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Mayor of London

Via Email Only:

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Dear Sir / Madam

**DRAFT LONDON PLAN 2017
REPRESENTATIONS ON BEHALF OF BRITISH AIRWAYS PENSION TRUSTEES LTD, NATIONWIDE
PENSION FUND TRUSTEE LTD AND NATIONAL GRID UK PENSION SCHEME**

Thank you for the opportunity to engage with the preparation of the Mayor's London Plan. This representation has been prepared by Savills (UK) Limited on behalf of a consortium of landowners comprising British Airways Pension Trustees Ltd, Nationwide Pension Fund Trustee Ltd and National Grid UK Pension Scheme (the consortium). It is made in respect of the Draft London Plan 2017 document (Draft London Plan) published by the Greater London Authority (GLA).

The consortium control a substantial area of land within the Upper Lee Valley that has the potential to play a significant role in the future delivery of London's growth aspirations. Located within an Opportunity Area (OA) and close to a future Crossrail 2 station the land is designated as Strategic Industrial Land (SIL). Due to commercial reasons they are unable to provide further details of the site at this stage. Their ambition is to intensify the use of this well-located industrial land without compromising its ability to meet the economic needs of the City. The consortiums overarching brief is to ensure that the industrial capacity of the site is maintained as this value underpins the value of the asset. At the same time they are seeking to realise the full potential of its location to create a new neighbourhood centre that delivers a substantial number of new homes.

These representations are made against this context with specific regard to the consolidation of industrial land to maintain a sufficient supply of land and premises for industry whilst enabling the delivery of homes. We have focussed only on those areas of the Draft London Plan that are of particular relevance to this topic and where we can make constructive suggestions to assist with the preparation of a London Plan that is positively prepared to meet the objectives, principles and policies of the NPPF. We are mindful that the NPPF is currently under review and reserve our position to modify these representations in light of any changes to the NPPF.

The main point of these representations with the respect to the Draft London Plan are:

- Support the principle of no overall net loss of industrial floorspace capacity across London in designated SIL and LSIS, provided that the processes of intensification, co-location and substitution set out in the Draft London Plan are effective at protecting industrial capacity whilst enabling the delivery of new homes.
- By increasing the affordable housing threshold to 50% on development that delivers housing through these processes, the Draft London Plan is constraining development where it should be encouraging it.
- Consolidation of industrial land will in most cases require high density development and it is important that the design policies in the Draft London Plan support this.

Offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East..

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Overall approach

The consortium welcome the recognition that industry and logistics play a vital role in the effective functioning of London's economy. Recent studies have shown that London has been losing industrial land at a much faster rate than allowed for in the current London Plan. This has led to concerns that if London continues to lose industrial land, even at the benchmark rate, the lack of availability will be a constraint on its economic growth. As such the consortium broadly support the principle of no overall net loss of industrial floorspace capacity across London in designated SIL and LSIS, provided that the processes of intensification, co-location and substitution set out in the Draft London Plan are effective at protecting industrial capacity whilst enabling the delivery of new homes.

In his recently published Draft Housing Strategy the Mayor made it clear that *"London's housing crisis is the single biggest barrier to prosperity, growth, and fairness facing Londoners today."*¹ The consortium agree and welcome the significant increase in housing delivery targets aimed at addressing this concern. Release of industrial land has previously provided a steady supply of land for housing that we can ill afford to lose if London's housing targets are to be met. It is therefore vital that the processes of intensification, co-location and substitution of industrial land set out in the Draft London Plan are effective at not only maintaining a sufficient supply of land and premises for industry but also delivering new homes. We have suggested modifications where we consider that the industrial policies can be made more effective at achieving this (see Appendix 1).

