Secure residential bike storage is at grade, inside the block, accessed from the street adjacent to the core. In addition internal secure connection to the core is to be provided.

Public (shorter stay) parking is provided in the street. This zone can accommodate car parking, bike parking, trees and street furniture, without cluttering the rest of the pavement.

Refuse, Storage and Plant

8.4.71 Bins, storage and plant rooms should be easily accessible to residents and servicing, and easily maintained. Bins and plant need to be sufficiently ventilated. They should not impose on urban and architectural quality.

8.4.72 The frontage given to these uses should be minimal, but where it does occur it should not detract from the overall quality of the building or public realm.

8.4.73 There are advantages to locating bins, stores and plant in basements or undercroft parking locations, but this may require mechanical ventilation and convoluted servicing.

8.4.74 Parking floors can also provide space for plant areas. A realistic estimate of the space required for each will be necessary to determine a suitable architectural solution.

Key objectives:

- Create discrete bin store entrances.
- Create easily accessible bin stores.



St Andrews, Tower Hamlets

High density private residential with sheltered, shared refuse storage within the urban block. The entrance is tasteful and discrete, positioned next to residential ground floor entrances.



residential bike storage
retail

Retail ground floor, with residential above, accessed by a core on the main street, next to refuse storage entrance.

Refuse storage is at grade, inside the block, accessed adjacent to the core. It must be ventilated, which can be done through a car park, service courtyard, or straight into a courtyard space, paying close attention to the proximity of resident's entrances and windows.

8.5 Case Studies

Canada Water, London

Status: planning approval

Completed: in progress

Architects: Maccreanor Lavington Architects, David Chipperfield Architects, Vogt Landscape Architects

Client: Sellar Design & Development

8.5.1 Canada Water is a District centre example of existing ground floor large-scale retail rebuilt and wrapped with residential, with car parking below and residential stacked above.

8.5.2 Due to careful phasing, the existing retail store is able to remain open throughout construction.

8.5.3 Display frontage of the retail space is used to create active frontage along the central street. Elsewhere it has been wrapped with residential frontage, and also the head office for the retail space.

8.5.4 The footprint of the retail space falls largely beneath the courtyard, thus is not infringed upon by structure from residential above.

8.5.5 The retail space is serviced through an internal loading bay. Residential bin stores are next to the residential lobbies and are serviced from the street, but with minimal frontage exposed.

8.5.6 Bike storage is at basement, ground, and first floor levels.

8.5.7 Parking for the retail is at basement level. The basement also houses plant for the residential.

8.5.8 There is a residential super-lobby with access to the courtyard, which provides access to all other cores. All cores also are separately accessible at ground level from smaller lobbies. The cores are on the exterior of the blocks to avoid the footprint of the retail sales floor.

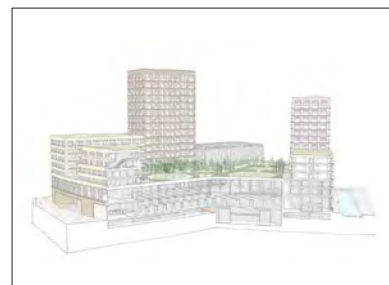
8.5.9 A multi-use games area (MUGA) is situated above the entrance to the retail unit, adjacent to the courtyard. The courtyard provides shared, semi-private, amenity space for residents. Larger private amenity space is provided at the perimeter of the courtyard, and by balconies on higher levels.



Non-residential space



Communal lobby



Integrating large-scale retail



Raised courtyard with MUGA



Intensified town centre



- Residential above
- Shared amenity space and MUGA
- Large-scale retail
- Residential services avoid interference with large-scale retail below
- Large-scale retail wrapped with residential
- Communal lobby
- Car park for retail



De Hofdame, Rotterdam

Status: in use
Completed: 2007
Architects: Klunder Architecten

8.5.10 Hofdame is a city-centre example of ground floor retail with car parking and residential stacked above.

8.5.11 It maximises the amount of active frontage at ground floor, wrapping as much of the block as possible with retail and residential lobbies. The entrances to the parking levels are of the minimum width, and there is only a few metres of blank facade.

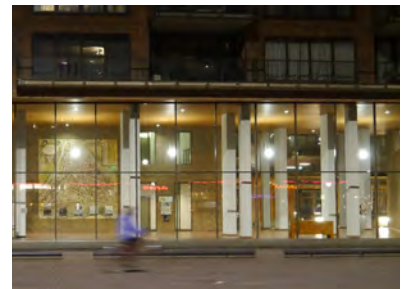
8.5.12 It disguises its car parking using facade treatments that match the residential terraces above. By layering car parking between residential and retail uses the service ducting from the residential can be consolidated and maintained in an easily accessible servicing zone at the car park level, without disturbance to the retail below. Car parking is also provided at basement level.

8.5.13 The shared, semi-private courtyard is at ground floor level, with the first floor car parking only filling the footprint of the residential above. This provides an extra degree of privacy for the lowest balconies in the courtyard, above the parking level, two storeys above the courtyard. At the interface with the street balconies also start only at the second floor.

8.5.14 Private amenity space for the residential is by inset balcony to provide additional privacy in such a busy location.



Large corner lobby



Courtyard visible through lobby



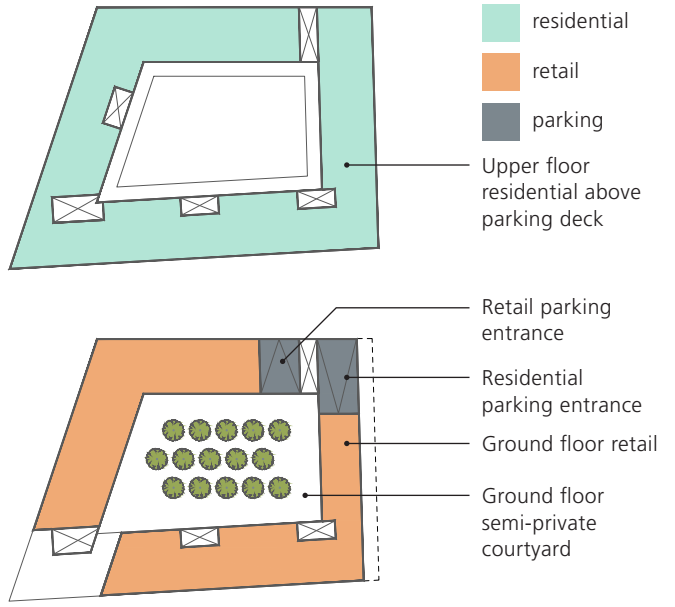
Shops beneath car parking deck



Shared amenity space



Car park entrance



8.6 Management and Maintenance of Higher Density Housing

Introduction

8.6.1 High quality management and maintenance of common areas and facilities is a key component of successful high density living – where such spaces are used more intensively than in lower density schemes. Issues are more challenging in situations where buildings include different uses / users (more likely in town centre locations), a mix of housing of different tenures and / or a high proportion of family-sized accommodation, with a correspondingly high number of children.

8.6.2 The Mayor’s Design Advisory Group (MDAG) members David Levitt (Levitt Bernstein) and June Barnes (East Housing) have highlighted the importance of management and maintenance in delivering good quality and inclusive high density housing in London that can accommodate a variety of tenure types.

General Issues

8.6.3 As in all situations, management and maintenance issues need to be considered early on in the design process to ensure that their costs are optimised, and whole-life costing issues are factored in when making design decisions, including specifying materials. East Thames’ ‘Delivering Successful Higher-Density Housing Toolkit’ (Second Edition 2007) encourages the early preparation of a robust management and maintenance protocol (particularly where there are multiple landlords) before the scheme is completed and residents’ associations that ensure long-term involvement. It is recommended that the protocol covers the following issues:

- A. Maintenance services;
- B. Management of the public realm;
- C. Maintenance of the public realm including community facilities;
- D. Management of any communal and community facilities;
- E. Service charges;
- F. Concierge, caretakers and other site based staff;
- G. Security management of car parking;
- H. Refuse disposal and recycling;
- I. Bulk refuse and abandoned vehicles;
- J. Post and deliveries;
- K. Graffiti and vandalism; and
- L. Provision and management of play areas.

8.6.4 Service charges tend to be higher in higher-density housing schemes in order to meet the cost of intensive management, upkeep of common areas and fund the replacement of mechanical equipment (such as lifts). MDAG members suggest that different approaches to design can have either a positive or a negative impact on the level of service charges by:

- A. The level and intensity of security measures, caretakers, concierges etc. Needed to monitor the safety of residents and the security of their possessions such as cars, bicycles etc;
- B. The choice and lifecycle of materials, their replacement and cleaning;
- C. The design of external landscape and the use of planting which needs to be maintained; and
- D. An approach to design which reduces the number of shared areas to a minimum.

8.6.5 The Design for Homes report 'Recommendations for living at Superdensity' (July 2007) (Section 10) notes that the current business model does not in all cases allow for the level of service charge that is required for such schemes. It makes the following recommendations:

- A. Consider minimising service charges early on in the design stage;
- B. Partly capitalise service charges where possible;
- C. Encourage investors to take returns from long-term growth thereby enabling capitalisation to take place;
- D. Public funders should recognise that the capitalisation of service charges should be seen as a legitimate project cost;
- E. Residual land calculations should take into account the capitalisation of service charges; and
- F. Planning briefs (and similar documents) should specify acceptable service charges (and management and maintenance requirements) to enable these costs to be taken into account in residual land value calculations.

Mixed-use

8.6.6 Mixed-use buildings and schemes that combine housing with non-residential uses raise particular issues in relation to management, maintenance and how the two uses interact. As part of its work, the consultant team consulted with Pinsent Masons who are experienced in dealing with these issues. In summary, residential occupiers have a wide range of rights that can impact on the operation of the building and commercial premises. The rights of owners of long leasehold residential interests are far stronger than those on an assured shorthold arrangement. Other similar rights can arise in the context of social rented housing. These rights are important in the context of operating a mixed-use building as an investment asset and the ability to retain freedom on the future use of the commercial elements. The key tenant rights are listed below:

- **Tenants' rights of first refusal:** If a landlord wants to sell a building containing flats and the right of first refusal applies, it must, by law, first offer it to the tenants. During the offer period, which is two months, the landlord is not able to sell on the open market. Failure to comply with the relevant statutory provisions is a criminal offence;
- **Enfranchisement:** Tenants of houses and a sufficient majority of tenants in apartment

blocks have the right to require the landlord (and any superior landlords) to transfer the freehold (and any intermediate leasehold interest) to them for a premium calculated in accordance with a statutory formula;

- **Tenant's rights to a new lease:** Tenants of apartments have the right to require the landlord (and any superior landlord) to grant them a new lease at a peppercorn rent for a term which includes the residue of the current lease plus a further 90 years. The tenant pays a premium which is calculated in accordance with a statutory formula;
- **Tenants' right to take over the management:** Tenants of apartment blocks have the right to take over the management of their block. This presents particular challenges in the context of mixed-use schemes; and
- **Limitations on recovery of services charges:** The statutory code for service charges adds an extra layer of conditions and requirements to those contained in the lease. Its most important features include service charges only being recoverable if the work undertaken or services performed has been to a reasonable standard, that the costs of such works or services are reasonable and that prior consultation with tenants is undertaken in respect of certain costs.

Issues to Consider for Mixed-use Buildings

8.6.7 On all development schemes containing a residential element, the above rights need to be carefully considered and addressed. In particular:

- Can the enfranchisement rights be avoided? There are various practical steps that may be taken (e.g. design solutions and minimum amounts of non-residential), but these may impact on the viability of the scheme. The higher the density the more these issues become relevant.
- Careful lease structuring can avoid tenants' rights of first refusal applying (which would otherwise delay, and could frustrate, a sale) and / or tenants being able to acquire the rental stream from commercial elements on enfranchisement.
- How can developers ensure the provision of funding for and maintenance of any public realm? There are various options with pros and cons attached to all of them (e.g. if the ground rent is intended to be the source of funding, and then tenants exercised their enfranchisement rights or right to a new lease, this may leave a hole in your budget).
- What impact will the size and composition of the scheme have? Multi-plot schemes and schemes with multiple buildings on a plot tend to increase the risk of non-recoverability of service charge from residential tenants.
- Who will assume the service charge obligations? However this is structured it will need to be compliant with the CML Handbook, the extent of tenant involvement in the management of the services and any legislative requirements relating to the proposed service charge arrangements.
- What is the developers exit strategy for the scheme? This is important in terms of maintaining control over standards and appearance and value.

8.6.8 With a well-planned lease structure and legal strategy these issues can be overcome on new build mixed-use developments. Issues arise around historic properties with older lease arrangements that could prove difficult to implement and manage freely. This has implications around site assembly and short-term development management.

Mixed Tenure and Affordable Housing

8.6.9 Schemes that include a mix of tenures raise particular challenges in terms of management and maintenance and service charges. Good practice (as advocated in the East Thames report, 2007, Section 7) is to identify similar lease conditions for all occupiers, the use of a single management provider and the establishment of a single residents' association representing everyone (leaseholders and renters).

8.6.10 The level of service charges for tenants of affordable and market rental housing can be an important element in determining the overall affordability of rents. This can be a particular issue in mixed-tenure schemes, where tenants of affordable homes share open space, play areas, parking areas etc. with owner occupiers and where the requirements of purchasers may be higher than typically provided in affordable housing. Such shared amenities may be necessary given the physical constraints of a site and can positively help foster social inclusion and communal living.

