

Draft New London Plan

Workspace Providers Board consultation response

To whom it may concern,

Ensuring London retains and grows affordable and supportive workspace is critical to London remaining a culturally vibrant, inclusive and high growth enabling city.

The *Workspace Providers Board*¹ has carefully considered the Draft London Plan, and specifically the proposed new policies to support affordable workspace. We're pleased to submit this consultation response and look forward to working with the Mayor and Greater London Authority on this important agenda.

1. An important step forward

We support the Draft London Plan's commitment to policies that promote wider distribution of economic growth; promoting culture; promoting tourism; 24-hour economy, increasing efficiency and resilience. We also support its policies to ensure businesses have access to premises and infrastructure.

The policies within the Draft London Plan would represent a major step forward in the policy framework to support the provision and protection of both affordable workspace and low cost business space. Overall, we think the policy direction expressed in the Draft London Plan will have a significant positive impact.

We note that draft policy E3 is not a blanket policy, and that it sets out a framework with a number of qualifying points. These need clear and firm definitions, without which local pressures may result in the inconsistent application of strategic principles.

Our comments seek to provide some of this clarity. Refining the draft policies and developing best practice and guidance will be important and will require adequate resources. The Workspace Providers Board would be happy to work alongside officers at the GLA to develop these further and to consider what new research and evaluation is required to help boroughs interpret and respond most effectively through their own Local Plans to the new affordable workspace policies in the London Plan.

2. Defining purpose and beneficiaries (Policy E3 Part A)

The Draft London Plan states that planning obligations may be used to secure affordable workspace in circumstances where there is a social, cultural, or economic development purpose. The Plan but does not define precise parameters for how "social, cultural, or economic development is to be assessed".

The Workspace Providers Board is 'soft testing' a London-wide voluntary accreditation scheme for affordable workspace providers offering community impact, with an outline criteria and scoring system. This could be useful in helping to define whether a workspace adds value and addresses market failures. It could also be used to monitor the extent to which providers are delivering on their social, cultural, or economic development commitments. We also note that a number of boroughs have procured OJEU compliant Framework Panels to ensure workspace providers meet a certain standard. We therefore recommend that the policy or supporting text makes reference to "**Local Authority Framework Panels or London-wide Accreditation**".

Part A also lists a number of examples (1-5). We believe clarification is needed that spaces may carry out a number of these objectives and they are not mutually exclusive, or exhaustive. Particularly E3

Part A 3) may inadvertently drive the segregation of space for disadvantaged communities. Whilst we believe discreet provision is the better solution to meet some objectives, other spaces may benefit from a 'blended' approach which allows integration and inclusivity. The London Plan should say "Such circumstances include workspace that may include one or more of the following features" and remove "dedicated".

In the supporting text it would also help to note that "Some workspaces cross-subsidise market rents or offer a range of rents to make some space available at very low rates for certain beneficiaries."

We believe E3 A. 5) should refer to "early stage and start-up businesses and/or innovation". This should be clearly defined as up to 3 years of trading.

Policy E3 A 3) should say "focused on regeneration and supporting disadvantaged groups starting up in any sector"

We also note that although the connection to schools, colleges, or higher education is often valuable, affordable workspace does not tend to "provide educational outcomes". The sense in paragraph 6.3.2 of "helping to support" is more accurate, and should be used in the policy E3 A 4). The inclusion of "innovation" in E3 A 5) would also include workspaces linked to the research and innovation in higher education institutions.

3. Geography of Affordable Workspace Policy (Policy E3 Part B)

Policy E3 Part B is clear that affordable workspace can be sought in particular places. We welcome the identification of the City Fringe and CAZ, where values are highest and provide significant affordability challenges for business, as suitable locations for local affordable workspace policy. We also support the designation of Creative Enterprise Zones and encourage the development of local policies in respect of workspace in these areas. We note LLDC's Hackney Wick/Fish Island SPD as an example of policies tailored to local circumstances.

We would also encourage the London Plan to provide additional wording that relates the implementation of policy E3 to other suitable areas – for example, non-CAZ locations where there have been significant net losses of low-cost business space; or where there are likely to be such losses as part of redevelopment in Opportunity Areas or Areas for Intensification. As well as other places that make a contribution to London's economic, social, educational or cultural profile.

