

LOCAL PLANS SUB (PLANNING AND TRANSPORTATION) COMMITTEE
Tuesday, 20 June 2023

Minutes of the meeting of the Local Plans Sub (Planning and Transportation)
Committee held at Committee Room 2 - 2nd Floor West Wing, Guildhall on Tuesday,
20 June 2023 at 9.00 am

Present

Members:

Deputy Shravan Joshi (Chairman)
Deputy Graham Packham (Deputy Chairman)
Deputy Randall Anderson
John Edwards
Deputy Alastair Moss
Elizabeth Anne King (Ex-Officio Member)

Officers:

Zoe Lewis – Town Clerk’s Department
Luke Major – Town Clerk’s Department
Ben Eley – Environment Department
Rob McNicol – Environment Department
Tom Nancollas – Environment Department
Garima Nayyar – Environment Department
Gwyn Richards – Environment Department
Michelle Rowland – Environment Department
Peter Shadbolt – Environment Department

1. APOLOGIES

Apologies for absence were received from Deputy Christopher Hayward and Alderwoman Susan Pearson.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT

Deputy Alastair Moss declared an interest in specific sites referenced in the non-public discussion on Item 9 - City Plan – Tall Buildings. He left the room for the discussion relating to these sites.

3. MINUTES

RESOLVED – That the public minutes of the last meeting held on 23 May 2023 be approved as a correct record.

4. CITY PLAN 2040 - OFFICES

The Sub-Committee considered a report of the Planning and Development Director, which set out how policies in the City Plan could be updated to ensure that there would be a sufficient supply of offices to meet future demand.

An Officer stated that the National Planning Policy Framework (NPPF) emphasised the importance of planning for economic growth and productivity. Local plans such as the City Plan were expected to set out a clear economic vision which proactively encouraged sustainable economic growth. The London Plan focused on economic growth in the central activity zone of which the City was a core part. It recognised the importance of supporting the Central London office market.

Members were informed that GLA Economics had published updated employment projections in 2022 and these showed continued growth in employment in the square mile with a levelling off in the long term. To inform the updated City Plan, a study was commissioned by Arup and Knight Frank to look into the future of offices in the square mile. They considered the way in which offices were being occupied, demand, future challenges and opportunities. Andrew Tyler, one of the proprietary partners and Head of Commercial Development at Knight Frank gave a presentation. He stated that the City market extended to about 112million square feet. This equated to approximately 56million square feet in the City core, 9 million square feet in Aldgate, 18 million square feet in Clerkenwell and 20million in Midtown. Prime rents in the City for a non-tower building were £75 per square foot compared to the West End average of £125 per square foot. Take up of offices in the City in 2022 was 5.78million square feet. There were currently 7.8million square feet of development schemes under construction in the City. 2.8million square feet was already committed.

Members were informed that in relation to Grade A office space, there could be a potential shortfall of 7 million square feet by 2026. There was currently 4.59million square feet of active demand. This was a relatively stable figure. The current vacancy rate at the end of Quarter 4 2022 was 9.5%. There was a distinct flight to quality and there were now essentially only three grades of space: 1) Best in Class (Grade A+) - new or refurbished space that was above and beyond the British Council for Offices (BCO) specification with additional services added to enhance the tenant offering; 2) Grade - new and refurbished space that met the BCO specification, and 3) Grade B space - second-hand space that did not meet the Grade A specification or had previously been occupied and required substantial refurbishment.

The Sub-Committee were informed that in 2014, the take-up of second-hand Grade B space totalled 1.1million square feet which represented 14.5% of the total take-up for that year. In 2022, only 110,000 square feet of Grade B space was taken up which was 2.2% of the total demand. Demand for second hand Grade A space peaked in 2019 at 3.16million square feet which at that time was 51.9% of the demand. In 2022, second-hand Grade A space accounted for 1.52million square feet of demand which was 24.5% of the demand.

