

Mayor of London
City Hall
The Queen's Walk
London
SE1 2AA

11 December 2016

Dear Mayor

A City for all Londoners
A Joint Response from Westminster Property Association and City Property Association

I am writing on behalf of the Westminster Property Association and City Property Association to respond to the "A City for all Londoners" consultation document. The City and Westminster Property Associations have 400 members comprising almost all the major owners, developers, investors and advisors on commercial, residential and leisure real estate in Central London. I have enclosed a copy of our current membership with this letter.

We welcome the opportunity to comment upon the City for all Londoners document and to participate in the revision of the London Plan and other Mayoral strategies.

In broad terms, WPA and CPA support:

1. Putting London at the heart of the Brexit negotiations to ensure that its interests are understood, accepted and promoted by the UK negotiating teams;
2. Investing in world class infrastructure and creating a healthy environment for residents, employees and visitors;
3. Providing the homes that London needs and the modern workspaces for its businesses along with the transport infrastructure to link them together;
4. Providing the skills needed to build London and to attract and grow businesses; and
5. Providing greater autonomy and wider responsibilities to the Mayor and the boroughs to enable them to make the decisions needed to ensure London's future growth and success, including ensuring that the business rate system does not unduly penalise London businesses

Within this letter we have focused principally upon those areas of the consultation document likely to affect spatial planning policy when incorporated into a revised London Plan.

General

We strongly endorse the priority the document places on enabling London's economic growth. We agree that the centre of London, including the Central Activities Zone (CAZ), is of crucial importance to accommodating as much of this growth as possible. We support continued appropriate protection of employment floorspace in central London from conversion to residential use.

Both the WPA and CPA have welcomed the continued exclusion of the CAZ from office to residential permitted development rights.

Central London and central Westminster in particular are characterised by an unparalleled mix of uses. Our members are committed to supporting this mix. In many cases, this is best done by

creating and supporting mixed use areas, rather than mixed use buildings. Historic policy that has required commercial development to include an element of residential accommodation on-site has constrained the overall delivery of commercial space. Planning policy to promote mixes of uses must be applied flexibly. In the CAZ, mixed use policies should be flexible and incentivise commercial development. Land use swaps, affordable housing swaps, and credits have been proven to assist with this. Policies should focus on mixed use urban blocks and neighbourhoods rather than mixed use buildings.

Growth Locations

We endorse the need to ensure that as much of London's demand for growth can be accommodated within its existing boundaries by intensifying development. Whilst we have supported, and continue to support, protection to prevent offices from being converted to housing in the CAZ, it is important to recognise that intensifying the use of land for housing in inner London has an essential role to play in providing additional capacity for housing whilst alleviating pressure for housing development in the CAZ. Delivering more homes in inner London, and making better use of development sites, can prevent residential development from crowding out office and other employment generating uses within the CAZ. The twin objectives of promoting London's economic growth and providing new homes are therefore closely linked; achieving the former depends upon delivering the latter – in the right places.

Current guidance on sunlight and daylight, and exacting residential design standards such as the London Housing Design Guide, do affect the density and capacity of new development. National guidance on sunlight and daylight is not always well-suited to the dense, built up nature of many parts of London. It can be an inappropriate constraint in some cases. We suggest these should be subject to an early review, towards which we would be happy to contribute, to ensure that London's capacity for new homes is not being unnecessarily constrained.

Map 2 in your document illustrates the intensity of employment densities within Central London. What it does not show, however, is the *variety* of employment densities that exists within Central London. For example, the area around Oxford Street to the west of Oxford Circus has an employment density of approximately half the nearby Regent Street or Soho areas. These disparities illustrate the very significant scope that exists for additional employment and floorspace density within some parts of London's central areas.

London's new infrastructure, such as the Elizabeth Line and, potentially, Crossrail 2, offer particular opportunities for further growth and intensification. Oxford Street, the wider West End, Farringdon and Liverpool Street are examples of this. London cannot continue to grow only by sweating existing floorspace. Additional volume is also required. Past policy approaches, which have generally sought to conserve existing height and scale, will need to change. The new London Plan will need to enable additional physical growth, including in central London. Areas around transport nodes have the potential to accommodate significant additional development, especially within Central London, as do some arterial routes. We welcome your commitment to intensifying development, particularly around existing and planned transport hubs. We support your ambition to work with TfL to achieve growth.