We would also suggest that in part B 2) "for micro, small and medium-sized enterprises" is deleted, as the range of objectives of affordable workspace has already been made clear, and it is beyond simply all SMEs.

4. Local Authority application (Policy E3 Part C)

Local Authorities should be "encouraged to consider more detailed and robust affordable workspace policies". Local Authorities should be encouraged to clearly state the objectives and purpose of different kinds of affordable workspace (for example those in part A) or their relative proportion in an area, because affordability (and rents) can vary between them, and developers may have a preference for providing higher value affordable spaces in areas where there is also a need for lower value affordable workspaces. The London Plan currently says they "may".

The supporting text should note that "Boroughs are advised to draw on the experience of local workspace providers to understand the nature of demand in an area".

5. Defining "affordability" (Policy E3 Parts A and E)

The draft London Plan currently defines affordable workspace as having "rents maintained below the market rent for that space" but does not say how much below. We feel this is somewhat open-ended. It would be simple to have a single number to define affordability. However in practical terms there

can be some margin of error in market valuations, and they can be costly to independently verify. For example 80% or 90% of market rent may well be within the margin of error for a valuation.

We also recognise that a single figure may be an over-simplification, because affordability varies for different target beneficiaries, by sector and by age of establishment. Artists' studios are typically around £14/sqft all in for end users, while the affordability of other forms of workspace can vary more by location as well as sector and age of business. It should be noted that many early stage businesses also value flexibility, and may pay more per sqft for space with flexible terms.

Therefore we believe the emphasis needs to be in including the operational costs of workspace providers into planning agreements which set the value of new affordable workspace. A planning obligation to provide workspace at a specified rate for end users, without setting a figure for what the workspace provider has to pay for the space, typically means the workspace provider is squeezed by the developer in negotiations resulting in the workspace provider being unable to achieve the social, cultural and economic development objectives.

Experience from members of the Workspace Providers Board suggests this 'wholesale rental price' figure is between £8-20sqft lower than the average end user figure. This can change depending on:

- the size of the space (where scales of efficiency can be achieved in larger spaces),
- the flexibility offered to end users (which requires more management), and
- other support programmes.

Policy E3 Part E appears to describe this, but could be clearer, supporting text should state: **“Planning obligations should set the values that a workspace provider must pay the developer, rather than focusing on the cost to end users alone. This should avoid a squeeze on the delivery of objectives”**

The supporting text should also outline cost ranges to give a sense of the likely figures, to aid boroughs and developers. The following figures are based on the experience of members of the WPB. The start-up spaces are intended as 'typical' approximations, drawn from a small number of examples, and as such may require further research.

Objective(s) of space	location	Typical 'wholesale rental price' for the workspace provider
Artist studios	Across London	£6.50/sqft
Social / start-up	Zone 3	£6.50/sqft
Creative / start-up	Zone 2	£15/sqft
Creative / start-up	Zone 1 / CAZ	£25/sqft

Supporting text should state **“These values will usually be below the surrounding market average. For example, workspace providers typically need space at around £6.50/sqft for artists across London; £6.50/sqft for start-ups in zone 3; £15/sqft for start-ups in zone2; and £25/sqft for start-ups in zone1; in order to meet social, cultural and economic development objectives and offer flexible and affordable space for end users.”**

6. Defining Long term (Policy E3 Parts D and E)

We support policies to secure longevity of affordable workspaces, as this allows initial investment to be recouped, while maintaining affordability. There should be a simple and easy to use definition of “long-term”. The supporting text should say: **“Planning agreements should secure permanent or long term affordable workspace for example transferred with 125-year leases, or shorter term (15-year minimum) 'hard' leases with managed or index linked rent reviews, and the right to renew. These timescales allow workspace providers to spread their costs and make space available to beneficiaries at lower rates”.**

To aid further clarity we proposed the sentence **“Arrangements for engaging a provider, how the space will be owned or leased, arrangements for review, and changes in terms, disposal or termination, should be agreed in advance.”** be added to Part E.

