

High streets, more Permitted Development rights and Letwin

Minutes of the London Planning and Development Forum on 11th December 2018 at Rockwell Property. Full minute by Drummond Robson at planninginlondon.com > LP&DF

Brian Waters welcomed the group with introductions and apologies.

DISCUSSION TOPICS

1 How the proposed merged high street use class could change town centres.

The Chairman welcomed Mark Williams, Director of the Hark Group (an asset management company advising local authorities) and Michael Bach who offered different approaches.

In November 2013 Mark Williams presented a taskforce report entitled Beyond Retail to introduce the idea of redefining the shape and purpose of town centres. Awareness of its significance has so far been slow, but the recent economic situation has brought it into sharper focus. In 2013 the key issues identified were in brief summary:

1. Need for Local leadership
2. Polarisation with strong centres becoming stronger and including both shopping and leisure and the weak weaker
3. Too much retail floorspace leading to high vacancy rates
4. The wrong type of space offering inadequate showroom potential. It was considered that more permitted rights would help.
5. Understanding the catchment demographics and shopping patterns (both role in the shopping hierarchy and tenant mix for managed centres).
6. Car parking – free parking to attract rather than deter customers and longer lasting accessibility.
7. Business rates to manage the balance of taxation for online retailing and their higher outgoing retail-



ers with fixed premises.

8. Digitising the high street. At present High Street footfall is eroded by reducing impulse shopping because shoppers do not pass the shop window or enter the shop to see goods and services they may not have seen as attractions. (Contextual marketing).
9. Poor qualities of cultural offer and heritage and public realm.
10. Funding : bridging the funding gap between the high infrastructure needs of town centres and the mechanisms to pay for them.

Through using next generation retail 'Spot Market' and augmented reality technologies, delivered through multiple channels, including shoppers'

smart phone devices, a complementary and enabling digital layer will be created to support the traditional high street retailing environment. In particular, this will:

- Empower local businesses to issue targeted and relevant offers based on preferences which consumers have agreed to share.
- Generate higher conversion rates and resultant sales for local retailers as a result of this technological innovation enabling greater relevancy and improved referrals.
- Increase footfall to, and provide enhanced navigation of, the high street – especially for businesses not occupying traditionally considered 'prime retail' locations – by creating greater visibility of an areas 'total high street proposition'.
- Define a new business model for the delivery of next generation retail Spot Market technologies.

This project represents a collaborative approach between Kent County Council, Microsoft, Canterbury City Council, Canterbury City Partnership and Think Agency.

The Country's referendum to separate ourselves from the world's largest trading block coupled with the substantial growth in on-line shopping have led major traders such as Sports Direct billionaire Mike Ashley who has recently acquired House of Fraser in a declining economy to warn that the "high street is

Meeting on 11th December 2018. at Rockwell Property, with Jonathan Manns as host

Brian Waters (chairman)

Jonathan Manns (vice-chairman)

David Hyde-Harrison: Architect

Daniel Bentley: Civitas

Gavin McLaughlin: TfL (towards the end)

