

2 March 2018

Mr Sadiq Khan
Mayor of London
New London Plan
GLA City Hall
London Plan Team
Post Point 18
FREEPOST RTJC-XBZZ-GJKZ
London SE1

SEGRO plc
Cunard House
15 Regent Street
London SW1Y 4LR
United Kingdom

Telephone: +44 (0)20 7451 9100
Facsimile: +44 (0)20 7451 9150
SEGRO.com

Dear Mr Khan,

RESPONSE TO THE DRAFT LONDON PLAN FOR SEGRO PLC

Please find enclosed SEGRO's representations to the Draft London Plan (December 2017) which you recently published. We also enclose a document that includes number of re-drafted policies that we believe need to be addressed as they have major implications for the industrial sector, which could in turn effect London's future growth.

Executive Summary

1. We welcome the new London Plan's acknowledgement that the provision of industrial space is of critical importance to servicing London's existing and growing residential and business communities.
2. We support policies to prevent the loss of industrial space, however the draft policies raise concerns that this approach does not come close to addressing the 605ha+ of industrial land which is already being released over and above the latest demand forecast. To address the widening gap between demand and supply, we recommend that new industrial capacity is planned for and delivered through:
 - New Opportunity Area Planning Frameworks (OAPFs)
 - A review of the Green Belt
3. We are concerned about the planning policies for commercial development which do not differentiate between office and industrial uses - which have significantly different development requirements/constraints and occupier needs. The proposed requirements for flexible/affordable workspace and urban greening are examples of where this 'one size fits all' approach will make industrial development hugely challenging and potentially unviable and undeliverable.
4. We do not believe that the London Plan is sufficiently informed by the operational needs of modern industrial occupiers. The service yard of an industrial scheme is a critical part of an industrial occupier's operation, and the notion of achieving intensification through increasing plot densities, and/or re-providing industrial development at 65% plot ratio is at odds with occupier requirements, where the trend is towards reducing plot densities to circa 45%.
5. We are concerned that whilst the London Plan promotes industrial innovation through mixed use and multi-storey, it does nothing to incentivise it. In fact, it adds additional requirements and obligations. Innovation is highly complex, expensive and risky, and so incentives are essential for delivery.

Key Policy Issues & Recommendations

Policy E2 Low-cost Business Space - 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.

We do not consider 2,500 sqm to be a large scale development. This unit size would typically be occupied by a 'small sized' medium enterprise or a branch of a national or international business. In a London context, we consider a large-scale industrial development as over 25,000 sqm. Unlike offices, the sub-division of industrial new builds is not common as occupiers want their own demise.

The 'flexible workspaces' (serviced offices, co-working spaces and artists' studios) that Draft Policy E2 looks to protect and provide for are not relevant to enhancing the function of London's industrial capacity, which has been severely diminished by alternative development in recent years. These flexible workspaces would instead be far better provided in new office developments and or mixed-use schemes.

Consequently, we object to the proposed scope of Draft Policy E2, and requests that reference to "B1 business space" in Policy E2 is removed and replaced with "office space", to ensure that it is not applicable to new industrial development.

Policy E3 Affordable Workspace - In defined circumstances, planning obligations may be used to secure affordable workspace at rents maintained below the market rate for that space for a specific social, cultural or economic development purpose.

A strategic policy directive for the provision of affordable workspace is neither effective nor appropriate. Policy should instead only be introduced and formulated at the local level, where the circumstances indicate it is necessary to meet identified economic/social objectives – e.g. in the CAZ fringe locations. We therefore strongly recommend that the requirement for industrial developers to comply with Draft Policy E3 is omitted from the London Plan, unless there is significant public intervention through the provision of land or a joint venture collaboration between the private and public sector.

Policy E7 Intensification - Development proposals should be proactive and encourage the intensification of business uses in Use Classes B1c, B2 and B8 with more efficient use of land through **higher plot ratios** having regard to operational requirements (including servicing). The plan will retain industrial floorspace by a rule of the greater of the current floorspace or a 65% site density

We have serious concerns about accuracy and relevance of the data the GLA's London Employment Sites Database Report (2016 CAG Consultants), which has been used to calculate the 65% site density. The GLA's evidence base is at odds with SEGRO's experience of developing modern industrial space. Since 2013, SEGRO has built 17 new industrial schemes (100 units) in London totalling 1.6m sq. ft. These schemes have delivered a range of unit sizes from 500 sq. ft. – 150,000 sq. ft. The average footprint and floor area densities of these schemes are 37% and 45% respectively. These figures are noticeably smaller for cross dock facilities that modern delivery companies require, particularly those operating in parcel delivery and retailing.

We recommend that the 65% plot ratio rule is reduced to 45% but also recognises that this figure could change subject to the following:

- Last mile delivery/parcel depots utilising cross docks facilities
- Irregular or constrained plots
- 'Starter' units under 5,000 sq. ft.
- Specific operational needs of occupier for more bespoke facilities driven by changing operational processes, including the development of robotics and automation.

Policy E7 Intensification - *The processes set out in Parts B, C and D above must ensure that.....the industrial uses within the SIL or LSIS are intensified to deliver an increase (or at least no overall net loss) of capacity in terms of industrial, storage and warehousing floorspace with appropriate provision of yard space for servicing*

Whilst we recognise the principle of the 'no net loss' approach, the draft policy does not take account that many old redundant factories or industrial schemes have incredibly high plot ratios or in some cases are already multi-storey. The former Nestle factory site, for example, includes nearly one million sq. ft. of 'redundant' industrial space and was not capable of accommodating the operational needs of an industrial occupier(s). It would have been unviable and, given the site's location close to residents, inappropriate for us to re-provide this amount of industrial space on site as part of the mixed use scheme that is proposed.

We recommend that the policy is applied with flexibility in exceptional circumstances where the existing floorspace no longer meets the operational needs of industrial occupiers.

Policy G5 Urban Greening - *Boroughs should develop an Urban Greening Factor (UGF) to identify the appropriate amount of urban greening required in new developments. The UGF should be based on the factors set out in Table 8.2, but tailored to local circumstances. In the interim, the Mayor recommends a target score 0.3 for predominately commercial development*

Our existing and generous landscaping strategy for new developments delivers a 0.15 UGF. However, the cost to SEGRO for increasing the UGF to 0.3 would be prohibitive from a construction and on-going maintenance perspective. Whilst a UGF of 0.3 may work on an office development, the Mayor needs to recognise the implications for industrial development. We have calculated that accommodating a green roof on a 100,000 sq. ft. industrial building would increase the development cost by 15%, making the development of the scheme unviable.

We therefore recommend that industrial development adopts a UGF of 0.15

Policy SI5 – *London's air quality should be significantly improved and exposure to poor air quality, especially for vulnerable people, should be reduced.....the development of large-scale redevelopment areas, such as Opportunity Areas and those subject to an Environmental Impact Assessment should propose methods of achieving an Air Quality Positive approach through the new development. All other developments should be at least Air Quality Neutral.*

We request that further guidance is provided to define an 'Air Quality Positive' development and set out how this requirement is to be achieved. We consider this requirement will have significant implications for industrial and urban logistics development, and would like the opportunity to investigate this requirement further with sufficient information to make appropriate representations.

Introduction

SEGRO is a UK Real Estate Investment Trust (REIT), and a leading owner, manager and developer of modern warehouses and light industrial property. It owns or manages 6.4 million sq. m. (69 million sq. ft.) of space valued at £8 billion, serving customers from a wide range of industry sectors. Its properties are located in and around major cities and at key transportation hubs in the UK and in nine other European countries.

In Greater London, its portfolio extends to over 1.16 million sq. m. (12.5 million sq. ft.) of light industrial and urban logistics space, and is home to over 420 customers operating from 55 estates across the Capital. These customers, which include major businesses such as Rolls Royce, Brompton Bike, British Airways, Royal Mail, Fed Ex, Ocado, John Lewis and DHL, employ over 20,000 people and operate in a range of sectors from e-retailing to manufacturing, TV and media to aerospace and automotive to food production.

We are also the Mayor of London's industrial development partner for the GLA's East Plus portfolio, which covers 86 acres of brownfield land in Newham, Barking & Dagenham and Havering. By 2025, SEGRO will aim to regenerate these sites and deliver 130,000 sq. m. (1.4 million sq. ft.) of modern industrial space that could create over 4,000 jobs.

Industrial Sector in London – 'Keep London Working'

In February 2017, we launched our 'Keep London Working' report to highlight the importance of industrial land to London's economy and productivity; the innovations being made to improve the efficiency and environmental sustainability of the sector; the structural changes the sector is experiencing; and the challenges it faces with the excessive release of industrial land for high value uses such as housing. Urban logistics, which involves the movement of goods and services across the City, is a key element of London's industrial sector and is critical to its productivity and economic success. This sector has innovated in recent years, with several different operational models being developed including:

- Hub and spoke – goods are sorted and prepared at a 'hub' location before being taken to a number of smaller 'spoke' depots where goods are re-sorted and delivered to customers. Proximity to consumer markets is a key locational factor for the 'spoke' premises to maximise logistical efficiency and minimise journey times.
- Consolidation centres – deliveries from a range of suppliers are consolidated at an accessible location before being delivered to the business/consumer. Such centres help to reduce the number of vehicle trips needed to transport goods.
- Last mile – premises from which goods are stored and distributed to consumers to provide a highly responsive service which also minimises trip length.
- Click and collect – enables consumers to secure online goods and collect these directly from the retailer or other retail outlets.
- Reverse logistics – processing online returns from a hub location to enable rapid turn-around, and to make effective use of vehicle space by delivering and collecting in one trip.

The Keep London Working report emphasises the importance of having an effective industrial and urban logistics sector in London to link people and business to the goods they demand. The report identifies some of the key factors influencing the sector, and these are summarised below.

Population growth

London is a thriving and growing city which is forecast to grow from approximately 8.7 million in 2015 to over 10 million by 2031. As the number of businesses and consumers in the Capital continue to grow, the demands placed on industrial occupiers to get their goods and services to their customers naturally increases. The pressures and demands on industry, and in particular urban logistics, will continue to increase to serve future population and economic growth.

Growth in E-commerce

As a result of the boom of e-commerce, the industrial sector is undergoing one of the most significant structural changes in recent decades. This demand is not just driven by population growth but also the application of technology that is changing consumer buying habits. *Today, the UK already has the largest e-commerce sector in Europe, estimated to be equivalent to £67 billion and 18% of total retail trade. This sector grew by 11.5% in 2016 and is projected to continue growing as the country becomes more digitally enabled.

*Data updated to reflect 2016/17 statistics.

'Last mile' service

With the growth of e-commerce, retailers and their delivery partners need to reconfigure their supply chain, and new residential and commercial development will increase the need for rapid delivery for the 'last mile' service. This only heightens the importance of siting commercial development 'amongst' or 'near to' urban concentrations of populations and businesses. The last mile service is important for increasing efficiencies in London's supply chain, and it also has a key role in managing the number of vehicles on London's roads and the air quality impacts associated with these.

Change of use

From 2010-2015 a total of 528 ha (or 7.1%) of London's industrial land was released to non-industrial uses, such as housing. This is equivalent to 106 ha/year, and is around three times greater than the GLA's release target of 37 ha/year. Therefore, whilst the demands and pressures on industrial land and the 'urban logistics' sector are increasing, the stock of industrial land (particularly land close to business/consumer markets) is shrinking under pressure from alternative higher value uses such as housing.

The rate of SIL land release has been particularly notable in inner London locations where 61% of London's employees and 40% of London's population (i.e. London's key delivery market) is located. If SIL land continues to be lost in London, and if industry is pushed further away from central London, then transport distances to key, and growing, markets will increase. This has negative implications for transport (principally road) capacity and vehicle emissions.