7. Design and management (Policy E3 Part D and Policy SD8 part C 2)

We note that mixed-use developments can include ground-floor non-residential spaces to make a nod towards existing planning policy, without being particularly well-considered. We support the general Policy SD8 Part C 2) which seeks to ensure that non-residential space is appropriately located, designed and marketed at realistic rents.

Design problems with affordable workspace might include the configuration of space as well as the wrong specification or absence of amenities. They might also arise from the over-specification of spaces by ambitious promoters supported by architects before a workspace provider is engaged.

We support Policy E3 Part D which encourages workspace providers are engaged at an early stage. The early engagement of workspace providers in the design and delivery of new affordable workspace is highly effective in bringing forward spaces with an appropriate specification for the target beneficiaries (users). However to ensure the effectiveness of the intent of this policy we believe workspace providers should also be “retained”.

8. Sequencing of workspace in mixed-use developments (Policy E3 Part F)

We are very supportive of Policy E3 Part F as it focuses attention on agreeing and finalising workspace arrangements in mixed-use schemes, which could otherwise be postponed indefinitely. However the word “operational” could be understood theoretically ‘with the potential to be operated’, instead we believe the wording should be changed to “in operation” or “should have agreed finalised terms”.

9. Setting targets (KPIs and Policy DF1)

We note the Key Performance Indicator on affordable workspace, which expects an increase in affordable workspace as a proportion of all office space. However we note that this will be difficult to monitor without a universal definition of what is “affordable” and difficult to achieve without targets for what percentage of new development should be affordable workspace.

We advocate that the Mayor introduces targets for affordable workspace or low cost business space for boroughs and/or defined areas (e.g. Creative Enterprise Zones). This is likely to be a critical measure in ensuring that affordable workspace is more frequently prioritised and delivered within new development schemes at a local level, particularly where there are targets for housing.

Housing targets are based on population trends. Workspace targets should look at the number of people who need workspace. The Workspace Providers Board would commit our time and expertise should the GLA commit to developing evidence to support the development of quantifiable targets.

We support the inclusion of affordable workspace in Policy DF1 on planning obligations, and understand the prioritisation of affordable housing, transport and other social infrastructure in general terms. Although in certain circumstances or specific locations affordable workspace can be very important too. We therefore suggest the addition of “in specific locations” to Policy DF1 Part D 2).

10. Wider Economic Policies including Low-cost business space (Policy E2)

We recognise the ongoing pressure for the redevelopment of employment land and properties (industrial and commercial) for higher value uses. We welcome policies that retain employment land and buildings.

We support the Draft London Plan’s office policies for the retention of viable office capacity, and encouraging the use of article 4 directions to suspend Permitted Development Rights, especially in Outer London Boroughs where this tool can be used to retain the supply of employment spaces. We encourage the GLA to monitor article 4s, and to act strategically by proposing areas where boroughs might look to bring forward article 4 directions. We suggest that the GLA create a map of article 4

directions, overlaid on a map of commercial uses, to help identify gaps in article 4s; this map should be maintained and monitored as an ongoing management tool.

We note that commercial rents may not be sufficient to sustain existing uses where residential values are high. Therefore there is a need for policies to retain and promote the supply of low-cost business space, by the cross subsidy of business space within mixed development schemes and by the refusal of redevelopment schemes where re-provision of business space onsite or offsite within the wider area cannot be secured.

We are supportive of Policy E2 which states that development proposals that involve the loss of existing low cost business space in areas where there is an identified shortage should either demonstrate that there is no reasonable prospect of the site being used for business purposes, and ensure that an equivalent amount of business space is re-provided, or demonstrate that suitable alternative accommodation is available in reasonable proximity.

We believe it would be helpful to define “reasonable proximity” **as close as possible to the site within 2 miles**, although this can vary by sector the vast majority of small businesses are dependent on a network of staff, suppliers and customers, which risk being broken if they relocate great distances, putting the continuity of the business at risk.

We also note that it is highly unlikely that “suitable alternative accommodation is available” in “areas where there is an identified shortage”.