Jessica Ferm: UCL

Jonathan Manns: Rockwell Properties Ltd

Kim Taylor: Architectural assistant to

David Hyde-Harrison

Mark Williams: Hark Group

Michael Bach: London Forum

Nigel Abbott: WYG

Peter Eversden: London Forum

Rob Krzyszowski: LB Brent

Ron Heath: RIBA

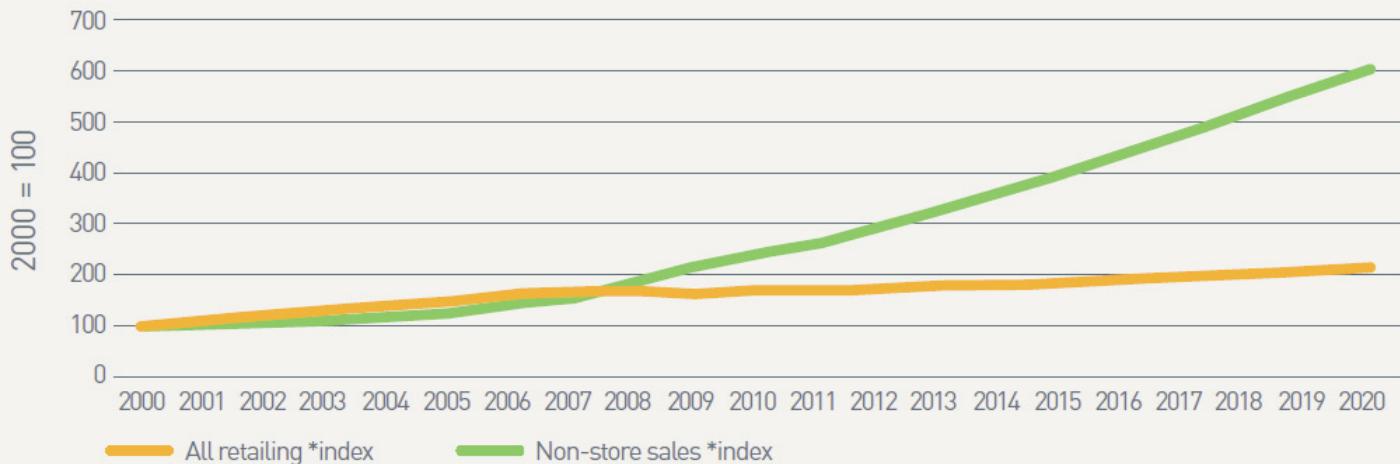
Tom Venables: Prior and Partners

Drummond Robson: Honorary Secretary

Apologies from

Mark Charlton, David Bradley & Trevor Sutters

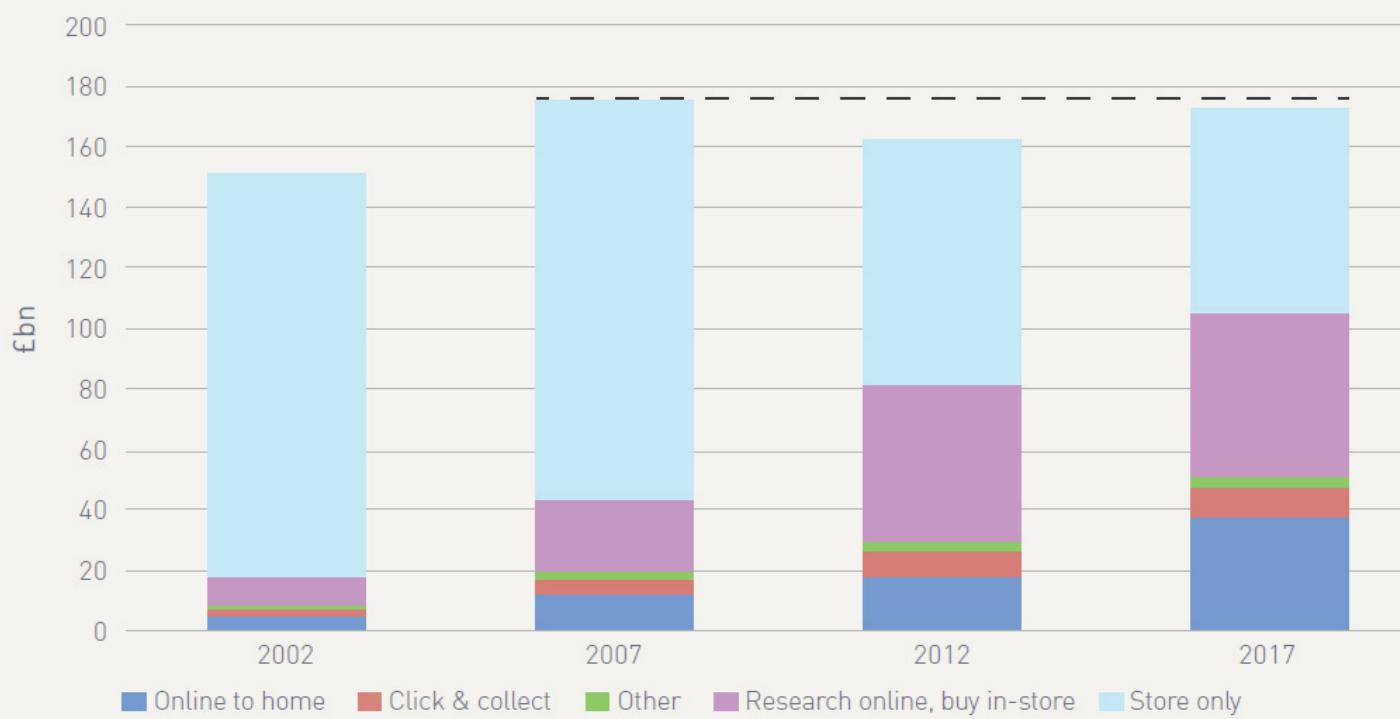
Indexed growth in non-store sales (2009 prices)