8.6.11 Affordable and social housing regulation limits the gross outgoings (rent, service charge and maintenance charges) to ensure such products remain affordable. Placing a cap on these items can lead to pressures on the ability of owners to raise income for standard service and maintenance items for example public realm and communal areas.

Family Housing

8.6.12 Family-sized housing (commonly accepted as 3-bedroom plus) will generate children, with associated needs for play space and, as discussed in Section 8, where child densities are high, possible anti-social behaviour / consequential increases in management and maintenance costs. Recommendation PP2 recommends that Draft FALP Policy 3.8 (Housing choice) and its justifying text be further amended to require the Mayor and boroughs to take account of the likely number of children that would live in new housing when developing policies and determining planning applications.

Discussions with Developers / Housing Associations

8.6.13 The Mayor's 'Barriers to Housing Delivery Report' (December 2012) found that 23 firms were responsible for delivering 70% of London's private sale starts in the 12 months to June 2012, amounting to approximately 8,300 homes. The single greatest delivery of new private housing over this period was the Berkeley Group (1,492 homes, or about 18% of total). The consultant team has met with representatives from St George's (part of the Berkeley Group) and the Ballymore Group to discuss general viability and delivery issues. It has also met with representatives and Notting Hill Housing Group and the East Thames Group, both members of the G15 Group of London's largest housing associations, to discuss management and maintenance and other relevant issues.

8.6.14 Key lessons from these discussions on management and maintenance include:

- It is important to have different management structures for different tenures.
- 'Shared ownership' housing is considered the same as 'private' in terms of service charges.
- Service charges for 'social rented' homes are calculated and identified / clawed back within the overall rent, so it is important to minimise service charges where possible.
- Rules are in place which mean that service charges for 'social rent / affordable rent' homes

cannot be crossed subsidised by service charges from 'private' homes.

- Window cleaning is a major component of the service charge, with the cleaning of windows on main roads raising particular issues in relation to access / parking of service vehicles. Detailed design that allows for internal cleaning of windows in these locations is strongly preferable.
- Pepper potting of 'affordable' homes within buildings containing private housing does not work - cannot control service charges. There is a conflict between the social aspiration to develop genuine mixed tenure development and the practical management issues faced by Registered Providers.
- Preference for separate 'affordable' and private buildings, but at least separate cores.
- Need to avoid over concentration of 'affordable' homes in mixed tenure developments (no more than 50 homes) and over concentration of family housing (see discussion above).
- Family housing is best located on ground to fourth floor level and ideally on the ground floor with front door access from streets.
- It is very important that family housing is located in areas with good services (parks, schools etc) and this is challenging within town centres.

8.7 Conclusions

8.7.1 Developers need to carefully plan leasehold and tenure structures from the beginning to avoid conflicts with future management strategies. Social housing is difficult to manage for many reasons, with rules relating to service charge collection and increase being one of them, and bespoke approaches are required for this type of housing. Higher density developments operating over a wider area will allow for economies of scale in terms of management and maintenance costs.

8.7.2 It is recommended that the Mayor commissions more detailed research on service and maintenance charges, including:

- the relative importance of component parts of service and maintenance charges;
- approaches to how service charges are allocated (e.g. fixed cost spread across the total development or variable costs incurred annually in a particular block);
- ways in which service differential charges can be structured for mixed-tenure developments, so that people living in affordable and private homes can share amenities (such as open space and play areas), but that residents of private homes can pay more to access additional amenities (such as health and fitness facilities);
- the implications for service charge levels relating to different typologies (including corridor access, wheelchair accessible homes and homes in mixed-use buildings) and use of different building materials;
- the identification of scale thresholds that make the provision of a concierge system desirable and cost-effective (i.e. saving money by discouraging mistreatment of common parts); and
- the comparison of lower maintenance charges with those charges in schemes managed by residents, Tenant Management Organisations (TMOs) and co-operatives.

9 Mayoral Investment and Actions

This chapter draws on the findings of earlier sections and makes recommendations for the best use of public funding to support the intensification of housing in town centres as part of delivering mixed-use places where people want to live. It needs to be read in conjunction with Chapter 10, which makes a number of recommendations in relation to planning policy, planning guidance, development management and structures / mechanisms / resources.

9.1 Current Sources of Funding in London

Outer London Fund (OLF)

9.1.1 The OLF was launched by the Mayor in June 2011, initially as a three-year initiative up to the end of March 2014 dedicated to strengthening the vibrancy and growth of London's high streets and town centres. Outer London funding of around £50m has been allocated in two rounds to help fund regeneration initiatives in over 50 places in a large number of inner and outer London high streets and town centres. These initiatives have been based on the following themes:

- shaping development
- hosting events
- redesigning public space
- smartening shopfronts
- boosting business
- creating Networks
- animating places
- improving transport
- preparing for change

9.1.2 The Mayor has received cross-party support from the London Assembly's Regeneration Committee to extend the fund to for 2014 / 15 to allow for a third round of project funding. The criteria for determining bids for Round Two were as follows:

- A. **Geographic suitability:** The place should be one that will likely benefit less directly than other places from CrossRail, the 2012 Olympic investment and other strategic infrastructure and regeneration projects. It is expected that such places will be mostly, but not exclusively, in the outer parts of London, not within the immediate catchment area of a Crossrail Station, and not in one of the top Crossrail-benefiting boroughs.
- B. **Deliverability:** Proposed actions should be ready to go, or it should be evident that, subject to support, they can deliver within the time frame of this initiative. There should be clarity about outcomes and well-planned timetables for achieving short-term and medium-term deliverables. There should be sufficient delivery capability in place, preferably with required consents secured. There should also be a good understanding of risks to delivery and how these can be managed.
- C. **Vibrancy and growth:** The proposed actions should promote the place as a business location, site for residential growth and a focus for the local community. There should be an anticipated contribution by retail, leisure, culture and arts sectors to balanced growth. There should be evidence of the potential for business and residential growth and real economic benefit that can be moved forward in a way that enhances the place and can be achieved at modest public cost.
- D. **Place-shaping:** The proposed actions should help shape a better place and be coordinated with other change taking place there. The process of shaping a place should

carefully enhance assets, take advantage of opportunities for well-designed developments and overcome site-specific challenges. The proposed actions should improve the quality of the place in a way that can boost its cultural and economic vibrancy. Innovative projects and approaches, particularly those capable of replication in different parts of London, will be encouraged.

- E. **Collaboration and support:** There should be a good level of political and community momentum behind enhancing the place and the proposed actions should aim to cater for and provide benefits to various segments of the community. Any formal or informal partnership arrangements for delivery should be evident and it should be clear how these are adding value. Strategic partnerships that address issues caused by administrative and sectoral boundaries are encouraged. You should be willing to collaborate both locally and with the Mayoral organisations, as well as others.

9.1.3 Evaluation of Round 1 of the OLF found that, *“The majority of areas invested in some form of an events programme and many worked with partners to deliver business support. A good number of areas invested in small public realm projects and shopfront improvements. Fewer locations have invested in the empty shops initiative and public art projects.”* Around 35% of the Round 1 spend went on public realm improvements with 13% spent on Events, 10% on Marketing and Websites and 10% on Shop front improvements.

Mayor’s Regeneration Fund (MRF)

9.1.4 In August 2011, following the unprecedented disturbances across London, the Mayor announced £70 million towards major long-term improvements to the damaged town centres and high streets. The fund is focused both on the areas which were worst affected, and where there is potential to drive growth and prosperity and has funded projects in Croydon, Haringey, Camden, Ealing, Enfield, Hackney, Merton and Southwark.

9.1.5 Evaluation of the MRF suggest that projects fall in to four broad categories:

- **Public realm and place-making:** This is the largest area of spend (49% of MRF budget) and the category with the most projects.
- **Transport related infrastructure and fixed assets:** This is the second largest area of MRF spend (32% of MRF budget). Four projects sit within this category across three boroughs (LB Haringey, LB Croydon and LB Southwark).
- **Enterprise and business development:** This is the third largest category of spend (16.6% of total MRF budget) and has the second most projects (eight).
- **Skills and employment:** This was originally the smallest area of spend by value and included only one project; Jobs for Haringey. It has however, been acknowledged that job and skills outputs will cut across all activities delivered though MRF.

Growing Places Fund (GPF)

9.1.6 The GPF is supporting innovative ways of creating jobs and skills in emerging sectors, supporting growth in business and investment, and increasing productivity. Funding of about £41m has been allocated in two rounds; the first, announced in March 2012 and the second round in May 2013. The London Enterprise Panel (LEP) (the local enterprise partnership for

London) has been allocated £110m of GPF / OLF / RF monies to promote economic growth and the delivery of jobs and houses in 2014 / 15. The Panel has chosen to focus on four key strategic priorities:

- **Skills & employment:** To ensure Londoners have the skills to compete for and sustain London's jobs.
- **Small & medium sized enterprises:** To support and grow London's businesses.
- **Digital creative, science & technology:** For the capital to be recognised globally as world leading hub; for science, technology and innovation, creating new jobs and growth.
- **Infrastructure:** To keep London moving and functioning.

Portas Pilots

9.1.7 The Government supported Mary Portas recommendations to set up Town Teams and to give communities the opportunity to pilot creative plans for the future of their town centres. The Mayor is also keen to support the Portas initiative in London and is providing funding to three Round Two Portas Pilots within the capital. The first round saw Croydon town centre receive funding and support. The second round (July 2012) has resulted in the funding of a number of initiatives, including The Cut and Lower Marsh in Waterloo (Lambeth), being managed by the Waterloo BID £100K; Forest Hill, Kirkdale and Sydenham (Lewisham) £80K; and Chrisp Street and Watney Market (Tower Hamlets) £100K.

9.2 Developing Criteria for Priority Areas of Intervention

General Criteria

9.2.1 The Mayor will have limited funds available for intervention and needs to ensure these are used to their best advantage. As with all such interventions it will need to follow the guiding principles set out in the 2010 Economic Development Strategy:

- does it support the Mayor's vision for London and help align resources to this end?
- does it address a market failure?
- does it tackle the cause of market failure?
- does it achieve a social objective?
- do the benefits outweigh the costs?
- will the investment enable sustainable change?

9.2.2 There will be many town centres in London that are economically strong and where the processes of change described in this report will create redevelopment and intensification without intervention from the public sector. Mayoral funding and other support should be directed at those centres where there are market failures or structural weaknesses that will inhibit such outcomes.

9.2.3 The initiatives to date such as the OLF and MRF have essentially been about trying to revive town centres as they are. It is arguable that for many town centres, first aid is no longer enough and what is required is more radical surgery. Rather than focus on arresting decline attention should now be switched to accommodating growth. It is recommended that the Mayor's Regeneration Fund should be used strategically, to create a route to the intensification of town centres.

9.2.4 Mayoral's regeneration funding should be directed to those centres:

- which have the potential for intensification;
- are under threat of decline as a result of structural change; and
- where there is the commitment and capacity to deliver intensification.

9.2.5 This report has noted that there are a number of features that form the ingredients of successful town centres. However, the priority here is to accommodate growth and the fund should be used to incentivise and assist boroughs who are committed to creating places that can accommodate growth.

9.2.6 There will be a three stage process:

- identify town centres with the potential for intensification
- draw up a Strategy for these centres
- implement the Strategy

9.2.7 The Mayor can assist with each of these three phases.

Identifying Centres with the Potential for Intensification

9.2.8 All boroughs should be asked to identify centres where they think there is potential for intensification. Indicators of where preparation of town centre strategies might be particularly appropriate are set out in the table below with guidance to assessment criteria. Town centres that meet a number of these criteria will be candidates for a Town Centre Strategy.

Table 9.1 - Town centre assessment criteria

Indicator	Assessment Criteria
Major or District Centre	Not exclusive to these centres but they form the middle category which the retail research suggest is vulnerable to restructuring
Persistently high vacancy rates for retail floorspace	This is available from the Town Centre Health check date. 8% would represent a reasonable benchmark vacancy rate. A figure persistently above this benchmark and certainly where persistently above 10% would indicate over-supply, or the wrong type of supply.
A worsening retail offer	Decline in range, mix and quality of retail representation in Town Centre. Can be assessed both qualitatively and through retail rankings
A high proportion of comparison goods floorspace relative to size of centre	Comparison goods floorspace is vulnerable to retail restructuring. Smaller centres with a high proportion of such space and no diversity of offer may find themselves vulnerable to these restructuring trends. The Experian projections by centre will give some guidance but as noted elsewhere should be treated with caution at centre level.
Retail rents that are low by sub-regional standards and are stagnant or declining	Rents are an indicator of demand and of quality of offer, but also indicate vulnerability to competition from other land uses. TCHC generally only captures rents for larger centres. It is an area where the data could be improved.
A poor qualitative experience	Qualitative Assessment through TCHC and feedback from Town Centre Managers where they are in post.
High levels of secondary office space	There is limited demand for such space in non-central London locations. Much B1 space has been lost in town centres in recent years and much of what remains is vulnerable to conversion to higher use values. The office space should be assessed through Town Centre Health Checks and ELRs and losses monitored through AMRs. If such employment space is not sustainable then redevelopment may be a preferred option to conversion to enable town centre intensification.
SHLAA potential for residential development	Where the SHLAA process has identified the potential for large scale new residential development. Should look at both constrained and unconstrained data.
High levels of public transport accessibility, that make it a sustainable location for intensification	Most town centres are already highly accessible. Ideally PTAL level 6 would represent the benchmark for intensification, though this would point more inner London Centres, whereas policy sees this more as an outer London issue. There may be potential for public transport accessibility enhancements on the back of town centre intensification.
Future transport improvements that may add to future capacity	CrossRail 1 due to open in 2018 serves a number of town centres. In the longer term CrossRail 2 would present regeneration opportunities for a number of other town centres. Other local and strategic schemes should also be considered.