We very much welcome your wish to be the "pro-business Mayor" and to promote economic growth in London and in particular in the West End and City of London. We also fully support the Mayor's aim to improve transport in central London.

We are not able to properly comment on the Map 3 as the detail is not clear, we hope that the emerging plan will seek to intensify development in the West End and City of London and would welcome the opportunity of working your team to review options and areas for intensification in these locations.

Changing the way we travel

WPA and CPA endorse the need to manage road space differently. Streets that can safely accommodate a growing number of pedestrians are essential as more people come to central London by public transport. In many cases, this will require changes to the relative priority of pedestrians, cyclists and other vehicles. In turn, this will require investment and improvements in physical infrastructure.

The City of London's proposed works to the Bank of England junction to give priority to pedestrians, and remove vehicular traffic is an initiative the Mayor should fully support and seek to replicate where possible in Central London.

Development should be enabled to make direct contributions to public realm in and around it; a side-effect of the pooling of development contributions through CIL has been to break this link. Reinstating it could contribute towards achieving your objectives on this topic. Strategic policy could support this by encouraging the use of a proportion of CIL receipts for local public realm improvements and by encouraging the use of infrastructure payments / payments in kind.

We fully support the Healthy Streets approach set out in Figure 2 for Central London.

Affordable housing

We share your concern at the lack of housing that is affordable across the income scales, including affordable rented and shared ownership products for middle income families, as well as lower income earners. Housing costs are limiting the ability of businesses to hire and retain the employees that they need.

At the same time, additional affordable housing cannot be achieved at the cost of limiting or constraining the development capacity of London for other land uses, particularly employment uses. This is especially true within the CAZ. This is why it is so important that the need for new affordable housing is considered on a pan-London basis. New affordable housing will need to come forwards within Inner London, and other parts of Greater London, especially where there are good transport links. A London-wide approach must be taken to the use of developer contributions, especially from development within the CAZ, to ensure that the number of new homes, including affordable homes, built across London, as well as the other infrastructure needed, is maximised. By adopting a London-wide approach, affordable housing outcomes can be maximised whilst ensuring housing tenures continue to be distributed appropriately.

The new London Plan should contain an explicit policy basis to provide for this. Homes for Londoners may also provide an appropriate vehicle for coordinating the use of developers' contributions across London.

We welcome your intention to review how planning policies relate to the build-to-rent sector. Institutionally funded build-to-rent development can make a significant contribution to meeting housing need. But its economics differ from conventional market sale housing. This needs to be recognised in policy. In particular, the sector needs to be treated differently by affordable housing policy, which should recognise the potential for affordable housing through discounted market rents.

Across all tenure types, affordable housing policy – and policy on other planning obligations – must be flexible on the amount of affordable housing and other contributions sought. Individual developments must remain viable so that they can be built without delay.

We note the recent publication of the draft Affordable Housing SPG for consultation. This contains more detailed planning policy on affordable housing on which we will respond separately. We are also aware that the Government is shortly likely to publish a White Paper on housing which will contain further measures to promote new housing.

In order to respond more fully to the housing crisis facing London, non-planning powers will also need to be brought to bear. These will include changes to local government funding and borrowing arrangements to allow local authorities to build more homes themselves and ensuring that receipts from Right to Buy are spent within London.

Economy

We welcome your commitment to ensuring that London maximises its advantage as a World City, especially following the decision to leave the EU. The CAZ must remain at the heart of London's international business centre offer. It is important that the Mayor continues to support and grow London's global contribution and competitiveness.

We strongly support any plans to improve infrastructure within the CAZ, including both the availability of broadband internet to support small and start-up firms, and improving the planning and provision of new electricity capacity.

We are not persuaded of the need for further policy intervention to require the provision of affordable – effectively subsidised – office space in areas of higher rent.

Before any policy intervention is contemplated it is essential that there is full consideration of:

1. which occupational sectors and which typologies of space may require some form of policy intervention;
2. whether land use planning policy intervention to create enforced subsidy is necessarily the right approach; and
3. if so, what form this intervention should take and the nature and definition of any affordable space required.

