

# **Draft Revised Lambeth Local Plan Proposed Submission Version 2020**

**Draft Supplementary Planning Document**

**Affordable Workspace**

**February 2020**



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## 1. Introduction

- 1.1 This draft SPD provides guidance on the implementation of Policy ED2 of the Draft Revised Lambeth Local Plan. The council envisages that the final version of this SPD will be adopted at the same time as, or shortly after, adoption of the revised Local Plan.
- 1.2 All references in this draft SPD to “Local Plan” refer to the Draft Revised Lambeth Local Plan – Proposed Submission Version January 2020. All references to “London Plan” refer to the Draft London Plan Intend to Publish version December 2019.
- 1.3 For the purposes of this SPD and the Lambeth Local Plan, affordable workspace is defined as workspace that is provided at rents maintained below the market rate for that space for a specific social, cultural or economic development purpose. The definition is consistent with the London Plan.

### Policy Context

#### National Policy

- 1.4 Paragraph 82 of the National Planning Policy Framework, February 2019 (NPPF) states that planning policies “should recognise and address the specific locational requirements of different sectors. This includes making provision for clusters or networks of knowledge and data-driven, creative or high technology industries.”

#### London Plan

- 1.5 The London Plan includes Policy E3 Affordable Workspace. In particular, Policy E3:
- Encourages boroughs to consider detailed affordable workspace policies in light of local evidence of need and viability
  - Requires local affordable workspace policies to be monitored so that objectives are achieved
  - Requires leases or transfers of space to workspace providers to be at rates that allow providers to manage effective workspace with sub-market rents
  - Requires that the affordable workspace elements of a mixed-use scheme to be operational, or have agreed finalised terms, prior to residential elements being occupied.

#### Local Plan policy

- 1.6 The council has built upon the support given to affordable workspace in national and London Plan policy and developed its own Local Plan policy that is designed to be in conformity with Policy E3 of the London Plan and take into account the need for affordable workspace in Lambeth. This SPD should be read in conjunction with Local Plan Policy ED2 and its supporting text (paras 6.11 to 6.26).
- 1.7 Affordable workspace will be secured through s106 planning obligations in accordance with this SPD. The council will produce model s106 clauses to support implementation of the policy.

## Structure

1.8 The structure of the document is as follows.

- Section 2 describes the different approaches of affordable workspace provision
- Section 3 explains what is meant by an Affordable Workspace Provider
- Section 4 provides information about the council's approved charitable and not for profit register
- Section 5 provides guidance on the content of a Workspace Management Plan
- Section 6 provides information about how market rents will be assessed
- Section 7 provides guidance on the use of viability review mechanisms
- Section 8 provides guidance on payments in lieu of affordable workspace provision
- Section 9 sets out expectations in relation to the implementation and monitoring of affordable workspace
- The glossary defines key terms used in this SPD



## 2. Affordable Workspace Approaches

2.1 Given the diverse nature of the need for affordable workspace in Lambeth, provision of this space could take a number of forms. Policy ED2 highlights that in a majority of cases this is likely to be provided as affordable office space (B1a) intended for flexible use by multiple end users, potentially including hot-desking space and shared meeting rooms; however this may in some circumstances be provided as space for research and development (B1b); or B1c light industrial space particularly suitable for sections of the creative industries that produce goods, crafts or artworks (typically). Paragraph 6.15 also highlights that, subject to viability, where space is provided as B1b or B1c the proportion provided could be lower, given the lower values of this space.

2.2 Local Plan Policy ED2(c) identifies three alternative ways in which affordable workspace can be provided by developers in Lambeth:

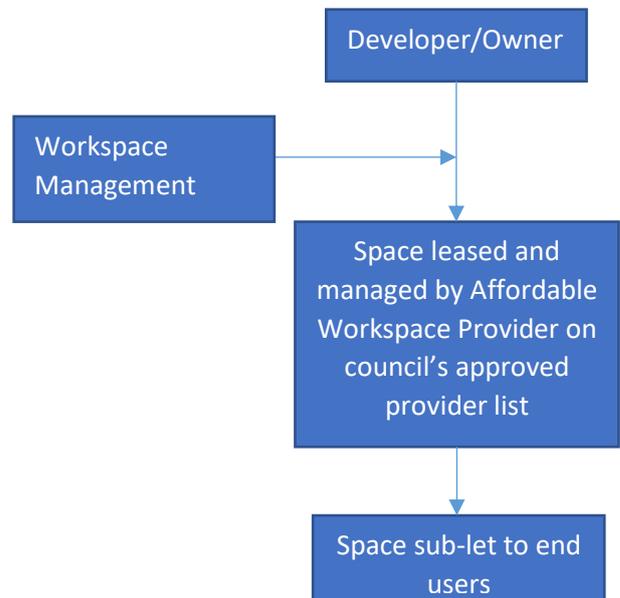
- (i): Affordable workspace leased and managed by an affordable workspace provider on the council's approved list in accordance with an agreed workspace management plan (Approach A).
- (ii): Affordable workspace managed directly by the owner of the new development where it is demonstrated to the satisfaction of the council that they have the necessary skills and experience and an agreed

workspace management plan is in place (Approach B).

- (iii): Affordable workspace leased by the owner of the new development to one or more end users on the council's approved register of businesses that require non-managed affordable workspace (Approach C).

2.3 These approaches are summarised below.

### Approach A



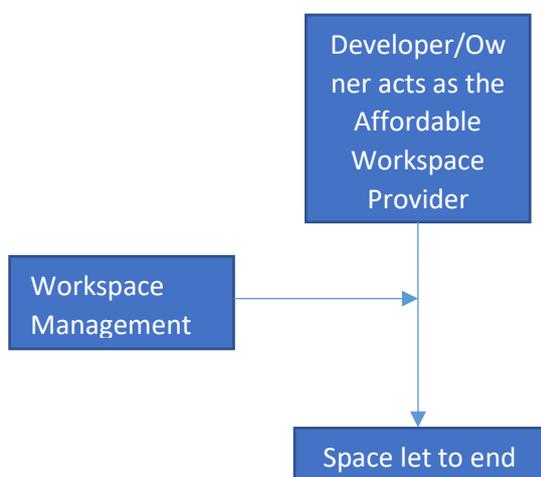
2.4 In this approach, the developer/owner of a development lets the affordable workspace to an Affordable Workspace Provider for the duration of the period required by the policy (15 or 25 years). The Affordable Workspace Provider must be on the council's approved provider list (see section 3) and will manage the affordable workspace on behalf of the developer/owner.

2.5 In a circumstance where the developer/owner is unable, within 12 months, to lease the space to an

Affordable Workspace Provider or directly to an approved charitable or not for profit end user, then the council may accept a Payment in Lieu. In such circumstances, the developer should show that they have undertaken all reasonable endeavours to lease the affordable workspace, including showing that marketing has taken place as specified in the Workspace Management Plan and by presenting correspondence with all organisations on the council's approved affordable workspace provider list. Prior to concluding that they were unable to lease the affordable workspace, the developer must notify the council, which may be able to assist in finding a suitable lessee.

- 2.6 The Affordable Workspace Provider must sub-let and manage the space in accordance with the requirements set out in a Workspace Management Plan (see section 5) agreed between the developer/owner and the council at the time of the planning consent. The Affordable Workspace Provider is expected to provide a range of services to the businesses that occupy the space (the end users), as set out in the Workspace Management Plan.