NOTE 1: Excl automotive fuels. NOTE 2: Non-store sales includes mail order, stalls, markets and other non-store

SOURCE: Experian

UK non-food sales (all channels)



SOURCE: Javelin Group

dead on the operating table" and that "web boys" that make at least 20 per cent of their retail revenue online should be taxed to help resuscitate traditional high street shopping.

Mark reinforced this concern and opened by saying that there was some 25% too much retail space and this has now become 40% too much, and more mixed use space is needed.

It should always be remembered that shopping is an optional choice for customers and no-one is forcing them to shop - so gentler inducements and encouragements are needed if the shopping experi-

ence is to remain enjoyable as well as sustained.

It is equally true that multiple retailers with strong covenants are treated quite differently by institutional landlords with significant landholdings from independent and sole traders and family businesses, but nevertheless the healthy shopping centre needs both minor and specialist outlets and household names.

Infrastructure costs are not met by the resultant returns (2013 point 10).

Mark cited the example of the difficulties of infrastructure funding for the Brent Cross expansion

as evidence for the tenth key issue above.

He also said that local authorities no longer have people with the necessary experience to manage major town centre change. It also too needs to be recognised that regeneration is almost inevitably a long term project.

Discussion (Part 1)

Peter Eversden referred to his west London experience in Chiswick where upper level storage is replaced by residential for up to 6 or 7 storeys. He wondered why this should not be on the ground >>>

>>> floor. Mark responded suggesting that most of the space is owned by private investors and this would be contrary to their SIPs (sales investment programmes). Ground floor shopping has a particular value (particularly zone A - the front part of the shop - in agency terms).

Brian Waters suggested that relaxing the interface between A1 and A3 might counter the claim that there was no demand for some ground floor space.

This provided a link to introduce Michael Bach of the London Forum of Amenity & Civic Societies for his associated presentation before the discussion continued.

How proposed changes to use classes could change town centres in London

MB's presentation sought to answer "How proposed changes to use classes could change London's town centres". His experience is based on previously working for predecessors of MHCLG on:

- 1980s: Inner Cities policy: considered impact of 1987 UCO changes; and
- 1990s & 2000s: National planning policy for town centres & town centre uses – for 2005 UCO this included possible merging of A use classes <150sqm – impact assessment showed damage.

He considered key lessons to be:

- Change to UCO is a blunt tool: one-size-fits-all approach creates collateral damage, a blunderbuss - cannot target local needs
- A rising tide does not raise all ships – places with no market remain unaffected, places where market operates still need a policy framework that delivers positive change
- Need locally-determined priorities – a town centre partnership/strategy, not disruptive edicts from the centre
- Town centres need a strong, coherent and consistent policy framework

Recent changes to UCO: last 5 years. Why has UCO been chosen as vehicle for change? Political philosophy or practical problem solving?