The document suggests that the purpose of affordable workspace is to support small and medium sized businesses. In practice, "small and medium sized businesses" covers a very wide range of sectors. For example, parts of Westminster are characterised by small, boutique financial service firms operating from small office spaces. Whilst in the City of London the TMT sector is dominated by successful SMEs. There is no evidence that policy intervention is necessary to support these sectors. These types of occupiers are markedly different to small creative start-up businesses; the two will have very different occupational requirements.

In the City of London office rents are at circa £65 per sq ft. This rate has not changed significantly in recent years (unlike house price growth), and is similar to the level in early 2000s. Further commercial terms often include inter alia rent free periods, to incentivise potential tenants and occupiers. An office occupier does not need to move too far out of the Square Mile to pay circa £35 per sq ft or less.

We are not convinced that clear evidence of market failure in this area exists. The most recent CBI Business Survey did not identify the lack of affordable office space as a key issue facing London businesses.¹ Office development is entirely different to residential development; large-scale residential developments rarely come forwards for subsequent redevelopment because of the complexities of multiple leaseholders. In contrast, office buildings are naturally multi-let as they

¹ London Business Survey, CBI, September 2016

approach the end of their lifecycle, before then being redeveloped and extended to provide new space attractive to different occupiers. Preventing their renewal, in order to protect small office space at one point in their life-cycle, would prevent the creation of new office space. The supply of new space would stagnate.

The needs of SMEs may be best addressed by providing larger floorplates attractive to workspace providers who can then efficiently and flexibly provide the space to occupiers. This is likely to support far more people than a requirement, imposed through planning policy, for the space to be artificially subdivided into small office suites and/or potentially made available at subsidised rents.

Requiring new office development to subsidise an element of discounted space would present an additional cost on development. Development already has to contend with CIL and s106 payments, high build costs and, in many cases, expectations for subsidised housing. It would inevitably constrain the supply of employment space at a time when policy is seeking to promote it. The costs of this subsidy would, ultimately, pose further costs on those businesses ineligible for the affordable office product, however defined.

Large, clear-span, office developments, such as those being delivered for Facebook in Westminster or Google in Camden may not have been possible had an element of that floorspace been required for an alternative occupier on a discounted basis. The agglomeration benefits of these large occupiers moving to Central London would, then, have been lost.

Any policy must therefore be based upon a clear understanding of market segmentation and upon evidence of market failure in each of those markets, to avoid the risk of creating blunt instrument.

We recognise that larger, and in some cases, taller buildings will have a role to play in London's future, particularly in the CAZ and the Opportunity Areas. We have already explained, above, that delivering on London's ambitions requires changes to planning policy to support growth beyond existing heights and densities.

We support a review of policy on strategic views, and larger and taller buildings across London, to identify where there may be additional potential for well-designed larger buildings.

The inter-relationship with heritage policy is key. We support continued protection for London's heritage assets. They are an essential part of London's identity. Policy on heritage assets, and statute law, operate at a national level and are beyond the scope of the London Plan. In this context, a narrow interpretation of "harm" to heritage assets by local decision makers can limit the capacity of some development sites. We suggest that the London Plan recognises that the extent to which a new proposal delivers housing or additional employment space, to meet London's challenging growth targets, is a public benefit of potentially significant weight, to be balanced against any harm caused. This will ensure that the need for housing and employment space is considered alongside heritage effects and that development capacity is not inappropriately constrained.

The creation of large basements in residential areas has created considerable concern in many parts of London. In practice, many local planning authorities have developed their own tailored approach to large basement excavation. We consider that this topic continues to be best tackled at a local level, by local development plan policy that distinguishes development in residential areas from developments in commercial areas. Within the CAZ especially, large-scale basement development may be appropriate and necessary, in order to optimise the capacity of sites, where it can be done without significant adverse impact on local residential amenity. We suggest that a policy on basement development is not included within the London Plan.

Conclusion

We trust that these comments, on specific spatial planning policy matters likely to influence the evolution of the new London Plan, are helpful. We look forward to discussing them in more detail with your team as the new London Plan emerges.

Yours sincerely

**Charles Begley**

Executive Director, CPA WPA