The consortium recognise that housing delivery rates will have to increase significantly in order to meet the increased housing targets. In particular significantly increased delivery will be required in the Outer Boroughs, where a large proportion of London's industrial land is located. The consortium are not convinced that small sites have the capacity to deliver 38% of the overall housing target. Therefore additional housing capacity will need to be identified at a local level to take up any slack. This can be achieved by positively planning for the consolidation of industrial land through the processes set out in the Draft London Plan. However, to be effective these processes rely on development coming forward on large industrial sites. The consortium are concerned that by increasing the affordable housing threshold to 50% on development that delivers housing through these processes, the Draft London Plan is constraining development where it should be encouraging it.

The consortium support the spatial framework within the Draft London Plan, which seeks to ensure that OAs realise their full growth potential by linking them to the delivery of strategic transport infrastructure projects to create Growth Corridors. The consortium supports the Mayor's commitment to delivering Crossrail 2, which has the potential to support 200,000 new jobs, as well as unlocking 200,000 additional new homes. The effective functioning of the industrial policies in the draft London Plan are key to unlocking land for development that realises the full potential of OAs and justifies the investment in strategic transport infrastructure.

The consortium support the Good Growth principle of making the most efficient use of land by optimising density, which is a thread that runs through the Draft London Plan. They welcome the recognition that good design plays a key role in making the most efficient use of land by optimising density. Consolidation of industrial land will in most cases require high density development and it is important that the design policies in the Draft London Plan support this. We have suggested modifications where we consider that the design policies can be more effective at delivering high quality design that makes best use of land (see Appendix 2).

Delivering affordable housing on industrial land

The Draft London Plan states that given the difference in values between industrial and residential development, where designated and undesignated industrial land is deemed acceptable for release, they will be expected to deliver a higher level of affordable housing. As such Policy H6 *Threshold approach to applications*, sets an affordable housing threshold of 50% for SIL, LSIS and other industrial and logistics sites deemed appropriate to release for other uses, compared to the 35% threshold applied to most other forms of development.

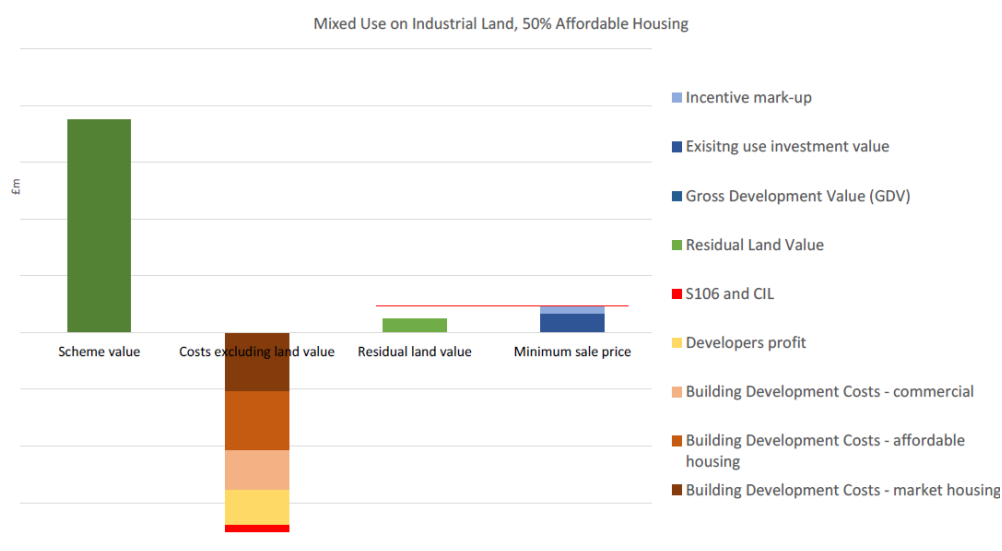
¹ London Housing Strategy Draft for Public Consultation 2017

Partly as a result of the decreasing supply of industrial and logistics premises, rents and values have increased whilst yields have become increasingly competitive and occupancy rates have risen². At the same time residential values are lower in the Outer Boroughs, where a large proportion of London's industrial land is located. Redevelopment carries significant risks that need to be justified against maintaining a good rental stream, if developers are going to make the necessary investment.

