

# Lambeth Local Plan 2020-2035: Examination in Public - Written Representations on Behalf of The Arch Company Properties LP

## Matter 4 - Economic Development, Retail and Town Centre Uses - 4.3 Affordable workspace – Policy ED2

09 October 2020

1. We write on behalf of The Arch Company Properties LP (“The Arch Company”) with respect to the Examination in Public (EiP) of the emerging Lambeth Local Plan 2020-2035. This statement is submitted further to The Arch Company’s representations to the Regulation 19 consultation (ID Ref: R055) attached as Annex 1 on Draft Revised Lambeth Local Plan Proposed Submission Version (January 2020), the London Borough of Lambeth’s response to representations made and the Planning Inspector’s Matters, Issues and Questions (MIQ) Discussion Note, with respect to Matter 4 - Economic Development, Retail and Town Centre Uses - 4.3 Affordable workspace – Policy ED2.

### **The Arch Company & LB Lambeth Portfolio**

2. It is considered that it will be helpful to provide some background information on the Arch Company nationally and their portfolio within the borough. The Arch Company acquired Network Rail’s former commercial estate business in 2019. It is the landlord for more than 4,000 businesses across England and Wales, making it the UK’s largest small business landlord, working with thousands of business owners, from car mechanics to bakeries and restaurants, who make a unique and vital contribution to the UK economy.
3. In regard to the potential implications of the Draft Revised Local Plan it is of importance to identify that The Arch Company has substantial land holdings within the LB of Lambeth, including over circa 500 railway arches (estimated to be over 100,000 sq m of floorspace (figure is indicative), circa. 65 small unit and freestanding buildings, as well stand-alone land sites. These arches/sites are occupied and let over a range of planning use classes including Class E, B2, B8 and a number of Sui Generis use classes which reflects the wide-ranging scale, location and form of the arches.
4. The Arch Company Lambeth portfolio also includes railway arches and associated land pockets within strategic Town Centre locations including at Loughborough Junction and Brixton.
5. Following the recent acquisition, it is a priority for the Arch Company to address vacancy levels within the portfolio and bring vacant and dilapidated arches back into an active use. To achieve this large scale investment is required for a number of these properties to bring them back into a lettable condition.

6. Based on 'rental space references' (which is how the portfolio identifies properties (with a range of unit numbers per reference)) it is estimated that vacancy levels currently sits at approximately 28% in the borough.

#### **What particular part of the document is unsound?**

7. Policy ED2 (Affordable workspace) of the Lambeth Local Plan 2020-2035 is considered to be unsound.

#### **Which soundness test(s) does it fail?**

8. It is considered that Policy ED2 is neither positively prepared nor justified.

#### **Why does it fail?**

9. Paragraph 4.3 of the Inspector's Matters, Issues and Questions, issued on 14 September 2020, relating to Matter 4 (Economic Development, Retail and Town Centre Uses) proposed the following discussion:

*'Affordable workspace: (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?'*

10. As per the detailed reasoning below and further to representations submitted to the Regulation 19 consultation (ID Ref: R055), it is not considered Policy ED2 provides enough flexibility in the provision of affordable workspace to allow the viable delivery of office space in a range of units, spaces and locations. Specifically the policy does not adequately allow for the viable delivery of office space provided within refurbished arches within the Arch Co.'s portfolio across the Borough. Paragraph 16 of the NPPF states plans should be prepared positively in a way that is aspirational but deliverable. It is therefore considered that Part A as currently worded could affect the deliverability of new office space and therefore is not effective.
11. The policy requires affordable workspace to be provided at a range of levels based on geographic areas.
12. The evidence for this level of affordable workspace provision is the 'London Borough of Lambeth: Local Plan and Community Infrastructure Levy Viability Review December 2019' prepared by BNP Paribas Real Estate ('BNPP'). BNPP assessed 3 indicative new build office developments to assess the viable amount of affordable housing levels for the Policy ED2. These are sites 19, 20 and 21 in the CIL Viability Review. The 3 appraised office development options are as follows:
  - Site 19 – a new build 6 storey office development comprising 10,000sqm office space
  - Site 20 – a new build 12 storey office development comprising 40,000sqm office space
  - Site 21 – a new build 24 storey office development comprising 100,000sqm office space
13. This CIL viability study assumed base build costs for Offices in the appraisals as £2,082/sqm, and assumed the following for office rents in Lambeth:

- North of the borough: £700/sqm.
- Mid-borough-: £400/sqm.
- South of the borough: £350/sqm

14. However, the three full appraisals actually assumed the higher level of £700/sqm rent for office space for the three full development appraisals on the basis that

*“office development is unlikely to come forward in the lower value areas and rent levels are significantly lower than those in the north. Existing and any new office space that is developed in the lower values areas will be accessible to a much wider range of businesses and discounts to market rents may not be necessary.”* (Page 4 - ‘London Borough of Lambeth: Local Plan and Community Infrastructure Levy Viability Review December 2019’)

