
LAMBETH DRAFT LOCAL PLAN

Matter 4 – Economic Development, Retail and
Town Centre Uses, Questions 4.3 and 4.9

**Hearing Statements prepared by CBRE on
behalf of Wolfe Commercial Properties
Southbank Limited**

9 October 2020

Hearing Statements to the Draft Lambeth Local Plan on behalf of Wolfe Commercial Properties Southbank Limited

- 1.1 CBRE limited is instructed by Wolfe Commercial Properties Southbank (WCPS) Limited to address two of the Examining Inspector's questions in relation to Matter 4 of the Examination in Public of the Lambeth Local Plan.
- 1.2 CBRE previously provided representations to the Proposed Submission Lambeth Local Plan. In our opinion, the Proposed Submission Plan cannot currently be found sound under Paragraph 35 of the NPPF without an amendment to this Policy. Our full justification for this is set out in our Regulation 19 representations¹. However, for ease, we considered Policy ED2 unsound for the following principal reasons:
- The policy is not positively prepared – it actively discourages the refurbishment of existing offices, which may require planning permission either due to change in appearance, use or extension, through the requirement to provide affordable workspace on total floorspace rather than any net uplift. 42% of the pipeline for offices in the Southbank office area are refurbishment schemes², often made commercially viable through extensions. The requirement for affordable workspace on existing floorspace could discourage investment in existing stock and impact on Lambeth's ability to deliver a sustainable pipeline of renewed office stock.
 - The policy is not effective – refurbished offices provide an important aspect of Lambeth's office supply and provide space to companies at a rental point differential to headline rents seen on high quality new build schemes. Therefore, in potentially reducing the supply of refurbished office space, the Plan fails to encourage commercial office spaces suitable for a wide range of occupiers, including importantly SME's.
 - The policy is not consistent with National Policy - in accordance with NPPF paragraph 81, Draft Policy ED2 as drafted does not positively or proactively encourage sustainable economic growth (clause a), address potential barriers to investment (clause c) or enable a rapid response to changes in economic circumstances (clause d). Further, the requirement for affordable workspace is anticipated to be secured through S106 agreements. Under Paragraph 56 of the NPPF, S106 obligations must be necessary, directly related to the development and fairly and reasonably related in scale and kind to the development. Requiring affordable workspace across existing floorspace is not reasonably related to the development and therefore draft policy ED2 is not consistent with national policy.
- 1.3 The Inspector has requested a response to the following question in relation to draft Policy ED2.
- 4.3 i) Is policy ED2, which seeks to promote affordable workspaces, sufficiently responsive to sensitive viability considerations, or are there soundness issues with its application, for example, in relation to applications for redevelopment and refurbishment of office space?**
- 1.4 WCPS does not consider that policy ED2 is sufficiently responsive to viability considerations. It is also considered that there are issues with its soundness as currently proposed.
- 1.5 To provide context to our previous representations and the response to the above question, WCPS is the freeholder of an existing office building on the South Bank. The building, previously locally listed and now Grade II listed, provides 27,790 sqm (GIA) of office floorspace. Constructed in 1983, the building

¹ Representations submitted under respondent ID R018

² Deloitte 2019 Crane Survey

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is in need of significant modernisation. The applicant is currently working with LB Lambeth on a planning application to refurbish and upgrade the existing building and in order to achieve viability of the development, to increase the amount of office floorspace on the site.

- 1.6 As part of discussions with LB Lambeth, officers have been seeking to secure affordable workspace across the gross floorspace created by the development, rather than the new uplift, in line with draft Policy ED2. We consider there are soundness issues with the policy, principally in how it is being applied to all floorspace rather than uplift.
- 1.7 The policy as drafted is unsound in its application to refurbished floorspace on the basis that refurbishment schemes and investment in existing office floorspace inherently pose greater viability challenges in comparison to delivering new floorspace, with commercial returns at levels required to balance the risk and provide the incentive to undertake these types of development, particularly on listed buildings. Examination Document INS01 requested that LB Lambeth consider this point in more detail and provide a statement looking at the robustness of the policy, including the viability implications.
- 1.8 In its response, we not do consider that LB Lambeth has provided sufficient information for the viability implications for refurbished floorspace, stating in LBL01 that *'although it is considered that development proposals would generally aim to increase the quality and rental value of office space, if this were not the case, then the scheme would not be required to provide affordable workspace on the whole of the floor-space, and would only apply to the uplift (where above the threshold).'*' This is a gross oversimplification; in reality, refurbishment projects will always aim to result in an increase in the quality and rental value of the space by the nature of the works, otherwise there would be no commercial incentive to undertake development.
- 1.9 Planning permission will not be required where only internal refurbishment is proposed, but any extension to existing floorspace, whatever the scale or where an application seeks to improve the exterior of the building, will trigger an affordable workspace requirement under policy ED2 as drafted. Refurbishments are often only made viable through the provision of additional floorspace, particularly in the case of listed buildings with higher build costs, so any extensions to make a refurbishment commercially viable will be impacted by the policy as currently drafted. This will erode any commercial return, removing the incentive to improve a building. Where extensions are not required to make refurbishment viable, the policy actively discourages providing additional floorspace, as any commercial return from doing so would be eroded by an affordable workspace policy requirement being applied across the existing floorspace. This makes the policy ineffective in achieving strategic policy aims with regards to increasing the delivery of office floorspace and improving the existing stock.
- 1.10 LB Lambeth has considered the viability of applying the requirement for a discount on rent across new and refurbished buildings based upon the conclusions of Document EB97. However, this document only appears to analyse three office schemes to understand whether the rate is viable³ and LBL01 states that *'the viability testing applied the discounts to the whole of the proposed floorspace within schemes and did not distinguish between refurbishment or rebuild'*. Within EB97, there is no clarity on the proportion of space which was refurbished within the schemes that were tested and there seems to have been no assessment of a purely refurbished scheme to see the impact on viability, with LB Lambeth making an assumption that a refurbishment scheme would generally have lower build costs, which is not necessarily correct, particularly on listed buildings. Therefore, we do not consider the policy requirement for

³ Table 4.1.1 of Document EB97

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affordable workspace on existing floorspace has been sufficiently justified and therefore the policy is not sound.