Members were advised that there had been a structural change post-pandemic with occupiers now demanding more from their office space. Office space was required to accommodate hybrid working solutions and collaboration amongst staff and many second-hand offices were not conducive to these objectives. It

was anticipated that demand for second-hand offices would continue to fall over the coming years.

Members were informed that there would be 23.5 million square feet of lease events between now and 2027 and this would provide many occupiers an opportunity to move and improve their accommodation. 20% of total office stock would have a lease event over the next four years. There would also be changes to the minimum energy efficiency standards. All properties had to have an Energy Performance Certificate (EPC) rating of C by 2027 and B by 2030. Across the whole of London there was 140 million square feet of office space with an EPC rating of C or below so 50% of total office stock would be incapable of being let in 2027. 94 million square feet of this space was outside of the City core and there was a risk that some of the buildings could not easily be upgraded to meet the minimum energy efficiency standards. There was an increased focus on the flight to quality demand for Best-in-Class offices. Growth could reduce in the next few years as existing occupiers looked to right-size their real estate footprint for hybrid working as leases expired. Best-in-class Grade A space was currently trading at a £10 a square foot premium which equated to £85 per square foot. Most occupiers surveyed remained intent on redesigning or reconfiguring their office space within the next three years with occupiers seeking to enhance the physical environment and make it a compelling place to work with each occupier having individual needs.

Matthew Dillon, Director and Leader of the City Economics Team in Arup advised the Committee that Arup had worked alongside Knight Frank on this project. He stated that traditional office-based jobs still dominated, with finance, insurance, public sector jobs etc making up half the office jobs in the City. These had grown more slowly over the last six years (by 25%) but emerging office-based jobs e.g. communication, technology, professional, scientific and creative industries had experienced an 80% growth over the last six years. These sectors of the office market were projected to grow fastest in the future. They tended to be smaller organisations, were more agile and wanted a more dynamic working environment, often with lower workplace densities and higher amenity offices. They often need special facilities depending on the industry they were in. Prior to the covid pandemic, office workers typically attended the office about 75-80% of the week. Currently midweek levels were about 75-80% of 2019 levels, with offices just over 50% full on Mondays and Fridays. Members were informed that there were predictions for another 60,000 office jobs in the City by 2042. A range of different scenarios had been tested and the summary was that long-term growth prospects were good with the City requiring between 6 and 20million additional square feet of office space by 2042. However, the office market might soften significantly in the next few years as existing occupiers looked to right-size their space in response to hybrid working when their leases expired. Whilst the long-term growth prospects were good, the rest of the decade for the office market would probably be difficult.

The three scenarios tested were outlined to Members. The first scenario was the return of in-person office attendance which assumed working patterns

would return to approximately 80% of pre-pandemic patterns. The second scenario called Hybrid Peak looked at workers attending the office at about two-thirds of 2019 levels with a midweek concentration. The third scenario called the New Diverse City assumed that employees would attend the office, as they were now, at about 50% of 2019 levels but with a reasonably even spread throughout the week. This meant employers would be able to downsize their office space whilst keeping the same head count and it also meant that released office space would go back on the market and could potentially be refurbished and upgraded for new entrants or become available for conversion to other types of uses. Around a 10-30% increase in additional space would be required over the next 20 years. The in-person and hybrid peak scenarios were broadly aligned with the draft City Plan in terms of the net office space development required. The New Diverse City scenario assumed that over time, new organisations would move in and large scale working from home would mean the City could accommodate almost 150,000 additional office jobs. This was almost 50% higher than today's figure. These would be people who were not coming into the City every day and were substantially based remotely but whose head office was within the City. The City would need to remain attractive to new entrants and some price softening could be required over the next decade.

Members were shown a map of the offices that were currently below the EPC C rating. Significant investment would be required to meet the energy benchmarks. It was estimated that about 32 million square feet of office space in the City was EPC C or below. Some would be converted to Grade A or Best in Class by businesses, but others would be more challenging. This would include listed buildings and historical assets. Others would be difficult to make a financial case for conversion so in some limited circumstances where Grade B offices were obsolete, could not be viably refurbished and where there were wider sustainability and planning benefits, there could be a case for demolition.

