

Sadiq Khan (Mayor of London)
New London Plan
GLA City Hall
London Plan Team
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Our ref:

Your ref:

Dear Mayor

The New London Plan – The Crown Estate Representations

The Crown Estate is an independent real estate business, governed by Act of Parliament. We are a commercial organisation, managing an £12.4 billion property portfolio and delivering a net revenue profit of £328.8 million (2016/17) to the Treasury.

At The Crown Estate, we are committed to taking a long term sustainable approach to our business. Our aspirations to climate-proof our business, create healthy places and habitats, and close the waste loop by 2030 guide all our business decisions. We believe sustainable growth is central to our business resilience and ability to outperform the market.

Our Central London portfolio includes the whole of Regent Street and much of St James's, where we are delivering a £1.5 billion investment and redevelopment plan. As the largest property owner in the core West End, we have a direct interest in the progress of the New London Plan and are keen to work together with the Mayor to deliver his objective of "Good Growth".

We actively participate in discussions around London's growth and development, and are members of London First and Westminster Property Association. We have reviewed the joint representations prepared by the London Property Alliance (i.e. the City and Westminster Property Associations working in partnership) and support the issues raised by the Alliance and to London First. There are some specific matters which are of particular relevance to our central and specialist holdings, which we set these points out within this letter.

We would be grateful if these matters could be taken into account in preparing modifications to the proposed Plan.

1) Viability and deliverability

We share the Alliance's concern about the potential cumulative impact of the proposed policies upon new development. We agree that the combined effect of policies may, in many cases, make development unviable. We note that London First has undertaken a detailed review of the viability evidence base and concluded that a significant proportion of the development typologies tested may not be viable.

Commercial and financial viability aside, we are also concerned that in many cases fully satisfying all the requirements of policy upon a single site will not be practical or possible. For example, the detailed requirements in terms of energy use, sustainability and carbon emissions may not be compatible with the heritage constraints that developers encounter when dealing with sensitive listed buildings, such as those that comprise a significant proportion of our central London estate.

In view of the commercial and practical difficulties in meeting all policy requirements in all cases, it is important that the Plan provides a clear hierarchy of policy priorities and provides the flexibility necessary to continue to support the new development that London needs. Our experience of managing our central London estate demonstrates that adopting an estate or area-wide approach, rather than trying to satisfy all policy requirements on a site-by-site basis, can contribute to achieving the Plan's overarching aspirations.

2) The role and function of the West End and retail frontages

We support the Alliance's suggestion that the draft Plan should more strongly recognise the importance of the West End and its significant strategic importance to the economic health and cultural identity of London as a global city.

In recent years, the nature and type of retail has changed and increasingly, consumers are seeking retail 'experiences' and a broader range of attractions alongside and within shopping units. We consider it essential that London is able to respond to this demand, in order to compete with other shopping destinations globally. Within London itself, the West End needs to be able to respond to increased competition from outer London and beyond where shopping centres are increasingly offering supplementary attractions to consumers. Enabling a variety of uses and encouraging more leisure and cultural uses within traditional shopping zones will help with this.

With retail frontages themselves, traditional land use policies have sought to protect Class A1 retail and rigidly dictate the range of suitable uses. This approach is no longer appropriate for the kind of retail that should be promoted within London's key shopping areas. Many retail stores (especially flagship stores) are now looking for some 'unique selling points' that they can offer their customers in order to make them distinctive and to help attract footfall and interest. These additional offerings could include, for example, ancillary coffee shops/restaurants, lounge and bar areas, barber and beauty services, tailoring and measuring services etc. The mix of uses often does not fit neatly within the Use Classes Order definitions which can often present a planning issue when dealing with inflexible land use policies.

The West End is extremely well-connected, internationally renowned and of significant importance to London's economy. The draft Plan should therefore look to promote the West End and in doing so, should recognise that there must be flexibility when applying land use policies to retail frontages. This will enable a broader range of retail activities and spaces to come forward which will assist in delivering a West End that is more active and more prosperous for London and that encourages innovation.