9.2.9 The indicators are designed to identify where change is likely to occur. They cover indicators of both threat, such as high vacancy rates, and of opportunity, such as future transport improvements. The objective is to guide this change to help boroughs positively re-shape their town centres rather than become victims of change.

9.2.10 Many of the centres with persistently high vacancy rates are also those that are projected to have a negative demand for comparison goods floorspace, as might be expected. These centres may present opportunities for further and more comprehensive redevelopment.

Developing Town Centre Strategies

9.2.11 It is recommended that the Mayor then sets up a capacity fund for the boroughs to bid to for assistance with developing town centres strategies. This should incentivise and encourage those boroughs with the political commitment and ambition to embrace the agenda. It is anticipated that the Mayors Capacity Fund would be matched by the borough's own resources and also the expectation of leveraging in private sector funding.

9.2.12 Whilst Mayoral support will be targeted particularly at those centres which are also under threat from structural change, all boroughs should develop such strategies for centres where there is identified potential for intensification.

9.2.13 There should not necessarily be an overly prescriptive format for these town centre strategies. They do not need to be formal planning policy documents but they should as minimum address the following points:

- set an overall vision and direction for the centre, to include the economic role it is expected to fulfil
- identify a lead development partner, which may be the local authority
- identify land ownership and a land assembly approach
- identify opportunities for intensification
- identify significant infrastructure requirements
- recognise the role that Low Threshold Enterprise Space plays in the local economy and consider what role it should play going forward – there is no a priori recommendation that it should be retained or not, merely a requirement that it is given explicit consideration
- incorporate a labour market strategy

9.2.14 For those boroughs where such strategies are already in place capacity funding could be used to develop the strategy to the next level, such as through filling key information gaps or developing a masterplan.

Implementation

9.2.15 There should then be a second stage fund to assist with implementation of the Strategy. This might include, for example, such activities as:

- help to fund costs associated with the compulsory purchase procedures where this cannot be covered by indemnity agreements with prospective developers;
- help to establish a register of approved enterprise space providers / managers, so that they can be partnered-up with prospective developers to help ensure that proposed enterprise space is let and used, in a similar way that Registered Providers are partnered-up with prospective developers to deliver / manage affordable housing;
- contributions towards enabling infrastructure investment; and
- creation of an Asset Management vehicle to enable long-term strategic site assembly. This may be through a joint venture with a commercial fund manager.

Alignment with Complementary Funding

9.2.16 To maximise impact, the Mayor's Housing and Land budget and regeneration funding should be aligned with other potential sources of funding, including:

- A. Section 106 Planning Obligations – both financial contributions and 'in-kind' provision of contributions. Draft FALP Policy 8.2 sets out priorities for Section 106 funding and Recommendation PPX recommends that this policy be further amended to make clear that priority should be given in town centres to the provision of small shops and affordable enterprise space;
- B. Community Infrastructure Levy (CIL) – which is spent on the specific infrastructure identified in borough's 'Regulation 123 lists'. Draft FALP Policy 8.3 seeks, amongst other things, to ensure that the Mayor works closely with boroughs to ensure the CIL is applied appropriately and effectively to achieve London Plan objectives. Recommendation PP7 recommends that in the policy's justifying text, reference is made to town centres in addition to Opportunity and Intensification Areas; and
- C. Other possible sources, such as:
 - Housing Zones – those town centres that fall within future Housing Zones could benefit from a range of financial incentives;
 - Business Rate Retention – the Mayor supports the local retention of business rates within the capital and supports their use to rejuvenate London's town centres;
 - Tax Incentive Funding (TIF) – subject to new legislation, the TIF model could be used to enable the funding of town centre initiatives; and
 - European Regeneration Funding – with boroughs and the GLA collaborating in bids for funding from the European Regional Development Fund or European Social Fund.

Alignment with Economic Development Strategy

9.2.17 The overall objectives of funding for mayoral regeneration initiatives are set within the framework of broader economic development strategies. The London LEP Jobs and Growth Plan has four strategic priorities:

- skills & employment: to ensure Londoners have the skills to compete for and sustain London's jobs
- micro, small & medium sized enterprises: to support and grow London's businesses
- digital creative, science & technology: for the capital to be recognised globally as world leading hub; for science, technology and innovation - creating new jobs and growth
- infrastructure: to keep London moving and functioning

9.2.18 A key theme running through the Jobs and Growth Plan is connectivity and enhancing town centres is key to delivering greater connectivity. There is one explicit reference under the SME Priority where one of the four key areas of activity is workspace where the LEP notes that: ***“decline of the traditional high street and affordable workspace in recent years has challenged the way many SMEs face the market, as well as how and where they identify spaces in which to operate.”***¹ However, throughout each of the LEP priorities there will be opportunities for complementary activities to be developed jointly through Town Centre Strategies.

1 Jobs and Growth Plan for London, 2013, p. 21

10 Conclusions and Policy Recommendations

This chapter draws some conclusions from the earlier chapters in this report and makes a number of recommendations in relation to planning policy, planning guidance, development management and structures / mechanisms / resources.

10.1 Overall Conclusions

10.1.1 London faces the challenge of managing growth. The projected growth in London's population has been revised up with a forecast increase of 1.9 million in the period to 2036. These rising population projections create challenges for managing growth in that:

- it creates an increased demand for housing which will require innovative supply side solutions to address;
- it creates a growing labour supply that requires an increase in jobs to employ this workforce; and
- it potentially creates an increase in consumer expenditure that needs to be captured if the London economy is to benefit from this opportunity.

10.1.2 Town centres present one potential source of accommodating this growth. Town centres are undergoing significant restructuring that challenges their traditional role. Major structural factors include:

- **Restructuring of retail:** Arising from both historic trends such as continuing pressures for out of centre provision and supermarkets becoming more important for comparison shopping, and the growth new forms of retailing such as multi-channel shopping which is leading to and increasing polarisation of retail provision, coupled with the qualitative mismatch of historic stock and (remaining) retailer requirements
- **The need to manage surplus office space:** As there is decreasing longer term demand for back office functions in London and technology driven changes in working practises are increasing utilisation of floorspace
- **Uninspiring town centre experience:** With many town centres lacking a wider cultural, social, or civic offer that can bring vitality to the high street. Too many centres also offer a poor qualitative experience, with poor service, in challenging or less-than-attractive physical environments.

10.1.3 The co-ordinated and proactive re-shaping and intensification of town centres offers a potential solution to these challenges. This will vary from centre to centre, but bears particularly on medium sized centres. It provides the opportunity to create more desirable places by:

- encouraging a more focussed, curated and diverse retail and service offer, which provides a positive consumer experience;
- enabling high quality, high density housing to help meet London's acute housing need and will also contribute to town centre vitality, footfall and expenditure;
- creating characterful workspace that is designed to a specification and price to meet the needs of 21st Century SMEs in a World City economy;
- reinforcing the character and distinctiveness of town centres within London's network; and
- fostering a vibrant cultural offer which embeds London's core attraction within its town centres as the heart of community life.

10.1.4 This study tests ways in which this co-ordinated and proactive re-shaping of town centres might be achieved in order to meet the needs of London's growing population and economy.

London's Town Centres

10.1.5 As stated in the London Plan, "**London's town centres are a key spatial priority of the London Plan, providing access to a range of services and enabling all parts of London to make a greater contribution to London's economic success**". The Draft 2013 Town Centres SPG also explains that "**London's town centres play a fundamental part in the life and function of a large and unique city.**"²

10.1.6 However, the performance of London's town centres is very mixed. At the top of the hierarchy the International and Metropolitan centres have generally seen retail rents remain strong with relatively low vacancy rates (though some have seen vacancies rise). Further down the hierarchy, overall vacancy rates are higher in District centres than in Major centres and in general vacancy rates in District centres in outer London are higher than they are in inner London.

Town Centre Restructuring

10.1.7 The recent poor performance of some of London's town centres may be due to more than cyclical effects of the recession. There are fundamental structural changes that are impacting on both retail and office floorspace demand.

Retail Restructuring

10.1.8 There are a number of structural trends affecting the retail sector that suggest the function and form of town centres may be subject to significant change in the future. These trends include:

- A shift to Value – with a rise of value stores at the expense of more established retailers.
- A move away from larger 'hypermarket formats' towards smaller stores with a greater emphasis on convenience goods.
- The growth of Internet Retailing – which still requires some physical presence to service the demand. Analysts are inclined to the view that 'Click and Collect' may become the dominant format which reinforces the need for a High Street presence.
- Polarisation – with a concentration of activity in the better performing centres that are able to offer an attractive retail experience.
- Increasing role of Commercial Leisure - diversification of the offer of town centres which adds to their role as destinations.

10.1.9 The impact of these trends on London is, at least partially, offset by the strength of the London economy and the growth in London's population. Consumer expenditure forecasts from Experian estimate that total Comparison goods expenditure by London households is projected to more than double over the period 2011-36, increasing by £25.6bn at a rate of 3.0% p.a., whilst Convenience goods expenditure is projected to rise by £9.3bn at a rate of 2.2% p.a.

10.1.10 However, while overall demand for retail is projected to be positive, within this overall growth there are different potential spatial distributions of growth as a result of the structural factors described above.

1 London Plan, 2011, para. 2.69

2 Town Centres Draft Supplementary Planning Guidance, 2013, p. 2

10.1.11 The effects of polarisation are likely to see demand concentrated in the International centres and the stronger performing Metropolitan and Major centres. Smaller centres dependent on predominantly convenience goods expenditure should remain largely unaffected but some of the middle ranking Major Centres and District Centres that currently have a high proportion of comparison goods retail but lack much in the way of a wider cultural offer may struggle to attract new retail investment.

Restructuring of the Office Sector

10.1.12 Not only is the retail sector facing restructuring but there has been significant structural change in the office sectors driven by a combination of:

- a shift of functions in the office sector in London away from secondary activity;
- technological change such as wireless technology and cloud computing; and
- changes in working practices enabled by technology that have facilitates more efficient utilisation of space.

10.1.13 These changes have been underway for some time but their impact has been accelerated by the recession as occupiers have become more cost conscious and sought to rationalise space.

10.1.14 The result has been a significant increase in the efficiency of offices in terms of the number of workers per sq m. Therefore even with growing employment in office based sectors this does not translate into such high demand for office floorspace. There has also been a spatial concentration of this floorspace in and around central London as occupiers seek to take advantage of agglomeration benefits, such as access to skilled workers.

Implications for Town Centres

10.1.15 The outcome of the structural trends described above is that under-performing retail centres are likely to lose trade to the stronger centres within their sub-region and those centres with a large quantum of secondary office floorspace may see little investment unless they reinvent themselves and redefine their role.

10.1.16 These impacts are likely to be felt predominantly amongst the District and Major centres. It is these middle ranking centres that are likely to be the most vulnerable and for those middle ranking centres that are already experiencing persistently high vacancy rates, comparatively low rents and a worsening retail offer, this should act as a wake-up call for action. Change is coming and the question is whether local authorities can positively shape that change.

10.1.17 If new investment is not coming in to town centres from retail or office sectors then residential-led mixed-use development offers one route to re-shape town centres whilst at the same time providing an opportunity to accommodate more homes. There are already examples of where existing town centres have experienced significant levels of new housing development such as Woolwich and Canning Town.

Impact on Non-Residential Space

10.1.18 Before considering the potential for residential development, it should be noted that town centres are still a key source of employment. Some estimates have said that, in outer London, town centres and 'high streets' together account for over half of all employment.

10.1.19 One concern is that what is termed Low Threshold Enterprise Space (LTES) is particularly vulnerable to conversion or re-development to higher value uses such as residential. LTES provides important capacity for start ups and small businesses which is of low cost but often poor quality and size. However, its role in the ecosystem of London's economy is often undervalued and hence there may be a rationale for intervention to prevent its loss.

10.1.20 There is no pre-existing definition of Low Threshold Enterprise Space but low rents, as well as flexible lease terms form an important component of its offer. It is likely to be found in older building stock on the edges of town centres and behind high streets.

10.1.21 The nature of LTES will vary in form and function. LTES in Kensington & Chelsea will look different to that in Barking & Dagenham. What is important is whether there is a wider economic value above their existing use value as revealed by market prices.

10.1.22 There are a range of activities that occupy this space and there are a number of arguments that are put forward to justify its importance:

- **Low Threshold Enterprise Space is needed for start-ups** and new firms add value as they grow. Without this entry-level space London's future economic growth prospects will be diminished.
- **LTES provides jobs and opportunities in areas of high unemployment** and there is an equity argument for intervening in regeneration areas or to support groups otherwise marginalised from the labour market.
- **LTES helps create diversity within town centres** and can form part of the character and distinctiveness that attracts wider economic investment.
- **LTES provides useful services** in accessible locations for residents, employees and visitors, thus reducing externality costs of travel.