Jobs

A minimum of 6,105 businesses and 76,200 employees are classified as being in the logistics sector in London. This figure does not include the substantial numbers of employees and businesses who operate in a logistics environment but which are classified within another sector, such as retail. This would include the likes of Ocado, John Lewis, Amazon and ASOS who operate sophisticated supply chains to a range of customers. Jobs in the logistics sector are increasing, with a growth of 6,800 (9.8%) between 2011 and 2014. Salaries, £38,585 per annum on average, are above the national average for all sectors (£27,607), and the proportion of full-time positions (85.3%) is also higher than the London average (73.8%).

SEGRO Recommendations

The following recommendations are set out within the Keep London Working report in response to the report's findings:

1. A London-wide review of Strategic Industrial Land and London Plan policy 2.17 (Strategic Industrial Locations) to ensure planning does not take place in a piecemeal fashion.
2. The preparation of a full and comprehensive review of the demand for floorspace to meet the future needs of urban logistics and industrial occupiers.
3. A full review of policy designations for industrial land to ensure they are fit for purpose and reflect the most appropriate locations for urban logistics operators and industrial occupiers.
4. The London Plan should acknowledge and make provision for last mile requirements for land and premises, especially in areas with significant population growth.

5. The London Plan should recognise the location requirements of urban logistics operators in establishing industrial locations, noting that locations out of London are unlikely to enable them to perform effectively.
6. Flexible planning policies should be developed to take account of the rapidly evolving technical and operational needs of urban logistics occupiers.
7. A requirement for replacement land to be allocated or re-designated to counter the loss of industrial land above target levels.
8. Refine policy to enable intensification of industrial uses more readily.
9. Ensure that London's infrastructure supports the industry's adoption of environmental technologies.
10. A GLA industrial and logistics sounding board should be set up to provide a voice for the industry within London and to help inform the implementation of the above recommendations into effective policy.

Overall, SEGRO's research demonstrates that industrial land is an increasingly important resource in the Capital, and if there is insufficient land located in the right locations, then London's urban logistics sector will be compromised at a cost to consumers, employees, businesses and the economy. Our response to the Draft London Plan is made in this context.

Response to the Draft London Plan

Given the hugely excessive supply of industrial land and capacity which has been released to alternative forms of development in recent years, SEGRO strongly supports the principle of no net loss of industrial capacity which is rigidly monitored and applied, unless it is 'Plan led'.

However, SEGRO believes that the London Plan should go beyond just maintaining existing levels of industrial capacity, and should instead promote the development of additional industrial development to meet projected industrial needs. As we have set out in the introduction, industrial needs will continue to grow in response to a structural shift in the logistics sector, together with significant growth in London's population and economy. This is evidenced by the outputs of the GLA's demand studies, which indicate that at least 605ha industrial land is being released over and above the identified need.

Our thoughts on the provision of additional capacity is provided in Section 4. Before coming onto this, we set out our assessment of, and recommendations for, the industrial capacity policy tools currently included in the Draft London Plan.

Our response to the Draft London Plan is structured as follows:

1. SIL and LSIS Intensification and Consolidation
2. Mixed Use Development on Non-Designated Industrial Sites
3. Industrial Development Viability
4. New Industrial Land/Capacity, including Green Belt
5. Spatial Approach to Industrial Capacity
6. Industrial Capacity Substitution
7. Detailed Response to Specific Policy Content

Our proposed amendments to the current wording of the Draft London Plan are set out in the Appendix.

1. SIL and LSIS Intensification and Consolidation

Industrial intensification essentially describes the process of developing new industrial space at higher densities. In some circumstances, this can have the effect of making more efficient use of land, either for additional industrial capacity to be created, or for other forms of development (principally housing) to come forward.

We support the promotion of more intensive forms of industrial and mixed use development as, in the right circumstances, this process can contribute to the provision of more industrial capacity where land in London is under increasing pressure for development, and where industrial land in particular is threatened by higher value forms of development.

We are developing a range of intensive forms of industrial development across Europe, through the delivery of multi-level industrial schemes. We are looking at ways to deliver on this policy objective on our own sites in London where feasible, and would also be interested in opportunities to partner with the public/private sector to continue to expand delivery of these innovative forms of development. Our work with the GLA as part of the East Plus partnership is a good example of how SEGRO is collaborating with the public sector to deliver high quality industrial space to help meet London's industrial and logistics demands.

For the London Plan to be effective in delivering on its objectives for new jobs, infrastructure, homes etc., it is important that the conditions influencing the delivery of intensive industrial development are fully acknowledged and understood.

Forms of intensification

Policy E7 of the Draft London Plan lists a number of processes which are considered to contribute to industrial intensification:

1. development of mezzanines
2. introduction of small units
3. development of multi-storey schemes
4. addition of basements
5. more efficient use of land through higher plot ratios having regard to operational requirements (including servicing) and mitigating impacts on the transport network where necessary

We have concerns about the above list in terms of the ability of these processes to provide the industrial space which London needs to serve its businesses and populations. As the London Plan is allowing industrial land to be released for alternative high value development where other industrial land is 'intensified', it needs to be careful that industrial functions are not being constrained and eroded by the development of compromised industrial space. This approach will not meet the needs of industrial business which are critical to serve London. London Plan policy also needs to ensure that the mechanisms for intensification are in fact deliverable and effective in order to have an impact on the objectives of providing additional industrial capacity in some locations, and intensifying in order to consolidate industrial land designations in others.

The processes identified in Policy E7 (Part A) are considered in this context.

Mezzanines

Mezzanines can be introduced or removed without the need for planning permission, and the presence of mezzanine floors is usually determined by the spatial attributes of an industrial unit and the needs of the business occupying it. Although the use of mezzanines is becoming more popular with e-retailers such as Amazon, it would be inappropriate for mezzanines to be considered as a 'key' means to address London's industrial capacity issues, as capacity would be compromised if the introduction of mezzanines was accepted as a means of facilitating the release of SIL/LSIS land. Of the last 100 industrial units that we have built only two include significant mezzanine floors both of which have been delivered by the occupier and not SEGRO.

These mezzanine floors provide only 4% of additional floorspace over and above the 1.6 million sq. ft. of built space that we have delivered over the last 5 years. For this reason, we propose that the introduction of mezzanine floors in existing buildings should not be considered 'intensification' for the purposes of applying the principle 'no net loss' of industrial capacity.

Small units

We assume from the evidence base work that this means the creation of additional small units through infill and extension works to existing buildings, but the policy wording isn't explicit on this and so should be clarified. Whilst we are not opposed to this form of intensification, the Mayor should acknowledge that such development is unlikely to meaningfully contribute to delivering new industrial capacity. In most cases neither vertical nor horizontal extensions to existing industrial units will be sufficiently viable or feasible, given the operational needs of industrial occupiers.

Multi-storey/multi-level development

In the right circumstances, multi-storey industrial developments can provide high quality business space which meets the needs of industrial occupiers that need to operate within the Capital. As a pan-European developer and owner of industrial space, we have experience of delivering such schemes on the Continent and are currently developing two multi-storey facilities – a 150,000 sq. ft. two-storey spiral-ramp warehouse in central Munich for a single unnamed internet retailer and a two-storey 700,000 sq. ft. scheme in Gennevilliers in northern Paris, which Ikea will substantially occupy.

'Multi-level' space describes an arrangement whereby the industrial units provided at ground floor have direct vehicular access to a shared yard space, and typically smaller and 'lighter' industrial units on the upper floors are accessed by automated freight lifts. 'Multi-storey' refers to an arrangement whereby units on each level can be directly serviced by vehicles (including HGVs), meaning that a ramp is needed to service all floors.

Whilst we are excited about the prospects of delivering this type of industrial space in London, the formulation of the London Plan needs to acknowledge and understand the characteristics and influencing factors associated with multi-storey/level development, which are summarised below.

- As a new and innovative built solution, many industrial occupiers would prefer not to take space in a multi-storey development because the buildings are not the norm in the UK and from an operational perspective would always prefer a single storey unit. For example, the number of columns required within the warehouse to support the structure can impact on an occupier's ability to use the space flexibly. SEGRO has successfully delivered a number of multi-storey schemes in Europe, but the perception and unfamiliarity with such designs in the UK can initially render them unappealing to potential customers.
- As the pool of occupiers willing to take this space is more limited for the above reasons, development of this nature needs to be pre-let as opposed to being speculative.
- Unlike single storey schemes, such developments have to be built in one phase and will only be financially viable in the strongest industrial market locations where supply of high quality premises is highly constrained. In these prime locations, high demand for space means that occupiers need to compromise on their preference for privately occupied/single storey premises and opt for a multi-tenanted arrangement.
- Multi-storey development costs are higher but need to be rent sensitive given they will be a new product in the London market.
- As it is not a widely established product, investors are typically nervous about investing in this development, meaning that delivery is likely to come from a limited pool of developers.
- Development taking place on operational sites will require vacant possession, which will take time and will be costly. This is often made more challenging by local planning policies requiring a relocation strategy for existing businesses (though it should be noted that we typically try to relocate our customers within its portfolio in these situations).

- Large sites (4 acres and above) are most suitable for this type of development, particularly multi-level development as ramps take up a large part of the site. Such sites are hard to come across, particularly in the type of markets where such space will be viable, and so land assembly will be a common constraint to delivery.

Whilst multi-storey/level development will play a role in providing additional capacity it is highly unlikely alone to deliver the quantum of space required to meet London's needs as a very unique environment is required to deliver these schemes. To support more multi-storey developments, developers should be incentivised by a reduction in CIL payments and/or supported by:

- Delivery on public sector land, where the land value can be adjusted to make development viable and deliverable; and/or
- Government-led land assembly; and/or
- Enabling residential development – i.e. developers of the multi-storey/level development will usually also need to own (and therefore be the beneficiaries) of the land released for alternative development through the process of industrial land consolidation. The current proposals for affordable housing on industrial sites removes the enabling effect of this residential development – this is discussed in more detail in Section 3.

We believe that it will be necessary for the Mayor and London Boroughs to take a bold and active role in facilitating the development of new, modern and intensified industrial space, by identifying and allocating new sites for industrial development, and/or by assisting in the land assembly process to ensure such sites are available. Policy and planning powers should be utilised to their full potential in a bold and proactive way in order to instigate and facilitate positive change. This may include, amongst other things, the identification and allocation of suitable sites (4 acres or above) for intensification, and the use of CPO powers to assemble land to support delivery.

Whilst we are very much supportive of opportunities for multi-storey/level development, the London Plan should acknowledge that it carries risk, and is an expensive and complex form of development which will often not be financially viable. This form of development will not be widely delivered under the policies of the Draft London Plan as currently formulated, and even with changes to the policy, there are still a number of constraining factors which mean it cannot be seen as the 'silver bullet' to balancing London's industrial needs with other objectives (principally housing delivery).

Further support is needed from the GLA and London Boroughs to facilitate the delivery of multi-storey industrial development (such as the recommendations set out within these representations) to ensure that the opportunities are realised. We would be happy to engage with the GLA further on these matters to ensure that the London Plan's policies are both deliverable and effective in terms of meeting objectives for new industrial capacity and housing.

Basements

Basement development is highly expensive, and so it's unlikely to be a feasible option under normal market conditions. Whilst it is not necessarily inappropriate form of intensification, it's unlikely to be delivered in most circumstances and so the London Plan should not look at basement development as playing a core role in providing new industrial capacity.

Higher plot ratios

The trend for new industrial developments is for plot ratios to get smaller rather than bigger. 65% plot ratios were typical in the 1970s/80s, however modern developments are often delivered at lower plot ratio such as 45%. This is in spite of land values being much higher. Many industrial occupiers view their service yard as an integral part of their business operation. Apart from having to accommodate large commercial vehicles, the yard is used for a multitude of operational requirements, including fuel wash, refuelling, recycling, 'breaking-down' deliveries and external storage. In the last 5 years, we have delivered 1.6 million sq. ft. of new industrial space across 17 schemes in London.

