

Rt Hon Eric Pickles MP

Secretary of State
Department of Communities and Local Government
Eland House
Bressenden Place
London SW1E 5DU

Date: 9 April 2013

Cc: Nick Boles MP

Dear Mr Pickles,

Permitted development rights for change of use from office to residential

I am writing to you as Chair of London Assembly Planning Committee to ask you to reconsider the Government's proposed new permitted development (PD) rights that would allow the change of use from B1(a) offices space to C3 residential without the need for planning permission.

The Committee held a meeting on 13 March to discuss these proposals with a range of stakeholders and experts, including officers from two London boroughs, the Mayor's senior planning officers, the Royal Town Planning Institute, property consultants, a former Government planning officer and the Federation of Small Businesses' London branch. Although the guests represented different fields in both the public and private sectors, they were unanimous in their opposition to the proposal. The Committee was disappointed that your department officials declined the invitation to attend the discussion.

The expert panel was deeply concerned at the impact the proposed PD rights might have on London's economic recovery, on the delivery of good standard homes for all, and on London's infrastructure and amenities. The Committee would, therefore, strongly urge Government to review these matters before making a final decision on issuing regulations concerning the new PD rights.

1 Summary

The Committee heard for the expert panel that the planning system already has the tools to allow change of use from office to housing, and that these were recently strengthened by the NPPF. Where there is surplus office and business space, local authorities can and should carry out change of use in a managed and strategic way.

Furthermore, the panel pointed out the contradiction of the proposal with localism. Under the new PD rights, neither local authorities nor local people will be consulted on what kinds of premises are being converted and in which locations. There is also serious concern about the quality and affordability of the housing that would result from such conversions, and whether the infrastructure to support this housing will be put in place.

The Committee finally heard worrying evidence about the impact on the economy. Central London comprises two thirds of the capital's office space, and this proposal could result in a loss up to a quarter of that space. Moreover, the changes could make it particularly difficult for start-ups and small and medium-sized enterprises (SMEs) to find the business spaces they need to thrive. Many such spaces these will either be lost to residential uses or their hope value will drive up rents beyond the reach of smaller businesses.

2 Support for a plan-led system

The panel of experts at the Committee's March meeting agreed that the proposal goes against the well-established principle of a plan-led system. It removes significant development from the control of not only professional town planners and elected officials, including local councils and the Mayor, as well as Londoners who will no longer have the ability to comment or make representations on potentially substantial changes to their communities and their local built environment.

3 Unnecessary proposal

The panel also agreed that planning authorities already have the tools available to deal with local oversupply of offices, and the supply and qualitative problems in the market. Local plans and up to date evidence provide the mechanism to control the stock of offices and the supply of new land for housing. The National Planning Policy Framework (NPPF) introduced a presumption in favour of change of use from offices to housing, particularly in areas with a shortage of housing¹. An additional policy lever such as the proposed PD rights is therefore unnecessary in London.

NPPF policy 51 allows local authorities to manage and deliver solutions for redundant commercial space but also to secure a range of section 106 obligations, enforce planning conditions and collect CIL payments. Through the PD rights approach, none of this is applicable which removes all control over the housing mix in terms of the unit sizes and provision of affordable units, limits control over open space standards and could lead to sub-standard housing developments in unsuitable surroundings.

4 A blunt and undifferentiated tool

Richard Pestell, representing the Royal Town Planning Institute, has warned that the proposed PD rights are:

"an incredibly blunt tool, far too blunt for what is quite a complex issue which is not confined to town planning. The problem is far more fine-detailed than the universal approach would suggest. Being blunt also has huge unintended consequences that we cannot yet quantify".

¹ NPPF policy 51 sets out that local planning authorities: *"should normally approve planning applications for change to residential use and any associated development from commercial buildings (currently in the B use classes"*

Michael Bach, Planning & Transport Committee Chairman at the London Forum of Amenity and Civic Societies and former principal planner at the Office of the Deputy Prime Minister (ODPM), argued that the PD rights proposal had been rushed in with very little evidence base and was consequently unsubstantiated.