10.1.23 In drawing up town centre strategies and in local employment land reviews local authorities should have legitimate regard to the importance of such space. There is no universal quantity or percentage of such space that should be retained, although there may be a case for similar space being provided as part of new housing-led developments.

Delivering Non-Residential Space as part of Housing-led Development

10.1.24 Non-residential space delivered as part of residential development can provide; local job opportunities, potential business rate income, a greater diversity of activity in the town centre contributing to the quality of the offer, and provide active ground floor frontages where ground floor residential may not be desirable. The types of non-residential space could be: business; retail; civic or community; cultural or leisure. The report considers the physical requirements for non-residential space and how it can be better integrated with housing above.

10.1.25 Delivering non-residential space in almost all cases is at the expense of potentially higher values that could be achieved with residential space. Development appraisals of different uses for eight town centres in London have been undertaken. In nearly all cases the capital value of private residential sales is substantially higher (often as much as five times higher) than non-residential uses. Housing led mixed use developments at high or even medium densities is shown to be viable in almost all of these cases. The only exceptions are in strong retail centres where the capital value of Grade A retail can be higher than residential.

10.1.26 There is a development cost for non-residential floorspace, which in some centres in London is likely to exceed market rents for that use (and be relatively unaffordable for businesses). It may therefore be necessary to consider the provision of non-residential space as a policy requirement or a kind of planning obligation to be balanced against other policy objectives in town centres, where it does not undermine the viability of housing led redevelopment. There should be a clear rationale for why such space should be provided at the expense of other planning obligations.

10.1.27 In seeking non-residential space as part of town centre development boroughs should:

- **Understand the Market for Non-Residential Space:** Town centre developments should seek to provide the type of space in that location for which there is effective demand at market rents. It is not about subsidising businesses.
- **Use specialist providers:** Organisations that provide workspace as their core activity are likely to better understand the market and the product that occupiers want. Developers should work with providers of non-residential space perspective of the users of that space and not simply provided as a secondary residual element of a residential scheme.
- **Ensure new non-residential space has basic fit-out:** to bring the entry threshold closer to the existing market in that area.
- **Town Centre strategies should be clear where non-residential space and active frontage should be provided:** It may not be necessary nor desirable to provide non-residential space everywhere, and it may be unsuccessful in particular locations. Town centre strategies should articulate a clear rationale for the provision of non-residential space and the role that it plays, for example, in curating the offer or creating a desirable and vibrant environment.
- **Identify the market failure:** Non-market solutions may be required where justified and evidenced to demonstrate why the market will not deliver the best outcome.
- **Think across the Town Centre, not individual developments:** It may be possible to spread the financial burden of non-residential space across the town centre, in order to provide a more meaningful provision in the right places, in line with wider town centre strategy.
- **Provide more specificity on the different kinds of ‘active frontages’:** Be clear and realistic on what active frontage policies are trying to deliver in each location and whether they need to be uniformly applied.

High Density Housing in Town Centres

10.1.28 Town centres have an important role to play in accommodating future residential growth in London. There are two particular dimensions to this:

- the role they have to play in creating more capacity; and
- the role they have to play in enhancing rates of delivery.

Town Centres and Residential Capacity

10.1.29 Town centres are already identified in the SHLAA as being the source of much on London's future housing capacity. 54% of housing capacity from sites larger than 0.25ha in the SHLAA are in and around town centres (within 300m of them). However, there could be potential for more.

10.1.30 There are two ways in which residential capacity can be increased over and above that currently identified:

- through inclusion of sites that are currently excluded from the SHLAA and boroughs' development plans; and
- through increasing density on currently identified sites.

10.1.31 Sensitivity tests on both variables were carried out to understand how much additional capacity might be found.

10.1.32 One of the reasons why sites are currently excluded from the SHLAA capacity and potentially not allocated for development in boroughs' plans is that they are in multiple ownerships. In other words, either no one party has an incentive to bring forward the site, or the process of doing so is perceived as too difficult. Fragmented ownership however is a constraint that can be overcome with the right tools.

10.1.33 If all of the sites that are currently excluded due to reasons of multiple ownership were brought forward to their full capacity then this would generate an additional 3,000 dwellings p.a..

10.1.34 The second possibility for increasing town centre yield is through higher housing density. Another sensitivity test that increased densities, was undertaken. This could yield an estimated 1,900 additional dwellings p.a..

Viability

10.1.35 Viability testing has shown that size and density are key drivers to enable viable schemes without compromising on affordable housing or other planning contributions. Existing use values in town centres are such that substantial development is required to enable intensification to be financially viable in the prime areas and to a lesser extent on more peripheral sites around the town centre. Medium rise schemes are unlikely to come forward unless the retail values in that location is extremely low.

Town Centres and Residential Delivery

10.1.36 London currently needs at least 49,000 dwellings per annum over the Plan period to meet its projected housing need. However, in the last ten years average annual completions have been around 25,000. Past performance would suggest that delivery is a greater challenge for London than capacity.

10.1.37 Despite the increase in new planning applications, it is apparent that development by the private sale market and Registered Social Landlords (RSLs) is not sufficient to meet future needs. Private sector completions have never exceeded 18,000 in any one year and over the past twenty years have averaged 11,600 per annum. To achieve the scale of delivery required, then other forms of investment are necessary.

10.1.38 To increase housing delivery rates in London to the target levels requires new entrants to the market and there are two sources that could make a significant contribution to the figures. These models are:

- **Private Rental Sector:** Which is, effectively, a new model for the UK
- **Direct Public sector provision or funding:** Which has a proven track record of delivering high quantities of units.

10.1.39 Although untried, Private Rental Sector (PRS) development may be particularly suited to town centre redevelopments as it allows developers to retain control of the residential elements as well as the non-residential elements of a mixed use scheme and operate the whole scheme as an investment. By letting units on assured shorthold tenancies, many of the complications around residential leaseholders' rights can be avoided.

10.1.40 Private rented housing is a growing part of the housing market; it offers a flexible form of tenure and meets a wide range of housing needs. It contributes to greater labour market mobility and is increasingly the most common form of tenure for young people.

10.1.41 Large-scale institutional investment in private rental housing could provide a source of new funding for the housing sector and could provide greater choice for consumers. Much effort is being put into developing practical business models for this emerging sector. There are still some barriers to this model but these are not insurmountable. PRS is unlikely to be able to compete with the private sale model on traditional housing sites due to the viability gap; however, it may be more suited to the exceptional circumstances that prevail in town centre redevelopment.

Town Centre Housing Type

10.1.42 Higher density housing in town centres may be more suited to students, younger people (who may be more likely to accept private rented sector accommodation), and potentially some older downsizers (if there is an attractive wider offer). Family sized units in high density housing can pose particular challenges around child density, management and maintenance issues, particularly where there are a large number of affordable units which are likely to be fully occupied. However, it may be suitable to introduce family housing within 300m of a town centre, where it is possible to provide ground floor entrances, larger maisonettes, and access to amenities and other resources.

Approaches to Town Centre Intensification

10.1.43 Accommodating growth in town centres presents an opportunity for many London Boroughs to meet growing housing demand in an efficient and sustainable manner, while responding to structural change in the office and retail sectors by proactively re-shaping town centres to provide a more curated and diverse offer, and vibrant experience for Londoners.

10.1.44 There are different mechanisms and tools that can be used, however one of the most fundamental issues is ownership. In most cases, no single entity has ownership of the town centre, either physically in terms of land and other assets, or culturally in terms of a vision and direction for its future.

10.1.45 London boroughs are well placed to exercise this leadership role. Firstly, boroughs should review all their town centres to identify which have the potential for intensification. These can be identified through a number of performance indicators such as vacancy rates; opportunities such as through the SHLAA data; and threats such as the Experian retail forecasts.

10.1.46 Boroughs should develop proactive strategies to take forward future development of these town centres. They do not need to be formal planning policy documents but they should as minimum address the following points:

- set a vision and direction for the town centre, to include the economic and cultural role it is expected to fulfil
- identify opportunities for intensification
- identify significant infrastructure requirements
- identify land ownership and a land assembly approach
- identify a lead development partner, which may be the local authority
- recognise the role that Low Threshold Enterprise Space (LTES) plays in the local economy and consider what role it should play going forward
- incorporate a labour market strategy

10.1.47 It is recommended that the Mayor assists with a capacity fund to help boroughs develop these strategies, and assist with implementation. Including, in particular, support with CPOs where needed to help the land assembly process. The Mayor's support should be directed at those centres which have the potential for intensification; are under threat of decline as a result of structural change; and where there is the commitment and capacity to deliver intensification.

10.2 Recommendations

Tools for Change

10.2.1 The Mayor has a number of tools at his disposal to try and encourage investment into town centres. This includes planning policy, planning guidance, development management direct investment and grant funding. The various tools for affecting change in town centres are summarised in Table 10.1 below. Many of these have been discussed earlier in this report. The following sub-sections draw on the conclusions and identify a number of recommendations for action, based on these tools.

Table 10.23 - Tools for Change

	National	London-wide	Borough / Neighbourhood
Planning Policy	NPPF	London Plan Draft FALP	Local Plans (Core Strategy, Site Allocations, AAPs, Development Management) Community Infrastructure Levy Business-led Neighbourhood Plans
Planning Guidance	NPPG	London Plan Implementation Plan Town Centres SPG Opportunity and Intensification Area Planning Frameworks	SPD Other guidance
Development Management	Use Class Order Permitted Development Rights	Strategic Planning Applications (Direction) Recovered Strategic Planning Applications (Determination)	Flexible permissions Planning conditions Planning Obligations Local Development Orders Article 4 Directions (disapply PD rights) Neighbourhood Development Orders
Intervention	Greater London Authority Act T&C Planning Acts CPO circulars	GLA bodies Use of public land (sale, site assembly, joint ventures) CPO Mayoral Development Corporations Enterprise Zones Housing Zones	Town Centre Redevelopment Town Centre Investment Management Use of public land (sale, site assembly, joint ventures) CPO
Management & Resources	Leadership High Street Innovation Fund Flexible business rate billing Tax Increment Finance (TIF) initiatives European Funding	Leadership Partnership working New SME providers LEP Outer London Fund Mayor's Regeneration Fund Growing Places Fund Portas Pilots London Enterprise Fund	Leadership Partnership working Development partners Town Centre Management Business Improvement Districts Local initiatives (public realm, shop fronts etc.)

Planning Policy

10.2.2 The most effective use of limited funds, in a normal market, is to use planning policy to drive private investment to reach desired public policy ends. Thus, London Plan policy can strongly influence development behaviour and in most cases the combination of the London Plan and borough Local Plans will be the main tool, for influencing outcomes. Whilst the Draft FALP sets out a comprehensive set of relevant policies, it is recommended that the opportunity is taken to further alter a number of these policies and their justifying text. It is acknowledged that, given the position reached in promoting the Draft FALP, the Mayor has only limited ability to make further alterations and that it may require the Examination in Public (EiP) Inspector to recommend that some of these proposed further alterations are made or that consideration is given to addressing them in a fuller review of the London Plan.

Recommendation PP1 - Policy 2.15 (Town Centres)

10.2.3 The text under Planning Decisions in (C) could be clarified to take account of the terms of the changes to the GPDO that came in to force on 6 April 2014. The policy could also helpfully cross-refer to Policy 4.9 (Small shops) and broaden out the definition of (c) to include affordability and business spaces to reflect the definition of LTES. Specific recommendations are as follows:

“(C):Development proposals **and applications for retail and professional / financial services (A1 and A2 uses) to residential permitted development prior approval** in town centres should conform with policies 4.7, 4.8 **and 4.9** and:”

“c support and enhance the competitiveness, quality and diversity **and viability** of town centre retail, business, **leisure**, arts and cultural, other consumer services and public services”

10.2.4 The ‘LDF preparation’ part of the policy should start by encouraging boroughs to establish a clear and effective vision and objectives, as part of a Town Centre Strategy, for its principal town centres. This is a prerequisite for the remainder of this part of the policy. It is recommended that the following additional policy objective be added.

New aa1 “establish Town Centre Strategies for its principal town centres that establish a clear and effective vision and objectives for these centres including their future role, composition and boundaries (based on a clear local assessment) and actions necessary to achieve that role, including the degree of change envisaged, and embed, as soon as possible, the Strategies into Local Plans and SPDs as appropriate.”

10.2.5 To support and justify the above addition, it is recommended that new justifying text 2.69A, as follows:

“A clear and effective vision and objectives for delivering the vision is an important prerequisite for proactively managing town centres. Boroughs should carry out local assessments and prepare a vision and objectives for each of its town centres including their future role, composition and boundaries. These should identify the actions necessary to achieve their role, recognising the need for improved governance and intervention where appropriate and the viability challenges of developing town centre sites and responding to the three-way challenge of retail economy re-construction, the need for housing intensification and accommodating or protecting SME space, where appropriate. Guidance on the preparation of Town Centre Strategies is set out in the Town Centre SPG.”

10.2.6 Whilst justifying text 2.72F already stress that higher density developments will be particularly suitable in addressing the needs of smaller households including older people and students, it may be desirable to reflect this guidance in the policy itself. It is also important to stress the importance of ensuring that services and facilities that provide them are **viable** and the policy would benefit from inclusion of this point. Specific recommended changes are as follows:

“c proactively manage the changing roles of centres, especially those with structural problems, such as surplus retail and office floorspace, considering the scope for consolidating and strengthening them by encouraging a wider range of **viable services**; promoting diversification, particularly through high density, all **non-family housing**, mixed use re-development; improving environmental quality; facilitating site assembly, including through the Compulsory Purchase process and revising the extent and / or flexibility for non-A1 retail uses and developments in secondary shopping frontage policies.”