Members were informed that it was expected that over time the City would remain desirable and that more home working could allow for more office jobs to be sustained from the same footprint. However, a proportion of the existing office stock would require investment in order to meet regulation needs and market demand. It was suggested that intervention was required to allow for fewer obstacles for older stock to be updated. It was recommended that in relation to the City Plan, steps be taken to increase the supply of best-in-class spaces in site. This would mean identifying sites that could be brought forward, providing advice for site owners, and working alongside them to bring forward sites. It was recommended that the planning framework support area additions and extensions when they were linked to wider sustainability goals. It was also suggested that the City should encourage conversion of existing Grade B stock to high quality offices where it could be, with this involving promotion, sharing of case studies in a similar way to the retrofit case studies which had been shared with the industry and more broadly supporting policies that encouraged retrofit and refurbishment and improvement of EPC ratings. It was also suggested that alternative uses for Grade B stock be encouraged when conversion to higher

grade office stock was not feasible. This would mean taking a more flexible approach to planning consent for heritage and stranded assets e.g. by exploring the implications of amending the policy that required a viability assessment when considering changes of use but only where this would incentivise the recent retention and improved environmental performance of existing buildings.

Other recommendations, beyond the City Plan, were outlined to Members. It was recommended to increase the supply of higher quality sustainable office spaces by identifying opportunities within the market for investment and development, by continuing to promote and invest in amenities and the workplace experience to enable employees to attract employees back to the office and by attracting tourists. This would include investing in the public realm, attracting food, beverage and leisure offers and encouraging conversion of existing Grade B stock to higher grade office space. This would mean working with owners to continually monitor assets that might be at risk and working with owners and landowners to identify obstacles to conversion and how these might be removed.

It was suggested that a city advisory hub be formed to provide expert advice and connect developers, business owners, stakeholders and groups such as English Heritage to share skills, cost-effective methods and best-in-class approaches to updating heritage assets. It was recommended to protect some office space during the potential period of softening of demand in the short term. It was suggested that the construction industry campaign for low-cost carbon retrofit be supported. This could include supporting campaigns for VAT relief for sustainable retrofit. Alternative uses for Grade B stock could be encouraged where conversion was not feasible and so a more efficient use of office stock for long-term vacant sites should be monitored and supported back into use by promoting incentives to do so. As the demand curves were heavily dependent upon continuing to strengthen the City's role as a premium office market location, this meant encouraging growth in these emerging sectors e.g. creative industries, financial technology (fintech) industries, and industries requiring laboratory enabled offices as these emerging sectors would only be attracted to the city through marketing and having the right space, facilities and incentives available.

It was suggested that marketing should emphasise the City's role as a business hub, a place for innovation and a place where different industries became inspired by one another. This might involve promoting the City as the UK's first zero carbon office market. It was also recommended to leverage the City's Business Improvement Districts (BIDs) where possible to enhance the offer in the area and strengthen the City's role in people's working lives and leisure lives.

The Chairman asked how the 9.4m vacancy rate compared to previous years, how the return to work compared to other comparative global cities and how long it took between a scheme obtaining planning permission and being occupied. Andrew Tyler advised that the vacancy rate was just below the

average rate of 10%. There would always be some vacancies and this was required for natural growth. When looking at the return to the office post-pandemic, the best-in-class stock had the best rate of occupancy. The return to work in New York had been low due to more lower grade office stock and limited amenities in offices, however a Grade A best-in-class development in New York had 98% occupancy. The occupancy levels in Dublin were similar to London due to Grade B buildings being turned into best-in-class buildings. On average a 100,000 square feet refurbishment took about two years from being granted planning permission to being occupied. Larger schemes could take 4-5 years.

A Member referred to employers right-sizing and asked if employers would insist on employees working in the office on Mondays and Fridays to enable this to take place. Members were advised that soft and hard measures were being used to encourage staff back into the office on Mondays and Friday and informal and formal sub-letting of space, often not involving exchanges of money, was occurring.

