

Boris Johnson
City Hall
The Queen's Walk
London
SE1 2AA

+44 (0) 20 7182 2700
+44 (0) 7774 824 715
Stuart.robinson@cbre.com

17 August 2015

By Post

Dear Mayor,

LONDON OFFICE REVIEW PANEL - RECOMMENDATIONS FOR THE MAYOR'S CENTRAL ACTIVITIES ZONE SUPPLEMENTARY PLANNING GUIDANCE

On behalf of the London Office Review Panel ("LORP"), I write to thank you for this opportunity to positively engage in the preparation of Supplementary Planning Guidance on the Central Activities Zone.

The LORP welcomes the introduction of supplementary planning guidance on the Central Activities Zone as London's globally iconic core and key strategic business location.

This response has been prepared in the light of discussions at two Panel meetings held in May and July 2015 on the current issues, trends, policy and other property and office occupier related matters which bear on the Mayor's objectives for office provision and associated development. The Panel's advice and recommendations on these matters is summarised below according to the issues outlined in its terms of reference.

1. Office to residential permitted development rights (PDR)

The DCLG Planning update on 25 March stated that "The government will further consider the case for extending the office to residential reforms, which are helping provide more new homes on brownfield land." Panel members are aware that the Government may now be considering the extension of PDR and the removal of the current exemptions with the potential that these could be replaced with Article 4 Directions by local planning authorities, subject to Secretary of State approval. Members of the Panel reiterate their strong preference that the current exemptions to PDR are retained. Members are also concerned about the impact of these rights in areas immediately outside the central area. LORP members note that there is anecdotal evidence that many prior approval applications have not been implemented, partly due to access to funding given uncertainty on implementation/completion timescales.

In the event that Government does remove the exemptions to PDR, the Panel would support a co-ordinated approach to the introduction of Article 4 Directions by the relevant boroughs to ensure that London's nationally and internationally significant business locations are safeguarded including the Central Activities

Zone, Tech City, northern Isle of Dogs and Royal Docks Enterprise Zone. The Mayor should play a key role in providing this co-ordination to support borough Article 4 Directions for London's nationally and internationally significant business locations.

LORP recommends that the CAZ SPG:

- a. reinforces the case for exemptions to offices to residential permitted development rights in CAZ, Tech City, the North of the Isle of Dogs and the Royal Docks Enterprise Zone
- b. provides criteria and guidance to support borough Article 4 Directions for these areas in the event that Government removes the exemptions
- c. provides guidance on addressing the impact of offices to residential permitted development rights on areas immediately adjoining the CAZ.

2. Office-residential balance in CAZ

Whilst the CAZ is currently exempt from PDR, there is evidence of significant demand for residential which is having an impact on the central London office market. LORP members note that the market for offices relative to new residential is starting to rise. Nevertheless, it remains critical that the CAZ is promoted and prioritised as a growth area for offices, employment uses and other strategic functions and that these are not undermined by residential development.

LORP recommends that the CAZ SPG:

- a. makes clear that within the Zone as a general principle, greater weight/priority should be afforded to offices and the CAZ strategic functions relative to new residential development
- b. provides guidance to 'promote' and 'facilitate' commercial development
- c. provides guidance to boroughs on criteria to take into account in policies for office to residential conversions within CAZ
- d. provides guidance on approaches to safeguarding employment and office capacity in the transition area immediately around the CAZ
- e. provides guidance to ensure that there is sufficient industrial capacity close to the CAZ to meet its day-to-day, 'just in time' servicing and other supply chain requirements.

3. Mixed use development and offices

In the adopted further alterations to the London Plan, policy 4.3Aa provides flexibility for boroughs to introduce local thresholds for the application of mixed use policy.

LORP recommends that the CAZ SPG:

- a. encourages boroughs to raise local thresholds to a level that actively encourages office renewal whilst still contributing to housing provision through London Plan policy 4.3Aa.
- b. reinforces the importance of delivering a mix of uses across areas within CAZ (apart from areas such as parts of the City of London and north of the Isle of Dogs where such a mix could compromise their world city commercial functions) and having due regard to the priority afforded to offices and the CAZ strategic functions relative to residential development

- c. re-affirms the importance of mixed use across areas and not necessarily exclusively in mixed use buildings (office/residential)
- d. supports mixes of uses in appropriate locations in CAZ where these introduce an active ground floor use (eg retail/café/leisure/cultural uses with offices above or active showrooms/workshops to animate the ground floor of office developments).

4. Small offices in CAZ

Research by Ramidus Consulting¹ presented to the Panel suggests that:

- i. in the current market, there is no need for CAZ wide policies specifically to protect small offices
- ii. a large and growing proportion of small units are accommodated in large multi-let buildings
- iii. current heritage policies provide some protection for small office space in CAZ
- iv. while some businesses that have been long-established in fringe locations will face unsustainable rental increases at rent review, CAZ is able to offer an acceptable range of rental values and it has the capacity to absorb small occupiers elsewhere
- v. monitoring thresholds should be put in place to ensure that there is an adequate supply and affordability of small offices in CAZ
- vi. policy should promote and facilitate the provision of smaller business units within larger developments, particularly in areas of existing concentrations of small business units
- vii. employment uses, including offices, should be afforded greater protection from changes to residential within CAZ
- viii. there should be a CAZ transition zone, extending beyond the CAZ, where employment uses, including offices, are afforded additional protection.

LORP members note that there is evidence that developers are looking to incorporate space for start-ups and smaller scale occupiers to bring vibrancy and energy to mixed use/commercial schemes. There is also evidence that large corporate businesses are taking up space in smaller units to accommodate smaller tech-orientated teams.

LORP recommends that the CAZ SPG:

- a. introduces a series of benchmarks/thresholds for small offices that could be jointly monitored by GLA/CAZ boroughs. These benchmarks/thresholds could include measures of rent (affordable as a proportion of prime); stock availability (including the flexible space market) and take-up (by unit size)

5. Other recommendations

LORP recommends that the CAZ SPG:

- a. recognises that the Zone is expanding and the need to facilitate growth and expansion, whilst keeping a 'central London' focus and noting the linkages with other areas that are closely related/connected with the CAZ – i.e a series of 'connected urban areas'
- b. recognises the importance of communication and infrastructure in the CAZ and the need for enhancements and investment

¹ Ramidus Consulting. Small Offices and Mixed Use in London's Central Activities Zone. GLA (2015, forthcoming)

- c. recognises the different clusters of economic activity in CAZ and facilitates the emergence of new clusters (e.g universities and teaching hospitals)
- d. highlights important cross-boundary issues for co-ordination between boroughs (for example justification to support small office provision – see 4 above).

We trust that this letter is clear but should you have any queries please do not hesitate to contact me or my colleague, Rachel Ferguson (ext. 2781) in my absence.

Yours faithfully,

A handwritten signature in black ink that reads "Stuart Robinson". The signature is written in a cursive, slightly slanted style.

STUART ROBINSON
CHAIRMAN UK - PLANNING