10.2.7 The Draft FALP as a whole makes little reference to Neighbourhood Planning. Business-led Neighbourhood Plans could be a useful tool for BIDs / similar partnerships and it is recommended that these are specifically referred to in d, as follows:

“d support and encourage town centre management, partnerships and strategies including business improvement districts and **Business-led Neighbourhood Plans** to promote safety, security and environmental quality”

10.2.8 Assembling town centre sites for mixed-use development poses particular challenges (fragmented land-ownership, complicated ownership / lease arrangements, investor inertia etc.) and makes developing housing relatively less attractive, at least for as long as there are ‘easier sites’ to develop. Given this, it is recommended that proposed justifying text 2.72F is revised to highlight the particular need for the flexibility interpretation and implementation of policy and guidance objectives in relation to proposed housing in town centres. Specific recommended changes to paragraph 2.72F are as follows:

”In all centres with good public transport, the residential element of mixed use development is likely to have scope to go towards the top of the relevant density range. The Housing SPG provides guidance on the exceptional circumstances in which these ranges can be exceeded. These higher density developments will be particularly suitable in addressing the growing housing requirements of different types of smaller households including some older Londoners, as well as specialist needs such as those of students. Larger scale investment in the covenanted private rented sector may be particularly appropriate in bringing this housing forward. **However, delivering mixed-use developments incorporating housing in town centres poses particular challenges relative to ‘easier’ sites elsewhere and planning policy and guidance will need to be interpreted and applied flexibly in relation to all types of housing in town centres if they are to make a significant contribution to accommodating the growth in housing that is required up to 2036.**”

10.2.9 In order to take account of the discussion in Chapter 8 of this report in relation to car parking and to reflect the proposed definition of LTES, it would be helpful if paragraph 2.72G of the justifying text was revised as follows:

“In all cases, there will be a premium on creating high quality environments attractive to the changing mix of uses. This will require innovative design solutions **including the careful location of car parking and servicing areas away from the back edge of footways (locating parking either in basement or upper floor areas) or the ‘cloaking’ of ground floor parking and servicing areas in large-scale developments by active ground floor uses that address the street, including carefully designed new housing.** The Mayor will and boroughs should resist the provision of new large areas of stand-alone surface car parking that would fail to optimise the development of land and / or would have a negative effect on the quality and safety of adjoining public realm areas..... Taking into account viability considerations, it will be important to ensure an adequate supply of floorspace affordable to a range of **small shops (see Policy 4.9), businesses (including SMEs), community and leisure uses and smaller enterprises in maintaining and enhancing the vitality (particularly at street level) and social and economic offer of town centres.** Site assembly could well be a challenge and require use of the Compulsory Purchase process.”

10.2.10 In order to reflect the terms of the changes to the GPDO that came in to force on 6 April 2014, it is recommended that the following changes are made to justifying text 2.72H:

“When considering applications for ‘prior approval’ for conversion of individual retail units to housing, boroughs should take into account the flexibility in government criteria to ensure that the substantial increment to housing provision which is anticipated from mixed use, comprehensive town centre redevelopment is not compromised. ~~Subject to the approach eventually adopted by government toward retail / residential Permitted Development rights, this will~~ The April 2014 amendments to the General Permitted Development Order will require a consistent ~~designation of relevant parts of these centres~~ interpretation of key shopping area as meaning those parts of town centres that are defined as ~~primary shopping areas, and recognition of primary and secondary frontages~~ Primary Shopping Areas, Primary Frontages or Secondary Frontages.

10.2.11 In order to pick up on the need for a clear and effective vision for town centres (recommended for inclusion in the policy itself) and stress the importance of town centres and the priority that boroughs should be giving to them, it would be helpful if the justifying text was revised. The choice of planning tool for expressing the identified vision and objectives for the town centre should be proportionate and the London Plan should not be prescriptive. The following revisions to paragraph 2.76 are recommended.

“The Mayor requires a proactive partnership approach to **identifying a clear and effective vision and objectives for town centres** and bringing forward capacity for different types of town centre related uses within or on the edges of centres whilst restraining inappropriate out of centre development (see Policy 4.7). This is the essential complement to Policy 2.15, helping to reinvigorate town centres, widening their roles and offers, developing their identities, enhancing agglomeration benefits and encouraging more sustainable modes of travel. **Boroughs should develop and implement strategies in ways that proactively manage the evolution, diversification and intensification of town centres, prioritising those that are most in need of restructuring. Strategies should be prepared in partnership with local businesses, residents, BIDS etc. The vision and objectives should be incorporated into Local Plans, SPDs, Local Development Orders, masterplan statements and other local planning tools as appropriate. The Mayor will and boroughs should actively engage with development partners at pre-application and application stage to help shape proposals and ensure that they have sufficient resources**

in place so that they can determine planning and related applications in town centres as expeditiously as possible.”

10.2.12 The word “manage” is used in number of contexts in the body and supporting text of Draft FALP Policy 2.15. For example, LDF Preparation part (c) refers to “proactively managing the changing roles of centres...” and part (c2) refers to “actively plan and manage the consolidation and redevelopment of other, mainly medium sized centres...” , whilst justifying text states that “... it is therefore important that the whole town centre network as a whole is managed in ways which enable its different components to address these challenges...”. It is not immediately clear what is meant by this and it would be helpful if the supporting text explained the degrees of activity - from passively, via development management system, though to direct intervention.

Recommendation PP2 - Policy 3.8 (Housing Choice)

10.2.13 To take account of discussion in Chapter 6 of this report on child density and higher density housing, including in town centres, it is recommended that a new (g) is included under the LDF preparation and planning decisions section of the policy, as follows:

“Taking account of housing requirements identified at regional, sub-regional and local levels, boroughs should work with the Mayor and local communities to identify the range of needs likely to arise within their areas and ensure that:

(new g) the likely number of children that would live in new housing (taking account of the type, dwelling mix and tenure of the housing proposed) and the need to create a mixed and balanced community.”

10.2.14 It is also recommended that new justifying text (3.50) is included, as follows:

“In developing policies and determining applications for housing, the number of children that are likely to live in the new housing needs to be taken into account. Policy 3.6 (Children and young people’s play and informal recreation facilities), supported by the Shaping Neighbourhoods: Play and Informal Recreation SPG already does this in relation to play. However, there are wider implications to ‘child density’ than play requirements and research suggests that a relatively high ratio of children to adults can have lead to heightened anti-social behaviour. It is, therefore, important when considering the proposed type of housing (houses or flats), dwelling mix and tenure to take account of the number of children that are likely to live in new housing and the likely consequences for housing management. In affordable and mixed-tenure schemes, the Mayor will and boroughs should, where possible, liaise with Registered Providers to consider this issue and allocations and management policies to secure mixed and balanced community. In its Toolkit for delivering successful higher-density housing (Second Edition, 2007), East Thames Housing considers that 25% of the total number of residents is probably the maximum child density level for high density housing developments and 45% is probably the maximum fort all housing scheme types.”

Recommendation PP3 - Policy 4.10(New and Emerging Economic Sectors)

10.2.15 In order to reflect the definition of LTES and to pick-up on the reference to affordable space in justifying text 4.53, it would be helpful if the policy text was revised as follows:

“The Mayor will, and boroughs and other relevant agencies and stakeholders should: (c) work with developers, businesses and, where appropriate, higher education institutions and other relevant research and innovation agencies and workshop providers / managers to ensure availability and long-term management of a range of affordable workspaces, including start-up space, studios, co-working space and ‘grow-on’ space.”

Recommendation PP4 - Policy 4.12(Improving Opportunities for all)

10.2.16 To reflect the definition of LTES and recognise that funding can be legitimately secured towards training schemes, including business skills, the following changes are recommended to justifying text paragraph 4.62:

“In the same way, planning can help to remove many barriers to employment and training opportunities by:

- providing for affordable business start-up units and small shops, where justified and appropriate
- securing financial contributions towards employment and business skills training schemes”

Recommendation PP5 - Policy 8.1 (Implementation)

10.2.17 As discussed in Chapter 6, Draft FALP Policy 8.1 (Implementation) was drafted before the Mayor’s Housing Strategy was finalised in April 2014. To be consistent with the final Housing Strategy and to maximise the potential use of Housing Zones to help intensify town centres, Draft FALP Policy 8.1 should no longer refer to Opportunity Areas.

The Mayor will consider promoting the establishment of further Mayoral Development Corporations (MDCs) and Enterprise Zones (EZs) as well as further Tax Increment Finance (TIF) initiatives where they would assist significantly with realising substantial development potential. He will also work with Government to develop Housing Zones (HZs) to deliver the full housing potential of ~~Opportunity Areas~~ designated areas.

Recommendation PP6 - Policy 8.2 (Planning Obligations)

10.2.18 In recognition of pressing housing need and the existing wording of London Plan Policy 8.2, where adopted and emerging borough Local Plans and guidance (e.g. Planning Obligations Supplementary Planning Documents) state a priority for securing policy objectives via conditions / obligations, they invariably establish affordable housing as the single biggest priority.

10.2.19 However, it is not an either / or situation. This report (Chapter 5 and Appendix 1) provides examples of where boroughs are using adopted or emerging policies to actively promote ‘affordable’ non-residential (often ground floor) space. In all of the implementation examples, this has been in addition to securing the provision of affordable housing. The provision

of 'affordable' non-residential space clearly comes at a cost and for major schemes that are supported by financial viability appraisal, this will reveal these costs. Following negotiation, boroughs would need to forego some affordable housing or other desirable costs of the scheme if they are to secure 'affordable' non-residential space. Given this, it is recommended that changes be made to both the policy under 'Planning decisions' as set out below.

Importance should also be given to tackling climate change and air quality, social infrastructure, learning and skills, health facilities and services, childcare provisions **and priority should be given in town centres** to the provision of small shops **and affordable non-residential space.**"

10.2.20 It is also recommended that the following changes be made to justifying text 8.13:

"Other important priority uses for Section 106 funding that apply generally across London are measures to mitigate and adapt to climate change, the improvement of air quality, the provision of social infrastructure learning and skills, improved healthcare, child care facilities **and supporting town centres and high streets by, where necessary, safeguarding existing Low Threshold Enterprise Space (LTES) and securing the provision of additional small shops and affordable enterprise space.**"

Recommendation PP7 - Policy 8.3 (Community Infrastructure Levy)

10.2.21 In order to allow for CIL Regulation 123 Lists to include infrastructure that is particularly relevant for town centres it is recommended that justifying text 8.15A is amended as follows:

"The CIL is likely to play an important part in ensuring delivery of the infrastructure required to support London's sustainable growth. The Mayor will work closely with boroughs to ensure the CIL is applied appropriately and effectively to achieve the objectives set out in this Plan and, in particular, to support optimisation of the opportunity / intensification areas **town centres** and other strategic development opportunities identified in Chapter 2.

Recommendation PP8 - Borough Town Centre Strategies

10.2.22 Boroughs should prepare town centre strategies, as encouraged by the NPPG and required by the proposed further alteration to London Plan Policy 2.15 (see Recommendation PP1 above).

Recommendation PP9 - Borough Affordable Non-residential Space Policies

10.2.23 Where they have not already, boroughs should be encouraged to develop policies that seek to secure the provision of 'affordable' flexible B1 offices / workshops / other non-residential floorspace where viable as part of major mixed-use schemes, similar to policies developed by Camden, Hackney and Lambeth, but including shopfront provision.

Planning Guidance

10.2.24 The Town Centres Draft SPG was published for consultation in January 2013. When finalising this document, it is recommended that the opportunity is taken to make a number of revisions. These are set out below.

Recommendation PG1 - Town Centre Strategies

10.2.25 The National Planning Practice Guidance (NPPG) (as of May 2014) highlights the need for a positive vision or strategy for town centres and this is reflected in Recommendation PP1 above. The final Town Centre SPG should provide guidance on the preparation of such strategies, which should include:

- An assessment of the evidence of the current, and likely future state of the centre without change;
- A strategic, well-articulated, vision for the centre;
- A defined, appropriate and realistic role and function for the centre; together with its relevant place in the borough hierarchy;
- A view of the appropriate mix of uses and scope to retain LTES where viable, having regard to the need for intensification, regeneration or change management -and in the context of the future of some centres being less about retail;
- A view on the type of housing that is required / appropriate (including tenure and dwelling size)
- Defined site / location opportunities for development, asset management and other initiatives;
- Enhancement measures, including public realm, environmental improvements, parking and access and other means that will improve visitor experience;
- An outline action plan including defined agencies or partnerships for implementation; and
- A monitoring regime, including regular health checks (see Recommendation PG2).

Recommendation PG2 - Town Centre Health Checks

10.2.26 Draft FALP justifying text 2.74 states that the current role of town centres should be tested through regular town centre 'health checks'. The final Town Centre SPG should make clear that boroughs should monitor the performance of their principal centres, by regularly (annually where resources allow) collecting data on the factors set out below, so that the indicators can be analysed over time and that the Mayor will continue to collate, analyse and publish London-wide results. The key factors are:

- Diversity of uses (including existing LTES space);
- Vacancy rates;
- Commercial property yields;
- Customer view and behaviour [significant surveys might be undertaken 5 yearly];
- Retailer representation and intentions to change;
- Commercial rents and Business Rates];
- Pedestrian flows [on defined streets];
- Accessibility (based on objective criteria) and car parking;
- Perception of safety and occurrence of crime; and
- State of environmental quality (based on objective criteria).

