

## **Annex 2: Strategic context for London borough exemption applications**

Whilst the Mayor of London has made an exemption submission focussing on the locations identified in the London Plan as being of national importance (the Central Activities Zone and its extensions to the east and south-west and the Isle of Dogs), there are other strategically important locations in London which play a role in sustaining future economic growth and employment in outer and inner London, and of cumulative strategic importance to the London and national economy.

These locations include:

- (i) Town Centres identified in the London Plan with potential for office development and other specialist strategic office locations**
- (ii) Strategic Industrial Locations and selected locally significant industrial sites**

A number of London boroughs are making the case for exemptions with regard to these locations. This note is submitted by the Mayor to support these cases by providing a strategic overview. It sets out the strategic policy context for exemptions submitted by the London boroughs under criteria B of the Government's exemption process, or where appropriate under criteria A where these are of cumulative strategic importance to the London and national economy.

### **Strategic context**

The London Plan aims to ensure that London continues to excel as a world capital for business, while also supporting the success of local economies and neighbourhoods in all parts of the capital. As Policy 4.1 of the London Plan puts it, the Mayor's objective is to:

“promote and enable the continued development of a strong, sustainable and increasingly diverse economy across all parts of London, ensuring the availability of sufficient and sustainable workspaces in terms of type, size and cost, supporting infrastructure and suitable environments for larger employers and small and medium sized enterprises, including the voluntary and community sectors”

Particular emphasis is placed on supporting the greater contribution outer London can make to the capital's economic success (London Plan Policies 2.6-2.8), both to ensure availability of employment and other opportunities for local communities, and to help relieve the pressure on the congested transport infrastructure into more central areas. Inner and Central London's continued success, and that of the sectors that cluster there, will always be crucial to the capital and the United Kingdom as a whole (London Plan Policies 2.9-2.12). Many of the locations dealt with in this note provide essential services underlying the success of the globally important central area.

London Plan office policy is cast positively and flexibly. In line with the NPPF, it encourages new provision and modernisation of offices as part of mixed use development to meet identified occupier demand. It also actively encourages the managed release of surplus office stock to other, viable land uses including housing (Policy 4.2).

Recognising the dynamic nature of the office market, the Plan does not provide blanket protection for offices. Instead, a plan, monitor and manage approach is strongly encouraged to reconcile demand and supply over the development cycles likely to be encountered during the term of the plan. This provides scope for changes from surplus office to other uses, especially housing, providing overall capacity is sustained to meet London's long term office needs (London Plan paragraphs 4.10 – 4.17). In recent years this managed approach has yielded about 4,000 homes per annum through conversions and redevelopment of surplus office space.

### **(i) Town Centres identified in the London Plan with potential for office development and other specialist strategic office locations**

While London Plan office policy is flexible, it is essential that its local implementation is properly evidence-based, planned and monitored to ensure adequate office capacity is maintained to sustain future economic growth and employment. Informed by the recommendations of the Mayor's Outer London Commission<sup>1</sup> and independent experts in the London Office Review Panel<sup>2</sup>, the London Plan indicates that the most viable locations for the renewal and modernisation of the office stock outside CAZ and the north of the Isle of Dogs include:

- (a) **Strategic Outer London Development Centres** (London Plan Policy 2.16), particularly the strategic office centres at **Croydon** and **Stratford** and elsewhere such as Biggin Hill
- (b) **mid-urban business parks** such as Chiswick
- (c) **strategic, town centre based office quarters**
- (d) **conventional business parks** beyond the urban area, such as those at Stockley Park and Bedfont Lakes
- (e) **science and innovation** parks
- (f) existing **linear office developments**, such as the Golden Mile in Hounslow
- (g) locally oriented, town centre office based provision