These schemes include unit sizes ranging from 500 sq. ft. to 149,000 sq. ft. The average footprint density and floor area densities of these schemes are 37% and 45% respectively. These figures are noticeably smaller for cross dock facilities that modern delivery companies require, particularly those operating in parcel delivery and retailing.

A higher plot ratio approach will probably render any new modern single storey industrial schemes as unlettable. The developer will be forced to reduce the size of the external yard area, which is so critical to an industrial occupier. We also re-designed one of our customer units on Origin Business Park incorporating a 65% plot ratio. The customer reviewed the new design and responded as follows:

*“Our current loading bays are in constant use and we need them all the time. Also, we need space for lorries to turn around. Making space smaller is not an option for us.”
Daniel Predko, Engineering Manager, Wasabi UK*

Further to the above examples, CBRE has also taken a sample of recent urban logistics developments across North, South, East and West London to acknowledge the plot ratios being delivered by other industrial developers, including Royal London, Aviva Investors, Aberdeen Standard, Blackrock and Wrenbridge. Of the 55 new logistics premises reviewed, all plot ratios fall below 65%, with the average (mean) plot ratio at 46%.

Intensification – Overview

With the above comments in mind, we propose that Part A of Policy E7 is revised as follows:

*“Development Plans and development proposals should be proactive and encourage **allocate land for industrial** the intensification of business uses in Use Classes B1c, B2 and B8 occupying all categories of industrial land through:*

- 1) ~~development of mezzanines~~*
- 2) introduction of small units **where appropriate***
- 3) development of multi-storey schemes **where feasible***
- 4) addition of basements **where feasible***
- 5) ~~more efficient use of land through higher plot ratios having regard to operational requirements (including servicing) and mitigating impacts on the transport network where necessary.~~”*

For all the forms of ‘intensification’ referenced above, the viability issues and practical complexities of delivery demonstrate that it is critically important that these forms of development are not constrained by other policies in the London Plan which are described in Section 3 of these representations.

2. Mixed Use Development on Non-Designated Industrial Sites

We support the promotion of mixed use development which includes both housing and industrial uses, and we are currently exploring opportunities to deliver this type of development on sites within our portfolio. This includes the redevelopment of the former Nestle factory site in Hayes, where in December 2017 LB Hillingdon’s planning committee has recently resolved to grant planning permission.

Whilst we are enthused about this innovative form of development, it is important that the policies within the London Plan are formulated in such a way which encourages and supports mixed use development coming forward. We are examining opportunities to deliver mixed use development on some of our industrial estates where new public transport links and local amenities are changing the character of the area. However, in doing so we have identified a number of risks and challenges which need to be resolved.

Policy E7 does not state that a certain amount of industrial development needs to be delivered in order to make mixed use development acceptable, which is a different approach to SIL/LSIS consolidation (which requires no net loss of floorspace or the equivalent of 65% plot ratio, whatever is greater).

Mixed use development of this kind has different design considerations and viability assumptions which need to be understood and acknowledged by the Mayor and the London Plan's policies. For instance, the construction costs of development are higher for both the industrial development and the residential development when delivered together, due to the need to ensure design measures are included to protect residential amenity and secure an uncompromised industrial function.

Costs are particularly high where uses are separated vertically, as the structural requirements for the industrial uses are far greater than average when a residential development is proposed above.

These proposed higher than average costs for both use classes are accompanied by lower than average values, as for both residential occupiers and industrial operators, the shared environment is considered to be sub-optimal. Just need to check this is correct.

For this reason, the development risks being undertaken are also greater and viability assumptions would need to account for this. Finally, the need for separate access and appropriate separation of uses means that design efficiencies and overall development density are likely to be compromised versus a single use scheme.

Our initial testing has indicated that viability is constrained, even in locations where industrial values are amongst the highest in London, and where the local environment is conducive to very tall residential buildings. These viability issues are significantly increased by the threshold for 50% affordable housing, which will certainly make mixed use industrial/residential development unviable in all locations and scenarios. Affordable housing viability is discussed in detail in Section 3, but in summary the current Draft Policies will prevent this type of development coming forward, stifle innovation and further threaten the delivery of already ambitious housing targets. We believe this more complex form of mixed use development needs to be incentivised through a lower affordable threshold figure.

Mixed use development is one of four means of addressing the loss of non-designated industrial sites. The other three comprise:

1. Demonstrating there is no reasonable prospect of the site being used for the industrial and related purposes to support London's economic function; or
2. The site is allocated in a Development Plan for residential or mixed-use development; or
3. Suitable alternative accommodation (in terms of type, specification, use and size) is available in reasonable proximity to the development proposal and subject to relocation support arrangements for existing businesses before the commencement of new development

3. Industrial Development Viability – flexible/affordable workspace and affordable housing

Industrial development delivered either as part of an intensified multi-storey scheme or through a mixed-use industrial/residential development is highly challenging and more costly in terms of financial viability and deliverability. In the case of intensified industrial development in particular, it is unlikely to come forward in most instances unless it is being used to offset higher value residential development, or is facilitated by public funding or GLA and London Borough level support.

Consequently, we are very concerned about some of the planning obligations proposed within the Draft London Plan, which we consider will stifle the delivery of the type of innovative industrial development promoted by the Mayor, and prevent a number of the Plans objectives being realised without public sector support or funding.

Flexible workspace

Draft Policy E2 protects existing low cost B1 space and requires development proposals for new B1 floor space greater than 2,500 sq. m. (GEA) to consider the scope to provide a proportion of flexible workspace suitable for micro, small and medium-sized enterprises.

The subtext provides some information about the types of business units which could be provided to address this policy, referencing serviced offices and co-working spaces as examples.

New industrial developments delivered by us often comprise flexible B1b/B1c/B2/B8 uses to maximise flexibility for industrial occupiers who often have varied business needs which need to be accommodated within an industrial setting. Under the current policy wording, intensified industrial/mixed-use developments (which as we have explained are already complex, risky and expensive) would be required to consider the scope for flexible workspaces, such as serviced offices and co-working spaces.

We have concerns about the current scope and application of this policy for the reasons below.

We do not consider 2,500 sq. m. to be a large scale development. This unit size would typically be occupied by a 'small sized' medium enterprise or a branch of a national or international business. In a London context, SEGRO considers a large-scale industrial development as over 25,000 sq. m. Unlike offices, the sub-division of industrial new builds is not common. Occupiers want their own demise. Therefore, if an industrial developer wants to deliver a 2,500 sqm industrial unit they will be required to develop a larger piece of land to accommodate the additional small units.

The 'flexible workspaces' (serviced offices, co-working spaces and artists' studios) that Draft Policy E2 looks to protect and provide for are not relevant to enhancing the function of London's industrial capacity, which has been severely diminished by alternative development in recent years.

The flexible workspaces referenced within the policy would erode the industrial function of SIL/LSISs, and therefore limit the potential capacity of these locations to accommodate London's core industrial/urban logistics operations. These flexible workspaces would instead be far better provided in new office developments and or mixed-use schemes.

The requirement to protect/re-provide 'low cost' B1 space is not practical for industrial development. Given the scale of offices/mixed use development, it may be possible to re-provide existing space, however the far more limited opportunities for additional scale for industrial developments means that re-provision leaves little/no scope for new industrial capacity, and therefore renders such a proposition undeliverable. The viability constraints associated with intense industrial development mean that requirements for flexible workspace would further undermine delivery.

For these reasons, we believe that the requirement to deliver flexible workspace is potentially harmful and unviable for industrial development, unless there is public sector intervention. Consequently, we object to the proposed scope of Draft Policy E2, and request that reference to "*B1 business space*" in Policy E2 is removed and **replaced with "office space"**, to ensure that it is not applicable to new industrial development.

Affordable workspace

Draft Policy E3 suggests that planning obligations may be used to secure affordable workspace at rents maintained below the market rate for that space for a specific social, cultural or economic development purpose. Such circumstances include workspace that is dedicated for charities or social enterprises; artists' and designer-makers; disadvantaged groups; or start-up businesses.

It also states that particular consideration should be given to the need for affordable workspace where there is existing affordable workspace on-site; in areas where cost pressures could lead to the loss of affordable workspace for micro, small and medium-sized enterprises (such as in the City Fringe around the CAZ and in Creative Enterprise Zones); and in locations where the provision of affordable workspace would be necessary or desirable to sustain a mix of business or cultural uses which contribute to the character of an area.

The Draft Policy encourages London Boroughs to consider more detailed affordable workspace policies in light of local evidence of need and viability, which may include policies on defining areas of need for certain kinds of affordable workspace.

The Draft Policy states that affordable workspace policies should be defined in Development Plans and Section 106 agreements, and should include ways of monitoring - including evidence that they will be managed by a workspace provider with a long-term commitment to maintaining the agreed or intended social, cultural or economic impact. It states that applicants are encouraged to engage with workspace providers at an early stage to ensure that the space is configured and managed efficiently.

We have serious concerns about the requirement to deliver affordable workspace, and therefore **object** to the inclusion of Draft Policy E3 within the London Plan.

Most of the types of businesses referenced above will generally not locate in industrial estates, and provision of such space to support these businesses would erode industrial capacity and functionality of existing/intensified industrial locations, which – as the London Plan identifies – are highly constrained in supply terms. For this reason, the application of Draft Policy E3 to industrial development is potentially harmful to the function and intensity of industrial capacity.

London Boroughs can (and do) prepare policies for affordable workspace in the absence of a strategic directive where there is an identified need for such space (for instance to address extensive and rapid gentrification), and where there are clear policy objectives for their introduction (for instance the need to maintain a specific and established business character which is key to an area's ongoing success and growth). Such Boroughs include Hackney and Islington. There are however far more locations within London where issues of extensive workspace gentrification are not present or not so acute as to need policy intervention. A strategic policy for affordable workspace is therefore not appropriate, as it is not necessary or relevant across much of London.

The provision of affordable workspace would significantly threaten the viability of development of certain types, and in certain locations. Whilst the proportion of workspace and level of discount is not set out in Draft Policy E3, given the acute viability constraints on industrial intensification and mixed-use industrial/residential development are already so great, it is highly likely that a requirement for affordable workspace within these schemes would further threaten their viability and delivery. This would therefore threaten a core objective of the plan to utilise industrial land and development more efficiently.

No market currently exists for affordable industrial workspace providers in the industrial sector, meaning such space would need to be managed by the landlord. This adds an additional financial burden which would ultimately impact on development being delivered. SEGRO does own and manage a small unit scheme on Slough Trading Estate, known as the Enterprise Quarter, which provides units from 500 sq. ft. on highly flexible terms. The units are not offered on a discounted rents but are in demand due to the flexibility of the lease, on site security and amenity, including a café and meeting space.

The only circumstances where SEGRO can feasibly deliver such development is where it is funded by the public sector. For example, SEGRO Park Rainham provides 44 enterprise units offering flexible industrial space to SMEs. The units range from 552sq ft. to 3,738 sq ft., and were delivered as part of SEGRO's partnership with the Greater London Authority. Occupiers will benefit from an easy in easy out lease arrangement and flexible unit but rents are not discounted. It would not have been possible to deliver such space without GLA support and this is likely to be the case across London, particularly where space is delivered in an intensified format.

A strategic policy directive for the provision of affordable workspace is neither effective nor appropriate. Policy should instead only be introduced and formulated at the local level, where the circumstances indicate it is necessary to meet identified economic/social objectives – e.g. in the CAZ fringe locations. We therefore strongly recommend that any industrial requirement to deliver affordable workspace **in Draft Policy E3 is omitted from the London Plan.**

Affordable housing

In principle, SEGRO is highly supportive of policies which promote the delivery of new and affordable housing. Particularly as access to affordable housing within the Capital to SEGRO's customers and their employees is important for the continued success of the industry. We acknowledge that a fine balance exists between ambitious policy targets and the financial conditions needed to incentivise the delivering of affordable housing.