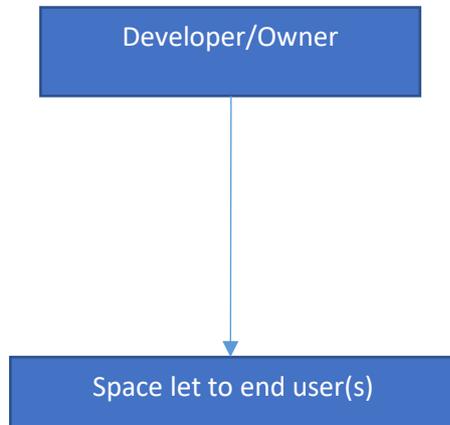
### Approach B



- 2.7 This approach is similar to Approach A, but in this case the developer/owner will be the Affordable Workspace Provider and will manage the affordable workspace themselves, letting directly to a range of businesses (the end users) for the duration of the period required by the policy (15 or 25 years). To do this, the developer/owner will need to be on the council's approved provider list already or demonstrate that they meet the criteria to be on the council's approved provider list (see section 3). Where appropriate the developer/owner will be required to make provision for short-term and flexible leases and/or allow the letting of affordable workspace on a per-desk basis rather than requiring a set amount of space to be let by an end user. The Workspace Management Plan agreed with the council at the time of the planning consent (see section 5) will need to set out the terms on which the affordable workspace will be managed and let to the end users, including the support package to be provided.

- 2.8 Under this approach, the developer/owner may provide affordable workspace in the form of discounted memberships to a range of floorspace rather than providing a defined percentage of space at a discounted rent. In these circumstances, the value of the discounted memberships should be equivalent to the capital value of providing the required percentage of affordable workspace at discounted rents. The calculation used to calculate this capital value of the discounted memberships is the same as that used for calculating the payment in lieu for affordable workspace. This calculation is in

## Approach C



2.9 In this approach, the developer/owner will lease the affordable workspace directly to one or more end users on the council's charitable and not-for-profit register (see section 5) for the duration of the period required by the policy (15 or 25 years). Organisations on the council's charitable and not-for-profit register do not seek managed space and therefore it is not expected that the developer/owner will provide business support.

2.10 In a circumstance where the developer/owner is unable, within 12 months, to lease the space to an Affordable Workspace Provider or directly to an approved charitable or not for profit end user, then the council may accept a Payment in Lieu. In such circumstances, the developer should show that they have undertaken all reasonable endeavours to lease the affordable workspace, including showing that marketing has taken place as specified in the planning obligation and by presenting correspondence with all organisations on the council's approved charitable and

not for profit register. Prior to concluding that they were unable to lease the affordable workspace, the developer must notify the council, which may be able to assist in finding a suitable lessee.

2.11 As managed workspace would not be provided under Approach C, a Workspace Management Plan would not be required. However, the council will secure planning obligations for:

- Ensuring that leases are secured at affordable rents and do not rise at rates above inflation.
- A marketing strategy to be agreed and complied with – explaining matters such as how the workspace will be marketed and re-let if the intended end-user is unable to occupy the space
- The fit out of the space – which will be guided by the requirements of the intended charitable/not for profit end-user
- Monitoring and reporting requirements and arrangements - this will set out what information will be supplied by the end user to the developer/owner to monitor the letting of the affordable workspace. The reporting requirements may vary based on the nature of the affordable workspace that is provided.

### 3. Affordable Workspace Providers

3.1 Affordable workspace providers are organisations that manage affordable workspace and provide support to end users that they lease affordable workspace to. Experienced affordable workspace providers are vital in creating the environments for businesses to start and grow and for local benefits to be created, through the provision of flexible lease arrangements, access to facilities (e.g. meeting rooms), delivery of business support, and approach to tenant recruitment to ensure the appropriate mix of organisations.

3.2 The council will maintain an Approved Affordable Workspace Provider List (Approach A) and publish this on the council's website. Any organisation that wishes to be on this list will be able to apply to the council on at least an annual basis. The council will make a determination whether to approve organisations to this list based on the following criteria:

- Affordable Workspace – proven track record or demonstrated capability in designing, fitting out and managing affordable workspace. This includes making workspace genuinely affordable for end users in a meaningful proportion of their workspace/s, recruiting tenants aligned to the end use profile detailed within this SPD and curating an appropriate tenant mix of organisations. The organisation will also need to demonstrate the financial means to operate a new workspace – including approach to tenant recruitment

- Business Support – proven track record of demonstrated capability of delivering business support for tenants and the wider business community, ideally with experience of supporting local sectoral clusters; and experience of fostering an environment of peer-to-peer support.
- Community Engagement – proven track record or demonstrated capability in: enabling cultural and/or local residential community events to take place at their workspace/s; activity promoting the workspace tenant opportunities, services and events to residents local to their workspace/s – particularly for those in priority groups; meaningfully engaging with charities, social enterprises and cultural activities local to their workspace/s; facilitating corporate social responsibility activities between the voluntary sector and tenants within workspace/s; and creating employment and training opportunities for residents local to their workspace/s.
- Business Conduct – approach to London Living Wage; local employment (where appropriate); inclusive recruitment; local supply chains; and sustainability

3.3 The council may review and publish updates to the criteria. Further information about the criteria and how they will be assessed will be published on the council's website.

