Matter 62 – London Borough of Ealing

Land for Industry, Logistics and Services to Support London's Economic Function

Written statements in response to M62 may be up to 4,000 words in length.

M62. Are policies E4, E5, E6 and E7 consistent with national policy and would they be effective in helping to ensure that sufficient suitable land and premises are available to meet the quantitative and qualitative needs for all foreseeable types of industrial activity over the plan period? In particular:

a) Are the industrial job growth projections and associated estimates of land and floorspace requirements justified?

Growth and employment projections by their nature extrapolate current trends and tend to cope poorly with structural changes in economic activity. This was illustrated particularly clearly following the financial crisis when, even subsequent to the onset of the recession, most ELRs failed to model a fall-off in the rate of growth and instead based their recommendations on a one-off loss of economic output. This suggests the importance of any assumptions around demand and supply being supported by a resilient overall strategy for industrial land uses.

The London Industrial Land Demand Study (LILDS) and the polices in the Draft London Plan (DLP) suggest that over the plan period London will move from the last vestiges of a net surplus of land industrial land to the beginnings of a net deficit. Industrial planning in London has historically depended on a very rough proxy for need in the form of land area targets, and the assumption that land cost and the functioning of the market will deliver both the types of unit required and the efficiencies needed to supply these. This approach is in stark contrast to the acknowledged market failures that characterise the housing market and to the range of planning, financial and policy interventions now considered necessary to deliver housing in London. At present therefore, existing strategies for industrial planning at national, regional, and local level depend on substantial slack in the industrial land market and that slack has now been used up.

Given that all of the net demand for industrial space in London is for logistics uses the ultimate question for the Plan's industrial policies is how they can meet the throughput requirement for goods in London. The logistics throughput figure is unavoidably tied up with the shape of the logistics network overall, changes to road transport, and the question of last mile deliveries and these remain unresolved, and largely unexplored, in the DLP and its evidence.

It is difficult to see therefore that the question of industrial needs in London can readily translate into a floorspace demand figure over the plan period, and nor as it stands does this figure, particularly with the ambiguous factor of yard space, translate into a meaningful tool for managing planning applications.

The DLP therefore suffers from a significant land use planning issue, lack of industrial space, that may not respond to land use planning measures such as intensified development of space. The key question may in fact be the non-land use factor of increasing logistics throughput so that the available space is made to work as hard as possible, and this may in fact be militated against by increasing plot ratios that limit vehicle space. In its current form the DLP does not appear to propose a viable solution to industrial land issues and presents boroughs with an unresolvable dilemma between delivering housing and securing industrial space.

b) Is the aim of ensuring no overall net loss of (i) industrial floorspace capacity and (ii) operational yard space capacity across London in designated Strategic Industrial Locations (SIL) and Locally Significant Industrial Sites (LSIS) justified and realistic, and would achieving that objective ensure the availability of a sufficient quantity of land and premises for industrial uses?

It should be possible to secure no net loss on designated industrial sites within the current policy and evidence of the Plan. However, this will not translate into no net loss of overall supply given that only a minority of industrial land in London is designated. The current DLP strategy for industrial land supply would instead seem to depend not on no net loss on SIL and LSIS but very considerable intensification, that is not currently evidenced by the Plan, to offset structural losses on non-designated sites.

It should also be pointed out that the definition of operational yard space in the Plan is wholly unclear and cannot in its current form be seen as an effective tool for monitoring or management. Yard space seems, according to DLP footnote 83, not to form part of the 65% plot ratio target and is therefore unprotected by the plan.

c) Are the borough-level capacity categorisations ("retain", "provide", or "limited release") set out in Table 6.2 justified, and would the proposed approach ensure a sufficient quantity of land and premises in different industrial property market areas?