Policy H6 sets out the details of the affordable housing threshold approach to planning applications for new housing and mixed-use development. In relation to Strategic Industrial Locations, Locally Significant Industrial Sites and other industrial sites deemed appropriate to release for other uses, the threshold level of affordable housing is set at 50% for 'fast tracked applications'.

Fast tracked applications are not required to provide a viability assessment at application stage. The requirement for an Early Stage Viability Review will be triggered if an agreed level of progress on implementation is not made within two years of the permission being granted (or a period agreed by the borough). Where an application does not meet the threshold, it must follow the Viability Tested Route. This requires detailed supporting viability evidence which will be scrutinised by the borough, and where relevant the Mayor, to ascertain the maximum level of affordable housing using the methodology and assumptions set out in the London Plan and the Affordable Housing and Viability SPG. Viability tested schemes will be subject to an Early Stage Viability Review (if an agreed level of progress on implementation is not made within two years of the permission/other time period agreed by the borough); a Late Stage Viability Review (which is triggered when 75 per cent of the units in a scheme are sold or let/ a period agreed by the borough); and Mid Term Reviews prior to implementation of phases for larger phased schemes.

Whilst a specific 50% threshold for industrial sites is included within the Mayor's Affordable Housing and Viability SPG (2017), it was not consulted upon and was included within the adopted version without being tested as part of a formal consultation process. We are concerned with the 50% affordable housing threshold on industrial sites, as this will cause redevelopment for new housing on these sites to be unviable.

We have identified three of the London Plan's principal mechanisms for housing delivery which involve development on industrial sites. These include:

- *Functional industrial land which has been allocated locally for residential/mixed use development to facilitate wider regeneration plans* – industrial values are at an all-time high and so is demand from investors. There is no incentive to redevelop at 50% affordable housing, and so any opportunities for new housing in regeneration/opportunity areas are likely to be missed.
- *Mixed use (housing/industrial) development on industrial sites* – as discussed in Section 2, mixed use development of this nature is highly risky, expensive and complex. Viability is therefore highly constrained, and the inclusion of any affordable housing is likely to threaten viability. 50% affordable housing will never be viable without public funding/support.
- *New housing development delivered as part of a process of SIL/LSIS consolidation* – as described in Section 1, there is usually no incentive for an industrial landlord to redevelop for industrial intensification. Such development will usually need to be incentivised and subsidised by new housing to come forward, although this incentive is lost where 50% of the housing is affordable.

Development viability work undertaken by CBRE indicates that based on average London values for industrial, and average London costs/values for residential, redevelopment of occupied industrial land for medium-high density residential development will generally be unviable with a 50% affordable housing threshold applied.

Mixed use development, or residential development made possible by industrial intensification is even more constrained in viability terms than conventional redevelopment as described above, and is therefore impossible to deliver with 50% affordable housing. The 50% threshold will remove opportunities for the delivery of the innovative industrial land consolidation and mixed-use development proposals promoted within the London Plan, and so will not deliver any potential opportunities for more intense/efficient uses of land that these forms of development offer. More broadly, the proposed threshold will therefore prevent London's housing delivery targets being achieved.

Feasibility work undertaken by CBRE has indicated that the 35% affordable housing threshold will be highly challenging to achieve in vertically mixed-use residential/industrial developments, and so applications for such developments are likely to need to pursue the viability tested route.

We are concerned that the review mechanism which is applied to viability tested schemes will disincentive these innovations coming forward, as any developers willing to take on the high risk on delivering these untested products will not be rewarded should they be successful. Under the draft policy as currently worded, the risk of developing these schemes far outweighs the potential rewards of success.

We therefore believe that the policy needs to achieve a more appropriate balance between the potential risks and rewards of this innovative form of development for it to be delivered.

On the basis of the viability work undertaken, SEGRO proposes the following revisions to Draft Policy H6:
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).*

We also propose that the following text is added to the subtext:

"Mixed use developments providing residential use above industrial space will not be subject to the Viability Review mechanism set out in Part E of Policy H6 (Threshold Approach to Applications) in order to support and incentivise the delivery of this innovative form of development".

London Plan Viability Assessments

We have also assessed the findings of the London Plan Viability and conclude this does not present an accurate representation of the financial viability for industrial development in London. By comparing the Viabilities Study's assumptions against current SEGRO developments in Inner London, we found the following:

- Capital values were over optimistic
- Rents were high compared to our evidence (£18 v £11 at our SEGRO Park Newham scheme)
- There was no account of void or rent-free periods
- Yield assumptions create higher capital value than in our experience
- Costs were low (i.e. these only take account of 'vertical build' costs and not external or abnormal costs, which account for a large proportion of the overall development cost)
- No statutory fees such as MCIL/LCIL or S106 included
- Developer Profit is also incorrectly stated (calculated at 15% GDV rather than more normal 15% Profit on Cost).

4. New Industrial Land/Capacity

The Draft London Plan evidence base (the London Industrial Land Demand Final Report 2017) indicates that there will be positive net demand for industrial land in London over the period 2016 to 2041, which will largely be driven by strong demand for logistics in order to service the growth in London's economy and population. The evidence base states that for the period 2016-41, a total of 233 ha of industrial land can be

released. However, the evidence base also identifies that at least 185 ha of this already has planning permission to change to non-industrial use, and at least 653 ha is earmarked for potential release in Opportunity Area Planning Frameworks, Local Plans and Housing Zones. These planned release figures were identified in 2015, and so have almost certainly increased even further, meaning that overall, at least **605ha** industrial land (but most likely much more) has been released over and above what the latest demand forecast indicates is needed for the period 2016-41.

In light of the projected release figures, we believe that the London Plan should be planning for more industrial capacity to meet London's projected industrial needs (enough to represent at least 605ha new industrial land based on the latest evidence base), rather than just taking a 'no net loss' approach as currently proposed.

We acknowledge that delivering new capacity will not be easy given the competing interests for land in London. However, it considers that the following sources of capacity could and should be utilised:

Industrial Intensification

As set out previously, a number of intensification measures could have the opposite effect of helping to provide the right space in the right locations to support London's growth. In the right conditions, multi-storey schemes can help to provide significant industrial floorspace but will not provide the 'silver bullet' for addressing London's industrial capacity issues. However, it can provide a source of additional supply if the Mayor and London Boroughs take an active role in land assembly in locations where demands are highest such as Park Royal and locations close to and within the North Circular, and if the recommendations set out in Sections 1 and 3 are incorporated in the adopted London Plan. Without such measures, delivery will be more constrained by policy requirements than it is currently, and the minimal level of intensification activity which has occurred in recent years will be reduced further.

Mixed Use on Existing Non-Designated Industrial Sites

If the recommendations set out in Sections 2 and 3 above are incorporated in the adopted London Plan, this form of development is likely to be deliverable in some locations. Whilst it is unlikely to deliver additional industrial capacity, it will limit further loss of industrial capacity and could provide businesses with more modern premises suited to meeting last mile needs.

Opportunity Areas

Opportunity Areas are intended to accommodate a significant amount of London's population and business growth in the years ahead. With this growth comes additional need for industrial and logistics space to serve these new residential and business populations. As we set out in our representations to the Draft Transport Strategy, the ability of the urban logistics sector to operate efficiently is dependent on the availability of industrial space and land in and around consumer markets. Therefore, a significant constraint on being able to improve freight and parcel delivery efficiency is the availability of industrial sites in urban locations. On this basis, we believe that the Mayor's 'good growth' principles should include ensuring Opportunity Areas provide suitable sites for industrial facilities in urban locations to support last mile services. Recommendation 3 of the Keep London Working report states:

"Strategic Industrial Locations across Opportunity Areas should be reviewed. Where these are retained they should be afforded strong policy protection. Opportunities for new designations should be considered. These should be in locations which are fit for purpose and reflect the most meaningful locations for urban logistics operators and industrial occupiers, taking into account the locational requirements of the sector.

Proximity to housing development should not be a negating factor; mixed-use schemes are demonstrating that combined land use solutions are possible. The GLA could also consider designation of new Industrial Opportunity Areas in appropriate locations, either in their own right or as part of wider existing Opportunity Areas. The first such classification could be Park Royal, given its existing prominence as an industrial area and its location within the Old Oak Park Royal Opportunity Area."

In this context, we recommend that industrial needs are calculated and planned for in the same way as social and transport infrastructure at the planning stage for new growth areas. Such a methodology should be developed by the Mayor to inform the preparation of Opportunity Area Planning Frameworks (OAPFs), so that each new community is appropriately served by sufficient industrial/logistics space, perhaps in the form of new LSIS, which in most instances will be best suited to last mile facilities.

Such facilities do not necessarily need to come at a cost to/in place of other uses, as they should be able to co-locate with other forms of development if designed appropriately (assuming that the viability recommendations made in Section 3 are implemented).

Central Activities Zone (CAZ)

Part M of Policy SD4 indicates that sufficient capacity for industry and logistics space should be identified and protected (including last mile distribution, freight consolidation and other related service functions) within or close to the CAZ and Northern Isle of Dogs. We support the recognition of protecting centrally located industrial/logistics space which is essential to last mile services. However, we recommend that the Mayor sets targets for central Boroughs to identify new opportunities for last mile industrial capacity to be delivered within their Local Plans. Like Opportunity Areas, this space does not necessarily need to come at a cost to/in place of other uses, as they should be able to co-locate. This approach will help to ensure that future business and community needs are met, and will be critically important to achieving the Mayor's Draft Transport Strategy objectives for freight consolidation and 'good growth'.

Green Belt and Metropolitan Open Land

The above delivery mechanisms can help to assist the current shortfall in capacity, however they are unlikely to make a fundamental difference in the way London's industrial needs are met. We recommend that the Mayor undertakes a Green Belt review to determine if any land within the Green Belt does not perform particularly well against the five purposes of Green Belt as set out in the National Planning Policy Framework (NPPF), and is not subject to other significant constraints which could make the land inappropriate and unsustainable for development.

Low value Green Belt ('Brown Belt') land in the right locations could provide a sustainable means of meeting London's industrial capacity needs if developed for industrial/logistics space. New industrial development in accessible locations within the Green Belt would still need to be complemented by a network of smaller, last mile facilities with London's urban areas, but could make a significantly positive impact upon the Capital's industrial capacity. If enough industrial space is delivered in the right locations along strategic road networks etc., then it may be possible to release some land for other uses which is less well located in terms of serving core supply chains for key markets.

Where London Boroughs wish to review their green belt boundaries and may wish to de-designate green belt and designate it for an alternative use, they should be allowed to do so. They will be subject to the statutory requirements to provide a robust evidence base and justify any changes to Green Belt policy through the local plan examination process. Borough led green belt reviews may enable industrial land to be delivered that is close to the arterial road network and close to highly accessible conurbations.

We recommend that Policy G2 be amended to be consistent with the NPPF:

A The Green Belt should be protected from inappropriate development:

- 1) development proposals that would harm the Green Belt should be refused unless very special circumstances can be demonstrated
- 2) the enhancement of the Green Belt to provide appropriate multifunctional uses for Londoners should be supported

B The extension of the Green Belt will be supported, where appropriate. Its de-designation ~~will not~~ may be supported in exceptional circumstances following an evidence based review.

For the same reasons as have been set out in relation to Green Belt, we recommend that a less rigid approach is taken to MOL policy. Our suggested wording is as follows:

A Metropolitan Open Land (MOL) should be protected from inappropriate development:

- 1) development proposals that would harm MOL should be refused other than in exceptional circumstances

5. Spatial Approach to Industrial Capacity

In coordinating the provision of new industrial space in Opportunity Areas, the CAZ and the Green Belt, it is important that a spatial approach is taken to ensure that new capacity is developed in the most sustainable and effective locations.