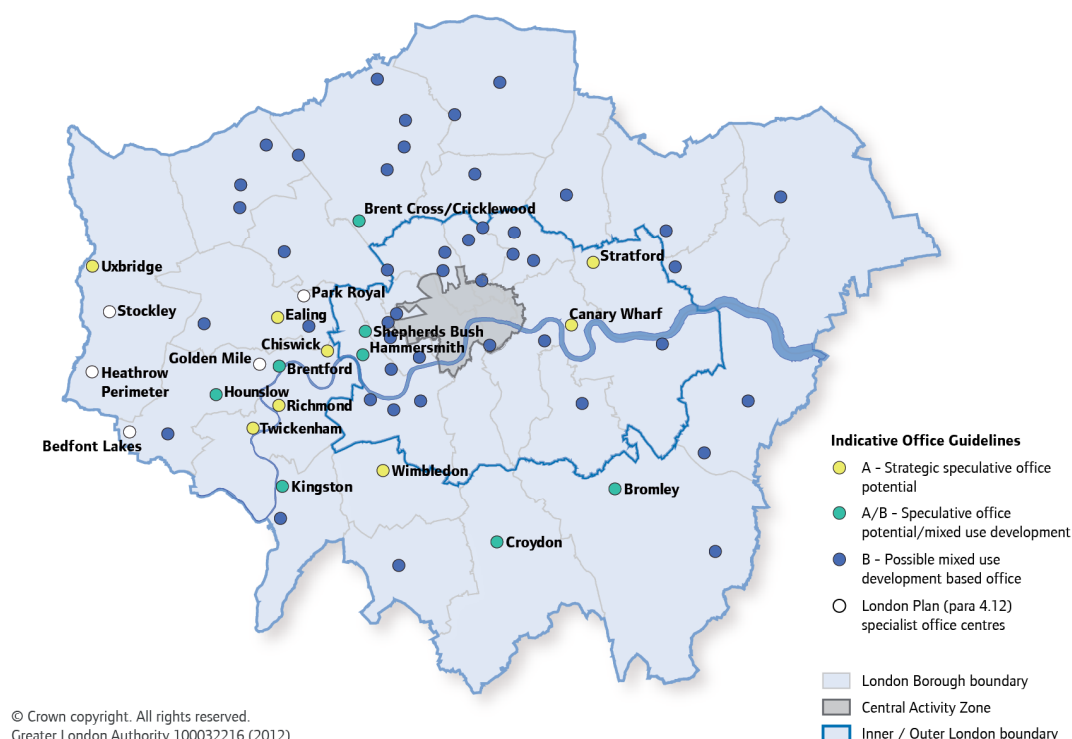
Several of London's town centres beyond the Central Activities Zone support viable clusters of office-based activity and employment. Based upon evidence of demand in the London Office Policy Review, the London Plan (Annex 2) identifies those town centres where speculative office development can be promoted on the most efficient and accessible sites or where office development can be promoted as part of mixed use development including housing. These locations are illustrated below.

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<sup>1</sup> The Mayor's Outer London Commission: report (June 2010)

<sup>2</sup> Mayor of London, London Office Policy Review 2012 (September 2012)

## Town Centres with potential for office development and other specialist strategic office locations (London Plan Annex 2 and paragraph 4.12)



## The scale of the adverse impact in absolute terms

The scale of office employment and office floorspace in each London borough is set out below reflecting the important role that offices play in sustaining economic growth and employment across the capital.

### Scale of office employment and office floorspace in London

Borough	Office employment <sup>1</sup> 2011	Office floorspace <sup>2</sup> ('000 sqm)
Barking and Dagenham	5,400	124
Barnet	27,000	446
Bexley	8,600	170
Brent	15,700	267
Bromley	24,300	334
Camden	126,800	2,171
City of London	287,800	4,849
Croydon	38,600	749
Ealing	23,100	456
Enfield	14,800	240
Greenwich	11,800	200
Hackney	28,900	535
Hammersmith and Fulham	52,700	820
Haringey	12,700	246
Harrow	17,600	270

<b>Borough</b>	<b>Office employment<sup>1</sup> 2011</b>	<b>Office floorspace<sup>2</sup> ('000 sqm)</b>
Havering	10,300	180
Hillingdon	30,300	1,348
Hounslow	36,200	779
Islington	91,300	1,325
Kensington and Chelsea	35,000	593
Kingston upon Thames	20,200	335
Lambeth	35,800	658
Lewisham	11,800	184
Merton	16,600	284
Newham	13,400	285
Redbridge	13,100	195
Richmond upon Thames	27,200	379
Southwark	90,800	1,255
Sutton	12,100	192
Tower Hamlets	122,500	2,370
Waltham Forest	7,500	136
Wandsworth	26,800	373
Westminster	301,300	5,640
<b>London Total</b>	<b>1,598,000</b>	<b>28,388</b>

1. Source: Ramidus, Roger Tym & Partners, London Office Policy Review 2012

2. Source: VOA statistics, 2008

This is around a third of all employment in London, and almost three quarters of employment in outer London. These centres therefore make a very substantial contribution to London's economic sustainability; their loss would diminish the opportunities for local employment options particularly suitable for those with childcare and other commitments making longer commutes unsustainable and putting additional stress on already congested transport infrastructure.

