DRAFT LONDON PLAN REPRESENTATIONS PREPARED ON BEHALF OF WORKSPACE

Policy E2 Low Cost Business Space (Supporting Paragraphs 6.2.1-6.2.6)

Policy E3 Affordable Workspace (Supporting Paragraph 6.3.1 - 6.3.4)

Context:

These representations are submitted on behalf of Workspace Limited. Workspace is a FTSE 250, Real Estate Investment Trust (REIT) that provides Office, Studio, Workshop and Co-working opportunities across 70 properties in London providing space tailored to their customer's requirements. Workspace is currently home to 4,000 new and growing businesses. Workspace has an establish recorded in employment investment and development in London.

The Workspace advantage provides a threefold approach to enabling new and growing business to focus on their commercial activities whilst limiting their accommodation risks:

Wired Differently: Ensuring businesses have secure and reliable connectivity to superfast broadband through their investment in new infrastructure.

Super Connected: Ambitious businesses make Workspace their home – Workspace create a buzz as you enter their buildings, inspiring each other and networking to create a business community.

No limits: Workspace's flexible lease agreements offer short break clauses and do not restrict businesses, for example they can pay for 3 months rent up front and move in and the lease can be as short as 2 years.

This approach to managing the portfolio provides their customers with the support to focus on their businesses. As part of their Asset Management Strategy, Workspace ensure that the buildings are fit for purpose to meet current and emergent market conditions. Over time and depending on the site, this can involve the need for significant intervention in the form of redevelopment in order to sustain the competitive offer to businesses looking for office provision.

Overview Objection:

It is in the context of the above that Workspace has reviewed the above draft policies and wish to object due to concerns regarding how the policies will be applied. As drafted they risk the ability for existing sites to sustain their competitive offer where intervention in the form of redevelopment is needed. In short a redevelopment scheme cannot sustain reprovision of equivalent floorspace incorporating existing occupiers (and/or relocation of-site) as this would place a cost burden on the scheme. The provision of replacement or new commercial floorspace cannot be viably funded on this basis.

Objection:

Criteria B of the Policy E2 sets the policy basis for assessment of planning applications that result in the loss of existing Class B1 (including creative and artist studio space) in areas where there is an identified shortage of lower-cost space. Specifically it states that such proposals 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 B1 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.

It is unclear what constitutes an identified shortage or how this is to be tested or defined (i.e. by Borough?). Moreover it is unclear what the difference between 'low cost' and 'affordable' workspace is. The definition of low cost is 'secondary and tertiary space, which is of a lower specification than prime space' (para 6.2.1). Whilst, affordable workspace is 'that provided at rents maintained below the market rate for that space for a specific social, cultural, or economic development purpose' (Para 6.3.1). In this respect the two are not necessary mutually exclusive and it is not clear how such policies will be applied in such situation.

Put simply, the above draft policy E2 together with Policy E3 has the effect of bringing into the control of planning how floorspace is let, to whom (existing occupiers), rental levels (arguably to retain existing occupiers) and business relocation. These are matters currently controlled through the provisions of the landlord and tenant act and are not matters for planning control.

Where existing floorspace is considered 'low-cost' or 'affordable' this is because it reflects the location and/or type of accommodation itself. For example it is often where the rent is appropriate for the quality of the space / associated support services on offer. These existing tenant agreements and rental levels fall outside of control of the planning system. They are not controlled by extant planning permissions (conditions/S106) but are a function of the price that the market is willing to pay for the accommodation. To seek to artificially recreate an existing situation or rental level in a redevelopment proposal and enshrine this into planning control through conditions / S106 Agreement is arbitrary and does not have regard to the fair operation of the market or the implications for scheme viability.

It is perverse to protect this as the effect will generally be to discourage the redevelopment of the least desirable floorspace in the city.

Businesses including SMEs will typically make rational decisions about the workspace they occupy. It makes sense for many to hunt out the most suitable and affordable opportunities available and relocate as circumstances change. In some situations, they may also benefit because a landlord offers preferential arrangements to a tenant for their own reasons. Either of the above scenarios may equally apply to creative industries and artists that Policy E3 seeks to protect.

The draft London Plan threatens to reduce the options available to SMEs creative businesses and artists. This is because landlords may prefer to leave buildings empty, rent to alternative occupiers or evict existing tenants if they believe that allowing such tenants to let from them reduces their site's long-term asset value (which will be influenced by opportunities to redevelop and change use). There are myriad reasons why a landlord will not want to see their asset value reduced, including the ability to borrow against it.

For similar reasons, landlords are perversely disincentivised by the draft London Plan to offer discounts or other special arrangements to tenants. Otherwise they are at risk of such arrangements becoming 'protected' rather than voluntary.

The objective to encourage low-cost floorspace will be much better served by increasing the overall supply of floorspace. This process will see primary stock come to be considered secondary stock and so on. Moreover securing low cost or affordable workspace in redevelopment schemes having regard to scheme viability and the wider public benefits of a scheme.