- Offices to housing – quick "win" on housing numbers, but without regard to "town centre first" policy – unpacking the critical mass of economic activity, damaging to town centres, but presented as beneficial
- A1, A2, A3 & launderettes – to housing: how was that meant to help town centres? Which town centres?
- A1 to A2 & A3: changing composition of primary retail frontages.

Need to test whether any of this helps town centres – if not, why should more of the same help? Nobody does impact assessment – just political rhetoric? Look at "claims" in Consultation Document. Current Consultation Aims:

- allow greater change of use to support high streets

to adapt and diversify – change to a wider range of uses

- more leisure and community uses, eg gyms, libraries, health care & offices, as well as homes! Really – high street ground floor uses? Diversity or more of the same? Offices on ground floor as "dead" as housing! Need reality check! Little of this will happen, but what does may not be beneficial to town centre
- modernisation of the high street and enable businesses to adapt to changes in consumer demand – provide a quicker, more certain route to enable business to adapt and help town centres to remain vibrant
- mostly not about helping businesses adapt, but property owners to seek new tenants. Not necessarily about helping the town centre.

Proposed Changes:

- A1, A2, A5 + launderettes to offices – replacing lost offices? But why ground floor uses?
- Temporary change of use of A use class (except pubs), B1, D1 & D2 to A1, A2, A3 or B1 – almost from anything to anything, including to "certain community uses", for up to 3 years
- Possible new class of mixed A1, A2 and A3 uses – greater flexibility, but reduces ability to distinguish between shops and restaurant uses

Question: would this support the high street? Which high streets? Big centres – don't need it? Small centres – potentially destabilising. How much of this is just political rhetoric? Where is the impact assessment? Later?

Conclusions:

- The high street is changing and will continue to do so.
- Changing the UCO is a blunt, one-size-fits-all tool – there could be winners but also losers: will this help town centres? Businesses? Or landlords?
- Is this political rhetoric or the way to revitalise town centres?
- Would these changes help or hinder town centre strategies to revitalise town centres?
- Much of this could be a one-way trip – will this produce vital and viable town centres?

Discussion (Part 2):

Mark Williams suggested that the recognised formula that retail values outprice others in town centres is no longer applying and also costs are currently outweighing returns so that regeneration of centres is struggling in consequence.

Tom Venables cited 3D printing as a new technology of use associated with town centres for which there was no longer saved industrial space as older manufacturing sites are disappearing, all to be replaced by housing. This reinforces the difficulty faced by any hoped for resurgence in manufacturing.

Michael Bach was concerned at the destruction

and loss of historic centres in the interests of "short termism" which declining values produces.

Rob Krzyszkowski said that local authorities were responding this change in situation with encouragements to increase town centre footfall and safeguard centres from dead frontages.

Michael Bach said there is a need for landlords to find new tenants.

Mark Williams considered that local authorities need to be more specific in what they want. (His strong local leadership).

Ron Heath pointed out the difficulties local authorities have in dealing with objections to schemes by both residents and retailers, and that out of town industrial space was therefore the answer. Mark Williams cautioned to be careful what you wish for.

He was also concerned that there need to be changes in the Landlord and Tenant Act 1954 which has currently become an impediment to investment and long term decline in shop rentals. Brian Waters suggested that the long cycle of development plans was not coping with the rapid shifts in monetary values but concurred that multiple ownership can be a problem for the investor. He commended the use of Class V of the GPDO which achieves the flexibility of permission for multiple uses..

Rob Krzyszkowski thought that the Use Classes Order was largely irrelevant to the wider aims of town centre management for peripheral frontages, including being sympathetic to conversions (although he could not condone A5 hot food takeaways being changed to residential).