3.4 The Approved Affordable Workspace Provider List will be refreshed every three years. Each affordable workspace provider will remain on the list until the refresh, after which a reapplication will be

necessary, with the exception of providers who join the list within six months before the refresh, in which case they will remain on the list for the subsequent three yearly cycle. The reapplication will determine whether the provider still meets the assessment criteria and will take into account the track record of the provider in managing any affordable workspace in Lambeth.

3.5 If the affordable workspace is provided through Approach A, the developer/owner needs to enter into contract with an organisation on the Approved Provider List or an organisation that can demonstrate to the council's satisfaction that they meet the criteria as set out in paragraph 4.2. If the council is satisfied that this is the case, the Affordable Workspace Provider will be put onto the Approved Affordable Workspace Provider List. This would also apply if the developer/owner aims to provide the affordable workspace themselves through Approach B, in which case the developer/owner would seek to be added to the Approved Affordable Workspace List.

### **End Users of managed affordable workspace**

3.6 The Affordable Workspace Provider will ensure that the affordable workspace is occupied by suitable end users. The types of end users that should benefit from affordable workspace are varied but they should be local to Lambeth and relate to one or more of the following:

- Start-ups and early stage businesses across the Creative and Digital Industries (CDI) requiring specialist support and/or

equipment to develop and grow their enterprise.

- Businesses focussed on creative production (for example, artists, designer makers, musicians and fashion) requiring larger than average ratio of workspace area to employees or making a special contribution to the character and cultural identity of local areas.
- Not for profit and/or charitable organisations supporting Lambeth's economy and providing significant social value to local residents (e.g. training or employment opportunities, business support, community events, etc.). This includes education providers and organisations whose primary purpose is to support disadvantaged groups and tackling economic inequality.



## 4. Council's approved charitable and not for profit register

4.1 The council recognises that the needs of organisations requiring affordable workspace differ and that not all eligible end users will require managed workspace. This is particularly true for charitable and not-for-profit organisations, which may require the use of an entire section of affordable workspace for their organisation and therefore do not require workspace managed by an affordable workspace provider. This approach C therefore allows for this to take place.

4.2 The council will maintain an approved charitable and not-for-profit register and this will be published on the council's website. Any organisation that wishes to be on this register will be able to apply to the council on at least an annual basis. The council will consider whether to add organisations to this register based on the following criteria:

- Charitable or not-for-profit status of the organisation
- Social Value - demonstrating the significant social impact to residents of remaining in, expanding in or moving to Lambeth and alignment with the council's inclusive growth aims set out within Lambeth's CDI Strategy for Growth (2018)
- Need for affordable workspace – a demonstrated case for the requirement of affordable workspace (including stating the gap between rent they can afford and open market rent)
- Community Engagement – actively promoting the opportunities, services and

events to residents; local employment opportunities created

- Business Conduct – commitment to London Living Wage; local supply chains; sustainability

4.3 The register will be refreshed every three years. Each approved organisation will remain on the register until the refresh, after which a reapplication will be necessary to determine whether they still meet the desired criteria, with the exception of organisations who join the register within six months before the refresh, in which case they will stay on the list for the subsequent three year period.

4.4 This register should be used by developers/owners who wish to meet policy requirements by leasing affordable workspace directly to an organisation without a management arrangement (Approach C). If a potential tenant is not on the register, it will need to be demonstrated to the council's satisfaction that they meet the criteria above. If the council is satisfied that this is the case, the organisation will be entered onto the approved charitable and not-for-profit register.