Recommendation PG3 - Town Centre Boundaries

10.2.27 It is recommended that the final version of the London Plan Town Centre SPG provides more extensive advice on the definition of town centres for policy purposes and identifies a common set of criteria that boroughs should use in defining them in their Local Plans. This should be based on an understanding that town centres are complex and varied multi-functional places and that whilst shopping remains their core function, they also provide the civic and social heart of places and are the focus of the full range of main town centre uses. With this wider function in mind and taking account of Draft FALP Policy 2.15 and NPPF guidance, it is recommended that the following form the basis of identifying a common set of criteria:

- Character of place, including concentrations of main town centre uses / visitor attractions and buildings of a significantly greater scale than the surrounding area;
- The location of train / underground / tram stations, bus stations and bus / tram stops and resultant PTAL levels;
- Key physical features that would help provide logical edges (e.g. railway embankments and bridges);
- The identified vision / objectives for the role and function of the Centre, including its current and intended position in the London Plan town centre hierarchy;
- The development needs of the Centre, based on an assessment of the need for ‘main town centre uses’ in accordance with the NPPF; and
- The availability of sites within the core of the Centre (Primary and Secondary Frontages) and on the edge of the Centre to accommodate this identified need and provides the necessary room to grow.

Recommendation PG4 - Vacant Ground Floor Units

10.2.28 Section 3.2 of the draft SPG should be revised so that it provides guidance on the following:

- Seeking to ensure that the design of new ground floor units are flexible to accommodate a range of uses (e.g. size, minimum floor-to-ceiling heights, location of core, design / construction of front facades);
- Requiring a shop-front to a certain standard in ground floor units where that this will make them more attractive to meanwhile uses, small businesses and avoid boarding-up during marketing;
- Requiring the completion of non-residential space to be carried out – or transferred to a responsible provider - before or at the same time as residential units above;
- Requiring active marketing of ground floorspaces; and
- Securing ‘affordable rents, where appropriate’.
- Ensuring that shopfronts and the quality of temporary hoarding ensure that, despite efforts, where units are vacant, they provide an attractive and safe frontage to the street.

Recommendation PG5 - Permitted Development Rights (conversion to dwelling houses)

10.2.29 It is recommended that guidance be included to ensure a consistent interpretation of a number of terms that are not defined in the amendments to the GDPO. These include ‘key shopping areas’ (which should be taken as meaning those parts of town centres that are defined Primary Shopping Areas, Primary Frontages or Secondary Frontages), ‘adequate provision of services’ and ‘reasonable prospect of being used.’

Recommendation PG6 - Child Density and Housing

10.2.30 The draft Town Centre SPG could refer to child yield in relation to housing in town centres and refer to Policy 3.8 (as recommended to be further altered). Further guidance could be provided in the Housing SPG when it is next revised.

Recommendation PG7 - Family Housing around Edges of Town Centres

10.2.31 Following discussion in Chapter 8 of this report, the particular opportunity for family housing to be included in town centres around their edges could probably best be done by way of amendments to paragraph 2.4.5 of the draft Town Centres SPG as follows:

“The scope to optimise housing output within town centres should be explored including the potential to convert unused or underused space above shops (including supermarkets) into residential accommodation **and the encouragement of family-sized housing around the edges of existing Centres, in the interface with the surrounding hinterland, where there is often greater opportunity for new homes to ‘hit the ground’ and have front doors onto the back edge of footways.** To encourage more people to live in town centres and promote regeneration, the Government propose to allow conversion of the space above a shop into two flats without permission. New development and redevelopment proposals for retail uses within and on the edge of town centres should consider the scope to include a mix including housing on upper floors where appropriate (see also section 2.1).”

Recommendation PG8 - Large-scale Retail and Car Parking

10.2.32 To reflect discussion in Chapter 8 of this report, it is recommended that paragraph 3.4.3 of the draft SPG is revised as follows:

“To accommodate growth and new development in town centres, developers, architects and landowners are encouraged to demonstrate flexibility in their development’s scale, format and orientation and make efficient use of ~~development land~~ **potentially developable land, including existing surface car parking areas.** This might entail innovations in design, mixed use approaches, use of multiple floors, smaller development footprints, reduced amounts and reconfiguration of car parking and servicing including shared arrangements with other town centre uses. **Wherever possible, car parking and servicing areas in large-scale developments should be located away from the back edge of footways. Subject to viability and the creating of a safe environment, car parking should be located in basement areas. Alternatively, car parking should be located on and upper floor or floors, and form an integral part of high quality designed elevations. Where car parking and / or servicing has to be provided at ground floor in such developments, it should, wherever possible, be ‘cloaked’ by active ground floor uses that address the street, including carefully designed new housing where this would meet the standards set out in the Housing SPG (2012).**”

Intervention

Recommendation INT1 – Town Centre Delivery Vehicles

10.2.33 In accordance with Draft FALP Policy 8.1 (Implementation), it is recommended that the Mayor works with boroughs to develop strong delivery vehicles that focus on the reconstruction of key centres in order to simultaneously consolidate / restructure its shopping offer and release sites for housing intensification. These could include:

- A. Town centres most in need of regeneration and with the potential for greatest intensification (as identified in Chapter 6) would be strong candidates for proposed Housing Zones.

Recommendation INT2 - Publicly owned land

10.2.34 The Mayor and the boroughs should prioritise the use of land that they own, working in partnership with others, to bring forward high quality mixed-use development in town centres. Such schemes should be designed to be exemplars of high quality sustainable development, act as a catalyst for further significant change and help bring forward social infrastructure that is needed to support housing intensification. The development of public land in this way also provides the potential to support specific types of housing, such as housing for students, older people or the Private Rented Sector.

Recommendation INT3 - Compulsory Purchase Powers

10.2.35 Land ownership in town centres can be fragmented and provide an obstacle to site assembly and comprehensive change that has the greatest prospect of helping to re-shape centres and deliver housing intensification. The Mayor, should, where necessary, use his powers in partnership with other partners to help assemble sites and bring them forward for development. Similarly, the boroughs should use their compulsory purchase powers to bring forward high quality housing schemes in town. See also Recommendation MR3.

Development Management

Recommendation DM1 - Responsive Development Management

10.2.36 The Mayor and the boroughs should manage proposals to develop in town centres in a positive way, including:

- A. Where resources are scarce or stretched, the Mayor and boroughs should prioritise having pro-active pre-application discussions with prospective developers of major town centre sites, enter into PPAs (including securing resources where necessary) and aim to determine planning applications in a speedy and flexible way;
- B. When determining such applications, the Mayor and boroughs should give sufficient weight to deliverability and viability considerations and be flexible in the implementation of policies on affordable housing (particularly in relation to PRS) and dwelling mix (particularly in relation to requirements for family-sized housing);
- C. Taking a balanced approach to securing 'affordable uses' within major schemes, recognising that in some cases the priority may be to secure the provision of on-site 'affordable' non-residential space at the expense of maximising affordable housing

provision. There is also a need to work with prospective developers to use viability appraisals, including the Mayor's Development Control Toolkit, to identify options for the inclusion of 'affordable space' to help decision-makers make informed choices / decisions about what is financially viable and what type of 'affordable' space is a priority in each particular case;

- D. Transferring appropriate non-residential space to an approved provider / manager at a specific trigger point (such as prior to commencement) in order to secure a long-term management solution for such space by organisations that have relevant skills and experience; and.
- E. Using planning conditions and planning obligations to secure the partial internal 'fit-out' of and (at street level) the provision of a shopfront to non-residential space in major town centre schemes to help attract new occupiers and provide lower cost accommodation suitable for start-up and SME businesses.

Recommendation DM2 - Permitted Development Rights (conversion of A1 / A2 to residential)

10.2.37 The recent changes to the General Permitted Development Order are discussed in Chapter 6 of this report. Recommendation PP1 recommends minor changes to Policy 2.15 (Town Centres) to take account of these changes and Recommendation PG5 recommends that the Town Centres SPG provides guidance to ensure a consistent interpretation of terms. It is further recommended that the Mayor supports boroughs that seek to use Article 4 Directions to disapply the new changes for specific town centre locations where there is evidence that the permitted development rights could frustrate the objectives of positively re-shaping town centres, including securing higher density housing.

Management & Resources

Recommendation MR1 - Governance

10.2.38 As discussed in Chapter 7, typically no one “runs” town centres and there is a need for more concerted leadership and management of assets in London town centres if they are to be successful and their potential to accommodate additional homes is to be fully realised. These could include supporting the establishment of Town Centre Boards to oversee and drive forward change and further BIDs, whilst recognising that by themselves they are unlikely to be able to tackle the structural problems of centres.

Recommendation MR2 – Residential Service Charges

10.2.39 As discussed in Chapter 8, it is recommended that the Mayor commissions more detailed research on residential service and maintenance charges, including:

- The relative importance of component parts of service and maintenance charges;
- Approaches to how service charges are allocated (e.g. fixed cost spread across the total development or variable costs incurred annually in a particular block);
- Ways in which service differential charges can be structured for mixed-tenure developments, so that people living in affordable and private homes can share amenities (such as open space and play areas), but that residents of private homes can pay more to access additional amenities (such as health and fitness facilities)
- The implications for service charge levels relating to different typologies (including corridor access, wheelchair accessible homes and homes in mixed-use buildings) and use of different building materials;
- The identification of scale thresholds that make the provision of a concierge system desirable and cost-effective (i.e. saving money by discouraging mistreatment of common parts); and
- The comparison of lower maintenance charges with those charges in schemes managed by residents, Tenant Management Organisations (TMOs) and co-operatives.

Recommendation MR3 - Mayor’s Housing and Land and Regeneration Budgets

10.2.40 The Mayor’s Housing and Land and regeneration budgets should focus on those geographic and thematic priorities identified in Chapter 9.

Appendix A1

**London borough policies for
delivering non-residential
floorspace.**

A1.1 Camden

Small Shops

Policy. Adopted Policy DP10 is as follows:

“The Council will encourage the provision of small shop premises suitable for small and independent businesses by:

- a) expecting large retail developments to include a proportion of smaller units;
- b) attaching conditions to planning permissions for retail developments to remove their ability to combine units into larger premises, where appropriate;
- c) encouraging the occupation of shops by independent businesses and the provision of affordable premises.”

A1.1.1 Sections 5.3 to 5.20 of the Camden Planning Guidance (September 2013) draw on the advice in the London Small Shops Study 2010 and address size and location, definition of ‘independent’ (no more than 5 stores), affordability and the use of conditions and obligations.

Implementation Example

Hawley Wharf, Camden Town (2012/4628/P) (23/01/13)

— Redevelopment to provide employment, housing, retail market, cinema, produce market and change of use of No. 1 Harley Wharf to education (children’s nursery)

Planning Obligations:

- Provide 307sq m of Local Retail (including Primary and Secondary Space) space in perpetuity to serve the retailing needs of the local community. Primary Local Retail = baker, butchers, fishmonger, delicatessen, grocer, or other such food-related retail uses to meet the needs of the local community. Secondary Local Retail = dry cleaner, shoe repair, florist or such other retail uses to meet the needs of the local community.
- Use ‘reasonable endeavours to market the Local Retail Area for Primary Local Retail for at least 9 months and afterwards may market if for Secondary Local Retail.
- The owner may (but is not obliged to) offer discounted rents or a contribution towards fit-out costs to any tenant.

Employment Space

Policy DP1 requires that 50 percent of additional floorspace in Hatton Garden is to be provided as jewellery sector workspace at affordable rents (defined as an average of rents paid by the jewellery industry in Hatton Garden). Borough-wide Policy DP 13 includes

“ Where premises or sites are suitable for continued business use, the Council will consider redevelopment proposals for mixed use schemes provided that:

- c) the level of employment floorspace is maintained or increased;
- d) they include other priority uses, such as housing and affordable housing;
- e) premises suitable for new, small or medium enterprises are provided;
- f) floorspace suitable for either light industrial, industry or warehousing uses is re-provided where the site has been used for these uses or for offices in premises that are suitable for other business uses; and
- g) the proposed non-employment uses will not prejudice continued industrial use in the surrounding area.”

A1.1.2 Sections 5.3 to 5.20 of the Camden Planning Guidance (September 2013) draw on the advice in the London Small Shops Study 2010 and address size and location, definition of ‘independent’ (no more than 5 stores), affordability and the use of conditions and obligations.

Implementation Example

Hawley Wharf, Camden Town (2012/4628/P) (23/01/13)

— Redevelopment to provide employment, housing, retail market, cinema, produce market and change of use of No. 1 Harley Wharf to education (children’s nursery).

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- Use ‘reasonable endeavours to market the Local Retail Area for Primary Local Retail for at least 9 months and afterwards may market if for Secondary Local Retail.
- The owner may (but is not obliged to) offer discounted rents or a contribution towards fit-out costs to any tenant.

Employment Space

A1.1.3 Section 9.4 of the Camden Planning Guidance states that “...on major development sites outside of Hatton Garden the Borough may require the inclusion of affordable workspace to help support small businesses and provide a range of employment opportunities. Camden will provide more information on the level and type of this provision on individual sites through planning frameworks and / or the LDF Site Allocations document.”