The table below sets out the scale of office floorspace in selected town centres and office locations identified in the London Plan including those with speculative office potential. Together these 16 office locations contain around 2.7 million sqm of office floorspace (over 9% of the London total or 17% of the London office stock outside CAZ and the north of the Isle of Dogs).

**Estimated Office Floorspace in selected town centres/office locations outside of the Central Activities Zone / Isle of Dogs**

<b>Town centre/ office location</b>	<b>Borough</b>	<b>Estimated office floorspace ('000 sqm)</b>
Croydon	Croydon	643
Hammersmith	Hammersmith & Fulham	327
Camden Town	Camden	239
Ealing	Ealing	162
Stockley Park	Hillingdon	158
Uxbridge	Hillingdon	152
Bromley	Bromley	146
Chiswick Business Park	Hounslow	132

<b>Town centre/ office location</b>	<b>Borough</b>	<b>Estimated office floorspace (‘000 sqm)</b>
Heathrow Perimeter	Hillingdon	120
Kingston	Kingston upon Thames	106
Wimbledon	Merton	104
Richmond	Richmond upon Thames	94
Stratford	Newham	84
Bedfont Lakes	Hounslow	81
Hounslow	Hounslow	72
Twickenham	Richmond upon Thames	49

Source: London Town Centre Health Check. GLA, 2009 and borough employment land reviews

A similar dynamic underlying the Mayor’s concerns over the potential impact of government’s proposals in central London is the relationship between the value of land in housing and office use in outer London (see table below). Whilst these values are not directly comparable they do reflect the significant differential between office and residential value and in a true free market should lead to residential development at the expense of office development.

#### **Office and residential values in outer London**

<b>Borough / Location</b>	<b>Office values £/sqm</b>	<b>Residential values £/sqm</b>
<b>Croydon</b> Croydon town centre	£166 - £300	£3,128 - £4,144
<b>Hillingdon</b> Uxbridge/Stockley Park	£225 – £275	£2,690 - £5,920
<b>Merton</b> Wimbledon	£300	£5,500 - £8,337
<b>Richmond</b> Richmond/Twickenham	£168-£377	£6,000 - £6,212

Source: Borough CIL viability assessments 2011/12

**The significance of the adverse impact at the level of the local authority or wider:** Whilst there is surplus provision of office space in outer London as a whole, there are strategically important locations outside central London which play a role in sustaining future economic growth and employment in outer and inner London in the types of location highlighted in (a)-(g) above. The strategic implications of significant loss of office provision and proposals in these types of location include:

- direct loss of employment
- loss of agglomeration efficiencies and local services/activities which are viable at low local rents, especially in the existing stock, and which provide accessible local jobs
- cumulative loss of small offices across some boroughs can have strategic consequences
- impact on the metropolitan labour market including the wider south east region
- potential impact on the Crossrail funding agreement between the Mayor and ministers (see below).

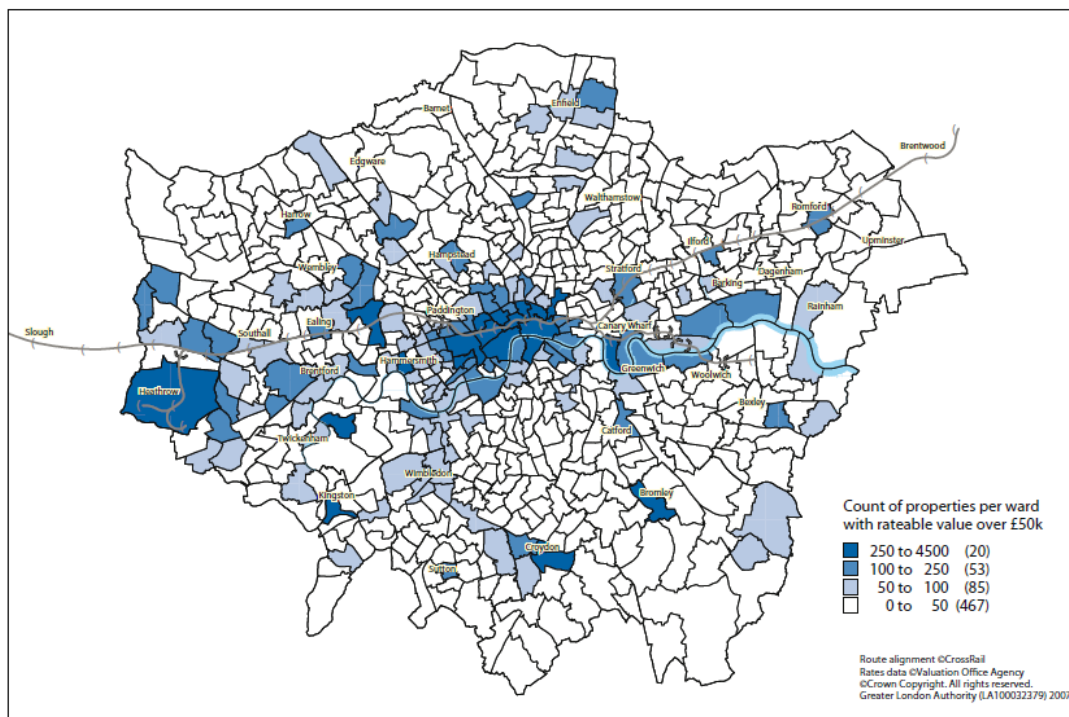
The needs of these office clusters are best addressed through sensitive, realistic local policies in the context of those set out strategically in the London Plan. In these particular clusters, this managed approach could be undermined through the operation of the permitted development rights proposal.