11. Summary of tracked changes to Policy E3 and E2

Policy E3 Affordable workspace

A 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. Such circumstances include workspace that is **one or more of the following**:

- 1) ~~dedicated for~~ **focused on** specific sectors that have social value such as charities or social enterprises
- 2) ~~dedicated for~~ **focused on** specific sectors that have cultural value such as artists' studios and designer-maker spaces
- 3) ~~dedicated for~~ **focused on regeneration and supporting** disadvantaged groups starting up in any sector
- ~~5~~ 4) supporting **early stage and** start-up businesses **up to 3 years of trading or** ~~regeneration and/or innovation~~.
- ~~4~~ 5) ~~providing helping to support~~ educational outcomes through connections to schools, colleges or higher education

B Particular consideration should be given to the need for affordable workspace for the purposes in part A above:

- 1) where there is existing affordable workspace on site
- 2) 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) **or other areas where there have been significant net losses of low-cost business space**
- 3) **in areas where there are likely to be such losses as through redevelopment in Opportunity Areas or Areas for Intensification.**

- 4) 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 **or to London's economic, social, educational or cultural profile.**
- C Boroughs, in their Development Plans, are encouraged to consider more detailed **and robust** affordable workspace policies in light of local evidence of need and viability. These **may should** include policies on site-specific locations, or defining areas of need for certain kinds of affordable workspace. **Boroughs are advised to draw on the experience of local workspace providers to understand the nature of demand in an area, and identify sites in masterplanning work.**
- D Affordable workspace policies defined in Development Plans and Section 106 agreements should include ways of monitoring that the objectives in part A above are being met, 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. Applicants are encouraged to engage **with and retain** workspace providers at an early stage to **ensure demonstrate** that the space is configured and managed efficiently.
- E Leases or transfers of space to workspace providers should be at rates that allow providers to manage effective workspace with sub-market rents, meeting the objectives in part A, over the long term. **Arrangements for engaging a provider, how the space will be owned or leased, arrangements for review, and changes in terms, disposal or termination, should be agreed in advance.**
- F The affordable workspace elements of a mixed-use scheme should **be-operational be in operation / have agreed finalised terms** prior to residential elements being occupied.

6.3.1 Affordable workspace is defined here as workspace that is provided at **rents maintained below the market rate** for that space **for a specific social, cultural, or economic development purpose.** It can be provided directly by a public, charitable or other supporting body; through grant and management arrangements (for example through land trusts); and/or secured permanently by planning or other agreements.

6.3.2 Planning agreements should secure permanent or **long term** affordable workspace for example transferred with 125-year leases, or shorter term (15-year minimum) 'hard' leases with managed or index linked rent reviews, and the right to renew. These timescales allow workspace providers to spread their costs and make space available to beneficiaries at lower rates.

6.3.3 Planning obligations should set the values that a workspace provider must pay the developer, rather than focusing on the cost to end users alone. This should avoid a squeeze on the delivery of objectives.

6.3.4 These values will usually be below the surrounding market average. For example, workspace providers typically need space at around £6.50/sqft for artists across London; £6.50/sqft for start-ups in zone 3; £15/sqft for start-ups in zone2; and £25/sqft for start-ups in zone1; in order to meet social, cultural and economic development objectives and offer flexible and affordable space for end users.

6.3.5 Social, cultural, or economic development objectives can be set in planning obligations, or by ensuring workspace providers are on a Local Authority Framework Panel or have a London-wide Accreditation.

6.3.6 Affordable workspace may **help support educational outcomes**, for example by businesses providing apprenticeships and work experience, offering mentoring by entrepreneurs and/or providing space for further and higher education leavers to develop academic work into businesses. It may also be linked with business support and skills training.

6.3.7 As well as ensuring a sufficient supply of affordable business space, the Mayor also wishes to support sectors that have **cultural or social value** such as artists'-studios, designer-makers spaces

and charities or social enterprises for which low-cost space can be important. Therefore, in certain specific circumstances, as set out in part A, there may be a need to secure affordable workspace as part of new development.

6.3.8 The Mayor will encourage the delivery of new workspace for SMEs, the **creative industries, artists and the fashion industry** within new residential and mixed-use developments. He will also provide assistance to artists and creative businesses through the Mayor's Creative Enterprise Zones (see [Policy HC5 Supporting London's culture and creative industries](#)) and promote schemes that provide linked affordable housing and business space in new housing developments.