## 5. Workspace Management Plan

- 5.1 Developments that provide managed affordable workspace (Approaches A and B) will be required to produce a Workspace Management Plan (WMP).
- 5.2 Developers/owners are strongly encouraged to make contact with the council at the pre-application stage of the development process, so that the content of a proposed WMP can be discussed prior to the submission of a planning application. The cost of producing the WMP is the responsibility of the developer/owner.
- 5.3 A draft WMP will need to be submitted alongside any planning application. The content of the draft WMP will vary dependent on the nature of the proposal and the affordable workspace approach followed (see section 3 of this SPD). As a minimum, the WMP will be required to provide details on the following matters:
- a. The terms on which the affordable workspace will be let – This should include information about discounted rents, rates and anticipated service charge. Service charges should be set at a reasonable level that does not offset the overall affordability of the space. It will need to be confirmed in the WMP that the rents and service charges are not to rise beyond inflation through the period for which the affordable workspace is secured. The council will expect to see evidence of a break clause within leases that would be activated if it is found that occupiers are no longer to be considered suitable end users.
  - b. The types of businesses the affordable workspace will be let to – This should include information on the types of businesses intended to occupy the space and the intended capacity of the space (number of businesses that could be accommodated).
  - c. The process for letting affordable workspace and for re-letting vacant space before the discount period ends – The WMP should set out the Marketing Strategy for advertising affordable workspace to end users and how any vacant space will be re-let.
  - d. The fit out of the affordable workspace and the roles and responsibilities of the developer/owner and the Affordable Workspace Provider and/or the end user in fitting out the space.
  - e. The business support offer to occupants of the affordable workspace – This should detail the on-site support the Affordable Workspace Provider (Approach A) or developer/owner (Approach B) will provide to end users, explaining how this will benefit end users;
  - f. Reporting requirements– This will set out information the developer/owner will be required to provide to the council on an annual basis, to enable the council to monitor the implementation of the policy (see section 9). Where an AWP is involved, it will be the responsibility of the developer/owner to collect this information from the AWP. The

reporting requirements may vary based on the nature of the affordable workspace that is provided but may include information relating to:

- i. The number of businesses occupying the affordable workspace
- ii. Profile of beneficiaries of the affordable workspace (subject to disclosure by beneficiaries) to include protected characteristics
- iii. The number of businesses paying the London Living Wage or above
- iv. When the affordable workspace was occupied
- v. The amount of vacant space for affordable workspace over the year
- vi. The amount of vacant space for affordable workspace at the time of reporting and the strategy for filling the space.
- vii. The annual rent charged for the market element of the scheme
- viii. The annual discount rent charged for the affordable workspace
- ix. The cost of the service charge

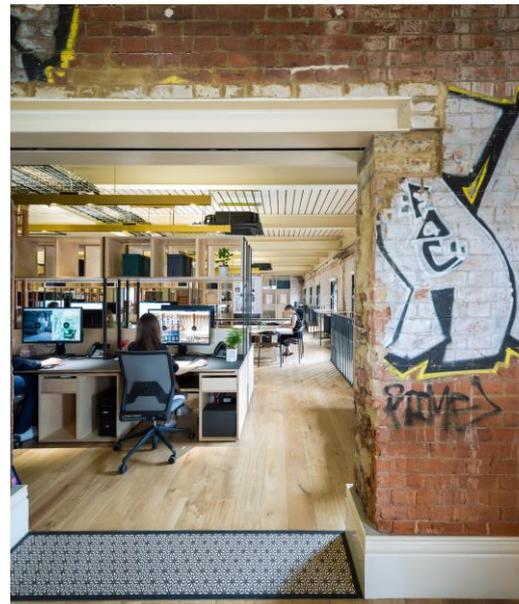
5.4 A finalised WMP will need to have been approved by the council by an agreed point in the development process (this will typically be prior to the commencement of development, but this may vary on a case-by-case basis) and this will be secured by a planning obligation. The developer/owner will be responsible for the delivery and management of the affordable workspace in accordance with the WMP and this will also be secured by a planning obligation.