The broad conclusion was that in London the proposed UCO changes were largely irrelevant and unhelpful – what mattered was strong local commitment to town centre management.

Discussion Topic 2

Independent Review of Build Out Rates. Rt Hon Sir Oliver Letwin MP.

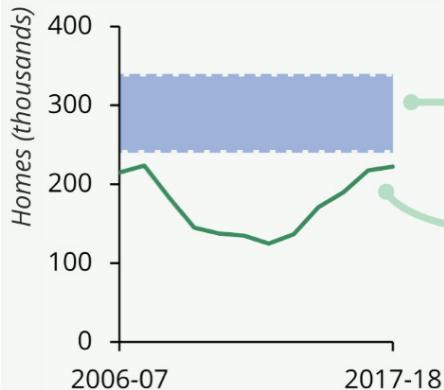
Rob Sumner of Sigma Capital was invited to open the discussion but was unable to attend.

The independent review of build out was announced by government at Budget 2017 and was led by the Rt Hon Sir Oliver Letwin MP. In the review's final report Sir Oliver Letwin makes recommendations on how to close the significant gap between the number of housing completions and the amount of land allocated or permissioned on large sites in areas of high housing demand.

Letwin concludes in his Final Report that Government could increase the variety and differentiation of what is offered on large sites, raise the proportion of affordable housing, and raise the rate of build out. Government should:

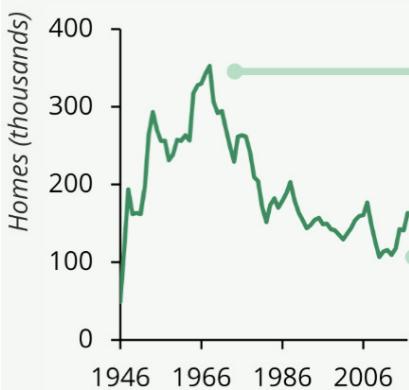
- adopt a new set of planning rules specifically designed to apply to all future large sites (initially those over 1,500 units) in areas of high housing

IN CHARTS: HOUSING SUPPLY IN ENGLAND



Estimates put the number of new homes needed per year at between 240,000 and 340,000.

New supply of housing has been increasing, but hasn't reached this level.



Housebuilding is now lower than its peak in the late 1960s.

But it has recovered from its low point, which happened in 2010 after the financial crisis.

demand, requiring those developing such sites to provide a diversity of offerings, in line with diversification principles in a new planning policy document; and

- establish a National Expert Committee to advise local authorities on the interpretation of diversity requirements for large sites and to arbitrate where the diversity requirements cause an appeal as a result of disagreement between the local authority and the developer.
- provide incentives to diversify existing sites of over 1,500 units in areas of high housing demand, by making any future government funding for house builders or potential purchasers on such sites conditional upon the builder accepting a Section 106 agreement which conforms with the new planning policy for such sites; and
- consider allocating a small amount of funding to a large sites viability fund to prevent any interruption of development on existing large sites that could otherwise become non-viable for the existing builder as a result of accepting the new diversity provisions.

More recently there is a House of Commons Briefing Paper entitled Tackling the undersupply of Housing in England which provides links to the most recent ONS housing supply data. It also includes

such as the summary chart ABOVE.

David Bentley of Civitas was invited to be a spokesperson in place of Rob Sumner. He considered that the situation in London was not comparable since values here are so much higher than elsewhere, with the consequence that the market absorption rate is the big problem. Land needs to change hands at profitable rates. Land speculation is on an international scale. Developers are unable to price infrastructure costs with certainty or accuracy. There needs to be a diversity of output and account needs to be taken of older people.

Nigel Abbott of WYG said that at the present absorption rates it would take between 100 and 225 years to achieve the hoped for rates of housing delivery and that Letwin's approach needed to drive down values way beyond current hope values.

Other topics

Brief discussion introduced by **Gavin McLaughlin of TfL on Healthy Streets**. GM was detained at his previous meeting and it was agreed to postpone his presentation until the next available LPDF meeting.