3) Affordable and Low-cost Workspace

We agree with the Alliance that the draft policies on affordable and low cost workspace and new types of use (Policy E3) are not necessary or appropriate within core/established markets within the CAZ. Notwithstanding this, we agree with the Alliance's suggestions that if policies were to come

forward, they should be permitted **only** at a local level where this has been based on robust local evidence, tested through a Local Plan process.

As set out within the Alliance's representations, the draft affordable workspace policy is not appropriate within the CAZ as (a) the CAZ already provides a range of office spaces, by virtue of the variety of size and quality of spaces coming forward; and (b) the policy could threaten the CAZ's office market and ability to compete with other global centres. The CAZ must remain flexible to respond to occupier demands and changes in market cycles. We are concerned that introducing this policy threatens this flexibility, which in turn will threaten the strategic functions of the CAZ.

4) Land use and affordable housing credits

We particularly agree with the Alliance's comments in respect of land use and affordable housing credits and the suggestion that the Mayor should encourage the use of these, especially within CAZ sites. This should be strengthened addressed within policies SD5 and H5.

Off-site provision, land use swaps and the use of credits can all be invaluable tools to satisfy planning policy, especially in central London, contributing to the mix of uses that makes London so distinctive. Allowing off-site provision of housing, land use swaps and the use of credits as part of a portfolio-based approach can often enable better overall outcomes.

We see affordable housing credits as being important to help sustain important commercial clusters, whilst delivering a greater quantity and better quality of affordable housing in London. As we have multiple holdings across London and take a holistic approach to our developments, we may in the future have opportunities to deliver more affordable housing on sites than required by policy. Conversely, there may be some sites where it is impractical to provide the full policy target level of affordable housing on-site. In these cases, enabling the use of affordable housing credits potentially enable us to provide more affordable housing, earlier, than we would otherwise be able to should on-site provision be required. This ensures that overall affordable housing patterns are maximised.

5) Sustainability

We believe that a sustainable business and a successful business are one and the same. We integrate sustainability into all that we do, and it guides our decision-making and helps to create significant value beyond financial return. We have set a number of aspirations to be met by 2030, including becoming climate resilient, with portfolio decarbonisation and effective climate change adaptation in place, with our key requirements set out within our Development Sustainability Principles.

We therefore support the Mayor's ambition to move towards a greener London. However, our concern with the draft Plan is that, as currently drafted, schemes will not be able to meet all policy requirements within the Plan. There is a greater need for alignment across policies; this is particularly the case between energy and carbon, air quality, ecology/biodiversity and conservation requirements. For example, bringing forward certain energy efficient measures, such as, secondary glazing or visible technologies (such as PV panels or wind turbines), in addition to biodiversity improvements such as green walls, often conflict with heritage and conservation policies to protect and enhance heritage assets including listed buildings and conservation areas. There needs to be sufficient flexibility within planning policy to allow decision makers to consider each case on its merits

and the site specific opportunities and constraints for maximising energy efficiency measures without compromising heritage considerations.

We support the Alliance's comments in respect of carbon reduction policies. We have also reviewed the London First response to the draft London Plan, which recognises some of the key challenges associated with the draft environmental policies. We agree with the comments and suggestions raised within London First's representations in respect of these policies.

We also wish to make the following further comments in respect of sustainability:

- a) The Mayor's energy targets are based on a baseline of the 2013 Building Regulations. The 2013 Building Regulations are becoming increasingly outdated, which principally relate to the relevance of the baseline notional building (which a development would be assessed against), as well as not factoring in the shift towards electricity-based solutions in an increasingly decarbonised grid. Therefore, strictly following the 2013 Regulations can mean that gas fired sources, such as CHP, are still favoured, and the associated carbon savings are over-estimated when compared to grid-supplied electricity.