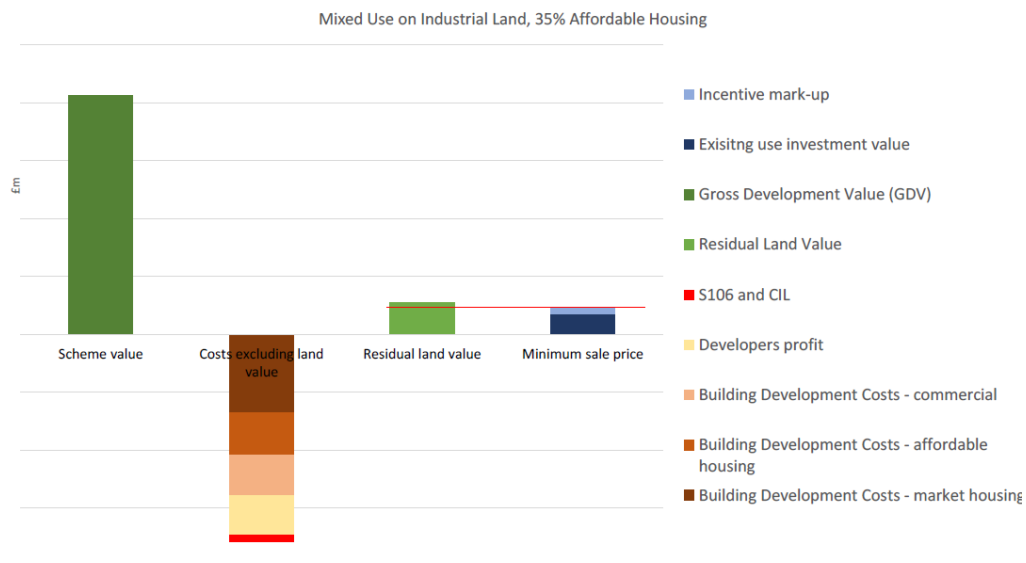
With occupiers often taking long-leases, industrial land and premises are seen as a good long-term investment and as such the majority of industrial land owners of scale are funds and institutions. Any consolidation of industrial land will incur an immediate cost in terms of lost rental revenue during the period of construction. Intensification also means constructing buildings that are of a higher specification and cost than traditional industrial and logistics buildings. However, this will not necessarily translate into increased rent as higher density industrial does not command a premium. Overall despite rising rents and values there is very little incentive for land-owners to intensify existing industrial and logistics premises unless these premises are coming to the end of their economic life.

Adding residential into the mix increases costs even further as most industrial land will have severe contamination issues. Providing industrial decks for residential to sit upon would also require costly engineering solutions. In particular, noise mitigation measures will add significant construction costs to the building structure and facades. High industrial values and high construction costs associated with intensification and co-location have to be considered against low residential values in typical industrial locations. A large proportion of London's industrial land is located in the Outer Boroughs where residential values are lower. Added to this industrial locations are generally not considered desirable residential locations. It is also likely that despite measures to ensure a good residential environment, homes in co-location schemes will need to be discounted.

The consortium are concerned that the analysis in the London Plan Viability Study has not properly considered the redevelopment of industrial land in terms of comparing current investment value against residential development value. The following graphs provide an illustration of this issue. We would be happy to provide more detail of our analysis should it be of assistance.