### *Crossrail funding implications*

Crossrail is a major cross-London rail link that will serve London and the south-east of England, linking Maidenhead and Heathrow Airport to the west with the West End, the City, Canary Wharf and Abbey Wood and Shenfield to the east. It is essential to support development of London as a world city and the development of its regeneration areas to help meet the challenges of population and economic growth.

Crossrail is jointly sponsored by the Government (through the Department for Transport) and the Mayor (through Transport for London). Funding arrangements for the project are set out in Heads of Terms agreed in November 2007 and reaffirmed in 2010. Under these, the Mayor is required to provide £7.1 billion towards the £14.9 billion cost of the project: of this, £4.1 billion will be financed by the Crossrail Business Rate Supplement (supporting £3.5 billion of borrowing, and £0.6 billion of direct income). In January 2010 the Mayor set the Crossrail Business Rate Supplement at 2p in the pound of rateable value for each individual hereditament with a rateable value of £55,001 or more<sup>3</sup>. The map below shows the wards in London where higher value hereditaments are located (the map is based on £50,000 or more – the £5,000 difference represents just under 4,000 hereditaments).

### **Illustrative concentration of business premises most likely to be liable to pay the Crossrail Business Rate Supplement – Properties with rateable values above £50,000**



Source: Mayor of London, Intention to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail project. Final Prospectus. GLA, 2010

This shows that many of the locations identified above are also those with larger concentrations of properties with higher non-domestic rateable values. Some of these will be shops, but many will be offices and their unplanned loss to residential use could

<sup>3</sup> For further details see Mayor of London, Intention to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail project: Final Prospectus, January 2010

raise concerns about the loss of supplementary business rate income for funding Crossrail.

**The degree to which there is likely to be a strategic and long term adverse economic impact:**

Town Centres identified in the London Plan with potential for office development and other specialist strategic office locations support the agglomeration of activities which together make a significant net contribution to the national exchequer. These locations also provide for a range of rents across the London office market as a whole which supports the continued development of a strong, sustainable and diverse economy, ensuring the availability of sufficient and suitable office space in terms of size and cost. The need for flexibility for redevelopment provided by existing policy, especially through a mix of uses provides an opportunity for some renewal of the stock to modern standards. An appropriate level of frictional vacancy is essential in supporting an efficient market. It is acknowledged that in some locations higher vacancy rates can be symptomatic of more structural issues which are best addressed by a conjunction of strategic and local policy. Making the best use of existing and proposed infrastructure to support viable office provision and, where possible, development will be an essential part of this process.

**Whether the proposed area of exemption is the smallest area necessary to address the potential adverse economic impact:**

In recognition of their role in sustaining future economic growth and employment in outer and inner London, and their cumulative strategic importance to the London and national economy, the Mayor gives strategic support to London boroughs submitting exemptions for the above types of location (a)-(f) under criteria A/B of the Government's exemption process, and for locally oriented town centre based provision under criteria B. Where justified by robust evidence on a case by case basis, it is for boroughs to identify these locations specifically on 1:10,000 maps.