## 6. Market Rents

- 6.1 Local Plan policy ED2 requires affordable workspace to be provided as a proportion of market rent. For the purposes of calculating the discounted rents for affordable workspace, the market rent is the rent that would have been achieved at market rates for the discounted space.
- 6.2 The market rent will be assessed on a case by case basis at the time of the application, taking into account the nature and location of the proposed development. Service charges for affordable workspace should be set at a reasonable level and not offset the affordability of the space.
- 6.3 Planning applications should include details about market rents expected to be achieved. This should include evidence of market rents in the vicinity of the application site. Comparator information should distinguish between rents and service charges. Applicants are strongly encouraged to discuss this information and the calculation of the discount with the council at pre-application stage.
- 6.4 The council will assess the evidence on market rents (and associated service charges) submitted by the developer/owner and may seek independent advice, to be paid for by the developer/owner.
- 6.5 It is expected that rents charged for affordable workspace will vary over time relative to market rents for the space. Developers/owners will be required to report annually on current market rents and the rents charged for the affordable workspace to enable the council to

monitor the correct application of the discount for the duration of the discount period.



## 7. Review Mechanisms

- 7.1 Applications that propose proportions of affordable workspace below the policy requirement will be required to submit viability information. Development values adopted within viability appraisals are typically determined based on current day values at the point of the grant of planning permission. However, there is usually a time lag between the planning stage and delivery of the development, with developers normally having up to three years to implement a scheme and the construction period further delaying the point at which values are realised.
- 7.2 Review mechanisms address economic uncertainties which may arise over the lifetime of a development proposal. They can be used to maximise affordable workspace output, up to the policy requirement, by putting in place provisions for re-appraising the viability of schemes or phases in order to capture any uplift in value due to a delayed planning implementation and/or a phased build-out of a major scheme or other changes affecting financial viability.
- 7.3 As set out in Local Plan Policy ED2, provisions for re-appraising the viability of schemes may form part of section 106 planning agreements where the financial appraisal demonstrates that the maximum amount of affordable workspace that a scheme can reasonably support is below the policy target. Review mechanisms will be used to determine whether a development is capable of providing additional affordable workspace. Review mechanisms will not be used to reduce the amount of affordable

workspace agreed when planning permission was granted. Any viability reviews and subsequent assessment will be at the cost of the developer/owner.

- 7.4 The council will normally require viability reviews to take place at the following stages for all schemes that do not meet policy requirements:
- On all schemes requiring a review where the council considers there is likely to be a delay in starting on site and/or it is necessary to incentivise delivery, an early review (pre-implementation) will be required. Early reviews will normally be triggered in the event construction does not commence within 2 years of the grant of planning permission.
  - A near end of development review for all schemes requiring a review. The trigger for the review will usually be on occupation of 75% of the market floorspace. An occupation clause is likely to be required which would prevent further occupation of the development until the review is completed and any additional affordable workspace is delivered or a commuted sum is paid.
  - On phased developments an additional viability review may be required prior to substantial completion of development phases (mid-term review) to secure any uplift on subsequent phases.
- 7.5 Unless agreed by the council, the formula used for viability reviews will be the following:

### Early Stage Review

X = Surplus profit for provision of additional on-site affordable workspace  
 $X = (A - B) - (C - D) - P$   
A = Estimated gross development value (GDV) of development as determined at the time of review (£)  
B = Estimated GDV of development as determined at the grant of planning permission (£)  
C = Estimated build costs as determined at the time of the review (£)  
D = Estimated build costs as determined at the grant of planning permission (£)  
 $P = (A - B) * Y$ ; Developer profit on change in GDV (£)  
Y = Developer profit as a percentage of GDV as determined at the application stage (%)

### Late Stage Review

X = Late stage review contribution  
 $X = ((A - B) - (C - D) - P) * Y$   
A = Estimated GDV of development as determined at the time of review (£)  
B = Estimated GDV of development as determined at the grant of planning permission, if early stage review was not required (£); or estimated GDV of development as determined at early stage review if such information was submitted (£)  
C = Estimated build costs as determined at the time of the review (£)  
D = Estimated build costs as determined at the grant of planning permission, if early stage review was not required (£); or estimate build costs of development as determined at early stage review if such information was submitted (£)  
 $P = (A - B) * Y$ ; Developer profit on change in GDV (£)  
Y = Developer profit as a percentage of GDV as determined at the application stage (%)

provide affordable housing and affordable workspace, viability reviews will be sought at the same stage of development in order to ensure that the number of viability reviews are fair and reasonable to the developer/owner and to ensure that viability reviews take into account the needs to provide a policy compliant amount of both affordable housing and affordable workspace.