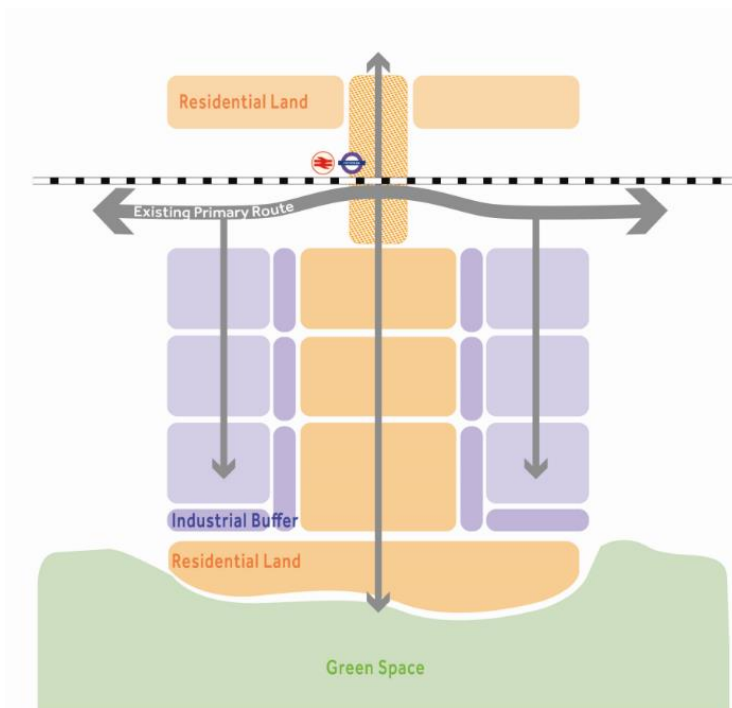
² London Industrial Demand Study 2017



The consortium consider that by setting the affordable housing threshold at 50% the Draft London Plan is disincentivising the redevelopment of industrial and logistics land. This will prevent the plan from being effective at not only delivering housing and affordable housing but also at ensuring sufficient industrial and logistics capacity and making the best use of land. On this basis we recommend that the 35% threshold is applied to industrial land through the deletion of Policy H6 Part B (3) and paragraph 4.6.6.

Design-led Density

The consortium have undertaken initial masterplanning work to understand the scope of the opportunity at their site and in particular the feasibility of delivering residential without compromising the ability of industry and logistics to operate effectively. The broad approach of the masterplan is to organise industrial and logistic uses in the outer part of the site with their associated yards around the edges. A mixed use quarter is provided adjacent to the station that transitions into a residential spine running through the centre of the site, as illustrated below.



Key to the delivery of homes in SIL is ensuring that they do not compromise the ability of core SIL functions to operate effectively 24 hours a day, whilst maintaining a high quality residential environment. The masterplan approach achieves this by arranging yard space at the edge of the site, where they have direct access to the existing road network. This means that industrial traffic does not have to penetrate heart of the site. It also provides a buffer zone from the surrounding SIL. The provision of industrial and logistics buildings with high noise insulation specifications in the outer part of the site provide a buffer zone between the residential uses and the yard spaces. Building design and placement will provide acoustic barriers from residential uses.

The consortium are satisfied that it is possible to intensify industrial capacity to allow release of land for housing following the processes set out in the Draft London Plan. However, to achieve this development at densities much higher than their surrounding context are required. It is against this context that we turn to the Design policies within the Draft London Plan.

The consortium support the Good Growth principle of making the most efficient use of land by optimising density, which is a thread that runs through the Draft London Plan. They welcome the recognition that good design plays a key role in making the most efficient use of land by optimising density. With regards to Policy D1 *London's form and characteristics* they broadly support the provision of this policy. However, they are concerned that as drafted Part B (1) emphasises local context as the main factor by which the scale of development is judged. The consortium consider local context to be an important factor in design development but it should not be the only factor. There are many good reasons why a development might appropriately be of a scale that is significantly larger than its local context without having a harmful impact. The need to use land efficiently and optimise density should also be a factor in determining scale and Part B should be modified to recognise this. It should also explicitly recognise that there are circumstances where development design should not respond to local context if making efficient use of land requires new development to initiate a step change in scale in low density, low townscape value areas.