**(ii) Strategic Industrial Locations and selected locally significant industrial sites**

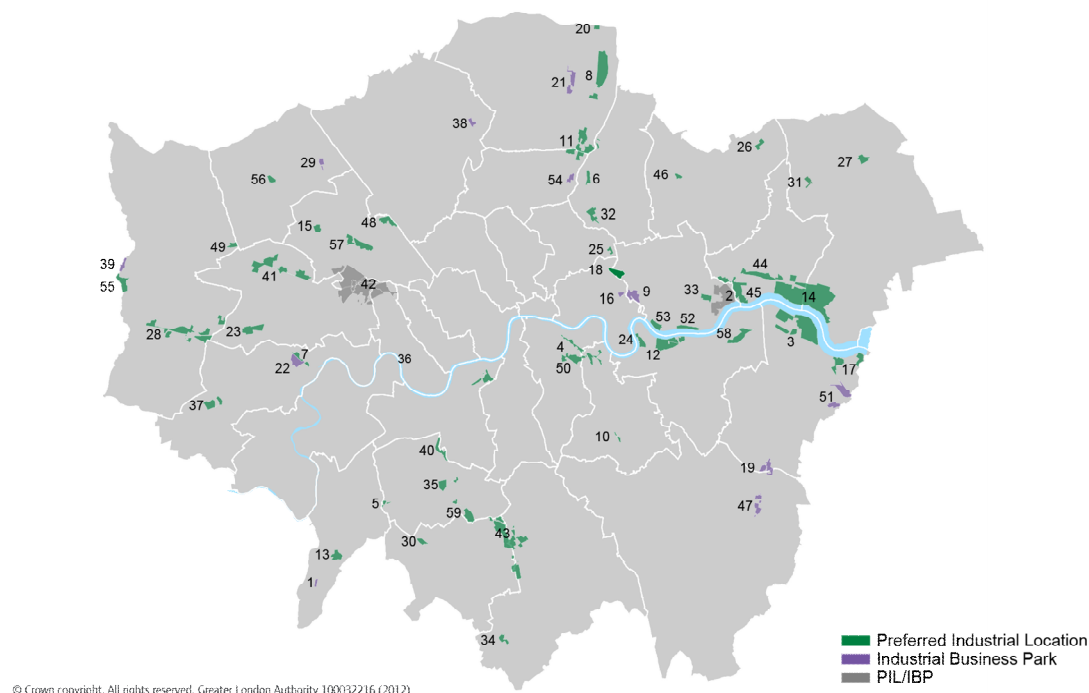
London's Strategic Industrial Locations (SIL), illustrated below, are the capital's main reservoir of industrial land, vital to providing capacity for activities such as logistics, waste management, utilities, land for transport and industrial 'services to support the service sector'. SIL are therefore of individual and cumulative strategic importance to the London economy and the wider metropolitan and national economy. In addition to the SIL, Locally Significant Industrial Sites (designated by boroughs based upon evidence of local supply and demand) are vital for local industrial type functions and meeting other more local needs including the availability of low rent accommodation which supports a range of local employment. SILs and especially Locally Significant Industrial Sites in inner London also provide sustainable distribution services for the world city functions in the Central Activities Zone and the north of the Isle of Dogs. London Plan Policies 2.17 and 4.4 and associated guidance<sup>4</sup> promote these locations for industrial and related development and manage the release of surplus land and buildings to other uses including housing<sup>5</sup>.

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<sup>4</sup> Mayor of London. Supplementary Planning Guidance: Land for Industry and Transport, GLA 2012

<sup>5</sup> Evidence in URS/DTZ and London Plan monitoring indicates that on average around 90 hectares of industrial land have been released to other uses over the period 2001-2012 well in excess of the SPG benchmark of 37 hectares per annum.