A Member asked about whether the change in EPC regulations could feasibly be accomplished by 2027. Andrew Tyler stated that occupiers were already trying to align their own sustainability goals to the space and this regulation change was an accelerator. Whilst if the costs of achieving the regulations exceeded a certain percentage, the work did not need to be undertaken, the change was being driven by occupiers who wanted more sustainable offices.

In response to a Member's question, Matthew Dillon stated that the current situation was a large mid-week peak in office attendance with employers encouraging people back into work. It was likely the midweek peak would soften and also that a number of new industries would make the City their home in the next few years.

A Member commented that the change in EPC requirements would also apply to homes and stated that there were 4,000-5,000 apartments in the city which were Victorian conversions and had an EPC rating of E. He stated that this had not been addressed. An Officer stated that work would be undertaken to look at the challenges around residential units meeting the EPC requirements.

A Member stated the need to reduce the cost of the planning system on energy conversion projects e.g., currently planning permission was required to replace windows in a conservation area which looked identical to the originals but were made of a different, more energy efficient material. An Officer stated that the planning permission thresholds were governed by Central Government. An Officer stated that as part of the Climate Action Strategy, Historic Buildings Sustainability Challenge work was being undertaken. This was a detailed piece of work looking at different typologies of historic buildings and the work needed for them to meet standards.

In response to a Member's question about the projections in relation to office space, Matthew Dillon stated that there was a mixed picture and whilst the long term outlook was good, there could be challenges in the next few years. The

top end of the market was likely to remain strong throughout. An Officer stated that there was a proposal to encourage buildings to be retrofitted where there was a change of use from offices to hotel use, cultural use or educational use. The proposal was that as long as the office space was not strategically important space vital for office demand, and as long as the building was being retained and upgraded to bring it up to standard, there was no need to go through the owner's viability assessment process that the planning system currently required to show that it was not financially feasible to retain the building as an office. There would however still need to be a 12-month marketing exercise to test whether there was still a requirement for that use.

In response to a Member's question about the types of amenity being provided, Andrew Tyler stated that not all buildings could offer amenity spaces within the building but could provide this in the vicinity. Amenity space could include spaces for people to go and collaborate, spaces to contribute to mental health and wellness, quiet areas and social space.

In response to a Member's question about using local food and beverages producers, Andrew Tyler stated that more occupiers of offices were using this approach and were no longer seeking to have long term leases with large chains.

In response to a Member's question about the premium of £10 per square foot for best-in-class buildings, Andrew Tyler stated that it was unlikely there would be a premium once all buildings were brought up to this level. There would, however, continue to be a premium for tall buildings due to the views.

Matthew Dillon stated that corporate social responsibility was driving people towards low carbon offices. Emerging new sectors, that would grow more quickly, were more likely to require high quality, less dense offices. More clerical, back-office functions could be undertaken in lower grade offices and these types of industries were predicted to expand much more slowly.

RESOLVED - That Officers continue to progress work on the City Plan based on Members' views on the proposed policy direction in relation to the policies on office space.

5. **CITY PLAN 2040 - TALL BUILDINGS AND HERITAGE**

The Sub-Committee considered a report of the Planning and Development Director, which set out proposed amendments to City Plan policy on tall buildings, including where they might be appropriate and inappropriate; permissible heights within areas appropriate for tall buildings; and approaches to ensure development would conserve the special historic and architectural interest of Bevis Marks Synagogue.

An Officer stated that in 2021, a Regulation 19 consultation was undertaken on the City Plan. The Mayor of London and the Greater London Authority raised an issue of non-conformity with the City plan stating that there was a need to identify appropriate areas for tall buildings within the Plan and there was a need

to consider impacts on the Tower of London world heritage site. Concerns were raised by historic England about tall buildings coming forward in areas that could be harmful. Historic Places requested that specific strategic views be taken into account as well as strategic views set out in the London view management framework. There were also responses from the London Sephardi Trust and the Spanish and Portuguese Farsi community raising concerns particularly over the impact of tall buildings on historic buildings and their setting and in particular in relation to Bevis Marks synagogue in the City.