- 1.11 The policy as drafted, provides very little flexibility to the model of affordable workspace that could be provided and does not take account of the needs of local business groups. A discount to the market rent is not appropriate in all circumstances, particularly in areas like Waterloo where a reduction in the average rent by 50% will still be unaffordable to microbusinesses, start-ups and creatives i.e. the types of business the policy has been drafted to assist.⁴ This has been evidenced in our consultation with local community groups and business leaders. Further a report by the London Assembly titled 'Helping SME's to Thrive', notes that flexible or co-working models can help combat the high cost of workspace, particularly for start ups and micro-businesses. It also states that *'better alignment of local planning policy and local business early on to minimise the displacement of businesses following redevelopment.'* The report references a scheme in Hackney Wick where the workspaces provided as affordable workspace for local artists remain empty due to their high cost⁵. Without more flexibility to how the policy can be applied, particularly in expensive areas of the borough, the policy cannot be considered effective in delivering useable affordable workspace and will not contribute towards LB Lambeth's aims to grow the creative and digital industries. Therefore, to be effective and responsive to local need, the policy should be amended to introduce additional flexibility for applicants to consider alternative approaches, beyond just a discount to market rent, to ensure businesses of all sizes are accounted for and that local needs are met.
- 1.15 Another issue of soundness is how the policy is applied. As drafted, the policy is intended to be applied on Gross Internal Area (GIA) rather than Net Internal Area (NIA). Applying the policy on GIA in a multi tenanted building has no sense and does not allow for the specific circumstances of the development. The policy should therefore be delivered on an NIA basis so that it is fair and effective in allocating useable space to tenants who need affordable workspace.
- 1.16 Overall, to be considered sound, we consider the following changes needs to be applied to the policy:
1. Amendment of the policy, in relation to refurbishment schemes, to only require affordable workspace from any uplift in floorspace
 2. Additional flexibility on allocation of discounted rent to the type of affordable workspace that can be provided to ensure the policy is effective in meeting local requirements.
 3. Clarification that the policy will only apply to Net Internal Area
- 1.17 CBRE also wishes to make a response on behalf of WCPS to Question 4.9, as we consider Policy E15 is also unsound as currently drafted:
- Policy E15 seeks to maximise local employment opportunities through a number of measures, including a requirement for a minimum of 25% of all jobs created by a development proposal (in both the construction phase and for the first two years of end-use occupation of the development) to be secured for local residents. Is this policy justified, is it in accordance with the London Plan and national policy and is it enforceable, i.e. effective?**

⁴ In Examination Document LBL01, LB Lambeth confirm that policy ED2 Policy (ED2) promotes the provision of affordable workspace to be made available for SMEs, not for profit or charitable sectors, and to support the creative and digital and other key local economic sectors within the borough.

⁵ P5, Helping SME's to Thrive, London Assembly, 2017

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- 1.18 Whilst WCPS is supportive of maximising local employment opportunities, the requirement for 25% of all jobs created by the development in the construction and end-use occupation is not effective in ensuring the strategic aims of the London Plan to maintain London's global city status as a service provider. From Document LBL01, the 25% requirement appears to have been taken from the 2011 Census, which found that 138,200 jobs were available in Lambeth and 34,700 of these were taken by people who also lived in Lambeth. To apply this figure as a requirement to new developments is arbitrary and has not been properly justified. There has been no further analysis of the types of jobs that the 25% applies to – for example, many of these jobs could be in hospitality, and LB Lambeth is using this to apply to all employment generating developments across all use classes. Further, it does not take account of how London operates as a city, with people tending to live in one borough and work in another, or not live in London at all.
- 1.19 The policy is intended to secure more opportunities for Lambeth residents in jobs in Lambeth, but in reality, this is not within the control of the developer but the future tenant. The developer will not have the ability to agree this on behalf of future occupiers. The obligation is therefore considered unreasonable when applying to development.
- 1.20 The London Office market is highly sophisticated and mature and occupiers are continually seeking to retain and attract the best talent for their business. Any occupier who chooses to relocate will carefully consider the impact of this move on their workforce and seek to ensure that the loss of staff is minimised. It is unreasonable to assume that any refurbished or new build scheme will consist of new start-up companies, or existing companies requiring an entirely fresh work force, and this policy makes no allowance for relocation of existing businesses. Notwithstanding this, it is unlikely that local people in Lambeth will be able to provide the breadth of skill sets that can apply to all the commercial sectors/disciplines that businesses will require.
- 1.21 WCPS considers that there are far more effective ways for the policy to deliver its aims, such as a standardised financial payment towards resident upskilling and training to broaden access to employment for residents on a far wider basis and the requirement for 25% of end occupiers to be Lambeth residents should be removed from policy E15.