15. On this basis the ability for office developments in Lambeth to viably deliver affordable workspace has only been assessed for new build offices within the north of Lambeth. The ability for refurbished and converted office space, or office space outside of the north of the borough, has not been assessed in the justification for the affordable workspace levels in ED2.
16. In contrast to the build costs at paragraph 13 above, the build costs for refurbishing office space within railway viaduct arches are significantly higher. These higher build costs are due to the fact developments in refurbished are restricted to the existing envelope of the railway viaduct, which cannot be altered meaning each individual units must be delivered within each arch with independent access power supply and servicing, increasing the overall cost of development, because for example, a 6 arch development must provide 6x front doors, 6x heating / cooling systems, 6x utility supplies etc. Unlike development or conversion of non-arch buildings which are able to provide for far more of these items on a consolidated basis.
17. Moreover, the spaces within the arches have small footprints meaning the units created are smaller than optimal which means that large cost items (e.g glazed infill walls and mezzanine floors) have a disproportionately high impact on overall costs. In addition, the gross to net lettable floor ratios are less favourable than a non-arch development as a result of the restricted envelope. For example, the provision of services and facilities for each unit takes up a disproportionate amount of lettable floor area, whereas in a new build office development these facilities would be shared between units.
18. Taking the Arch Co.’s site at Gresham Road in Brixton, as an example, the build costs for providing office space within the arches is £2,690psm or c.30% higher than the evidence base for ED2 accounts for. The proposed scheme is for the refurbishment of 9 railway arches to provide in excess of 1000sqm of office space, plus insertion of new mezzanine levels for further office space within the arches. In the Draft Local Plan, the site is located in the Brixton CEZ, however is outside the Town Centre Boundary, therefore would have to provide 10% of floorspace as affordable workspace for a period of 25 years with a discount of 50% of market rents.
19. Furthermore, in contrast to the £700/sqm rental figure used in the appraisals in the evidence base, the rental value of office space in converted arches is significantly lower. For the same site at Gresham Road was quoted at rental value of £322-£350/sqm prior to the Covid-19 pandemic, however this has now dropped to circa £270/sqm.

20. Clearly, with values this much lower and build costs circa 30% higher than new build office space, refurbished office space is significantly less viable and cannot support the same level of affordable workspace as new build. The fact that this has not been assessed when justifying the affordable housing levels demonstrates Policy ED2 is not fully justified, and in answer to the Inspectors Question 4.3(i) the plan is not sound with regard to applications for redevelopment and refurbishment of office space. In the absence of a full evidence base for the proposed affordable workspace levels, this indicates the plan has not been positively prepared.
21. Overall and as set out above and in past representations, it is not considered Policy ED2 is Sound or justified when considering the provision of affordable workspace in conversion developments, particularly in railway arches. This is due to the fact that the policy, and required affordable housing levels, have only been justified through what can be viably delivered in new build, high value, office space and not through conversion, where costs are higher and rental values received lower, and therefore the affordable workspace requirements for conversion developments have not been justified.
22. Paragraph 16 of the NPPF states plans should be prepared positively in a way that is aspirational but deliverable. It is therefore considered that Policy ED2 requires unjustified and undeliverable levels of affordable workspace for refurbished office developments, such as within railway arches, and it is therefore not positively prepared, and in answer to the Inspectors Question 4.3(i) the plan is not sound with regard to applications for redevelopment and refurbishment of office space.
23. It is noted that within LB Lambeth's response to Arch Co's Regulation 19 Consultation (ID ref. R055) that LB Lambeth clarify that the threshold for providing affordable workspace will be triggered on proposals for more than 1,000sqm for each planning unit and where new floorspace is being provided (Page 88 - LB Lambeth Regulation 22 consultation statement May 2020). The Arch Company therefore also request this is made explicitly clear within either Policy ED2 or the supporting text to the policy.

#### **How could the document be made sound?**

24. Whilst The Arch Company recognise the importance of the provision affordable workspace and the requirement to provide it through policy ED2. However the policy, in its current wording, is of significant concern to the Arch Company as it will adversely impact the viability of employment led development opportunities within the railway arches due to the unjustified and high level of affordable workspace requirements which office conversions within the arches cannot viably sustain.
25. To be made sound either a revised requirement for conversion projects should be fully justified through development appraisals, or conversion projects should be excluded from the requirements of Policy ED2.
26. In addition, the 1,000sqm threshold for providing affordable workspace, per planning unit, where new floorspace is being provided should be made explicit within Policy ED2 or its supporting text.

#### **What is the precise change that is sought?**

27. The Arch Company seek Policy ED2 to be updated as follows:

**Part A**

*"In accordance with London Plan policy E3, and the evidence set out in the Brixton Creative Enterprise: Affordable Workspace Analysis 2018, the council will apply the following requirements for affordable workspace, per planning unit, in the following locations to new build development:..."*

28. The Arch Company seek sub-text policy 6.14 to be updated as follows:

*"6.14. The policy will apply to all applications involving 1,000sqm or more gross B1a office floorspace (GIA), for each planning unit, in the areas of Lambeth identified in part (a) the policy. This includes applications for the redevelopment and extension of existing offices. ~~The policy will also apply to planning applications that involve refurbishment of existing office space where this would result in an increase in the quality and rental value of the space.~~ Affordable workspace will be secured through s106 planning obligations. Further information on the implementation of the policy and approach to planning obligations is set out in the council's Affordable Workspace SPD."*