Members were informed that in order to address these issues, an extensive piece of work had been undertaken. A three-step process had been undertaken. The first step involved identifying appropriate locations for tall buildings, determining suitable building heights within those locations and evaluating potential developments impacts. The second step used three-dimensional modelling to undertake a complex sieving exercise to identify and analyse the character areas to assess their sensitivity to tall buildings. A range of criteria was considered including character and form of those areas, the strategic townscape, heritage and views and the heritage significance of the areas. The City Cluster and Holborn and Fleet Valley were identified through the process as being sensitive rather than very sensitive to tall buildings. The work had been expert peer reviewed by Dr Nigel Barker Mills. The third step was a detailed assessment of tall building areas looking at potential impacts on strategic views working with expert consultants. This involved complex three-dimensional mapping of constraints including the London view management framework, St Paul's heights viewing points, Monument views, views from the Tower of London. Many other constraints were also taken into consideration. More localised constraints and heritage considerations would be carried out when assessing specific applications.

Officers were proposing that modifications be made to policies within the City Plan. It was proposed to designate the City Cluster and the Fleet Valley area as tall building areas, with it being considered that other areas in the City were inappropriate for tall buildings. The definition of a tall building in the City was 75m or above so substantial developments were not precluded elsewhere in the City. It was also be proposed that maximum heights be set within the tall buildings' areas. A two-dimensional map and three dimensional digital model would be made available to the public and to developers. Members were informed that tall buildings would still be subject to very detailed policy assessment looking at a whole range of local impacts and design considerations.

The Officer stated that special consideration would be given to Bevis Marks Synagogue due to its proximity to the tall building cluster. Conversations had taken place with the Rabbi and other stakeholders within the area and there were a number of recommendations for policy proposals within the City Plan. It was proposed that an immediate setting area be put in place for the synagogue. This would require any development within the area to respect the synagogue. This was considered to be an appropriate route to take for this

special building given its unique setting and its courtyard setting within the City Cluster and within its historic environment. A policy approach was also being proposed to state that development within the City Cluster should not have an unacceptable impact on daylight levels within historic places of worship including the synagogue. An assessment of a potential conservation area covering the wider Creechurch area was being undertaken and would be considered by the Planning and Transportation Committee in July. Work on conservation areas was covered by separate legislation and whilst, not part of the work of the City Plan, it was complementary to this.

RESOLVED - That Officers continue to progress work on the City Plan based on Members' views on the proposed policy direction in relation to the policies on tall buildings.

6. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

There were no questions.

7. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
City Plan Timetable

An Officer stated that the City Plan work programme had been reviewed. He reported that good progress had been made on a number of studies, particularly with the office piece which was a core piece of work. There had been strong steers from the Sub-Committee and public consultation was currently being undertaken, plus work was taking place with transport colleagues to align with the transport strategy. Officers wanted to ensure that this could be fully analysed and considered that the programme would benefit from a shift in timescales, submitting the City Plan to the Sub-Committee in September rather than July and to a special meeting of the Planning and Transportation Committee in mid-November 2023. It would then be submitted to Policy and Resources Committee and the Court of Common Council. Public engagement would follow in February and March 2024.

8. **EXCLUSION OF THE PUBLIC**

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

9. **CITY PLAN 2040 - TALL BUILDINGS AND HERITAGE - NON-PUBLIC REPORT**

The Sub-Committee considered a non-public report of the Planning and Development Director which included maps and images of proposed tall building areas and heights.

RESOLVED - That Officers continue to progress work on the City Plan based on Members' views on the proposed policy direction in relation to the policies on tall buildings, informed by the areas and heights presented to them.

10. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE

There were no questions raised in the non-public session.

11. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB-COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

There were no additional, urgent items of business for consideration in the non-public session.

The meeting ended at 11.10 am

Chairman

Contact Officer: Zoe Lewis
zoe.lewis@cityoflondon.gov.uk