With regards to Policy D2 *Delivering good design* the consortium are concerned that Part H (3) states that assessment of design quality should not be deferred to referred matters. This would in effect prevent developers from pursuing outline applications with matters of appearance, layout and scale reserved. Outline planning consents are an integral and established part of the planning system and a particularly important tool for unlocking development on large, complicated sites. Restricting developers ability to use outline planning

applications for large developments would represent a major constraint that it likely to slow down delivery. It is particularly difficult to envisage how a largescale masterplan that delivers consolidation of industrial land in a phased manner could be carried out without an initial outline consent.

With regards to Policy D8 *Tall buildings* the consortium welcome the recognition that tall buildings have a role to play in accommodating growth and improving legibility. They consider that Policy D8 should also recognise the role that tall buildings can play in unlocking the development of difficult sites. However, they are concerned that as drafted Policy D8 could be used to restrict the development of tall buildings without due consideration of their benefits and impacts.

Part B states that tall buildings should be part of a plan-led approach and that boroughs should identify locations where tall buildings will be an appropriate form of development. The consortium consider that the policy should be more pro-active in identifying the types of locations where tall buildings will be appropriate, including Opportunity Areas and town centres. Part B also states that Boroughs should indicate general building heights that would be appropriate. The consortium consider that the appropriate height of a tall building should be arrived at through a detailed assessment of impacts as set out in Part C. Indicating general building heights without undertaking such a detailed assessment risks arbitrarily limiting building heights and is not commensurate with a design-led approach to optimising density.

Our clients would be grateful if the matters raised in this letter and the suggested modifications in the appendices could be taken into account when completing the next stage of the London Plan and would welcome the opportunity to represent these views at the Examination in Public.

Yours sincerely

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Savills Planning

Appendix 1: Suggested Modifications to Industrial Policies

Policy E4 Land for industry, logistics and services to support London's economic function

A A sufficient supply of land and premises in different parts of London to meet current and future demands for industrial and related functions should be maintained. This should make provision for:

- ~~1) light and general industrial uses~~
- ~~2) storage and logistics/distribution including 'last mile' distribution close to central London and the Northern Isle of Dogs, consolidation centres and collection points~~
- ~~3) secondary materials and waste management~~
- ~~4) utilities infrastructure~~
- ~~5) land for sustainable transport functions including intermodal freight interchanges, rail and bus infrastructure~~
- ~~6) wholesale markets~~
- ~~7) emerging industrial-related sectors~~
- ~~8) flexible (B1c/B2/B8) hybrid space to accommodate services that support the wider London economy and population~~
- ~~9) low-cost industrial and related space for micro, small and medium-sized enterprises (see also Policy E2 Low-cost business space) taking into account strategic and local employment land reviews, industrial land audits and the potential for intensification, co-location and substitution (see Policy E7 Intensification, co-location and substitution of land for industry, logistics and services to support London's economic function).~~

- (Insert) **1) light industrial (Use Class B1c)**
2) general industrial uses (Use Class B2)
3) storage and logistics/distribution uses (Use Class B8)
4) other industrial-type functions, services and activities not falling within the above Use Classes including secondary materials and waste management, utilities infrastructure, land for transport and wholesale markets
5) flexible B1c/B2/B8 premises suitable for occupation by SMEs

(Comment: As set out in Policy E5 for consistency and clarity)

B London's land and premises for industry, logistics and services falls into three categories:

- 1) Strategic Industrial Locations (SIL) – see Policy E5 Strategic Industrial Locations (SIL)
- 2) Locally Significant Industrial Sites (LSIS) - see Policy E6 Locally Significant Industrial Sites
- 3) non-Designated Industrial Sites⁷⁸ - see below.