Policy E2 Low-cost business space

- A The provision, and where appropriate, protection of a range of low-cost B1 business 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 B1 space (including creative and artist studio space) 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 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 as close as possible** to the development proposal **or within 2 miles** 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 B1 business 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.

6.2.1 Smaller occupiers and creative businesses are particularly vulnerable and sensitive to even small fluctuations in costs. To deliver a diverse economy, it is important that cost pressures do not squeeze out smaller businesses, particularly from fringe locations around central London, but also across the capital as a whole. Ensuring a **sufficient supply of business space** of different types and sizes will help to ensure that workspace is available for occupation at an appropriate range of rents reflecting the specification, quality and location of the space.

6.2.2 **Low-cost business space** refers to secondary and tertiary space, which is of a lower specification than prime space. It is often found in locations such as back-of town centre and high street locations, railway arches, heritage buildings in the CAZ, and smaller-scale provision in industrial locations. It usually commands rents at or below the market average.

6.2.3 There is evidence that the conversion of occupied or partially-occupied offices to residential use, through **permitted development rights**, is having a particular impact on secondary space in outer London and on the fringes of the CAZ. This policy is intended to operate in those parts of London where there are particular cost pressures and a shortage of lower-cost secondary or tertiary space available for occupation. It will be most effective in those parts of London where boroughs have removed office or light industrial to residential permitted development rights through Article 4 Directions.

6.2.4 Where there is demand for workspace or viable existing business uses on site, development proposals for alternative uses should deliver an equivalent amount of workspace through the

intensification or reconfiguration of space. Part B.3 of the policy applies in exceptional circumstances, where it can be demonstrated that it is not feasible to accommodate replacement workspace and existing businesses on-site through intensification or reconfiguration. ~~What constitutes a reasonable proximity should be determined on the circumstances of each case having regard to the impact on business supply chains and access to labour supply.~~ Relocation arrangements should be put in place prior to the commencement of development to ensure that disruption to existing businesses is minimised.

6.2.5 Larger-scale commercial development proposals should consider the scope to incorporate a **range of sizes of business units**, including for SMEs. Flexible workspace can include a variety of types of space including serviced offices and co-working space. What constitutes a reasonable proportion of workspace suitable for SMEs should be determined on the circumstances of each case.

6.2.6 If business space is demonstrated to be obsolete or surplus to requirements, it should be **redeveloped for housing and other uses**. Evidence to assess the reasonable prospect of workspace being used for business purposes should include strategic and local assessments of demand and supply, and evidence of vacancy and marketing (for at least 12 months at market rates suitable for the type, specification, use and size, **and including incentives for any refurbishment required**). This evidence should be used to inform viability assessments.

Please note:

We also suggest the addition of **“in specific locations”** to Policy DF1 Part D 2).
And a review of the KPI around affordable workspace

ⁱ The Workspace Providers Board (WPB) is an advisory body to the GLA. Members represent the views of workspace providers as a sector and act as a conduit between the wider sector and the GLA.

Workspace Providers Board members are:

Sara Turnbull is development director at **Bootstrap Company** and chairs the WPB.

Michael Owens is the Commercial Director of **Bow Arts Trust**.

John Spindler / Alison Partridge are from **Capital Enterprise**, a not-for-profit membership organisation with large number of accelerators, incubators and co-working spaces.

Jacob Loftus is an investor and developer of innovative and creative office buildings.

Alice Fung has been involved in setting up **Impact HUB** Westminster and Brixton.

Nick Hartwright is the founder and director of The **Mill Co. Project**.

Nicole Herbert Wood runs **Second Floor Studios & Arts**.

James Byrne has developed **Sustainable Ventures**

Charles Armstrong has developed 8 workspaces in London since 2009 including the **Trampery**.

Jeannette Pritchard developed the **Ugli** business campus.

Andrea Kolokasi is head of business development at **Workspace Group PLC**.

Simon Pitkeathley is CEO of the Camden Town BID who operate The **Camden Collective** workspace for early stage businesses.

More information is available here <https://www.london.gov.uk/node/37821#acc-i-48249>