Permitted development rights in general and office conversions in particular. **Dr Jessica Ferm of UCL** gave a presentation.

JF began by introducing the October 2018 consultation paper by MHCLG: Planning Reform: Supporting the high street and increasing the delivery of new homes. The consultation runs until 14 January 2018.

She summarised the key elements of the consultation paper as follows:

PD rights to allow upward extensions to create residential units on:

- commercial and residential buildings, subject to prevailing rooflines and a maximum of 5 storeys
- free-standing residential blocks
- health and leisure centres and out-of-town retail and leisure parks

Demolition of commercial buildings and redevelopment for residential uses

Allow shops (A1) financial and professional services (A2), hot food takeaways (A5), betting shops, pay day loan shop and launderettes to change to office use (B1). Also proposing to allow hot food takeaways (A5) to change to residential use (C3).

JF set out what she considered the important questions to answer.

- Is planning the barrier to delivery currently?
- What might the impacts be on quality, as well as quantity?
- Who gains, who loses?
- What are the benefits v opportunity costs? (affordable housing, funding for infrastructure)
- What are the implications for delivery of sustainable communities?

Three recent publications funded by the RICS Research Trust are:

- A report on the impacts of office-to-residential permitted development by Clifford, Ferm, Canelas & Livingstone: <https://tinyurl.com/officetoresi>
- A separate study by University of Sheffield academics on extending permitted development more generally: <https://tinyurl.com/ExercisingPD>
- A joint summary of key findings from both reports: <https://tinyurl.com/ExtendingPD>

The presentation given focused on some of the key findings of the report on office to residential permitted development by Clifford et al. Unless stated otherwise, photographs are credited to Ben Clifford.

Since May 2013, it has been possible to convert a building from office to residential use without planning permission. This is intended to boost the supply of housing but also to help regeneration through reuse of vacant office space. The impact assessment for this policy change predicted that:

- There would be no financial costs from this change
- There could be administrative cost savings to LPAs

Applications for change of use under this policy would be small in number (140 applications per year in England)

The policy would be unlikely to lead to additional infrastructure requirements or housing in unsus- >>>

Prior approvals (English cases) and full planning applications (Glasgow)	Camden	Croydon	Leeds	Leicester	Reading	Glasgow
Notifications 2013-17 (schemes and units) ^a	249	263	139	100	153	77
	2354	5359	2170	1493	1949	564
Granted	155	176	119	77	108	63
Duplicates (from granted)	42	57	17	15	24	0
Net approvals (schemes and units)	110	119	112	62	84	63
	832	3330	1565	1035	1295	282
Mean average size of approved schemes (units)	9	30	18	20	15	7
Implemented (Schemes and units)	76	89	22/39	42	58	32/50
	605	2708	715/1198	637	879	133/360

>>> tainable locations

The study approach has been:

- to test these assumptions
- Two stages of case study: selected five quite different LPAs with high rates of office-to-residential in England (Camden, Croydon, Leeds, Leicester & Reading) and for each conducted a data analysis of all proposed conversions 2013-17 through PD and comparator planning application schemes, conducted site visits to 568 buildings and stakeholder interviews (30) then looked in greater detail at the individual scheme level (desk based analysis of plans/proposals) for 45 buildings
- international comparisons were conducted with Glasgow and Rotterdam too, including site visits and interviews

It is important to remember that the statistics count Housing Numbers not Homes. Also they include duplications from multiple applications for the same building and some authorities only monitor larger schemes.

Overall rates of conversion are set out IN THE TABLE ABOVE.