Implementation Example

Hawley Wharf, Camden Town (2012/4628/P) (23/01/13)

- Redevelopment to provide employment, housing, retail market, cinema, produce market and change of use of No. 1 Harley Wharf to education (children’s nursery).

Planning Obligations:

- Use ‘reasonable endeavours’ to implement an agreed Employment Space Marketing Strategy (which shall target/prioritise creative industries and B1(c) occupiers).
- Provide, fit out and maintain in perpetuity the Incubator Space in accordance with the Incubator Space Requirements (this includes hot-desking for no less than 50 people, at least 10 small separate offices, at least 2 x bookable meeting rooms, a kitchen and toilet facilities, printing, photocopying and scanning facilities, lockable storage for users of hot-desks, mail service/phone and electric sockets/WIFI and broadband, disabled access, 24 hour access and security and access to shower facilities).
- Incubator Space to be leased/licensed to Qualifying Small Businesses (defined as a business who at the point of letting has traded for less than 3 years and is not subsidiary of a larger company or business which has been trading for more than 2 years).
- Unless otherwise agreed, the Small Business Space must be provided as such (minimum of 500sq m in addition to the Incubator Space) for use by no less than 5 Qualifying Small Businesses).
- The B2 Space shall only be used for B2 purposes.
- The B1(c) Space shall only be used for B1(c) purposes.
- Within 24 months following Implementation the owner shall offer units in the Employment Space to any tenants who occupied the employment premises at the property on the date that planning permission was granted and shall use ‘reasonable endeavours’ to agree terms with such tenants.

Condition 22 (Abbey Co-op housing sites, Abbey Road NW6 (2013/4678):

- Prior to first occupation of either of the two secondary commercial units in phase 1, an Employment Strategy for how the two units would be finished, marketed, let and managed in order to contribute to diverse and sustainable employment opportunities for local people, shall be submitted to and approved in writing by the LPA.
- No residential units within the market tenure elements of phase 1 of the development shall be occupied until such time as a minimum of 325sq m GIA of business floorspace has been completed and made available to let in accordance with the employment strategy thus approved.

18-30 Tottenham Court Road W1T (30-01-13) (2012/2232)

- Extension of retail units and cinema entrance by in-filling of double-height arcade, new shopfronts with canopy above part change of use of ground floor, mezzanine and basement to flexible retail/food and drink (A1 and/or A3).
- Planning Condition. The retail units marked Unit A, B and G on the approved drawing PL_102 shall not be combined with adjacent units to form larger units.

A1.2 Hackney

Small Shops

Policy. Proposed Policy DM8 – Small and Independent Shops

Small shop units (generally 80sq m gross internal floorspace or less) suitable for small and independent retailers will be sought by the Council throughout the Borough by:

(i) Requiring proposals of 1000sq m gross internal floorspace or more in the A Use Classes in its Town Centres to incorporate small shop premises, equivalent to at least 10% of the total amount of proposed gross internal retail floorspace, and encouraging their occupation by small or independent retailers, particularly for essential services as set out in paragraph 4.3.4;

(ii) Requiring proposals for the redevelopment of small shop units to incorporate adequate reprovision of small units, particularly for essential services;

(iii) Requiring proposals for major housing developments or other major development schemes⁴ to incorporate small shop units where there is no accessible provision of essential daily goods available within a short walking distance (within 400m); and

(iv) Where appropriate, attaching conditions to permissions for small shop units, requiring planning permission to be sought for the future amalgamation of units into larger premises.

The Council will prevent the amalgamation of individual shop units incorporating A Use Classes which would:

(i) Involve the loss of existing viable small independent shop units providing essential services;

(ii) Not be appropriate to the scale, character and function of the centre, taking into account existing shops and consents for shops; and

(iii) Cause unacceptable adverse impacts on the historic environment and/or amenity.

A1.2.1 Responses from consultations on the AAPs for the Borough's Major and District town centres of Dalston and Hackney Central respectively gave strong support for seeking provision of affordable shop units suitable for small or independent traders. In light of this and the special local circumstances of Hackney's town centres, the Borough will seek to ensure the provision of affordable shop units in all its town centres from retail developments of 1,000sq m and over. In this regard, proposals for retail developments of 1,000sq m and over within the Borough's town centres will be required, where appropriate, feasible and viable, to incorporate premises suitable for occupation by small and independent retailers, equivalent to at least 10% of the total amount of proposed retail floorspace.

A1.2.2 The London Small Shops Study (June 2010) defines a 'small shop' as being one of around 80m² gross internal floorspace or less, occupied by an independent retail or service outlet which has nine units or less in operation nationally (as per the Goad definition).

A1.2.3 Proposals for major residential developments or other major development schemes will also be required to provide small shops where no alternative facilities are within 400m walking distance. This is in view of the need for reasonable access to local shops being essential for the day-to-day needs of all members of the community. Each case will be judged on its individual

merits. The loss of existing small shops will be resisted by requiring adequate re-provision and removing the future ability to amalgamate small units without planning permission.

A1.2.4 Affordability is a key concern for small enterprises in Hackney including small independent retailers. It is considered that certain types of small and independent shops perform an essential service and should be easily accessible to all residents. These services include butchers, bakers, greengrocers, grocers, fishmongers, chemists, post offices, newsagents, dry cleaners and laundrettes. The Borough is committed to supporting its town centres to be dynamic and competitive providing a diverse range of retail offers in varied sizes of retail outlets. In this regard, the loss of such shops will be resisted, and applicants for significant retail developments will be encouraged to seek independent retailers for small units wherever possible. The amalgamation of individual shop units can result in material impacts, primarily relating to character and intensification of use. Amalgamation of shop units will be resisted where they materially and detrimentally affect the character of Hackney's shopping areas. Larger shop units may also result in different patterns of servicing and deliveries: supermarkets, for example, may rely on high delivery rates which can result in more traffic movements by large vehicles, which in turn can impact on residential amenity and environmental quality. Where it is considered that unacceptable adverse impacts will arise, the amalgamation of individual shop units will be resisted.

Implementation Example

Employment Space

Policy. Proposed Policy 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 applicant should submit evidence of agreement to lease the workspace preferably on a sliding scale compared to the local market rate for at least 10 years to a Council registered Workspace Provider. This must include confirmation from the Workspace Provider of willingness to manage the shell and core, to an agreed specification, on concessionary lease terms which will allow the space to be let to end users at affordable rents. Details of the potential management arrangements and rents to be charged for a minimum of 10 years must be submitted with the proposal for assessment by the Council.

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. If on-site provision is not possible, financial contributions for equivalent off-site provision will be sought in accordance with the Council's Planning Contributions SPD.

In addition, proposals for the redevelopment of existing low value employment floorspace reliant on less than market-level rent should reprovide such floorspace suitable, in terms of design, rents and service charges, for these existing uses, subject to scheme viability, current lease arrangements and the desire of existing businesses to remain on site.

A1.2.5 The Borough has a strong concentration of Small and Medium Sized Enterprises (SMEs) and start-up businesses, and has strong demand for buildings and floorspace for a range of commercial activities, particularly within the knowledge-based and creative and cultural sectors. The Hackney Employment Growth Options Study (2006) (updated in 2010) suggests that suitable and affordable workspaces need to be provided and preserved given that there is market failure in this area and that they are essential to Hackney's economic vitality and

catalyst for regeneration. The findings also show that businesses seek affordable small offices, studios or workspace with favourable lease or license conditions, and many SMEs and start-ups with the potential for financial self-sufficiency have particular needs that often cannot be met by market rent levels.

A1.2.6 London Plan Policy 4.1 identifies the need to ensure a good supply of workspace in terms of type, size and cost, supporting infrastructure and suitable environments for larger employers and small and medium enterprises, including the voluntary and community sectors. In light of this the Borough's Core Strategy sets out the need for smaller employment space that is affordable and easily sub-divided for different uses to meet the needs of a rapid expansion of micro and small businesses in certain parts of the Borough.

Delivering Sustainable Growth Chapter

A1.2.7 There is a need, therefore, for the provision of affordable employment floorspace within the Borough. This can partly be secured through development and through planning agreements as part of mixed use development. The following proposed policy, therefore, sets out that the Borough will seek the inclusion of a proportion of affordable workspace, or the re-provision of such floorspace, within major commercial development schemes (generally B1 and B2 development), and within major mixed-use schemes in the Borough's designated employment areas. In applying the policy, small/micro workspace will be for the full range of any of the Class B use floorspace of around 90m² or less (gross). Generally, the Borough will consider affordable workspace to be where rent and service charges, excluding business support services, are on average at least 20% less than comparable local market rates for the duration of a lease (although it is noted that, for some sectors and locations, much reduced rents may be needed to render them affordable to target occupiers such as locations in the Shoreditch and Wenlock PEAs). While a level of 80% of market rents may be acceptable in some cases, the Borough's preference is for a sliding scale of 60% of markets rents from years 1 to 3; 80% from years 4 to 6; and 90% from years 7 to 10. A sliding scale is preferred as it will allow a larger rent relief during the initial stages of a company's development which will reduce as a company matures and is likely to be able to pay higher rents. This will also enable a more seamless transition to market level rent at the end of the 10 year period.

A1.2.8 A 'significant element' of affordable workspace will depend on the site of the development scheme and the type of occupier (for instance, if the proposal is for one main occupier), and the viability of providing affordable workspace. As a guide, major developments should provide at 10% of total gross commercial floorspace as affordable workspace for a minimum of 10 years. This is in addition to ensuring existing businesses are also re-provided for, where appropriate in any redevelopment of sites, given it is the Borough's ambition to allow existing business to remain and grow in size as well as attract new businesses to the Borough.

A1.2.9 The design of workspace for small or micro enterprises will vary, depending on the end occupier or sector. In general; however, applicants should demonstrate that workspace is flexible in compliance with Policy DM15. Applicants will also be required to demonstrate likely lease terms for target sectors, and where appropriate make provision for short-term, flexible 'all-in' or 'meanwhile' leases, and/or letting space on a per-desk rather than per-square-foot basis. If not possible to provide such floorspace on site, financial contributions will be sought to secure equivalent provision off-site. Where affordable workspace is to be provided,

it is important that developers initiate dialogue with a Borough registered workspace provider early on in the pre-application stage and that at the planning application stage a workspace provider is identified. A list of the Borough's registered workspace providers can be found on the Borough's web site under the Regeneration pages.

A1.2.10 Appendix 4 sets out detailed guidance on the marketing evidence that will be required in relation to this policy. LBH has also published a Workspace Provider List (November 2013) which lists 8 companies that provide and manage flexible, affordable space for new start-ups as well as for micro, small and medium businesses.

Implementation Example

145 City Road EC1/37 East Road N1 (2012/3259) (03-12-13). 39-storey residential tower (302 homes) flexible A1/A3 space and 10-storey B1 building.

— Condition 22 – “The specification/fit-out of the Class B1 use space hereby approved shall be submitted to and approved by the LPA before the works are commenced and the space shall be provided to the agreed specification within 6 months of first occupation of any part of the development.”

Planning Obligations:

- Affordable Workspace = 1 floor of the B1 Use Area (to be agreed prior to implementation (760sq m in total).
- Affordable Workspace provider to be agreed by LPA.
- Not more than 50% of the B1 Area can be occupied until a lease has been entered into for the Affordable Workspace with the Affordable Workspace provider for a minimum of 10 years at a rent not exceeding £20 psf ('reasonable endeavours' clauses provide safeguards against lack of demand).
- Not to occupy more than 75% of the Residential Units unless and until the Affordable Workspace has been constructed to a specification agreed under Condition 22.

A1.3 Lambeth

Small Shops

Policy. Proposed Policy ED6 Town Centres includes:

(e) Major redevelopment proposals will be required to re-provide on affordable terms any small shop premises that would be lost and ensure that these are available at the same time as the main elements of the development, subject to viability. This will be secured through conditions or, where appropriate, planning obligations.

A1.3.1 The London Small Shops Study (June 2010) defines a 'small shop' as being one of around 80m² gross internal floorspace or less, occupied by an independent retail or service outlet which has nine units or less (as per the Goad definition). Re-provision of small shop premises 'on affordable terms' means at less than market rents.

Implementation Example

A1.3.2 None yet implemented: emerging policy with limited weight.

Employment Space

Policy. Proposed Policy ED2 Business, industrial and storage uses outside KIBAs

In order to maintain a stock of sites and premises in business use across the borough (in addition to KIBAs):

(c) Mixed-use development including housing, work-live or other mix of compatible uses will be supported where the existing quantity of B class floorspace is replaced or increased. Where mixed-used development is proposed the commercial and residential elements of the development should be made available for occupation at the same time.

(d) Where small business units are provided as part of a mixed-use scheme, these should incorporate a range of unit sizes and types to meet local business needs, be well designed and flexible, and be fully fitted out to turn-key standard. Opportunities for long-term management of the units by a company specialising in the management of space for small businesses should be fully explored.

A1.3.3 Planning Obligations SPD (April 2012). Based on saved UDP Policies 57 and 23 Protection and Location of Other Employment Use³. Section .25.3 Planning obligations will be used to cover marketing, lease arrangements, and shared management facilities for small business start-up or community workshop space, and where appropriate involve established business space providers and managers.

Implementation Example

A1.3.4 None yet implemented: emerging policy with limited weight.