In our representations to the Draft Transport Strategy, we highlighted the strength and importance of the inter-relationship between urban logistics, the transport strategy and the location/availability of industrial land. We also urged the Mayor to review its planning and transport policies holistically, with a focus on ensuring industrial land is planned for and delivered in the right locations, noting that such an approach would provide the most effective means of achieving the overarching objectives of the Draft Transport Strategy in relation to minimising freight movement and encouraging 'good growth'.

In addition, Recommendation 5 of the Keep London Working report states that:

"In allocating industrial locations, it is not appropriate to simply designate locations outside of London. This will create challenges for urban logistics companies due to their reliance on proximity to their customer market. They will be less efficiently able to respond to the demands placed on their services. Further to this, many local authorities neighbouring London are already in challenging situations trying to identify sufficient land for their own employment and housing needs. In identifying new locations for industrial land, the following must be considered:

- *Locations of population growth*
- *Locations of business growth*
- *The locational requirements of urban logistics companies including distance to market and access to good transport routes*
- *The site specification requirements of urban logistics companies*
- *The demands for employment and housing land from within local authorities neighbouring London".*

We recommend that further evidence is obtained by the Mayor to establish the most effective locations for new industrial development. These are likely to be driven by the established and emerging supply chains which operate to support London; the transport movements that result from this process; and the ability of roads and transport networks to operate effectively to accommodate these movements. Such evidence will contribute to the 'good growth' principles proposed in both the Draft London Plan and the Draft Transport Strategy. We are happy to engage with and support the Mayor in undertaking this critical work.

6. Substitution

Part F of Policy E7 states that Development Plans and planning frameworks should consider, in collaboration with neighbouring authorities within and outside London, the scope to facilitate the substitution of some of London's industrial capacity to related property markets elsewhere in London and beyond London's boundary where:

- 1) this results in mutual advantage to collaboration partners inside and outside London and supports a more efficient use of land
- 2) full regard is given to both the positive and negative impacts of substitution including impacts on servicing the economy inside and outside London, businesses and customers, labour markets and commuting, supply-chains and logistics, congestion, pollution and vehicle miles

- 3) a clearly-defined strategy for the substitution of future demand capacity and/or relocation arrangements where relevant, is in place to support this process.

As set out in our introduction and the research undertaken in our Keep London Working report, locating industrial space within the populations they serve is critically important to the efficient and sustainable operation of the urban logistics sector, and the transport network.

The consequence of not doing this will be more pressure will be industrial occupiers to transport goods and services over a greater distance which will have negative implications on the environment, congestion, air quality and supply chain efficiency. For these reasons, we do not believe that pushing London's capacity outside of the Capital is a sustainable or effective solution to meeting industrial needs. It is essential that sufficient industrial and logistics capacity remains within London within close proximity and/or easy access to markets, especially central London.

Furthermore, we question how the concept of 'substituting' London's industrial capacity inside London to locations outside of London would be controlled and managed by the planning system. The Mayor has no jurisdiction outside of London, and so we are concerned that if relocated, industrial capacity which is essential to London's business and residents will no longer be protected by London Plan policy.

Overall, we do not feel that the concept of 'substitution' is an appropriate policy tool for the London Plan. This is not to say that additional industrial space outside of London could not enhance London's industrial capacity, as it would certainly help to manage the exceptional demand for space. However, this space should not be delivered in place of well-located industrial capacity within London which must be protected.

7. Detailed Response to Specific Policy Content

This Section reviews some of the more detailed elements of key London Plan policies which are not necessarily picked up in the more strategic representations made above.

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

Part D of Draft Policy E4 sets out the optimum conditions for retaining and providing industrial development. We support this part of the policy, particularly regarding the provision of industrial development in locations accessible to the strategic road network and the creation of 'last mile' distribution services to support large-scale residential or mixed-use developments.

Part E states that any release of industrial capacity should be focused in locations that are (or planned to be) well-connected by public transport, walking and cycling, and contribute to other planning priorities including housing, affordable housing, schools and other infrastructure. We support this part of the policy, as where industrial land is appropriately released (in a rigidly monitored and managed way) it should be in well-connected locations which can be developed sustainably for alternative uses.

Part G states that 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. We support this part of the policy, particularly if these prevent the conversion of industrial to other uses i.e. housing.

Part H states that large-scale development proposals for industrial floorspace should consider the scope to provide smaller industrial units suitable for SMEs. For the reasons set out in Section 3, we suggest that this part of the policy is omitted. A strategic directive for small units is neither necessary nor appropriate, and should be left to Boroughs to introduce if evidence indicates that there is both unmet need and demand for it, and that it won't constrain new development.

Paragraph 6.4.5 defines industrial capacity as existing floorspace, or potential floorspace that could theoretically be accommodated at 65% plot ratio – whichever is greater. As set out in Section 1, the examples of recent SEGRO developments, together with data that CBRE has collated on recent industrial developments across London demonstrates that a plot ratio of 45% is far more relevant to modern industrial development than the 65% set out in the current Draft Policy. The plot ratio set out

in 6.4.5 is critical to the effectiveness of industrial intensification policy, and so a plot ratio of 45% must be taken forward into the new London Plan in place of the 65% ratio used currently.

Paragraph 6.5.4 states that the principle of no net loss of floorspace capacity does not apply to sites previously used for utilities infrastructure or land for transport functions which are no longer required. We would question whether this is appropriate given that the pipeline for industrial land release is so considerable and well exceeds what the benchmark release levels are. Instead we suggest that such land should be redeveloped for industrial use in locations where evidence indicates there is unmet need – i.e. in locations other than those identified as ‘release capacity’ in the Draft London Plan.

Policy E6 (Locally Significant Industrial Sites)

Draft Policy E6 states that Boroughs should define detailed boundaries and policies for Locally Significant Industrial Sites (LSISs). We support the principle of defining LSISs and suggest that the policy is developed further to confirm support for their ongoing protection, and intensification. Also as set out in Section 4 of these representations, we recommend that Opportunity Area Planning Frameworks should identify and designate new LSISs to meet last mile demands in line with population and business growth forecasts in and around these areas.

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

Parts B and C of Draft Policy E7 seek to ensure local plan-led and masterplan-led approaches are progressed for SIL/LSIS release. We support that this approach should only be progressed subject to a thorough and robust plan-led approach at local level in collaboration with the GLA, not through ad-hoc planning applications. This will help to ensure that capacity is rigidly monitored and managed at a strategic scale, which is highly important as the supply of industrial capacity is a strategic planning issue.

Part E of the Policy sets out the processes by which Parts B, C and D of the policy must comply by. We are in particular support for ensuring that the industrial and related activities on-site and in surrounding parts of the SIL, LSIS or non-designated industrial sites are not compromised in terms of their continued efficient function, access, service arrangement and days/hours of operation noting that many businesses have a 7-day/24-hour access and operational requirements. It should be ensured that surrounding residential or mixed-use development can function alongside industrial uses without compromising their operations.

We support the requirement that the intensified industrial, storage and distribution uses are completed and operational in advance of any residential component being occupied, as this helps to ensure that maintaining or increasing industrial capacity is the primary objective in the process of consolidation.

For the same reason, we agree that a development agreement between industrial and residential developers should be in place at planning stage to demonstrate that industrial proposals are genuinely deliverable, and are not just proposed to unlock potential residential values.

Policy E8 (Sector growth opportunities and clusters)

Draft Policy E8 seeks to ensure employment opportunities for Londoners across a diverse range of sectors should be promoted and supported along with support for the development of business growth and sector-specific opportunities. Part G of the policy states that in collaboration with the Mayor, boroughs are encouraged to identify and promote the development of Strategic Outer London Development Centres (SOLDC) that have one or more specialist economic functions of greater than sub-regional importance.

SEGRO support the principle of the idea of Strategic Outer London Development Centre’s and would like to better understand how the SOLDC’s would be taken forward in the future.

Policy E11 (Skills and opportunities for all)

We support the Mayor's ambition to address low pay and the plan to coordinate national, regional and local initiative to promote inclusive access to training, skills and employment opportunities for all Londoners. We support the Mayor's recommendation of increased cross-borough working, co-ordination and sharing of data on employment and training opportunities, together with a more uniform approach to the drafting of Section 106 obligations across the capital to deliver more successful employment outcomes.

Flexibility should be built into s106 agreements to account for variations in the local skills pools and for the distinctive nature of industrial construction. A consistent formula for calculating s106 contributions across all boroughs would ensure uniformity and ease the planning process and result in a more efficient path to job creation and investment in the London economy.

Local authorities apply the same formula in calculating the s106 contribution for residential and industrial developments. This is highly problematic for the following reasons as the construction methods are so very different. Industrial development adopts a fast track construction method, which means that most of the building (steel frame and cladding) is pre-fabricated off site. This reduces the number of construction workers on-site to a small number of highly specialised operators, which is different when compared to a residential scheme which may have many bricklayers, carpenters, etc. on site at any one time. Industrial schemes are also quicker to build and, irrespective of size, typically take 42 weeks to construct. Again very different to the longer build process for residential schemes.

As a consequence, to support construction apprentices on an industrial scheme is very challenging, especially as they require a minimum of 12 months experience in a single trade. We strongly urge the Mayor to devise an alternative s106 guidance suited to industrial developments that give greater weighting to end user employment opportunities to prevent barriers to London's growth. We would be supportive of a London wide cross-borough industrial construction shared apprenticeship scheme to meet the needs of s106 obligations on a reciprocal basis.

Businesses are ideally placed to identify skills and training gaps. We recommend increased engagement with employer representative bodies to improve and align skills provision in the capital to meet occupational skills need. This can be informed through an annual 'skills audit'. We support greater engagement with employers to provide advice and guidance on the implementation of the new 'Technical Levels'.

We are supportive of the Apprenticeship Levy, but it is clear that more needs to be done to ensure that businesses use it to its full potential. We are supportive of devolvement and transfer of the Levy between businesses to ensure that it works for local economic needs.

The increase the proportion of under-represented groups within the construction industry workforce is an issue that is important to us and request more intervention is required in this area. The demand for ESOL provision outstrips supply. An inadequate grasp of the English language is a major barrier to accessing employment and training opportunity. We believe that increased affordable or free provision would remove a barrier to accessing work and training to under-represented groups in London.

Policy SD1 (Opportunity Areas)

Draft Policy SD1 Part A indicates that in order for Opportunity Areas to reach their full potential, The Mayor will set out a clear strategy for accommodating growth, whilst also supporting and implementing adopted OAPF frameworks. Part B of the policy indicates that Local Authorities' should support and sustain SIL and other industrial capacity by considering opportunities to intensify and make more efficient use of land.

We are supportive of the principle of Opportunity Areas and the enabling growth opportunities they provide. SEGRO are also supportive of the notion of Opportunity Area Planning Frameworks (OAPF's) to assist in the implementation of growth agendas.

As set out in Section 4, we recommend that OAPFs should clearly identify new SIL/LSIL/urban logistics space for last mile requirements for land and premises. These locations should have specific consideration of the distance to market and access to good transport routes, and should also have regard to the need for smaller scale distribution centres, consolidation centres and customer pick up facilities.

We would also like to emphasise the importance of the Heathrow Opportunity Area, and the creation of this OAPF will be a hugely important tool in planning for the coordinated development of the Heathrow area. This OAPF will be of national economic/business importance (particularly for cargo and logistics operations), and it is essential that the preparation of this document is highly collaborative, involving both London Boroughs and Local Authorities beyond London such as Slough and Spelthorne. Our portfolio in the Heathrow area exceeds 4.7 million sq. ft. and given this interest, we request the opportunity to participate in the preparation of the Heathrow OAPF. Given the importance of getting Heathrow's development right, it is critical that plans for the wider area are prepared in anticipation of the expansion, assuming the Government continues to support a third runway.

We are therefore keen to consult with the GLA regarding a spatial approach to industrial space within Opportunity Areas, whilst also being involved at an early stage of the Heathrow OAPF.