Notwithstanding this, we appreciate that the energy targets must be set against a measured benchmark but that the Target Emissions Rate ('TER') is not an accurate representation of actual energy use within a development. Therefore, in the absence of an update to the Building Regulations, we suggest that draft Policy SI2(C) is amended to state that measurement of the zero carbon approach against the Building Regulations threshold can be applied flexibly, where applicants can demonstrate that the actual energy performance and carbon savings from schemes

This approach would allow developers, in the absence of a comprehensive update to Part L of the Building Regulations, to continue to innovate to reduce actual carbon emissions, which is the objective of the policy.

- b) Specific consideration must be given to retail in respect of energy targets. Unlike other uses (such as hotels, offices etc.), achieving energy targets for retail uses can be very difficult in practice; the majority of retail typically is built to shell only, or shell and core, which requires assuming worst-case assumptions on the fit-out (i.e. Part L compliance), where a tenant is unknown. A large proportion of the likely energy demand is determined by high lighting (electrical) demand, high demands for cooling. Whilst some improvements can be made to retail unit's building fabric (such as significantly reducing the extent of glazing) this will result in a limited impact upon the overall energy use as calculated by Part L 2013. Furthermore, targets of 15% reduction of regulated emissions through energy efficiency measures will be particularly challenging. Ground floor retail is often a planning policy requirement, especially in central London, to promote the vitality of the local area, with retail spaces being included within developments at planning stage even before the identity, and likely fit out requirements, of future tenants are known.

Care needs to be taken to ensure that restrictive energy targets do not threaten the development of good quality new retail schemes, and the incorporation of retail into mixed use developments when it is advantageous, or a policy requirement, to do so for wider place-shaping reasons. Therefore we suggest that draft Policy SI2(C) recognises that some flexibility for carbon targets could be applied to retail spaces.

- c) We fully support and endorse the Mayor's approach that where zero carbon targets cannot be achieved on site, these can be achieved off-site (draft Policy SI2(C (2))).

TCE has large portfolio within the West End comprising a range of buildings of different ages. Some sites and development opportunities naturally lend themselves better to incorporating energy and carbon reduction measures than others. Supporting an off-site provision approach, whereby energy and carbon reduction measures within existing buildings of a portfolio, will help to reduce energy and carbon demands across London as a whole and deliver tangible reductions in carbon emissions.

The draft policy is drafted in a manner which suggests that it would be at the Applicant's discretion whether the provision be via a carbon offset fund or off-site, but we suggest that clarity is added into the policy to make this clear.

6) Other comments

We also have the further following comments on the draft Plan as currently drafted:

- a) Urban Greening Factor – The Crown Estate is going beyond biodiversity plans for individual developments and are implementing an Ecological Masterplan for our central London estate as set out within our Development Sustainability Principles. Through this holistic masterplan, The Crown Estate is seeking to create over a hectare of new green space, an area one and a third times the size of Wembley Stadium football pitch. TCE is installing a range of range of different green initiatives, appropriate to the building and site context, such as, green roofs, biodiverse roofs, green walls, pocket habitats, community gardens, window boxes, planters, bird boxes, bat boxes and beehives – creating valuable habitats for wildlife and improving the experience for people living, working and visiting central London.

Our Ecological Masterplan activity has also kick-started Wild West End, a unique collaboration by The Crown Estate and other core West End property owners to promote green infrastructure in the capital, with the Mayor of London and London Wildlife Trust as strategic partners and technical input from Arup. This is the first city centre ecology project of its kind worldwide, conceived and driven forward by an industry partnership of this sort.

Even with our significant contribution to urban greening, we have tested some of our recent schemes against the Urban Greening Factor ('UGF') targets as set out within draft Policy G5. These schemes do not come even close to the target factor of 0.3 for predominately commercial development, as shown below:

| Scheme | UGF achievement | Shortfall against UGF target (of 0.3) |
|---------------------------|------------------------|--|
| St James's Market Phase 1 | 0.07 | -0.23 |

| | | |
|------------------------|-------|--------|
| Plot Q2 (7 Air Street) | 0.057 | -0.243 |
| 21 Glasshouse Street | 0.052 | -0.248 |
| Dukes Court | 0.061 | -0.239 |
| Plot W5 | 0.035 | -0.265 |

It is clear that these targets are incredibly challenging and will be very difficult to achieve, especially in central London where plots are spatially constrained and often within sensitive historic environments. Again, we consider that the introduction of this policy is at odds with other policies within the draft Plan. The strict application of draft Policy G5 would often mean that achieving other policy objectives may be compromised and would also have impact on scheme viability.