## Strategic Industrial Locations (London Plan Map 2.7 refined in Mayor of London Land for Industry and Transport SPG)



Ref	Name	Ref	Name
1	Barwell Business Park	31	King George Close Estate, Romford
2	Beckton Riverside	32	Lea Bridge Gateway
3	Belvedere Industrial Area (part)	33	London Industrial Park
4	Bermondsey	34	Marlpit Lane
5	Beverley Way Industrial Area	35	Morden Road Factory Estate and Prince George's Road
6	Blackhorse Lane	36	Nine Elms (part)
7	Brentford (part) – Transport Avenue	37	North Feltham Trading Estate
8	Brimsdown	38	North London Business Park, Brunswick Road
9	British Gas Site / Cody Road (Part)	39	North Uxbridge Industrial Estate
10	Bromley Road	40	North Wimbledon (part)
11	Central Leaside Business Area (parts)	41	Northolt, Greenford, Perivale (parts)
12	Charlton Riverside (parts)	42	Park Royal (part)
13	Chessington Industrial Estate	43	Purley Way and Beddington Lane Industrial Area
14	Dagenham Dock / Rainham Employment Area	44	Rippleside
15	East Lane	45	River Road Employment Area
16	Empson Street (part)	46	Southend Road Business Area
17	Erith Riverside (part)	47	St Marys Cray
18	Fish Island / Marshgate Lane (parts)	48	Staples Corner
19	Foots Cray Business Area	49	Stonefield Way / Victoria Road
20	Freezywater / Innova Park (part)	50	Surrey Canal Area/Old Kent Road (part)
21	Great Cambridge Road (part)	51	Thames Road, inc Crayford Industrial Area
22	Great West Road (Part)	52	Thameside East
23	Great Western (Part)	53	Thameside West
24	Greenwich Peninsula West	54	Tottenham Hale (part)
25	Hackney Wick (Part)	55	Uxbridge Industrial Estate
26	Hainault Industrial Estate	56	Wealdstone Industrial Area
27	Harold Hill Industrial Estate	57	Wembley (part)
28	Hayes Industrial Area	58	West Thamesmead / Plumstead Industrial Area
29	Honeypot Lane, Stanmore (part)	59	Willow Lane, Beddington and Hallowfield Way
30	Kimpton Industrial Area		



**The scale of the adverse impact in absolute terms:**

Whilst the Government's proposals for permitted development rights from offices to residential do not apply to industrial and warehousing uses, many of London's strategic and locally designated industrial locations contain office accommodation, including workspaces for small and medium sized enterprises. GLA research estimates that offices occupy 106 hectares of land in Strategic Industrial Locations and a further 136 hectares in Locally Significant Industrial Sites<sup>6</sup>. Permitted changes of use of these office uses to residential uses would have potential significant adverse impacts (see below) on the economic viability and operational requirements of neighbouring industrial uses which occupy 3,700 hectares in Strategic Industrial Locations and a further 1,200 hectares in Locally Significant Industrial Sites.

**The significance of the adverse impact at the level of the local authority or wider:**

The operation of the permitted development proposal could lead to changes of use from offices to residential in these industrial locations (given significant land value differentials for industrial development relative to residential development – see table below) which would have significant adverse impacts on the economic viability and operational requirements of industries servicing the growth in London's economy and population. These uses, including waste, logistics, utilities and other industrial uses require geographical separation from sensitive uses such as residential, by virtue of noise, dust, odours, vehicle movements and need for 24 hour working. Conversions of existing office buildings in these locations to residential could seriously compromise their economic viability, operational efficiency and employment and consequently the impact of the permitted change of use is not restricted to just the site itself but also to those immediately adjacent to the site in question. In these circumstances, the substantial adverse economic consequences at the local authority and wider London and metropolitan level would not be offset by the positive benefits the new rights would bring.

**Value of land for industrial development relative to residential development**

Borough	Industrial land values £/Ha	Residential land values £/Ha	Average differential
Croydon	£2,000,000	£4,700,000	2.4
Romford	£2,000,000	£3,125,000	1.6
Enfield	£2,200,000	£4,150,000	1.9

Source: VOA Property Market Report, 2011

**The degree to which there is likely to be a strategic and long term adverse economic impact:**

Once land within a designated industrial location changes to residential the industrial capacity (in terms of land and floorspace), employment and potential to accommodate functions that support the wider London and metropolitan economy (including logistics, waste, utilities and land for transport functions) is removed in perpetuity. Furthermore, the industrial capacity and potential of those sites adjacent to the residential use to be occupied for industrial and the above related functions is curtailed. The cumulative impact of permitted changes of use from office to residential will therefore give rise to a strategic and long term adverse economic impact.

<sup>6</sup> URS/DTZ. London Industrial Land Baseline, GLA 2010

**Whether the proposed area of exemption is the smallest area necessary to address the potential adverse economic impact:**

In recognition of these potential substantial adverse economic consequences and the importance of not further undermining London's diminishing stock of industrial capacity, the Mayor gives strategic support to boroughs applying for exemptions for London Plan designated Strategic Industrial Locations and Locally Significant Industrial Sites (as defined in the London Plan, supported by evidence in strategic industrial land demand and supply research<sup>7</sup>, and in Local Plans). Where justified by robust evidence on a case by case basis, it is for boroughs to identify these locations specifically on 1:10,000 maps.

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<sup>7</sup> Roger Tym & Partners. Industrial Land Demand and Release Benchmarks in London, GLA 2011; URS/DTZ. London Industrial Land Baseline, GLA 2010.