Policy SD2 (Collaboration in the Wider South East)

Draft Policy SD2 indicates the Mayor will work with partners across the wider south east to address appropriate regional and sub regional challenges/opportunities through strategic coordination. Part E suggests the Mayor will work with partners to find solutions to shared strategic concerns such as the needs of freight, logistics and port facilities.

We support Part E of this policy and support the notion of greater collaboration with Local Authorities outside of London. We also welcome the acknowledgment that population growth is placing more pressure on London and its businesses, and a more strategic approach must be taken. Our concerns about the notion of 'substitution' are set out in Section 6.

Policy SD4 (The Central Activities Zone)

As referenced in Section 4 of these representations, we support the recognition of enhancing centrally located industrial/logistics space which is essential to deliver last mile services, but also recommends that more space is planned for and delivered to better support the function of the CAZ; the effectiveness of the transport network and the Mayor's 'good growth' principles.

Policy D6 (Optimising housing growth)

Draft Policy D6 Part A indicates that development must make the most efficient use of land and be developed at the optimum density through a design led approach.

In principle, we support this approach and encourages the Mayor to facilitate the delivery of more innovative and high-density forms of mixed use development. This will be essential for the housing delivery targets to be realised, and also to make mixed-use industrial/residential development a viable, efficient and effective proposition.

Policy D12 (Agent of Change) and Policy HC6 (Supporting the night-time economy)

SEGRO supports the notion set out in Draft Policy D12 that the onus is on new housing, and other noise sensitive uses to address issues of noise and amenity where proposed near to existing uses such as industrial units or schemes.

Part A of Policy HC6 encourages Boroughs to develop a vision for the night-time economy, supporting its growth and diversification. This includes promoting night-time servicing and deliveries. Night-time servicing and delivery will be integral to the provision of last mile services, which are becoming increasingly common throughout the urban logistics sector to increase efficiency and productivity.

It is considered that by avoiding rush hour times, and travelling throughout the night, operation efficiencies can be significantly increased and costs reduced. SEGRO therefore strongly endorses more flexible approach to servicing and delivery times.

However, we note that Draft London Plan Policy D13, which seeks to manage noise and disturbance to communities, potentially conflicts and completes with the objectives of Draft Policy HC6. In our experience, London Boroughs typically resist proposals to undertake servicing activities early in the morning/late at night in favour of the objectives of Draft Policy D13. With this being the case, it is essential that the London Plan is clear about how Applicants and Boroughs should manage these matters in planning applications. If night-time servicing is to be realised, it must be clear within the London Plan that this policy prioritises others, such as D13, which may otherwise frustrate it being effectively applied.

Policy H1 (Increasing Housing Supply), H5 (Delivering Affordable Housing) and H13 (Build to Rent)

It is important to the effective function of our customers that their employees have access to good quality housing within the Capital. We therefore support policies which promote the delivery of new and affordable housing, as well as the delivery a mix of housing products (including build to rent) which broaden housing choice and increase the pace of delivery.

Policy G2 (London's Green Belt)

As set out in Section 4, SEGRO recommends that The London Plan takes the same approach to Green Belt as the NPPF. If Borough's cannot accommodate their development needs outside of the Green Belt, then they should be able to undertake a review of the Green Belt to understand the quality and function of it, and to identify locations within the Green Belt where exceptional circumstances might exist to release land from the Green Belt, and subsequently make it available for sustainable industrial development.

Policy G5 (Urban Greening)

Policy G5 states that each Borough should develop an Urban Greening Factor (UGF) to identify the appropriate amount of urban greening required in new developments. For logistics development, this will present significant challenges given the need for hard standing floorspace and yard areas and the maximisation of this hard standing floorspace across the site. There will also be significant difficulties associated with green roofs and walls.

We have calculated that accommodating a green roof on a 100,000 sq. ft. industrial building would require the roof structure to be strengthened, which would increase the development cost by 15%, making the development of the scheme unviable.

We therefore request that the UGF formula is reduced to take account of the impact this would have on construction and maintenance costs and industrial is given a 0.15 figure.

Policy S11 (Air Quality)

Draft Policy S11 requires new development within areas of poor air quality, opportunities areas or applications subject to Environmental Impact Assessment (EIA) to be Air Quality Positive.

It is not considered that this policy clearly defines what an 'Air Quality Positive approach' is. A number of documents published by the GLA previously refer to an 'Air Quality Positive' development as is one that actively seeks to improve the local air quality during the design and operation of the building.

We request that further guidance is provided to define an 'Air Quality Positive' development and set out how this requirement is to be achieved. SEGRO consider this requirement will have significant implications for logistics development, and would like to opportunity to investigate this requirement further with sufficient information and make appropriate representations.

Policy SI2 (Minimising Greenhouse Gas Emissions)

Draft Policy S12 references London's ambitious target to become zero carbon by 2050 and the need to design buildings and infrastructure for a changing climate.

The current Draft London Plan sets out no defined criteria of what 5 year energy monitoring should achieve so cannot be used to set any targets in our current industrial specification. We would like this clarified as we are concerned this will have significant impact on construction costs and/or S106 contributions.

Policy SI3 Energy Infrastructure – SI3

We recognise the London Plan's desire to move to a more diverse range of low and zero-carbon sources, including renewable energy and secondary heat sources. On-site renewables are promoted on our schemes, where applicable, but competing sustainable requirements for roof use in other parts of the plan may compromise full potential.

Policy SI4 Overheating – Heat Risk

Whilst aimed at reducing the need for cooling by designing out passive heat gain we are concerned that the new Plan could see floor to ceiling glazing become obsolete as all major developments will be required to comply with CIBSE TM59 and TM52. This would create huge challenges for SEGRO to meet TM52 overheating targets (e.g., in warehouse with roof-lights) using London weather files (TM49) without a minimal level of cooling

Policy SI6 (Digital connectivity infrastructure)

We support Draft Policy SI6 regarding the need to achieve greater digital connectivity now and in the future as important to the functioning of development and London's role as a world-leading tech hub with world-class digital connectivity. In particular, we support Part 1 of this policy to achieve greater digital connectivity and Part 4 of this policy in relation to the need to support the effective use of the public realm to accommodate well-designed and located mobile digital infrastructure.

Policy SI15 (Water Transport)

We support the intent of this policy to maximise the use of water transport and facilitate an increase in the amount of freight transported by river. However, we also notes that the Draft London Plan needs to be realistic about the extent to which river freight is and will be used as an alternative to road, and should investigate measures which could help to make such modes more attractive. For instance, river freight is considered to be slow and so would need to focus on goods that were not time sensitive, it would also need to be supported by sufficient infrastructure on the river banks to load and unload goods. There is also the add fact that goods will inevitably need to be transported by road at either end of the river/rail route.

We recommend that the Mayor fully explores the factors currently limiting further use of the river for freight, and suggests that the final London Plan proposes effective actions to make river transport a more attractive alternative to road.

Policy SI7 – Water Infrastructure

SEGRO already aims for BREEAM Excellent in this area but we require further information on requirements for grey/rainwater harvesting. In our experience the trials that have been undertaken show such systems are costly to maintain.

Policy T1 (Strategic approach to transport)

Policy T1 states that development plans and proposals should support the delivery of the Mayor's strategic target of 80% of all trips in London to be made by foot, cycle or public transport by 2041. We and our customers rely on London's transport network, and especially its roads, to provide vital logistics services to serve London's residents and businesses. Reducing car dependency in favour of alternative means of transport (cycling, tubes, and buses) where these are available is therefore welcomed by us to free up capacity for commercial vehicles required for industrial business and urban logistics. Urban logistics is crucial to the continued function of London as a world class city, and so it is critical for the Capital's transport network to be able to support this sector.

Whilst we fully support a move away from the private cars where alternative means of transport are available, we requests that the Draft London Plan acknowledges that this process will be far more challenging for employees working within many of London's industrial areas. Industrial settings are often very different to mixed use, office or residential areas as they often suffer from poor access to public transport. Additionally, the environments themselves are frequently not conducive to walking and cycling due to limited natural surveillance, and the regular movement of large vehicles. Highly varied shift patterns, including night work, are also common for industrial workers and this adds to the reliance on passenger cars, as alternative modes of transport are either unavailable, or are even less attractive at night.

Policy T7 (Freight and servicing)

Draft Policy T7 states that Opportunity Areas Planning Frameworks, Area Action Plans and other area-based plans should include freight and servicing strategies. These should seek to:

- 1) reduce freight trips to, from and within these areas
- 2) coordinate the provision of infrastructure and facilities to manage freight and servicing at an area-wide level
- 3) seek to reduce emissions from freight and parcel delivery, such as through sustainable last-mile schemes and the provision of rapid electric vehicle charging points for freight vehicles.

We support the acknowledgement of the need for last mile services as part of a strategy to manage freight movement and courier services. These last mile services are much more responsive to the needs of customers, are being increasingly used throughout the urban logistics sector to increase efficiency and productivity.

These models are also more cost effective for logistics operators, as freight and courier efficiencies are improved, which reduces fuel and electricity costs and travel times/distances from the industrial facility to the consumer. These efficiency gains have significant transport network benefits, as the number of vehicles required to distribute goods are significantly reduced.

A significant constraint on being able to improve freight efficiency is the availability of industrial space/land in and around consumer markets. This links to Draft London Plan Policy SD4, which seeks 'sufficient capacity for industry and logistics should be identified and protected, including last mile distribution, freight consolidation and other related service functions within or close to the CAZ and Northern Isle of Dogs to support the needs of businesses and activities within these areas.' Therefore, a significant constraint on being able to improve freight efficiency is the availability of industrial sites in central urban locations. As per Section 4 of these representations, we urge the Mayor to plan for new provision of last mile facilities in and around central locations, and have suggested alterations to Policy SD1 Opportunity Areas and Policy SD4 and The Central Activities Zone (CAZ) as a solution to this – see appendix for proposed policy revisions.

Policy ST8 (Aviation)

It is noted that Part D of Policy ST8 states that the Mayor will oppose the expansion of Heathrow Airport unless it can be shown that no additional noise or air quality harm would result, and that the benefits of future regulatory and technology improvements would be fairly shared with affected communities.

Part E of this policy states that all airport expansion proposals should demonstrate how public transport and other surface access networks would accommodate resulting increases in demand alongside forecaster background growth.

We own over 4.7 million sq. ft. of built space around the airport which supports international trade and air cargo movements. With the right support, we are committed to assist in the delivery of an innovative land and development strategy that enables goods and services to move sustainably between our industrial sites and the airport. Such an approach could be hugely beneficial to the local transport network and local air quality, and so we request that the Mayor considers freight movements to/from the airport as part of the preparation of the London Plan, and the Heathrow Opportunity Area Framework.

We trust that these representations are clear and we very much look forward to working with you to help shape future policy. If you would like further clarification or information, please contact Neil.Impiazzi@segro.com.

Yours sincerely,



Andrew Gulliford
Chief Operating Officer

cc Neil Impiazzi,
Partnership Development Director, SEGRO

Appendix – SEGRO Proposed Policy Amendments to the Draft London Plan

Policy E2 Low-cost business space

A The provision, and where appropriate, protection of a range of low-cost office space should be supported to meet the needs of micro, small and medium-sized enterprises and to support firms wishing to start-up or expand.

B Development proposals that involve the loss of existing office space or creative and artist studio in areas where there is an identified shortage of lower-cost space should:

- 1) demonstrate that there is no reasonable prospect of the site being used for business purposes, or
- 2) ensure that an equivalent amount of office/studio space is re-provided in the proposal (which is appropriate in terms of type, specification, use and size), incorporating existing businesses where possible, or
- 3) demonstrate that suitable alternative accommodation (in terms of type, specification, use and size) is available in reasonable proximity to the development proposal and, where existing businesses are affected, that they are subject to relocation support arrangements before the commencement of new development.