In addition, we do not consider that an approach to maximise the quantity of green space is necessarily the best approach to bring forward attractive, well-designed spaces that encourage local biodiversity. The focus within the London Plan should be on quality (and overall value) of green spaces, and maximising these where possible within the context of other policy requirements and strategic objectives.

We do not consider that this formulaic approach is suitable within the London Plan and suggest that draft Policy G5 be removed and replaced with a more high level policy on encouraging high quality local greening within new schemes.

Notwithstanding the above, if the policy was to be brought forward we suggest that a portfolio-wide approach would again be suitable.

- b) Air Quality – The policies are positive from an environmental point of view but greater clarity is required on what, for example, Air Quality Positive means in practice. It is not clear how this will be quantified, and how schemes will demonstrate this. This should be addressed.
- c) Waste – Some of the operational targets proposed could be challenging to meet, particularly for certain uses such as dense residential development. Although in theory, referencing the circular economy is positive, this is also a fast-evolving area and the concept does not exclusively apply to waste (and materials).

7) Aggregates and wharfs

The Crown Estate owns almost all of the sand and gravel resources lying off the coast of England and Wales, including the Thames estuary. We take an active approach to managing this natural asset effectively and sustainably to deliver value over the long term, including awarding and managing commercial agreements for extraction. In that capacity, we note that the Policy S110 on Aggregates highlights the importance of ensuring there is an adequate supply of aggregates to support construction in London.

The marine aggregate sector is of significant importance to the continued sustainable and economic growth and development of London. Marine aggregate imports into wharves in the Thames estuary exceeded 8.5 million tonnes in both 2016 and 2017, and have the capacity to grow in both the short and long-term in response to increasing demand and as alternative sources become less attractive. Marine aggregate currently represents around 50% of all primary aggregate used in London, and therefore plays a vital role in supporting the construction sector in this region, for both housing and infrastructure.

Policy SI10 also makes reference to safeguarding both the aggregate resources and the wharves and/or railheads for distribution of aggregates. We recognise the challenges associated with managing competing land uses in London where land is limited and in high demand, however, we see that the continued safeguarding of wharf and transport infrastructure to enable a sustained supply of marine aggregate into London becomes ever more essential to its future growth. The continued safeguarding of wharf facilities also, of course, provides notable opportunities to contribute to improved air quality in London by supporting marine and river transport, thereby significantly reducing road traffic.

We recognise the need to ensure that appropriate steps are taken to prevent incompatible development in close proximity to aggregate importation and processing wharves. We therefore support Policies D12 and D13 insofar as they should help manage noise sensitive development in relation to importing, processing and distribution of aggregate to and from wharf locations.

We support Policy SI15 in its aim to safeguard and protect inappropriate development that may curtail or prevent waterborne freight, in line with Agent of Change principle. We also support the aim of re-activating out of service wharf locations and encouraging an increase in waterborne freight on the river Thames and associated waterways.

An annual report prepared by The Crown Estate provides an understanding of the nature of UK dredging and marine aggregates supply at a regional level; identifies the grades of material available within each region and provides an overview of the range of projects and locations where marine aggregates have been successfully used. The current version of the document can be found at <http://www.thecrownestate.co.uk/media/1097988/bmapa-ce-19th-ann-rep-singles-021117.pdf>

Conclusion

We trust that you will find these representations helpful in preparing the new revision of the draft London Plan. We are keen to continue engaging with you, your Deputy Mayors and officers on the points set out within this letter, and on the wider points set out within the Alliance's and London First's representations.

Yours faithfully

The Crown Estate