The borough-level categorisations are a strategic direction for planmaking rather than any strategy or decision-making mechanism that would be able to secure industrial land or premises. The answer to this question is therefore dependent on the quality of the strategy for industrial provision overall, and the level of supply versus demand. As an increase in industrial space is normally impossible without a source of undeveloped land, and the proposed mechanism of industrial intensification is at best untested, the classifications overall seem to be insufficiently evidenced. Given the lack of certainty that sufficient additional space can be developed in the 'provide' boroughs it seems difficult to support even the few 'limited release' allocations for other boroughs.

d) Are there parts of London where significant amounts of additional industrial land are likely to be needed in addition to that which is currently in use and/or designated?

This question relates primarily to spatial issues which are not sufficiently addressed in the policy or evidence base of the DLP. The main outstanding question here is what the shape of London's logistics system will be, and there is very little in the plan or its evidence to explain this. The economics of intensified logistics uses seem to indicate that there will be very considerable concentration on particular areas of the city. Indeed there appears to be a viability gap between the current standard types of logistics development and the point at which land costs allow stacked warehousing to be commercially attractive. This suggests that SIL and LSIS boundaries do not constitute an adequate descriptor of need and some areas, most obviously Heathrow, will see greatly intensified need. The lack of detail on this type of demand makes it very difficult to plan proactively for intensification.

The Plan does not currently direct development or provide clarity to LPAs due to the absence of a much more proactive approach to industrial planning including a strategy for logistics which identifies key opportunities for intensification and clarifies the need for last mile uses that will probably need in future to increasingly integrated with housing.

e) Is the approach to assessing floorspace and yard space capacity set out in paragraph 6.4.5 – 6.4.5B based on existing floorspace or floorspace assuming a 65% plot ratio (whichever is greater) justified and would it be effective?

No. The 65% plot ratio seems to have a complex and less than entirely clear development that begins with the 2009 *London Employment Sites Database – Technical Paper 1* and is rolled over into the 2015, *London Industrial Land Supply & Economy Study* with little further analysis. The 2017 *London Employment Sites Database* report, and 2018 *Analysis of plot ratios in industrial development in London (2011-2018),* deal in slightly more detail with plot ratios but are unclear over the appropriateness of the statistical blend of schemes that were used and how they account for the distorting effects of self storage, smaller van-serviced schemes, and the Central Activity Zone. From this evidence it is wholly unclear even that a single plot ratio factor is an appropriate management tool across disparate B2, B8 and sui generis industrial uses and between inner and outer London, still less that it represents anything approaching an average or a good practice benchmark.

Engagement with industrial space providers and site users in West London points to distribution requirements for mid-large floorplate logistics operators of spaces c50,000sqft that remain at a 45-55% plot ratio with no change anticipated in the short to medium term. 65% as a target ratio is seen as unrealistic and a sub-optimum product for this key logistics format. Meanwhile stacked distribution is in a market test phase but may see increased prevalence in the 3-5 year+ period. This will be suited to larger plots in major SIL sites well-located on the

transport network and will enable 100%+ plot ratios. On local light industrial sites a move towards stacked operations with high plot ratios is expected to see some market traction but will not be suited to many operators and may require residential cross subsidisation.

Meanwhile, as the plan acknowledges, yard space is critical to many industrial uses and may be at risk with a blanket 65% ratio. At the very least there is a need to refine plot ratios as a target or consider alternative policy measures where nuances reflect location, site designation and occupier type. However, as discussed above, land use measures such as plot ratios may not be an appropriate tool at all where net demand is entirely driven by logistics uses over the plan period and the key measure is site and network throughput as a whole.

Experience in Ealing has indicated that 65% can typically only be achieved on individual sites where there is no need for internal roads other than yard space. In practice the 65% ratio is in fact a subjective measure that is difficult to apply in a development management context.

f) Is the approach set out in Policy E7D towards "non-designated industrial sites" (36% of total amount of industrial land) justified and consistent with national policy?

As set out above, it is not considered justified in strategic planning terms to treat non-designated sites in a fundamentally different way from SIL and LSIS if the targets for no net loss across London, and particularly those of additional capacity, are to be met. If one accepts the projections of demand and supply for London then it becomes questionable whether national policy informed by a presumption of excess industrial capacity is appropriate here.