C The retention and provision of industrial capacity across the three categories of industrial land set out in part B should be planned, monitored and managed, having regard to the industrial property market area and borough-level categorisations in Figure 6.1 and Table 6.2. This should ensure that in overall terms across London there is no net loss of industrial floorspace capacity (and operational yard space capacity) within designated SIL and LSIS. Any release of industrial land in order to manage issues of long-term vacancy and to achieve wider planning objectives, including the delivery of strategic infrastructure **and to meet housing delivery targets**, should be facilitated through the processes of industrial intensification, co-location and substitution set out in Policy E7 Intensification, co-location and substitution of land for industry, logistics and services to support London's economic function.

D The retention and provision of additional industrial capacity should be prioritised in locations that:

- 1) are accessible to the strategic road network and/or have potential for the transport of goods by rail and/or water transport

- 2) provide capacity for logistics, waste management, emerging industrial sectors or essential industrial-related services that support London's economy and population
- 3) provide capacity for micro, small and medium-sized enterprises
- 4) are suitable for 'last mile' distribution services to support large-scale residential or mixed-use developments subject to existing provision.

~~E Any release of industrial capacity in line with part C should be focused in locations that are (or are planned to be) well-connected by public transport, walking and cycling and contribute to other planning priorities including housing (and particularly affordable housing), schools and other infrastructure.~~

E Boroughs should proactively identify locations for intensification of industrial capacity in order to release industrial land to contribute to other planning priorities including housing (and particularly affordable housing), schools and other infrastructure. Release of industrial land in line with part C should be focused in locations that are (or are planned to be) well-connected by public transport, walking and cycling and are deliverable having regard to patterns of land ownership.

F Efficient wholesale market functions should be retained to meet London's requirements whilst enabling opportunities to consolidate composite wholesale markets to meet long-term wholesaling needs.

G Boroughs should ensure that the need to retain sufficient industrial and logistics capacity is not undermined by permitted development rights by introducing Article 4 Directions where appropriate.

H Development proposals for large-scale (greater than 2,500 sqm GIA) industrial floorspace should consider the scope to provide smaller industrial units suitable for SMEs, in particular where there is a local shortage and demand for such space.

Policy E7 Intensification, co-location and substitution of land for industry, logistics and services to support London's economic function

(modify Part E 3)

~~3) the intensified industrial, storage and distribution uses are completed and operational in advance of any residential component being occupied~~

3 Phasing plans should be secured that ensure that a substantial component intensified industrial, storage and distribution uses are completed and operational in advance of any residential component being occupied

Appendix 2: Suggested modifications to housing policy

Policy H6 Threshold approach to applications

- B The threshold level of affordable housing is initially set at:
- 1) a minimum of 35 per cent
 - 2) 50 per cent for public sector land
 - 3) 50 per cent for Strategic Industrial Locations, Locally Significant Industrial Sites and other industrial sites deemed appropriate to release for other uses (see Policy E7 Intensification, co-location and substitution of land for industry, logistics and services to support London's economic function). The 35 per cent threshold will be reviewed in 2021 and if appropriate increased through Supplementary Planning Guidance.

Delete Para 4.6.6

Appendix 3: Suggested modifications to design policies

Policy D1 London's form and characteristics

B Development design should:

- 1) respond to local context by delivering buildings and spaces that are positioned and of a scale, appearance and shape that responds successfully to the identity and character of the locality, including to existing and emerging street hierarchy, building types, forms and proportions **unless higher density forms of development are appropriate in locations of low townscape value.**

Policy D2 Delivering good design

H ~~3) avoiding deferring the assessment of the design quality of large elements of a development to the consideration of a planning condition or referred matter~~

Policy D8 Tall buildings

Tall building locations

B Tall buildings should be part of a plan-led approach to changing or developing an area. Boroughs should identify on maps in Development Plans the locations where tall buildings will be an appropriate form of development in principle, ~~and should indicate the general building heights that would be appropriate, taking account of:~~

- 1) ~~the visual, functional, environmental and cumulative impacts of tall buildings (set out in part C below)~~
- 2) ~~their potential contribution to new homes, economic growth and regeneration~~
- 3) ~~the public transport connectivity of different locations.~~