A1.4 Lewisham

Small Shops

A1.4.1 No specific policy.

Employment Space

Proposed Policies DM9, DM10 and DM 11

All seek to require that all new business and retail premises provide for the internal fit-out of the space to make them more attractive for letting. The most relevant is Policy DM11, and an extract is set out below.

Proposed Policy DM Policy 11 (Other employment locations - Sites in Town Centres, Local Hubs and other clusters of commercial and/or retail uses - All Sites) includes:

9. New build business and retail premises should be provided with an internal fit out to an appropriate standard to attract new occupiers and ensure long-term sustainable development and provide a proportion of lower cost accommodation suitable for start-up businesses

A1.4.2 “An internal fit out for particular schemes could include the installation of sanitary and kitchen facilities, power points and IT connections (broadband), wall and ceiling finishes and plumbing/heating and related works. Provision of ‘core’ and ‘shell’ only for new buildings will not be considered to support or attract occupation by businesses and will not be considered to provide a sustainable contribution to the economy of Lewisham. This requirement is to ensure the attractiveness, deliverability and marketability of the units and to ensure the future sustainability of new developments. The Borough will seek to secure the delivery of the non-residential uses on sites and early thought should be given to potential end uses and users.”

Inspector’s Initial Concerns and Queries

A1.4.3 Whilst the Inspector does not make reference to fit-out in relation to Policy DM11, he does raise the following in relation to DM9 and DM10: “Why is it the case that a non-fully fitted unit would ‘not be considered deliverable or sustainable (and would be) unattractive to potential occupiers’? Is this a matter of estate management rather than planning? Would it not be equally advantageous and possibly more efficient/economic for an occupying company to be able to install internal fittings to its own specification?”

— LBL response: “...although in paragraph. 2.97 (second sentence) some detail is given as to what could be included within a ‘full fit out’ for new units as an example, it is not intended to be a definitive list. The inclusion of the requirement for a level of fit out beyond shell and core is intended to signal to a prospective developer that this will be required on a routine basis, and will need to be costed into any scheme as part of their viability work. This requirement provides some certainty for developers about build cost assumptions. The Borough has successfully negotiated provision for internal fit outs on a number of schemes in the borough which would be categorised as falling under Policy DM11 Other Employment Locations, and seeks this provision as a matter of routine.”

Implementation Example

52-54 Thurston Road SE13 (DC/11/77754). Part 9, part 10 storey building to provide 308 sq m B1 and 64 homes.

Planning Obligations:

- Commercial Units = 308sq m of B1 to include but not limited to (i) the Internal Fitting Out Works (ii) incorporation of lifts to access the units (iii) management and marketing plan (iv) details of any subsidised rents to support the economic viability of the units if proposed.
- Internal Fitting Out Works = means more works in addition to Shell and Core to make the Commercial Units more attractive for letting including but not limited to the installation of sanitary and kitchen facilities, power points and IT connections, walls painted, screed floors and a finished ceiling if not self finished and plumbing/heating and related works.
- Submit for LPA's approval within 3 months of Commencement details of the Internal Fit Out Works.
- Not to occupy the Residential Units until (i) the Commercial Units have been constructed and completed (ii) details of the Internal Fit Out Works have been approved by the LPA and implemented (iii) a Marketing Strategy, including details of the Internal Fitting Out Works, has been approved by the LPA (iv) to provide, where possible, subsidised Commercial Units as agreed b the LPA and provide the Commercial Units prior to or at the same time as the Residential Units are occupied.
- Not to apply for a change of use of the Commercial Units for 10 years from Practical Completion, unless the LPA is satisfied that the owner has used reasonable endeavours to find an occupier for any empty Commercial Unit but has not been able to do so for 2 years.

A1.5 Wandsworth

Small Shops

A1.5.1 No specific policy.

Employment Space

Policy DMI 4 Provision of flexible employment floorspace (as proposed to be revised)

Where proposals include an element of B1a (office) floorspace it should be fitted out beyond shell and core, designed to provide a good quality accommodation and to enable flexible occupation. Typical features that enable this are:

- i. clear and flexible floor plate space with few supporting columns;
 - ii. large amounts of natural light. Windowless and basement offices should be avoided;
 - iii. availability of a range of unit sizes ranging from 50 sq ms up to 2,000 sq ms; iv. realistic rents;
 - v. flexible leasing arrangements taking account of the Code for Leasing and Business Premises in England and Wales 2007; and
 - vi. building management - developers are encouraged to come forward with development partners for the management of flexible employment floorspace prior to submitting an application.
- b. Proposals for B1b and B1c business floorspace should be designed to enable flexible use for a range of B1 purposes by satisfying the requirements of DMI4a above, as well as the following:
- i. adequate floor to ceiling heights (at least 3.35m is suggested);
 - ii. wide doors/corridors;
 - iii. power, servicing and loading facilities suitable for light industrial use as well as office use;
 - iv. space for servicing/parking of commercial vehicles;
 - v. floor loading capacity (of at least 4.25kN per sq m); and
 - vi. goods lift servicing for multi-storey developments (with a minimum loading of 500kg).

A1.5.2 The London Plan recognises the need for, and Core Strategy Policy PL6 requires, the provision of flexible business space for small and medium enterprises. The GLA Office Market Review identifies offices and related business uses are an important sector in the London economy as whole. Whilst there has been some consolidation and structural change, the economic forecast is generally positive, in particular growth in hybrid office/industrial activities and the self-employed sector which is generally characterised by SME firms. To attract modern office and related B1 occupiers, it will be important that new or replacement offices provide a good standard of high quality and economical accommodation, and are designed to enable flexible occupation to allow small SME firms to 'grow on' within the borough. As identified in the Core Strategy, most of Wandsworth's businesses tend to be small companies, many of which will grow and require premises in which to expand. The 2004 Wandsworth Employment Land

Study and the 2010 DTZ Employment Land and Premises Study indicate there is a demonstrated demand for flexible employment space for small enterprises within Wandsworth's economy. In particular, the DTZ report found that start up businesses are likely to increase following the waves of redundancies that typically occur during recessions and it is therefore important to ensure there is sufficient space within the borough flexible enough to nurture such businesses. Therefore, the Borough will seek features and appropriate lease and management specifications that will enable the flexible use of the new office/business premises for a range of B1 business purposes and flexible provision of B1a space for flexible occupation of offices. This will help to maintain the range of employment premises available. Flexible, affordable space suitable for creative start-ups including artists and designers will also help support the borough's growing arts economy.

A1.5.3 Applicants must also demonstrate to the Borough's satisfaction that the commercial element is appropriate to meet the likely needs of the end user. As the cost to smaller SME firms of fitting out beyond shell and core can be unviable, completion to shell and core only will not normally be acceptable in proposals for new B1 schemes. The provision of inflexible business space will not be acceptable as this would fail to attract an occupier and lead to vacancy. Clear separation of the residential element and effective management of the business space will also be important in mixed use schemes. This is in line with the approach to flexible and affordable workspace that is taken in the Core Strategy PL6 – Meeting the needs of the local economy.

Implementation Example

77-83 Upper Richmond Road, SW15 and Carlton Court, 26 Carlton Drive, SW15 (2011/0054) (13-06-11)

- Erection of new building comprising 3 blocks 12-13 storeys, 4-9 storeys and 1-2 storeys
- To provide 104 residential flats, offices, retail and cafe/restaurant.

Planning Obligations

- Complete the Employment Floorspace (241sq m GIA) to Shell and Core prior to occupation of the first Residential Unit.
- Appoint a manager of the Affordable Business Floorspace to be responsible for letting and managing the space at least 3 months prior to its completion to Shell and Core.
- Submit a management plan for the Borough's approval at least 2 months prior to completion of the Affordable Business Floorspace to Shell and Core (to include how the space is to be used, lease terms including termination clauses, marketing, and fitting out).
- Not to first occupy the Affordable Business Space until the management plan has been approved.
- Rental value of the Affordable Business Space unit or units shall be no more than 50% of the market value (capped at £10psf) of the units or units within the Office Floorspace for a period of 5 years commencing from First occupation of the Affordable Business Space.
- Review with the Borough the management and use of the Affordable Business within 12 months of the appointment of the manager.
- Agree to review with the Borough the rent after the initial 5 year period having regard to the AIR Price Index Compounded Basis.
- If less than 60% of the Affordable Business Floorspace has been occupied within the first 2 years from its completion to Shell and Core, pay the Borough the Affordable Housing

Commuted Sum (£184,300) and after this is paid be entitled to let part or parts of the Affordable Business Floorspace which are not occupied at full market value.

Marco Polo Building, 346 Queenstown Road, SW8 (2011/2089) (30-03-12)

- Demolition of existing building. Erection of two new buildings of up to 17 storeys and 15 storeys high to provide 456 residential units and 1,257 sq msq m of commercial floor.
- Area comprising of office (B1 & A2), retail (A1) and cafe/restaurant (A3) uses.

Planning Obligations

- Complete the Employment Floorspace (836sq m GIA) to Shell and Core prior to occupation of the first Residential Unit
- Appoint a manager of the Affordable Business Floorspace to be responsible for letting and managing the space at least 3 months prior to its completion to Shell and Core.
- Submit a management plan for the Borough's approval at least 2 months prior to completion of the Affordable Business Floorspace to Shell and Core (to include how the space is to be used, lease terms including termination clauses, marketing, and fitting out)
- Not to first occupy the Affordable Business Space until the management plan has been approved.
- Rental value of the Affordable Business Space unit or units shall be no more than 50% of the market value (capped at £10psm in relation to Block L and £15psm in relation to Block L) of the unit for a period of 5 years commencing from First occupation of the Affordable Business Space.
- Review with the Borough the management and use of the Affordable Business within 3 years of the First Occupation of the space and if the space is not fully occupied, then the rental value of the units shall be discounted by a further 10% so that the discount of the market value is 60% for a further 12 month period and at the end of this period, if the space is still not fully occupied, further reduce by 10% providing a 70% discount rental value for a further 12 months of the appointment of the manager.
- Agree to review with the Borough the rent after the initial 5 year period having regard to the AIR Price Index Compounded Basis.
- If the owner provides independent justification to the reasonable satisfaction of the Borough that an alternative use would be a viable use for the space, then the Borough will consider alternative uses for the space, including D1 use (subject to permission for this use being granted).

Glossary

GHPA	Graham Harrington Planning Advice
GLA	Greater London Authority
MLA	Maccreeanor Lavington Architects
PBA	Peter Brett Associates
ATCM	Association of Town and City Management
BCIS	Build Cost Information Service
BCO	British Council for Offices
BCSC	The British Consortium of Shopping Centres
BIDS	Business Improvement Districts
CAZ	Central Activities Zone
CIL	Community Infrastructure Levy.
CPO	Compulsory Purchase Order
EiP	Examination in Public
ELR	Employment Land Reviews
EUV	Existing Use Value
EZ	Enterprise Zones
FALP	Draft Further Alterations to the London Plan (January 2014)
FSI	Floor Space Index
GPDO	General Permitted Development Order
GDPO	General Development Procedure Order
GEA	Gross External Area
GIA	Gross Internal Area
GPF	Growing Places Fund
GPU	Government Property Unit
HAPPI	Housing our Ageing Population: Panel for Innovation
HRA	Housing Revenue Account
HZ	Housing Zones
IAC	Incubator Accelerator, Co-working
KPI	Key Performance Indicators
LABV	Local Asset Backed Vehicles
LB	London Borough
LDD	London Development Database
LEP	London Enterprise Panel
LGA	Local Government Association
LOPR	The London Office Policy Review
LP	London Plan
LPA	Local Planning Authority
LTES	Low Threshold Enterprise Space
MDAG	The Mayor's Design Advisory Group
MDC	Mayoral Development Corporations

MRF	Mayor's Regeneration Fund
MUGA	Multi-Use Games Area
NPPG	National Planning Practice Guidance
NPPF	National Planning Policy Framework
OJEU	Official Journal of the European Union
OLF	Outer London Fund
REIT	Real Estate Investment Trust
RICS	Royal Institution of Chartered Surveyors
RP	Registered Providers
PRS	Private Rented Sector
PRSI	Private Rental Sector Initiative
RSL	Registered Social Landlords
PTAL	Public Transport Accessibility Level
SHLAA	Strategic Housing Land Availability Assessment
SHMA	Strategic Housing Market Assessment
SIL	Strategic Industrial Location
SME	Small and Medium Enterprises
SPD	Supplementary Planning Document
SPV	Special Purpose Vehicle
SPG	Supplementary Planning Guidance
SQR	London Plan Sustainable Residential Quality Matrix
TCHC	Town Centre Health Check
TCIM	Town Centre Investment Management
TCR	Town Centre Redevelopment
TCM	Town Centre Management
TIF	Tax Increment Finance
TMO	Tenant Management Organisations
UK	United Kingdom
USA	United States of America

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Acknowledgements

The Reference group for this research was drawn from members of the Mayor's Outer London Commission (OLC), the LEP SME Working Group, and the Mayor's Design Advisory Group (MDAG), who informed and advised the work.

GLA officers: Darren Richards, David Watkinson, Gerard Burgess, Jamie Dean, John Lett, Jonathan Brooker, Levent Kerimol, Louise Duggan, Maria Diaz-Palomares, Mike Newitt, Rachael Rooney, Tobias Govert.

Thank you to all those who contributed to meetings and case studies.