It may be argued that the current plan approach is consistent with national policy requirements such as NPPF para 120-121 which require frequent review of land use allocations and flexibility in considering proposals for alternative use. However there is little to suggest that the level and quality of industrial supply delivered by the Plan is sufficient to account for the para 81 d requirement that it 'be flexible enough to accommodate needs not anticipated in the plan'. The LILDS demonstrates that on current trends the city will suffer a substantial shortfall in industrial provision during the plan period. Avoiding this will require a sharp change the handling of applications on small sites.

London has no net surplus of industrial land across the plan period and as such NPPF and NPPG considerations about flexibility in changes of use should not be considered to be relevant.

g) Would policies E4-E7 provide an effective strategic context for the preparation of local plans and neighbourhood plans?

The main problem that the DLP presents for plan preparation is firm targets for development that are insufficiently supported by strategy and evidence. Local development plans were formerly able to rely on looser strategic targets for

industrial supply to compensate for rather imprecise metrics and blunt management tools. The current target of no net loss runs the risk of being simply undeliverable in the absence of some strategic space for the development of new business models and development typologies.

h) Are policies E4-E7 clear about how they would be implemented through the determination of planning applications, particularly in terms of the role of "planning frameworks" and "a co-ordinated masterplanning process in collaboration with the GLA", and the relationship between policies E5D and E7B?

The use of planning frameworks and masterplans needs to be at the complete discretion of Boroughs together with the GLA if they are to avoid a free-for-all that undermines industrial supply. It is essential that policy does not permit speculative applications or provide any grounds for appeal where no masterplan process has been brought forward by LPAs.

Ealing is currently working on pilot industrial intensification schemes in various parts of the borough and the understandable enthusiasm of landowners to realise development on their sites would lead to the complete loss of individual designated sites unless LPAs retain control of boundaries and timetables.

i) Is Policy E7F, along with Policy SD2, likely to be effective in terms of facilitating the substitution of some of London's industrial capacity to related property markets beyond London's boundary, and would achieving such an objective contribute to the achievement of sustainable development?

These policies are wholly insufficient to provide for substitution. It is impossible for Boroughs to deliver any significant quantum of space beyond London's boundaries on an ad hoc and site-by-site basis. GLA needs to take a strategic lead on substitution and examine the problem from top to bottom starting with a Logistics Strategy for London and going all the way through to engagement with the proposed host authorities to secure delivery of the space.

j) What evidence is there about the feasibility of delivering schemes on industrial land that would lead to the provision of net additional industrial floorspace along with the provision of significant numbers of new homes on the same site?

Evidence at this stage is limited to case studies and it is difficult to draw broad conclusions from these as they represent an early stage in the development of mixed industrial-residential models. These studies show that such development is possible and given their pioneering nature it is likely that subsequent schemes will do better in all metrics as experience and market demand grows, however, what remains uncertain is the quantum of uplift that these will be able to supply.

There is currently no basis to derive a strategic figure for additional provision from industrial intensification schemes.

Ealing has two pilot schemes currently nearing application stage and both are delivering no net loss of industrial space in addition to a huge increase in housing. Both schemes rely on vertical mixing, which Ealing considers generally preferable for mixed industrial-residential schemes, and one allows for a an approx 15% uplift in floor area at grade with potential for more in a mezzanine.

It should be expressly noted, however, that there is no evidence that any uplift in affordable housing provision is possible in industrial intensification schemes and the 50% threshold suggested by the Plan appears to be wholly unrealistic. If anything these schemes seem to suffer from systemically lower affordable housing viability due to inherently higher construction costs.

k) How would policies E4-E7 affect the implementation of Policy GG4 "delivering the homes Londoners need"?

If the evidence on industrial need demonstrates anything it is that industrial and residential need cannot be seen as completing with each other because they are mutually interdependent. 'Industrial' land uses in the modern planning context include and are principally composed of all of the support services necessitated by residential populations. No strategy for increasing the supply of homes is deliverable if it is not supported by a strategy to meet industrial needs, whether by intensification of development or of use, or by substitution outside of the plan area.