The panel also highlighted the fact that the use class order does not distinguish vacant from occupied offices and that there is, therefore, a great danger that the proposed PD rights may primarily target occupied offices in attractive locations with higher financial return that are easier to convert and not the long term underused or derelict office space that the proposal is aimed at. It could thus be most damaging for areas with clusters of small, start-up firms and also town centres, undermining the viability and vitality of those areas – a particular concern for outer London areas with high concentrations of SMEs.

5 Unintended consequences for London's economy

The entire panel of expert guests expressed concern that the proposals would have huge unintended consequences for the supply of office space and the London economy and that a lot of the potential risks and benefits have not yet been quantified. The lack of substantial evidence supporting potential benefits and risks of the proposals was considered to be particularly worrying.

Sue Terpilowski, London Policy Chairman at the Federation of Small Businesses told the Committee in March that the Federation's members:

"are worried about [the impact on] economic growth, worried about rents going up and about a lack of what we call oven-ready space – the quirky space that micro and small businesses like to be in – it will be diminishing. A lot of these community based businesses thrive off each other and are interdependent. If space is not available where do they go? The proposal will be driving people out of London".

The central London office market comprises about 18 million square metres of space at the moment, about 64% of the London total. Work done by the GLA and tested by Jones Lang LaSalle, estimates that around 4 million square metres of office space might be at risk as a result of the proposed PD rights. That is about 23%, almost a quarter, of the central London stock which could accommodate 270,000 to 340,000 jobs.

Residential land values are nearly twice that of office use in most of London, and several times higher in some parts of the capital. When the differential is so large and any windfall profits are equally large, there is a risk that landlords would seek to buy out or evict tenants early in order to convert office premises – whether vacant or occupied – within the three year window set out by the government's proposal. This 'hope value' creates even greater pressure and uncertainty for the London business community and could cumulatively cause serious damage to London's recovering economy.

6 Case for London-wide exemption

London is an exceptional case. In addition to being the engine of the UK economy, it enjoys unique governance structures and mechanisms. **Keith Hearn, Senior Director and Head of London Planning at CBRE**, made the point that:

"while at national level there could possibly be opportunities where the new permitted development rights could have a positive impact, the complexity of London and the dynamism of its economy dictates that the need for a robust plan-led system ought to be at the forefront of the thinking".

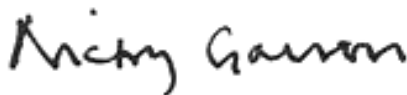
The London Plan, London's strategic development plan and a strategic evidence base document, puts London and the boroughs in a far better position to control any office oversupply in a strategic way than many other authorities around the country. **John Lett, Principal Planner at the GLA**, advised the Committee that the principle of changing from surplus offices to housing, or indeed any other use, where appropriate, is well enshrined in the London Plan. The Mayor has a carefully formulated methodology for releasing surplus space set out in the Housing Supplementary Planning Guide which is currently yielding about 4,000 completions a year.

Aside from the main nationally important office locations in London that should be exempted from the proposed PD rights (the Central Activities Zone CAZ, Canary Wharf, Tech City, and the Royal Docks), there are other strategic locations in London which play an important role in sustaining growth and employment. Cumulatively, taken together, these are of strategic importance to London's and indeed the national economy. The strategic context the Mayor of London has set out in his exemption submission to Government is in most cases reflected in the targeted approach that boroughs have taken in their bids for exemption from the PD rights implementation.

In conclusion, the Committee urges the Government to reconsider its proposal on change of use permitted development rights. If the proposal is to go ahead, then the Committee strongly supports all bids for exemptions submitted for areas within Greater London.

We look forward to hearing your views on the issue. It would be helpful if you could copy your reply electronically to the Committee's assistant scrutiny manager Alexandra Beer on alexandra.beer@london.gov.uk.

Yours sincerely,



Nicky Gavron AM

Chair of the Planning Committee

Cc: Nick Boles MP, Parliamentary Under Secretary of State for Planning, Department of Communities and Local Government