C Development proposals for new office floorspace greater than 2,500 sqm (gross external area) should consider the scope to provide a proportion of flexible workspace suitable for micro, small and medium sized enterprises.

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 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).

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. The identification and allocation of land for new

industrial capacity in borough development plans will be necessary in boroughs identified as needing to 'provide capacity'. 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, should be facilitated through the processes of industrial intensification, colocation 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.

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.

Subtext:

6.4.5 Based upon this evidence, this Plan addresses the need to retain sufficient industrial, logistics and related capacity by seeking, as a general principle, no overall net loss of industrial floorspace capacity across London in designated SIL and LSIS. Floorspace capacity is defined here as either the existing industrial and warehousing floorspace on site or the potential industrial and warehousing floorspace that could be accommodated on site at a 45 per cent plot ratio (whichever is the greater). Flexibility on the principle of no net loss of floorspace may be applied in exceptional circumstances where innovative forms of development are not supported in viability terms, and where the replacement industrial provision represents a significant qualitative improvement on the existing premises in terms of its ability to meet the needs of modern industrial and logistics operators.

Policy E5 Strategic Industrial Locations (SIL)

A Strategic Industrial Locations (identified in Figure 6.2 and Table 6.3) should be managed proactively through a plan-led process to sustain them as London's main reservoirs of industrial, logistics and related capacity for uses that support the functioning of London's economy.

B Boroughs, in their Development Plans, should:

- 1) define the detailed boundary of SILs in policies maps having regard to the scope for 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), and use the adopted Local Plan SIL boundary as the basis for decision-making
- 2) develop local policies to protect and intensify the function of SILs and enhance their attractiveness and competitiveness (including access improvements and digital connectivity) for the functions set out in part C
- 3) explore opportunities to intensify and make more efficient use of land in SILs, and support this through the allocation of sites in Development Plan reviews and through Opportunity Area Planning Frameworks in collaboration with the GLA and other planning authorities within and

outside London (Policy E7 Intensification, colocation and substitution of land for industry, logistics and services to support London's economic function).

- 4) In Boroughs with Green Belt designations, identify new SILs in line with the locational criteria set out in Part D of Policy E4 Land for industry, logistics and services to support London's economic function following the outcomes of a Green Belt review.

C Development proposals in SILs should be supported where the uses proposed fall within the broad industrial-type activities set out below:

- 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
- 6) small-scale 'walk to' services for industrial occupiers such as workplace crèches or cafés.

D Development proposals for uses in SILs other than those set out in part C above, (including residential development, retail, places of worship, leisure and assembly uses), should be refused except in areas released through a strategically co-ordinated process of SIL consolidation. This release must be carried out through a planning framework or Development Plan document review process and adopted as policy in a Development Plan or as part of a co-ordinated masterplanning process in collaboration with the GLA and relevant borough.

E Development proposals within or adjacent to SILs should not compromise the integrity or effectiveness of these locations in accommodating industrial-type activities and their ability to operate on a 24-hour basis. In line with Agent of Change principles (Policy D12 Agent of Change) residential development adjacent to SILs should be designed to ensure that the industrial activities are not compromised or curtailed. Particular attention should be given to layouts, access, orientation, servicing, public realm, air quality, soundproofing and other design mitigation in the residential development.

Supporting text:

6.5.3 **Innovations** to make more effective use of land in SILs are encouraged and should be explored and proactively supported in Local Plan reviews and Opportunity Area Planning Frameworks through the identification and allocation of sites. This includes assisting with land assembly and collaborative working with other planning authorities in the relevant property market areas including authorities in the Wider South East (see also Policy E7 Intensification, co-location and substitution of land for industry, logistics and services to support London's economic function). The Thames Gateway provides the greatest scope for strategically co-ordinated plan-led consolidation of SILs in order to manage down overall vacancy rates, particularly in the boroughs of Newham and Barking & Dagenham.

Policy E6 Locally Significant Industrial Sites

A In their Development Plans, boroughs should:

- 1) define detailed boundaries and policies for Locally Significant Industrial Sites (LSIS) in policies maps justified by evidence in local employment land reviews taking into account the scope for 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).
- 2) make clear the range of industrial and related uses that are acceptable in LSIS including, where appropriate, hybrid or flexible B1c/B2/B8 suitable for SMEs and distinguish these from local employment areas that can accommodate a wider range of business uses.

B Opportunity Area Planning Frameworks should identify and designate new LSISs to meet last mile demands in line with population and business growth forecasts in and around these areas.

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

A Development Plans and development proposals should be proactive and allocate land for industrial intensification of business uses in Use Classes B1c, B2 and B8 occupying all categories of industrial land through:

- 1) introduction of small units where appropriate
- 2) development of multi-storey schemes where feasible
- 3) addition of basements where feasible

B Development Plans and planning frameworks should be proactive and consider, in collaboration with the Mayor, whether certain logistics, industrial and related functions in selected parts of SILs could be intensified. Intensification should add to existing industrial capacity in Boroughs which need to 'provide capacity', and in other Boroughs should facilitate the consolidation of the identified SIL to support the delivery of residential and other uses, such as social infrastructure, or to contribute to town centre renewal. This process must meet the criteria set out in part E below and ensure that it does not undermine or compromise the integrity or effectiveness of the SIL in accommodating the industrial-type activities identified in part C of Policy E5 Strategic Industrial Locations (SIL). This approach should only be considered as part of a plan-led process of SIL intensification and consolidation (and the areas affected clearly defined in Development Plan policies maps) or as part of a co-ordinated masterplanning process in collaboration with the GLA and relevant borough, and not through ad hoc planning applications.

C Development Plans and planning frameworks should be proactive and consider whether certain logistics, industrial and related functions in selected parts of LSIS could be intensified and/or co-located with residential and other uses, such as social infrastructure, or to contribute to town centre renewal. This process should meet the criteria set out in part E below. This approach should only be considered as part of a plan-led process of LSIS intensification and consolidation (and clearly defined in Development Plan policies maps) or as part of a co-ordinated masterplanning process in collaboration with the GLA and relevant borough, and not through ad hoc planning applications.

D Mixed-use or residential development proposals on Non-Designated Industrial Sites will be supported where:

- 1) there is no reasonable prospect of the site being used for the industrial and related purposes set out in part A of Policy E4 Land for industry, logistics and services to support London's economic function; or
- 2) it has been allocated in a Development Plan for residential or mixed-use development on the basis of part D.1; or
- 3) industrial, storage or distribution floorspace is provided as part of mixed-use intensification where this is feasible; or
- 4) suitable alternative accommodation (in terms of type, specification, use and size) is available in reasonable proximity to the development proposal and subject to relocation support arrangements for existing businesses before the commencement of new development.

Mixed-use development proposals on Non-Designated Industrial Sites which co-locate industrial, storage or distribution floorspace with residential and/or other uses should also meet the criteria set out in parts E.2 to E.4 below.

E The processes set out in Parts B, C and D above must ensure that:

- 1) the industrial uses within the SIL or LSIS are intensified to deliver an increase (or at least no overall net loss) of capacity in terms of industrial, storage and warehousing floorspace with appropriate provision of yard space for servicing
- 2) the industrial and related activities on-site and in surrounding parts of the SIL, LSIS or Non-Designated Industrial Site are not compromised in terms of their continued efficient function,

access, service arrangements and days/hours of operation noting that many businesses have 7-day/24-hour access and operational requirements

- 3) the intensified industrial, storage and distribution uses are completed and operational in advance of any residential component being occupied
- 4) appropriate design mitigation is provided in any residential element to ensure compliance with 1 and 2 above with particular consideration given to:
 - a) safety and security (see Policy D10 Safety, security and resilience to emergency and Policy D11 Fire safety)
 - b) the layout, orientation, access, servicing and delivery arrangements of the uses in order to minimise conflict (see Policy T4 Assessing and mitigating transport impacts)
 - c) design quality, public realm, visual impact and amenity for residents (see Policy D1 London's form and characteristics, Policy D2 Delivering good design, Policy D3 Inclusive design, Policy D4 Housing quality and standards, Policy D5 Accessible housing, Policy D6 Optimising housing density, Policy D7 Public realm and Policy D8 Tall buildings)
 - d) vibration and noise (see Policy D13 Noise)
 - e) air quality, including dust, odour and emissions (see Policy S11 Improving air quality and Policy S12 Minimising greenhouse gas emissions).

Policy E11 Skills and opportunities for all

A The Mayor will work with strategic partners to address low pay and, supported by his Skills for Londoners Taskforce, co-ordinate national, regional and local initiatives to promote inclusive access to training, skills and employment opportunities for all Londoners.

B Development proposals should seek to support employment, skills development, apprenticeships, and other education and training opportunities in both the construction and end-use phases, including through Section 106 obligations where appropriate. Boroughs should ensure they fully understand and respond to the construction methods used by different real estate sectors to implement flexible ways that (a) enable trainees to complete their training and apprenticeships, (b) ensure the greatest level of take-up possible by Londoners of the training, apprenticeship and employment opportunities created and (c) increase the proportion of under-represented groups within the construction industry workforce. In partnership with the Mayor, boroughs are encouraged to consider cross-borough working to open up opportunities, including those created via Section 106 obligations, on a reciprocal basis, to residents from adjacent boroughs and across London.

Policy SD1 Opportunity Areas

A To ensure that Opportunity Areas fully realise their growth and regeneration potential, the Mayor will:

- 1) Provide support and leadership for the collaborative preparation and implementation of planning frameworks that:
 - a) set out a clear strategy for accommodating growth
 - b) assist in delivering specific infrastructure requirements that unlock
 - c) capacity for new homes and jobs
 - d) support regeneration
 - e) are prepared in a timely manner.
- 2) Bring together the range of investment and intervention needed to deliver the vision and ambition for the area
- 3) Support and implement adopted planning frameworks, in order to give them appropriate material weight in planning decisions
- 4) ensure that his agencies (including Transport for London) work together and with others to promote and champion Opportunity Areas, and identify those that require public investment and intervention to achieve their growth potential
- 5) ensure that Opportunity Areas maximise the delivery of affordable housing and create mixed and inclusive communities
- 6) ensure that Opportunity Areas contribute to regeneration objectives by tackling spatial inequalities and environmental, economic and social barriers that affect the lives of people in the area, especially in Local and Strategic Areas for Regeneration

- 7) monitor progress in delivering homes, jobs and infrastructure, taking action where necessary to overcome any barriers to delivery
- 8) ensure that development facilitates ambitious transport mode share targets.

B Boroughs, through Development Plans and decisions, should:

- 1) Clearly set out how they will encourage and deliver the growth potential of Opportunity Areas
- 2) Support development which creates employment opportunities and housing choice for Londoners
- 3) plan for and provide the necessary social and other infrastructure (including industrial and logistics space) to sustain growth, working with infrastructure providers where necessary
- 4) recognise that larger areas can define their own character and density
- 5) support and sustain Strategic Industrial Locations (SIL) and other industrial capacity by considering opportunities to intensify and make more efficient use of existing land in SIL, in accordance with Policy E4 Land for industry, logistics and services to support London's economic function, Policy E5 Strategic Industrial Locations (SIL), Policy E6 Locally Significant Industrial Sites and Policy E7 Intensification, colocation and substitution of land for industry, logistics and services to support London's economic function
- 6) identify and designate new LSISs to meet unmet last mile demands in line with population and business growth forecasts in accordance with Policy E6 Locally Significant Industrial Sites
- 7) meet or, where appropriate, exceed the indicative guidelines for housing and/or indicative estimates for employment capacity set out in Figures 2.4 to 2.12
- 8) include ambitious transport mode share targets
- 9) support wider regeneration and ensure that development proposals integrate into the surrounding areas, in accordance with Policy SD10 Strategic and local regeneration
- 10) ensure planning frameworks are subject to public and stakeholder consultation
- 11) work with the Mayor, local communities and other stakeholders to review appropriate locations and identify new Opportunity Areas. These should be distinct and significant locations that have capacity for at least 5,000 new jobs and/or 2,500 new homes.