- 7.7 Any contribution arising from a review of viability would be capped by relevant policy requirements. Where a viability review demonstrates an improvement in a scheme's viability, a percentage split of the increase in the scheme's value between the developer and the council will be agreed on a case by case basis. This will typically be: 20% of the increase in the scheme's value returned to the developer and 80% to the council, up to the level that would be required for a policy compliant scheme. Additional surplus profits will then pass to the developer in their entirety.
- 7.8 Where early reviews take place that show increased scheme viability the council will expect the delivery of affordable workspace on-site. Where reviews take place at a later stage, the practical implications of delivering additional affordable workspace on site may mean that a commuted sum will be sought.
- 7.9 If a viability review results in a scheme achieving the affordable workspace requirement, then further viability reviews for the affordable workspace element of a scheme will not be required.

- 7.6 For mixed use development proposals that are required to

## 8. Payment in Lieu

- 8.1 The council expects affordable workspace to be provided on-site through one of the three approaches described in this draft SPD.
- 8.2 In exceptional circumstances, a payment in lieu (PIL) may be accepted where it can be demonstrated to the satisfaction of the council that on-site provision is not feasible and/or that a greater economic impact would be achieved through this route. The payment should be calculated using the method set out in Annex 10 of the Local Plan. Payments in lieu will be used by the council to support the provision of affordable workspace anywhere in Lambeth.
- 8.3 It will be the responsibility of the developer to demonstrate how a greater economic impact could be achieved. Explanations that argue a greater amount of affordable workspace can be delivered in lower value areas of the borough will not be accepted. In some cases, and depending on the nature of the case, the council may take the view that a greater benefit would be achieved through a contribution to its own programme of affordable workspace delivery.
- 8.4 Where a PIL is accepted in accordance with paragraphs 2.4 and 2.9 of this SPD, the PIL will be calculated using the method set out in Annex 10 of the Local Plan.



## 9. Monitoring affordable workspace obligations and timing of payments

- 9.1 Applicants providing affordable workspace through Approaches A and B will be required to report to the council on the implementation of WMPs on an annual basis (see paragraph 5.3 f). Applicants providing affordable workspace through Approach C will be required to provide monitoring information in accordance with the terms of the Section 106 legal agreement.
- 9.2 A monitoring fee will be charged to monitor the implementation of the policy. This will be secured as a planning obligation. The overall monitoring fee for any application will be capped at 5% of the total value of the application's planning obligations. The value and proportion of the monitoring fee devoted to monitoring affordable workspace requirements will therefore vary on a case-by-case basis.
- 9.3 Payment of planning obligations relating to affordable workspace will normally first fall due on the implementation of planning permission; a Section 106 agreement will set out the detailed arrangements for the timing of payments in individual cases.



## Glossary

**Affordable Workspace** - workspace that is provided at rents maintained below the market rate for that space for a specific social, cultural or economic development purpose.

**Affordable Workspace Provider (AWP)** - organisations that manage affordable workspace and provide support to end users that they lease affordable workspace to.

**Approved Affordable Workspace Provider List** – A list of organisations that meet prescribed council requirements to provide managed affordable workspace in Lambeth

**Approved charitable and not-for-profit register** – A register of charitable and not-for-profit organisations that need affordable workspace and meet prescribed council requirements

**End User** – those enterprises or individuals that will occupy the affordable workspace.

**Market Rent** - is the expected rent that the developer/owner anticipates charging for the market element of the office floorspace in the development proposal

**Payment in Lieu (PIL)** – a payment received for the provision of affordable workspace in lieu of provision on the site of the proposed development.

**Workspace Management Plan (WMP)** – a document that sets out the proposals for the provision, use and management of affordable workspace in connection with a planning application for which affordable workspace will be secured.