Briefly put the conclusions are:

- Conversion rates: 10,100 prior notifications in first 3 years (DCLG, 2017), only 48% of which were granted.
- 'they haven't put on any onerous, pre-commencement conditions...You can crack on pretty quickly'

[speed]

- Leeds (North): larger schemes (city centre) targeted at students or marketed as apart-hotels
- On periphery, poor quality housing on industrial estates – planners concerned about 'liveability'
- Leicester (Midlands): low quality private rental stock undermining growth of regulated Private Rental, HMOs
- Croydon (London): temporary housing for residents on Council's housing waiting list.

In considering the quality of life and place, qual-

ity varied enormously. Also there are concerns with residential amenity

- There are some high quality developments but examples of 'studio' flats just 15m²
- Just 30% of PD units meet national space standards compared to 94% with planning permission
- Less likely to have access to private or communal amenity space (balconies, roof terraces) – just 6% of the PD units. No consideration given to access to play space for children
- 77% PD units are studios or one beds (compared



to 37% with planning permission). Cater to a very narrow segment of the residential market / can lead to overcrowding

- No requirement that the office space is actually vacant so there are examples of businesses being pushed out by housing conversion. This means there is no spatial decision making role for councils.

This is also reflected in residential schemes being simply in the wrong place.

Some financial implications are:

Direct evidence of profitability of conversions for developers e.g. Emerald House in Croydon: Land Registry shows the building sold in February 2014 for £10,000,000 (before prior approval) and then again in December 2015 (after prior approval was received but before conversion to flats) for £19,000,000. Other similar examples found.

However, schemes do not make any contribution towards local public infrastructure through planning gain, leading to a potential loss of income of £10.8million in S106 contributions and 1,667 affordable housing units across our five case study authorities

In conclusion Jess Ferm said that

- Regulation matters for the planning system
- Mainstream view of increasing supply at all costs 'to solve the housing crisis' privileges quantity over quality
- Neglects problems of the dis-economies of entirely market led provision
- Market is 'short-term-ist'. Exploits market niches (in student accommodation etc), doesn't adequately prioritise quality or social sustainability
- Whatever the quality, no contributions to the additional public infrastructure needed to support the additional housing or providing affordable housing
- Alternatives to deregulation – government could achieve quantity AND quality through more proactive approach

Peter Eversden thought that the conversions of office to residential have resulted in some dreadful developments in Hounslow.

FINALLY...

Jonathan Manns was confirmed to be vice-chairman of the Forum.

The Minutes of the previous meeting were confirmed, and the next meeting will be with the Cambridge University Land Society, the ACA and the National Planning Forum to be held on **March 19th 2019** at Dentons.

Government chief planning officer Steve Quartermain has agreed to give the keynote with his usual planning update and the main topic is to be housing and new settlements looking at the Oxford-MK-Cambridge Corridor proposals and their relationship to existing and renewed infrastructure, partly as a way of releasing pressures on the Capital. ■



Residential conversions

ABOVE:

of appropriate buildings?

BELOW:

In the right locations?

Image: Google Earth



Cambridge University
Land Society

Tuesday 19th March
at Dentons 1 Fleet Place EC4M 7WS

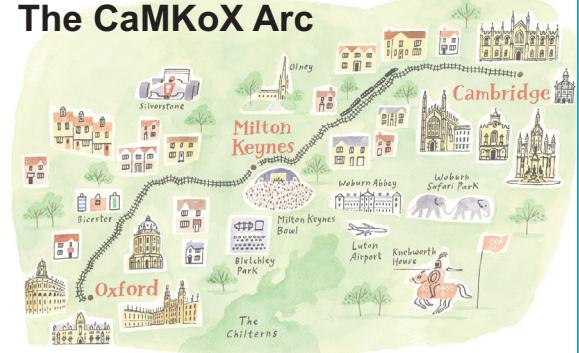
1.30 FOR 2.00pm followed by drinks



London Planning &
Development Forum

Annual Planning Update

Housing and new settlements: The CaMKoX Arc



Keynote: The Government's agenda for planning
by Steve Quartermain (MHCLG Chief Planner)

Followed at 6.00pm by
Networking reception sponsored by Dentons

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