Policy SD4 The Central Activities Zone (CAZ)

A The unique international, national and London-wide roles of the CAZ, based on an agglomeration and rich mix of strategic functions as well as local uses, should be promoted and enhanced.

B The nationally and internationally significant office functions of the CAZ should be supported and enhanced by all stakeholders, including the intensification and provision of sufficient space to meet demand for a range of types and sizes of occupier and rental values.

C The distinct environment and heritage of the CAZ should be sustained and enhanced.

D Taking account of the dense nature of the CAZ, practical measures should be taken to improve air quality, using an air quality positive approach where possible (Policy SI1 Improving air quality) and to address issues related to climate change and the urban heat island effect.

E The unique concentration and diversity of cultural, arts, entertainment, night-time economy and tourism functions should be promoted and enhanced.

F The vitality and viability of the international shopping and leisure destinations of the West End and Knightsbridge together with other CAZ retail clusters should be supported.

G The CAZ as a centre of excellence and specialist clusters including functions of state, health, law, education, creative and cultural activities, and other more local Special Policy Areas should be supported and promoted.

H The attractiveness of the CAZ to residents, visitors and businesses should be enhanced through public realm improvements and the reduction of traffic dominance, as part of the Healthy Streets Approach (see Policy T2 Healthy Streets).

I Infrastructure to sustain and enhance the CAZ and its agglomeration of strategic functions including its public transport and digital connectivity and its potential to accommodate new development should be secured.

J The safety, security and resilience of the CAZ should be promoted working with businesses and communities.

K The attractions of predominantly residential neighbourhoods, where more local uses predominate, should be conserved.

L Development of social infrastructure that meets the distinct needs of the CAZ should be supported.

M Sufficient capacity for industry and logistics should be identified, protected or provided through the identification of opportunities for new capacity where evidence indicates that needs are currently unmet, including last mile distribution, freight consolidation and other related service functions within or close to the CAZ and Northern Isle of Dogs to support the needs of businesses and activities within these areas.

N In Development Plans, boroughs should:

- 1) define the detailed boundary of the CAZ and specialist clusters of strategic functions having regard to the CAZ Diagram shown in Figure 2.16
- 2) develop locally sensitive policies to meet this Plan's objectives for the CAZ
- 3) define the detailed boundaries of the CAZ satellite and reserve locations.

Policy H6 Threshold approach to applications

A The threshold approach applies to development proposals which are capable of delivering more than ten units or which have a combined floor space greater than 1,000 sqm (see paragraph 4.6.14 for exclusions to the threshold approach and 4.6.15 for scheme types with bespoke approaches).

B The threshold level of affordable housing is initially set at:

- 1) a minimum of 35 per cent; or
- 2) 50 per cent for public sector land

Mixed use developments providing residential use above industrial space will not be subject to the Viability Review mechanism set out in Part E of Policy H6 (Threshold Approach to Applications) in order to support and incentivise the delivery of this innovative form of development.

C To follow the Fast Track Route of the threshold approach, applications must meet all the following criteria:

- 1) meet or exceed the relevant threshold level of affordable housing on site without public subsidy
- 2) be consistent with the relevant tenure split (Policy H7 Affordable housing tenure)
- 3) meet other relevant policy requirements and obligations to the satisfaction of the borough and the Mayor where relevant
- 4) demonstrate that they have taken account of the strategic 50 per cent target in Policy H5 Delivering affordable housing and have sought grant where required to increase the level of affordable housing beyond 35 per cent.

D Fast tracked applications are not required to provide a viability assessment at application stage. To ensure an applicant fully intends to build out the permission, the requirement for an Early Stage Viability Review will be triggered if an agreed level of progress on implementation is not made within two years of the permission being granted (or a period

agreed by the borough).

E Where an application does not meet the requirements set out in part C it must follow the **Viability Tested Route**. This requires detailed supporting viability evidence to be submitted in a standardised and accessible format as part of the application:

- 1) the borough, and where relevant the Mayor, should scrutinise the viability information to ascertain the maximum level of affordable housing using the methodology and assumptions set out in this Plan and the Affordable Housing and Viability SPG
- 2) viability tested schemes will be subject to:
 - a) an Early Stage Viability Review if an agreed level of progress on implementation is not made within two years of the permission being granted (or a period agreed by the borough)
 - b) a Late Stage Viability Review which is triggered when 75 per cent of the units in a scheme are sold or let (or a period agreed by the borough)
 - c) Mid Term Reviews prior to implementation of phases for larger phased schemes.

F Where a viability assessment is required to ascertain the maximum level of affordable housing deliverable on a scheme, the assessment should be treated transparently and undertaken in line with the Mayor's Affordable Housing and Viability SPG.

Scheme amendments – Section 73 applications and deeds of variations

G For schemes that were approved under the Fast Track Route, any subsequent applications to vary the consent will not be required to submit viability information, providing the resultant development continues to meet the relevant threshold and the criteria in part C.

H For schemes where the original permission did not meet the threshold or required tenure split, viability information will be required where an application is submitted to vary the consent and this would alter the economic circumstances of the scheme. Such cases will be assessed under the Viability Tested Route.

I Any proposed amendments that result in a reduction in affordable housing, affordability or other obligations or requirements of the original permission should be rigorously assessed under the Viability Tested Route. In such instances, a full viability review should be undertaken that reconsiders the value, costs, profit requirements and land value of the scheme.

J The Mayor should be consulted on any proposed amendments on referable schemes that change the level of affordable housing from that which was secured through the original planning permission.

Policy D13 Noise

A In order to reduce, manage and mitigate noise to improve health and quality of life, residential and other non-aviation development proposals should manage noise by:

- 1) avoiding significant adverse noise impacts on health and quality of life
- 2) reflecting the Agent of Change principle to ensure measures do not add unduly to the costs and administrative burdens on existing noise generating uses
- 3) mitigating and minimising the existing and potential adverse impacts of noise on, from, within, as a result of, or in the vicinity of new development without placing unreasonable restrictions on development. This should include not unduly limiting out-of-hours servicing where this contributes to reducing traffic and congestion at peak times
- 4) improving and enhancing the acoustic environment and promoting appropriate soundscapes (including Quiet Areas and spaces of relative tranquillity)
- 5) separating new noise-sensitive development from major noise sources (such as road, rail, air transport and some types of industrial use) through the use of distance, screening or internal layout – in preference to sole reliance on sound insulation

- 6) where it is not possible to achieve separation of noise-sensitive development and noise sources without undue impact on other sustainable development objectives, then any potential adverse effects should be controlled and mitigated through applying good acoustic design principles
- 7) promoting new technologies and improved practices to reduce noise at source, and on the transmission path from source to receiver.

B Boroughs, and others with relevant responsibilities, should identify and nominate new Quiet Areas and protect existing Quiet Areas in line with the procedure in Defra's Noise Action Plan for Agglomerations.

Policy G2 London's Green Belt

A The Green Belt should be protected from inappropriate development:

- 1) development proposals that would harm the Green Belt should be refused unless very special circumstances can be demonstrated
- 2) the enhancement of the Green Belt to provide appropriate multifunctional uses for Londoners should be supported

B The extension of the Green Belt will be supported, where appropriate. Its de-designation may be supported in exceptional circumstances following an evidence based review.

Policy G3 Metropolitan Open Land

A Metropolitan Open Land (MOL) should be protected from inappropriate development:

- 1) development proposals that would harm MOL should be refused other than in exceptional circumstances
- 2) boroughs should work with partners to enhance the quality and range of uses of MOL.

B The extension of MOL designations should be supported where appropriate.

C Any alterations to the boundary of MOL should be undertaken through the Local Plan process, in consultation with the Mayor and adjoining boroughs.

D Boroughs should designate MOL by establishing that the land meets at least one of the following criteria:

- 1) it contributes to the physical structure of London by being clearly distinguishable from the built-up area
- 2) it includes open air facilities, especially for leisure, recreation, sport, the arts and cultural activities, which serve either the whole or significant parts of London
- 3) it contains features or landscapes (historic, recreational, biodiverse) of either national or metropolitan value
- 4) it forms part of a strategic corridor, node or a link in the network of green infrastructure and meets one of the above criteria.

Policy G5 Urban greening

A Major development proposals should contribute to the greening of London by including urban greening as a fundamental element of site and building design, and by incorporating measures such as high-quality landscaping (including trees), green roofs, green walls and nature-based sustainable drainage.

B Boroughs should develop an Urban Greening Factor (UGF) to identify the appropriate amount of urban greening required in new developments. The UGF should be based on the factors set out in Table 8.2, but tailored to local circumstances. In the interim, the Mayor recommends a target score of 0.4 for developments that are predominately residential, and a target score of 0.3 for office-led development, and 0.15 for industrial-led development.

Policy SI1 Improving air quality

A London's air quality should be significantly improved and exposure to poor air quality, especially for vulnerable people, should be reduced:

- 1) Development proposals should not:
 - a) lead to further deterioration of existing poor air quality
 - b) create any new areas that exceed air quality limits, or delay the date at which compliance will be achieved in areas that are currently in exceedance of legal limits
 - c) reduce air quality benefits that result from the Mayor's or boroughs' activities to improve air quality
 - d) create unacceptable risk of high levels of exposure to poor air quality.
- 2) Development proposals should use design solutions to prevent or minimise increased exposure to existing air pollution and make provision to address local problems of air quality. Particular care should be taken with developments that are in Air Quality Focus Areas or that are likely to be used by large numbers of people particularly vulnerable to poor air quality, such as children or older people.
- 3) Development proposals must demonstrate how they plan to comply with the Non-Road Mobile Machinery Low Emission Zone and reduce emissions from the demolition and construction of buildings following best practice guidance¹¹⁵.
- 4) Air Quality Assessments (AQAs) should be submitted with all major developments, unless they can demonstrate that transport and building emissions will be less than the previous or existing use.
- 5) Development proposals should ensure that where emissions need to be reduced, this is done on-site. Where it can be demonstrated that on-site provision is impractical or inappropriate, off-site measures to improve local air quality may be acceptable, provided that equivalent air quality benefits can be demonstrated.

Policy SI2 Minimising greenhouse gas emissions

A Major development should be net zero-carbon. This means reducing carbon dioxide emissions from construction and operation, and minimising both annual and peak energy demand in accordance with the following energy hierarchy:

- 1) Be lean: use less energy and manage demand during construction and operation.
- 2) Be clean: exploit local energy resources (such as secondary heat) and supply energy efficiently and cleanly. Development in Heat Network Priority Areas should follow the heating hierarchy in Policy SI3 Energy infrastructure.
- 3) Be green: generate, store and use renewable energy on-site.

B Major development should include a detailed energy strategy to demonstrate how the zero-carbon target will be met within the framework of the energy hierarchy and the occupier will be expected to monitor and report on energy performance.

C In meeting the zero-carbon target a minimum on-site reduction of at least 35 per cent beyond Building Regulations 117 is expected. Residential development should aim to achieve 10 per cent, and non-residential development should aim to achieve 15 per cent through energy efficiency measures. Where it is clearly demonstrated that the zero-carbon target cannot be fully achieved on-site, any shortfall should be provided:

- 1) through a cash in lieu contribution to the relevant borough's carbon offset fund, and/or
- 2) identified reductions of Scope 3 emissions through use of Life Cycle Assessment tools
- 3) off-site provided that an alternative proposal is identified and delivery is certain. (currently no stipulation that "off-site" must be in the same borough or even same county, might need clarification)



D Boroughs must establish and administer a carbon offset fund. Offset fund payments must be ring-fenced to implement projects that deliver greenhouse gas reductions. The operation of offset funds should be monitored and reported on annually.